



ANNUAL DIRECTORS' REMUNERATION REPORT

This Annual Directors' Remuneration Report was drawn up by the Board of Enagás, S.A. at its meeting on 19 March 2013, based on a report prepared by the Appointments, Remuneration and Corporate Responsibility Committee, for the purposes of Article 61 ter of Law 24/1988 of 28 July. In accordance with section 2 of the aforementioned article, this annual directors' remuneration report, which includes the Company's remuneration policy adopted for the current year, that anticipated for future years, the overall summary of how the remuneration policy was applied over the year, and details of individual remuneration received by each of the Directors, will be submitted to an advisory vote as a separate item on the agenda at the Ordinary General Meeting convened by the Board during the aforementioned meeting, on first call on 23 April 2013 and on second call on 24 April 2013.

1. COMPANY REMUNERATION POLICY. GENERAL PROCEDURE FOR SETTING REMUNERATION PAYABLE TO DIRECTORS, THE EXECUTIVE DIRECTORS AND SENIOR MANAGEMENT

This first section describes the Company's general remuneration policy and the procedure applied annually to set and approve remuneration payable to Directors in respect of their membership of the Board and its Committees; the procedure for setting the Executive Directors' remuneration for the performance of their executive duties; and the procedure for setting remuneration for members of the Company's Senior Management.

1.1. Procedure for setting Directors' remuneration for attendance of meetings of the Board and of its Committees

Article 36 of the Articles of Association of Enagás, S.A. provides as follows:

ARTICLE 36. - REMUNERATION OF THE BOARD OF DIRECTORS.

The position of Director will be remunerated.

The General Meeting will determine the total maximum remuneration to be paid to Directors, and this will 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 the pay ought to remunerate the directorship itself, equally for all directors, and that another part should 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 will be presented to the General Meeting for approval, and the Meeting will 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 will be compatible with and independent from salaries, wages, indemnities, pensions or compensation 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 executive contract, or a contract for services. Such relationships must be compatible with the position of member of the Board of Directors.

Directors will 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 others which may arise.

The Company may contract civil liability insurance for Board members and Senior Management.

Board Member remuneration will be reported in the terms legally provided for in the Report, the Annual Corporate Governance Report and the Annual Directors' Remuneration Report. The latter report will be laid before the shareholders and submitted to an advisory vote as a specific item on the Agenda at the 2013 Ordinary General Meeting.

Pursuant to this provision of the Articles of Association, the Board, on the motion of the Appointments, Remuneration and Corporate Responsibility Committee, proposes to the shareholders at the General Meeting – the body empowered to adopt the proposal each year – the remuneration payable for attendance of Board meetings and membership of Board Committees. At the General Meeting of 30 March 2012, shareholders adopted the following resolution (this resolution maintained practically the same terms as the agreement adopted by shareholders at the General Meetings of 25 April 2008, 27 March 2009, 30 April 2010 and 25 March 2011, in such a way that Directors' remuneration in this respect has remained unaltered since 2008):

"The General Shareholders' Meeting, in accordance with paragraph two of Article 36 of the Articles of Association, agrees to set the figure of €1,115,741 as the total maximum payment for members of the Board of Directors for 2012, to be paid in accordance with the following procedures and criteria:

- Each Board member personally attending a minimum of two meetings during the year will be entitled to a payment of €22,050.*
- In addition, actual attendance of meetings will entitle Directors to a maximum annual payment of €42,446. The Board of Directors will decide the exact amount to be paid for actual attendance of each meeting.*
- Additionally, Board Committee members will be entitled to the sum of €11,025 per annum, with chairmanship of any committee entitling them to an additional €5,513 per annum.*

- *The post of Lead Independent Director will be remunerated with the complementary sum of €16,000.*

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."

Various resolutions of the Appointments, Remuneration and Corporate Responsibility Committee specify the details of accrual and payments of attendance fees in respect of meetings of the Board and of its Committees.

In 2012, Directors were paid an aggregate amount of €1,004 thousand in respect of these items.

1.2. Remuneration of Executive Directors

At 31 December 2012 the Enagás, S.A. Board had two Executive Directors: the Chairman, Mr. Antonio Llardén Carratalá, and the Chief Executive Officer, Mr. Marcelino Oreja Arburua.

1.2.1.- Contractual relationship with the Executive Directors

Pursuant to the last paragraph of Article 36 of the Articles of Association, the Executive Director and Chairman of the Board of Directors **Mr. Antonio Llardén Carratalá** carries out his executive functions at the Company by virtue of a contract each and every term of which was authorised by the Board of Directors at its meeting on 22 February 2007. Any subsequent modifications to the contract, particularly its initial economic conditions, have been authorised by the Board of Directors following a proposal by the Appointments, Remuneration and Corporate Responsibility Committee. The contract specifies the duties of Mr. Antonio Llardén Carratalá as Executive Chairman of the Company, and makes provision for remuneration payable to him independently of, but consistent with, remuneration in respect of his directorship, pursuant to the last paragraph of Article 36 of the Articles of Association. The contract sets a fixed component of annual remuneration; a variable component of annual remuneration; a range of payments in kind commonly provided for in these contracts; and a range of welfare benefits. The contract makes provision for events of termination. If the contract is terminated by the Company in the absence of grounds for fair dismissal, the applicable indemnity is an amount equal to three years' remuneration.

Also pursuant to the last paragraph of Article 36 of the Articles of Association, the Executive Director and Chief Executive Officer **Mr. Marcelino Oreja Arburua** carries out his executive functions by virtue of a contract each and every term of which was authorised by the Board of Directors at its meeting on 21 January 2013, effective as of the date of appointment of the Chief Executive Officer on 17 September 2012. Any subsequent modifications to the contract, particularly its initial economic conditions, must be authorised by the Board of Directors following a proposal by the Appointments, Remuneration and Corporate Responsibility Committee. The contract specifies the duties of Mr. Marcelino Oreja Arburua as Chief Executive Officer of the Company, and makes provision for remuneration payable to him independently of, but consistent with, remuneration in respect of his directorship, pursuant to the last paragraph of Article 36 of the Articles of Association. In this regard, the contract stipulates a fixed annual remuneration of €300,000; a variable annual salary of up to 60% of the fixed remuneration; certain remuneration in kind that is normal practice in these contracts and the habitual practice for Senior Management at the Company, and additional welfare benefits. The contract makes provision for events of termination, and stipulates that it may

not be terminated with no grounds for fair dismissal. In this regard, since this is a new contract, the Board deems it appropriate to apply the latest recommendations of Good Corporate Governance stipulating that the indemnity applicable to Mr. Oreja will be equivalent to two years' remuneration.

1.2.2.- Fixed remuneration

To set the fixed remuneration of the Executive Chairman and the Chief Executive Officer, every year the Appointments, Remuneration and Corporate Responsibility Committee proposes to the Board that the amount of this component be either left unchanged, or be increased by a given percentage. In 2009 and 2010 the fixed component of the Executive Chairman's remuneration remained unchanged. In 2011, it was increased in the same proportion as the average increase in the fixed remuneration of Senior Management in that year, and in 2012 it remained unchanged. The Chief Executive Officer joined the Company in 2012.

1.2.3. Variable remuneration

To set variable remuneration (equal to up to 60% of fixed remuneration), every year the Appointments, Remuneration and Corporate Responsibility Committee, having regard to the views of Company Management and having taken appropriate advice, adopts the "Company Targets" for the year in progress. Company Targets are relevant to setting the Executive Chairman's variable remuneration. At the beginning of each financial year, the Appointments, Remuneration and Corporate Responsibility Committee assesses the extent of fulfilment of Company Targets in the previous year, and proposes the variable remuneration due to the Executive Chairman accordingly. The Board then adopts this proposal; the Chairman of the Board abstains from taking part in deliberations or voting on the issue.

The same procedure will be used with respect to the Chief Executive Officer who joined the Company in 2012.

1.2.4. Remuneration in kind and additional welfare benefits

The remuneration in kind received by the Executive Chairman is of a nature regularly provided for under this type of contract. In 2012, remuneration in kind was paid to a value of €67,000. One of the additional benefits consists of contributions to the Enagás, S.A. pension scheme. The Executive Chairman is provided with these benefits in the same way as any other Company employee: €10,000 was contributed to the scheme on his behalf in 2012. A further additional benefit is payment of life insurance premiums, which in 2012 came to €72,000. The Company has outsourced its pension commitments with its Directors through a mixed collective insurance policy, including benefits in the event of survival, death and employment disability. The Executive Chairman is part of the group covered by this policy: of the total premium paid for this during the year, €190 thousand corresponded to the Executive Chairman. Any significant change to remuneration in kind paid to the Executive Chairman or to additional welfare benefits provided on his behalf is approved by the Board on the motion of the Appointments, Remuneration and Corporate Responsibility Committee.

The Chief Executive Officer did not receive any remuneration in kind or welfare benefits in 2012.

1.3. Remuneration paid to Senior Company Management

1.3.1. Contractual relationship

Senior Company Management comprises the Company Secretary and Secretary to the Board; the Finance Officer; the Resources and Corporate Responsibility Officer; the Officer for Technical Management of the System and Operations; the Strategy and Regulatory Affairs Officer; the Infrastructure and TPA Officer; and the Technology, Engineering and Procurement Officer. Together with the Chairman, these officers sit on the Company's "Management Committee". The Chief Executive Officer, the General Secretary and Board Secretary and the Officer for Technical Management of the System and Operations report directly to the Executive Chairman. The other Senior Executives report directly to the Chief Executive Officer.

Members of Senior Management are employed by the Company under contracts to a model approved by the Board on the motion of the Appointments, Remuneration and Corporate Responsibility Committee. The contract model specifies the duties of the Senior Manager in question and sets remuneration, comprising fixed and variable remuneration, remuneration in kind and additional welfare benefits. If a contract is terminated through unfair dismissal, the applicable indemnity is based on a table that references the Manager's age and length of service.

1.3.2 Fixed remuneration

Every year the Appointments, Remuneration and Corporate Responsibility Committee approves any increases in remuneration paid to Senior Management overall and individually to each Senior Manager, and reports these to the Board. Fixed remuneration paid to Senior Management remained unchanged in 2009 and 2010. In 2011, fixed remuneration was increased by an average of 3.9%. There were no increases in 2012. Fixed remuneration for Senior Management in 2012 overall totalled €1,345 thousand.

1.3.3. Variable remuneration

In view of the Company Targets adopted by the Appointments, Remuneration and Corporate Responsibility Committee and of the proposals of Senior Management, the Executive Chairman adopts "Management Targets". Variable remuneration paid to members of Senior Management is set on the basis of fulfilment of Company Targets and Management Targets relating to each Senior Manager. Targets consist of the achievement of specified results in terms of business, investment and commissioning of infrastructure, strategic steps forward for the Company, and progress in sustainability and corporate responsibility. Variable remuneration overall to Senior Management in 2012 came to €590 thousand.

At the beginning of each financial year, the Appointments, Remuneration and Corporate Responsibility Committee, on the motion of the Executive Chairman, assesses the achievement of targets by each member of Senior Management in the previous year, and determines the variable remuneration payable to each accordingly. The Committee reports these decisions to the Board.

Other than the variable component of annual remuneration, the Company does not have in place any multi-annual incentives scheme giving rise to further variable remuneration for the Executive Chairman or members of Senior Management. The Company introduced two such schemes in 2006 and in 2009.

1.3.4. Remuneration in kind and additional welfare benefits

The remuneration in kind received by Senior Management is of a nature regularly provided for under this type of contract. In 2012, remuneration in kind was paid to Senior Management in the amount of €83,000. One of the additional benefits consists of contributions to the Enagás, S.A. pension scheme. Senior Management

are provided with these benefits in the same way as other Company employees: €58,000 was contributed to the scheme on their behalf in 2012. A further additional benefit is payment of life insurance premiums, which in 2012 came to €98,000. The Company has outsourced its pension commitments with its Directors through a mixed collective insurance policy, including welfare benefits in the event of survival, death and employment disability. Any significant changes to remuneration in kind paid to Senior Management or to additional welfare benefits provided on their behalf is approved by the Appointments, Remuneration and Corporate Responsibility Committee.

2. COMPANY REMUNERATION POLICY FOR THE CURRENT YEAR

Company remuneration policy for the year ongoing, 2013, was approved by the Appointments, Remuneration and Corporate Responsibility Committee at its meeting on 18 February 2013. This policy for 2013 is in line with the same procedures that the Company has applied in recent years, described in detail in section 1 above. The Committee, however, has reached agreements to update the criteria for determining the variable remuneration of the Executive Chairman, the Chief Executive Officer and, where applicable, Senior Management, with a view to improving the structure and advisability of certain issues in relation to remuneration.

2.1 Directors' remuneration for attendance at meetings of the Board and of its Committees

Pursuant to article 36 of the Articles of Association and following the usual procedure, the Board has resolved to lay before the Annual General Meeting – to be held on 23 April 2013, or, if adjourned due to a lack quorum, on 24 April 2013 – the following resolution to set Directors' remuneration in respect of membership of the Board and of its Committees:

"The General Shareholders' Meeting, in accordance with paragraph two of Article 36 of the Articles of Association, agrees to set the figure of €1,115,741 as the total maximum payment for members of the Board of Directors for 2013, to be paid in accordance with the following procedures and criteria:

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

The above amounts are compatible with and independent of salaries, wages, indemnities, pensions or compensation of any type established in general or in particular for members of the Board of Directors who are linked to the Company through a normal labour relationship, special senior executive contract, or a

contract for services. These relationships must be compatible with membership of the Board of Directors.

The remuneration proposed for members of the Board of Directors in 2013 entails no individual increases, and is as approved by the General Meeting in 2008, 2009, 2010, 2011 and 2012.

2.2 Remuneration of the Executive Chairman and Chief Executive Officer

In 2013 the remuneration payable to the Executive Chairman will be structured in the same way as in previous years. This structure will also be applied to the Chief Executive Officer. However, the Appointments, Remuneration and Corporate Responsibility Committee has agreed to update the criteria used to determine the variable remuneration of both Executive Directors.

2.2.1.- Fixed remuneration

At the date of issue of this Report, the Board had not yet determined whether the fixed remuneration paid to the Executive Chairman in 2012 (€960 thousand) will be increased, or the percentage of such increase, if any; nor had these matters been determined with respect to the Chief Executive Officer and members of Senior Management. Any increase will take the form of an organic update of salary, in line with previous years. In 2009 and 2010, the fixed component of remuneration for the Executive Chairman and Senior Management remained unchanged. In 2011 it was increased in the same proportion as the average increase in the fixed remuneration of Senior Management in that year. There was no increase in 2012.

2.2.2- Variable remuneration

As in previous years, variable remuneration will be equal to up to 60% of the fixed remuneration of the Executive Chairman and Chief Executive Officer.

In view of observations by a number of shareholders, international institutional investors and "proxy advisors" in connection with the remuneration scheme for members of the Board at Enagás S.A., on the basis of the Enagás Annual Directors' Remuneration Report for 2011 (hereinafter the "Annual Remuneration Report"), the Appointments, Remuneration and Corporate Responsibility Committee conducted an analysis of the addition of a number of targets/remuneration criteria for Remuneration Policy at Enagás on which receipt of variable remuneration by Company Directors will depend.

In this regard the Committee initially analysed these observations by shareholders, international institutional investors and "proxy advisors", the criteria and targets used by major listed companies in Spain, and also those used by the Committee of European Banking Supervisors (hereinafter the "CEBS") in its "*Guidelines on Remuneration Policies and Practices*". This process was carried out to update the criteria used to determine the variable remuneration of Executive Directors in terms of performance of their functions and, where applicable, that of Senior Management, and other aspects in connection with trends in Company results and creation of value for shareholders.

I. Recommendations and praxis in relation to the variable remuneration of Executive Directors-Senior Executives

A. Summary of the conclusions and recommendations of institutional investors and “proxy advisors” in connection with the Enagás Annual Directors' Remuneration Report for 2011.

At the Enagás Ordinary General Meeting ruling on the financial year 2011, which was held on 30 March 2012, shareholders, international institutional investors and “proxy advisors” assessed the Company's remuneration policy in the light of the information provided in the Annual Remuneration Report, which was submitted to advisory voting at the General Meeting as Item 11 on the Agenda.

Although the Remuneration Report secured 93.43% of votes in favour from the advisory voting process, the Committee felt it was advisable to take account of the observations and recommendations expressed by these shareholders, institutional investors and “proxy advisors” in relation to information concerning the Enagás remuneration policy in the Remuneration Report.

- No disclosure of targets justifying payment of variable remuneration: The Annual Remuneration Report ought to define the targets against achievement of which variable remuneration is received by Executives, in addition to the level of compliance.
- Measurement of performance in absolute terms: Targets should be introduced to measure the performance of Executive Directors or Senior Management in relative terms, demonstrating the personal performance of each.
- Scope of indemnities: Indemnities stemming from dismissal by the Company ought to be limited to an amount equivalent to two years' pay.
- Absence of a long-term incentives scheme: Long-term incentive schemes ought to be introduced to appraise the performances of Executive Directors or Senior Management against long-term growth of the Company, and the performances should be gauged in connection with Company results and value creation for Company shareholders.
- Absence of benchmarking companies: A group of companies ought to be introduced as a benchmark for comparison of the remuneration scheme used.
- Absence of any deferral: 25-50% of variable remuneration ought to be deferred over a period of 2-3 years, and a portion of the variable remuneration should be paid in shares.
- Absence of “clawback provisions”: Remuneration policy ought to include a mechanism whereby, in the event of outright fraud or improper or opportunist conduct, the amounts paid over as variable remuneration may be recovered.

B. Criteria and targets applied by companies listed on Spain's Ibex-35 index to determine the variable remuneration of Executive Directors and Senior Management

The Committee also took consideration of the criteria and targets applied to determine the variable remuneration of Executive Directors and/or Senior Management and long-term incentive schemes by companies listed on Spain's Ibex-35 index which have provided this information either for the previous year or for future years in their annual reports on executives' remuneration provided for shareholders in the notice for Ordinary General Meetings, pursuant to the provisions of Article 61 ter of the Spanish Securities Market Act.

As a general rule, these companies appraise payment of variable remuneration against mainly economic and financial criteria, with a particular focus on corporate results from a number of perspectives, including criteria in relation to value creation for shareholders.

Banco Santander

- Net profit.
- Group RORAC.
- Proper risk management and efficient use of capital.
- Trend in results in comparison to comparable companies.
- Cash flows.
- Shareholder remuneration.
- Core capital.

BBVA

- Adjusted recurring additional economic profit.
- Net profit earned by the Group.
- Efficiency ratio.
- Trends in Total Shareholder Return (TSR).

BME

- Level of compliance with budget.
- Trends in Total Shareholder Return (TSR).
- Efficiency ratio.
- Earnings per share (EPS).
- The Company's Cover Ratio.

FCC

- Comparative trends in consolidated profit within the sector.
- Comparative trends of share listings within the sector.

FERROVIAL

- Net profit.
- Achievement of strategic objectives.
- Operating profit.
- Cash flows.
- Trends in share price listings.

GRIFOLS

- EBIT.

IAG

- Reference to factors such as the business plan.
- Corporate financial performance.
- EBIT.
- TSR appraised against a comparable group.

IBERDROLA

- Net profit.
- Financial solidity.
- Targets in terms of corporate social responsibility.

INDITEX

- Overall Group results.
- EBIT.
- Sales.

INDRA

- Sales.
- Profitability.
- Working capital.
- Net debt.
- Contribution margin.
- Budgets.
- Qualitative objectives.

RED ELÉCTRICA

- Consolidated EBITDA.
- Consolidated Group results.
- Progress on other items laid down in the strategic plan.

REPSOL

- Application of the strategic plan.
- Maintenance of financial, efficiency and cost-reduction standards.
- Company results.
- Encouragement of policies (reputation, good governance, corporate social and environmental responsibility).

C. The criteria of the CEBS Guidelines

In order to secure relevant information with respect to the criteria used for variable remuneration to be paid to Executive Directors at Enagás, the Committee also took note of the *“Guidelines on Remuneration Policies and Practices”* published by the CEBS on 10 December 2010.

Among other aspects, the CEBS Guidelines provide, by way of example, a number of *“quantitative criteria (financial) and qualitative criteria (non-financial) to appraise individual results”* which, although they focus on banks, may also be taken into account for non-banking companies:

- Risk-Adjusted Return On Capital (RAROC).
- Return On Risk-Adjusted Capital (RORAC).
- Economic profit.

- Internal economic capital at risk.
- Net economic contribution.
- Cost adjusted to financing risk.
- Achievement of strategic objectives.
- Customer satisfaction.
- Compliance with internal and external regulations.
- Targets in connection with management, leadership and team work.
- Targets in connection with cooperation with other business units and with control functions.

II. Agreements by the Enagás Appointments, Remuneration and Corporate Responsibility Committee to update criteria for the purposes of determining the variable remuneration of Executive Directors

The Enagás Appointments, Remuneration and Corporate Responsibility Committee held a meeting on 18 February 2013 in accordance with observations by shareholders, international institutional investors and "proxy advisors" pursuant to its remit regarding remuneration policy, and considered the importance of including criteria for calculating the variable remuneration of the Executive Chairman and Chief Executive Officer linked to the results of the Company and the Group. These calculations should also be based on criteria regarding creation of value for shareholders to ensure that they complement the criteria linked to the individual performance of the Chairman and Chief Executive Officer.

As laid down in the Annual Directors' Remuneration Report, the contracts in force regulating the relationship between the Company and the Chairman and Chief Executive Officer respectively include among the items of remuneration the entitlement to variable remuneration if certain targets relating to the Company's economic performance are met, which should be set by the Board of Directors at the behest of the Appointments, Remuneration and Corporate Responsibility Committee.

On the basis of the above, the Appointments, Remuneration and Corporate Responsibility Committee has prepared criteria that serve as a basis for setting the variable remuneration of the Company's executive directors in 2013 and thereafter, which will apply in the proposals submitted to the Board of Directors for approval. These criteria will, where applicable, also be followed for Senior Management.

The Committee considers that the Executive Directors' variable remuneration should be calculated pursuant to three criteria:

- (i) Criteria that serve as a basis for evaluating the individual performance of the Executive Chairman and Chief Executive Officer.
- (ii) Criteria relating to the Company's results and performance.
- (iii) Criteria related to the creation of value for shareholders.

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

These criteria chiefly focus on an assessment of compliance by the Executive Directors with the functions attributed to them by the Company's corporate governance regulations, primarily the Articles of Association and the regulations governing the organisation and

functioning of the Board of Directors, and the specific tasks performed by both Executive Directors pursuant to Senior Management of the Company and Group.

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

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

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

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

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

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

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

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

- Risk-Adjusted Return On Capital (RAROC).
- Return On Risk-Adjusted Capital (RORAC).
- Group RORAC.
- Return on Equity (ROE).
- Shareholder remuneration.
- Earnings per share (EPS).
- Items contributing to the assets of the Company and Group, and as such to the ultimate benefit of shareholders: financial solidity, maintenance of financial, efficiency and cost-reduction standards, and encouragement of policies (reputation, good governance, corporate social and environmental responsibility).

The Committee has not ruled out the possibility that in future a portion of the variable remuneration of the Executive Chairman or Chief Executive Officer may be determined or paid over as shares in Enagás, S.A. or stipulated with reference to the Enagás, S.A. share listing. This possibility, however, is excluded in 2013, since there is no time to determine the conditions for this remuneration format and comply with the requirements of Spanish legislation for its implementation. The Appointments, Remuneration and Corporate Responsibility Committee has in any case taken account of the level of commitment by the Executive Chairman to the interests of shareholders, in his capacity as the holder of 56,396 Company shares, representing 0.024% of its equity.

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

- (i) **Determination of remuneration against a comparable group of companies:** The Committee has analysed the information provided by Ibex-35 companies operating in the same sector as Enagás, "Oil and Energy", as classified by Bolsas y Mercados Españoles, S.A., in its Annual Executive Remuneration Reports in connection with the remuneration received by Executive Directors in 2011.
- (ii) **Approval of a long-term incentives scheme:** In accordance with the agreement reached during its most recent meetings, the Appointments, Remuneration and Corporate Responsibility Committee will assess the approval of a proposal for a third long-term incentives scheme applicable to Executive Directors, Senior Management and certain other managerial staff.
- (iii) **More explicit breakdowns of information concerning remuneration:** The Appointments, Remuneration and Corporate Responsibility Committee must also ensure that an Annual Remuneration Report approved by the Board and submitted for advisory voting at the General Meeting provides a detailed breakdown of the criteria used for the purposes of determining the variable remuneration of Executive Directors and Senior Management and finally established by the Committee, and any other information recommended in accordance with good corporate governance practices.
- (iv) **Introduction of conditions for payment of variable remuneration (clawback provisions):** The Appointments, Remuneration and Corporate Responsibility Committee will define a number of additional

conditions to prevent payment of variable remuneration to the Company's Executive Directors and Senior Executives. In this regard, the Committee may establish as conditioning factors, among others, the perpetration of outright fraud or improper or opportunist conduct; poor financial performance by the Company; the beneficiary's failure to comply with internal regulations, specifically including regulations concerning risks; or the need to repeat the financial statements of the Company or Group, except when this is made necessary in respect of changes to accounting regulations.

The "Company Targets" for 2013 that determine the performance of the Executive Chairman and the Chief Executive Officer are pending approval by the Board at the date of this Annual Remuneration Report. The determination of these targets is conditioned by an update of the Company's strategy, which it does not intend to make public until a later date. Consideration must also be given to the longer timeframe required for commencement of application of the new policy described for determining variable remuneration.

2.2.3.- Remuneration in kind

It is not expected that any significant changes will be made in 2013 to the remuneration in kind received by the Executive Chairman in 2012, totalling €67,000. Remuneration in kind payable to the Chief Executive Officer will be as stipulated in his contract, and in general this coincides with remuneration for the Company's Senior Management.

2.2.4.- Additional welfare benefits

Nor are any significant changes expected in 2013 in terms of Company contributions to the Enagás, S.A. employment system pensions plan applicable to the Executive Chairman, and to all Company employees (contributions to the plan totalled €10,000), or to the life insurance premium (€72,000 in 2012). The additional welfare benefits to which the Chief Executive Officer is entitled will be as stipulated in his contract, and in general these coincide with the benefits of the Company's Senior Management. Nor are any significant changes expected in the mixed collective insurance policy for Directors' pension commitments, a scheme which includes the two Executive Directors.

2.3 Remuneration paid to Senior Company Management

2.3.1.- Fixed remuneration

As mentioned above, at the date of this report the Board has not yet determined whether or not the fixed remuneration of Senior Management in 2013 will be increase, or the amount of the increase. In any case, the increase would be in accordance with organic wage increases, as in previous years. Fixed remuneration paid to Senior Management remained unchanged in 2009 and 2010. In 2011, fixed remuneration was increased by an average of 3.9%. There were no increases in 2012.

2.3.2.- Variable remuneration

As mentioned above, the "Company Targets" for 2013 that determine the specific performances of Senior Management are pending approval by the Board at the date of this Annual Remuneration Report. The determination of these targets is

conditioned by an update of the Company's strategy, which it does not intend to make public until a later date. Consideration must also be given to the longer timeframe required for commencement of application of the new policy described for determining variable remuneration.

2.3.3. Remuneration in kind and additional welfare benefits

No significant changes to the remuneration in kind due to Senior Management have been planned. In 2012, remuneration in kind to Senior Management in the aggregate came to €83,000. Nor are any changes planned to additional benefits, which consist of contributions to the Enagás, S.A. pension scheme, to which members of Senior Management are entitled in the same way as any other Company employee (contributions to the scheme on behalf of Senior Management in 2012 totalled €58,000), or to life insurance premiums (€98,000 in 2012). Nor are there any plans for any significant changes to the mixed collective insurance policy for pension commitments.

3. COMPANY REMUNERATION POLICY IN THE YEARS AHEAD

As explained above, the Appointments, Remuneration and Corporate Responsibility Committee intends to apply the new policy for determining variable remuneration in 2013 and the years following. Apart from this, there are no plans for any other changes to the Company's remuneration structure and policy.

4. OVERVIEW OF THE APPLICATION OF REMUNERATION POLICY IN 2012

4.1.- Procedures for setting remuneration in 2012

In 2012, procedures were implemented on the terms set out above for setting remuneration to Directors in respect of membership of the Board and its Committees; to the Executive Chairman for the performance of his executive duties; and to members of Senior Management.

4.1.1. Remuneration in respect of membership of the Board and its Committees.

The General Meeting approved the following resolution at its meeting on 30 March 2012:

"The General Shareholders' Meeting, in accordance with paragraph two of Article 36 of the Company Memorandum and Articles of Association, agrees to set the figure of €1,115,741 as the total maximum payment for members of the Board of Directors for 2012, to be paid in accordance with the following procedures and criteria:

- *Each Board member personally attending a minimum of two meetings during the year will be entitled to a payment of €22,050.*
- *In addition, actual attendance of meetings will entitle Directors to a maximum annual payment of €42,446. The Board of Directors will decide the exact amount to be paid for actual attendance of each meeting.*

- *Additionally, Board Committee members will be entitled to the sum of €11,025 per annum, with chairmanship of any committee entitling them to an additional €5,513 per annum.*
- *The post of Lead Independent Director will be remunerated with the complementary sum of €16,000.*

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."

Actual remuneration in 2012 in this respect for all Directors totalled €1,004 thousand.

4.1.2. Remuneration of the Executive Chairman

- At its meeting of 6 February 2012, the Board considered the extent of fulfilment of 2011 Company Targets, based on a proposal from the Appointments, Remuneration and Corporate Responsibility Committee, and determined the variable remuneration payable to the Executive Chairman for that year.
- At a meeting on 20 February 2012, following a proposal by the Appointments, Remuneration and Corporate Responsibility Committee, the Board approved the "Company Targets" for 2012, achievement of which, on the Committee's criteria, determines the annual variable remuneration payable to the Executive Chairman.
- At its meeting on 23 July 2012, following a proposal by the Appointments, Remuneration and Corporate Responsibility Committee, the Board decided that the fixed remuneration of the Executive Chairman for 2012 would not be increased.
- At its meeting on 18 February 2013, the Board considered the extent of fulfilment of 2012 Company Targets, based on a proposal from the Appointments, Remuneration and Corporate Responsibility Committee, and determined the variable remuneration payable to the Executive Chairman for that year.

The table below shows the "Company Targets" set by the Board following a proposal by the Appointments, Remuneration and Corporate Responsibility Committee at the aforementioned meeting on 20 February 2012, the measurement criteria and the level of achievement of each target, approved by the Board on 18 February 2013 and entailing variable remuneration of 60% of fixed remuneration to the Executive Chairman for the year 2012.

OBJETIVOS DE COMPAÑÍA 2012

Consecución: 100%

OBJETIVO	INDICADOR	CRITICO (75%)	TARGET (100%)	PESO	REALIZADO	CONSECUCIÓN BONUS
C1	Mejorar los resultados económicos de la compañía. Resultados después de impuestos a 31.12.2012	364.6 (resultado 2011)	375.5 (3%) SUPER-TARGET (120%)*	50 %	379.5 M€ (4,1%)	110,83 %
C2	Cumplir el Plan Anual de Inversiones y de Puestas en Marcha de los proyectos de desarrollo de infraestructuras. Valor de la inversión retributable en infraestructuras realizadas en el ejercicio (Ver Anexo C2.a) Valor de la inversión realizada en los proyectos con Acta de Puesta en Marcha conseguidas en el ejercicio. (Ver Anexo C2.b)	a) 226 M€ Inversiones Realizadas b) 509,5 M€ Puestas en Marcha	a) 237,9 M€ Inversiones Realizadas b) 536,3 M€ Puestas en Marcha	20 %	a) 262,91 M€ (1,2%) b) 544,92 M€ (1,1%)	100,00 %
C3	Alinear la gestión de la compañía de acuerdo a las nuevas líneas estratégicas y las necesidades de la nueva estructura holding, reforzando el modelo de gestión sostenible de Enagás	a) Implantación efectiva del modelo holding y la obtención de la certificación ISO (Ver Anexo C3.a) b) Implantar la nueva Estrategia RSC (Visión 2020) impulsando una mayor integración de los criterios de sostenibilidad en la gestión de la compañía (Ver Anexo C3.b)	a) Realización de 5 de las 6 acciones planificadas b) Ver detalle	15 %	a) 100% b) 97,23%	98,61 %
C4	Fomentar la diversificación de la compañía aprovechando su know how, a través de nuevas adquisiciones, promoción de infraestructuras, el establecimiento de alianzas y/o acuerdos estratégicos, y la prestación de servicios a terceros, dentro de los criterios estratégicos y de rentabilidad establecidos por la compañía.	a) Procesos de negociación/licitación realizados: 5 (15%) a2) Volumen de inversión adicional obtenida: 200 M€ (ver Anexo) (50%) b) Negociación de 3 acuerdos estratégicos (15%) c) 4 propuestas presentadas (15%) c2) Facturación: 1 M€ (5%)	a1) Procesos de negociación/licitación realizados: 8 (15%) a2) Volumen de inversión adicional obtenida: 300 M€ (ver Anexo) (50%) b) Cierre de 1 acuerdo estratégico (15%) c) 6 propuestas presentadas (15%) c2) Facturación: 2 M€ (5%)	15 %	a1) 9 a2) 320 M€ b) 6 acuerdos negociados; 3 firmados c) 7 propuestas presentadas c2) 2,27 M€	100,00 %

NOTA *: Los objetivos de compañía de índole financiero o inversión aprobados por la Comisión de Nombramientos, Retribuciones y RSC podrán alcanzar una valoración hasta el 120% en caso de superar el valor **supertarget**. En ningún caso la valoración global de los objetivos de compañía podrá superar el 100%.

4.1.3. Remuneration of Senior Management

- At its meeting on 6 February 2012 the Appointments, Remuneration and Corporate Responsibility Committee considered the extent of fulfilment of 2011 Company Targets, and determined the variable remuneration payable to each member of Senior Management for that year on the basis of their achievement of the respective targets. The Board was briefed on these matters at its meeting held on the same day.
- At its meeting on 20 February 2012 the Board adopted the 2012 Company Targets proposed by the Appointments, Remuneration and Corporate Responsibility Committee.
- At a meeting on 23 July 2012, the Appointments, Remuneration and Corporate Responsibility Committee decided that the fixed remuneration of Senior Management in 2012 would not be increased.
- At its meeting on 18 February 2013, the Appointments, Remuneration and Corporate Responsibility Committee considered the extent of fulfilment of 2012 Company Targets, and determined the variable remuneration payable to each member of Senior Management for that year on the basis of fulfilment of their respective targets.

The variable remuneration of each member of Senior Management is determined in accordance with achievement of the respective targets by each of them. These targets consist partly of achievement of the "Company Targets" set out in the table above, and partly of achievement of the "Management Targets" stipulated for each of the units they manage.

4.2 Remuneration paid to individual Directors in 2012

Since 2007, the financial statements of Enagás, S.A. and the notes to its Annual Corporate Governance Report have disclosed individually itemised details of remuneration paid to each Director, including the Executive Chairman's remuneration in respect of the performance of his executive functions.

4.2.1 Disclosures in the 2012 financial statements

The disclosures made by the Company in its 2012 financial statements, prepared by the Board and placed on record in the registers kept by the CNMV, the Spanish securities market regulator, are set out below.

22.2 Remuneration of the Board and Senior Management

The remuneration received in 2012 and 2011 by the members of the Board of Directors and senior group management of Enagás, S.A., broken down by items, was as follows:

28 Remuneration of the Board and Senior Management

The remuneration received in 2012 and 2011 by the members of the Board of Directors and senior group management of Enagás, S.A., broken down by items, was as follows:

2012

	Salaries	Attendance fees	Other items	Pension plans	Insurance premiums
Board of Directors	1,622	1,004	67	10	72
Senior Management	1,935		83	58	98
Total	3,557	1,004	150	68	170

2011

	Salaries	Attendance fees	Other items	Pension plans	Insurance premiums
Board of Directors	1,514	1,086	65	10	34
Senior Management	1,966	-	84	60	44
Total	3,480	1,086	149	70	78

Details of remuneration by Board members, excluding insurance premiums and pension plans, are as follows:

DIRECTORS	Thousands of euros	
	2012	2011
Mr. Antonio Llardén Carratalá (Executive Director) ¹	1,667	1,642
BANCAJA (Proprietary Director)	-	20
Mr. Marcelino Oreja Arburúa ²	103	
Sagane Inversiones S.L. (Proprietary Director)	37	76
Bilbao Bizkaia Kutxa / Kartera 1 (Proprietary Director)	56	76
Sociedad Estatal de Participaciones Industriales (Proprietary Director)	76	76
Mr. Sultan Hamed Khamis Al Burtamani	45	53
Peña Rueda S.L. Unipersonal (Proprietary Director)	32	64
Mr. Jesús David Álvarez Mezquíriz (Independent Director)	64	64
Mr. Dionisio Martínez Martínez (Independent Director)	81	81
Mr. José Riva Francos (Independent Director)	81	80
Mr. Ramón Pérez Simarro (Independent Director)	76	76
Mr. Martí Parellada Sabata (Independent Director)	76	77
Ms. Teresa García-Milà Lloveras (Independent Director)	76	76
Mr. Miguel Ángel Lasheras Merino (Independent Director)	71	64
Mr. Luis Javier Navarro Vigil (External Director)	76	76
Ms. Isabel Sanchez García (Independent Director)	76	64
Total	2,693	2,665

¹ * In 2012, the Executive Chairman was paid fixed remuneration of €960 thousand and variable remuneration of €576 thousand, with both components approved by the Board. In addition, the Executive Chairman was paid €64 thousand in Board attendance fees and €67 thousand in remuneration in kind. His combined pay came to €1,667 thousand. In addition, he was provided with a life insurance policy, with total premiums in the year of €72 thousand, and €10 thousand was contributed to his pension scheme. The Group has outsourced its pension commitments with its Directors through a mixed collective insurance policy, including benefits in the event of survival, death and employment disability. The Executive Chairman is part of the group covered by this policy: of the total premium paid for this during the year, €190 thousand corresponded to the Executive Chairman.

² In 2012 the Chief Executive Officer received fixed remuneration of €86,000, as approved by the Board, and Board attendance fees of €17,000. The Chief Executive Officer forms part of the group entitled to the mixed collective insurance policy, although no sums are attributable on the premium paid during the year.

4.2.2 Disclosures in the 2012 Annual Corporate Governance Report.

In the notes to its 2012 Annual Corporate Governance Report, the Company disclosed the following information:

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

- Attendance expenses paid to members of the Board of Directors as of 31 December 2012 totalled €1,004 thousand.

- Payments to individual Directors as at 31 December 2012 are detailed below (in thousands of euros). They do not include insurance premiums or pension plans. Mr. Antonio Llardén Carratalá: 1,667; Mr. Marcelino Oreja Arburúa: 103; Mr. Sultan Hamed Khamis Al Burtamani: 45; Jesús David Álvarez Mezquíriz: 64; BBK/KARTERA 1, S.L.: 56; Ms. Teresa García-Milá Lloveras: 76; Mr. Miguel Ángel Lasheras Merino: 71; Mr. Dionisio Martínez Martínez: 81; Mr. Luis Javier Navarro Vigil: 76; Mr. Martí Parellada Sabata: 76; PEÑA RUEDA, S.L.U.: 32; Mr. Ramón Pérez Simarro: 76; Mr. José Riva Francos: 81; SAGANE INVERSIONES, S.L.: 37; SEPI: 76; Ms. Isabel Sánchez García: 76.

Attendance fees (€1,004 thousand) paid to Board members who stood down during 2012 (Peña Rueda, S.L.U., Sagane Inversiones S.L. and BBK/Kartera 1, S.L.) were also included in the calculation of these payments.

- The remuneration paid to the Executive Chairman, MR. ANTONIO LLARDÉN CARRATALÁ, which totalled €1,667 thousand, included both fixed remuneration for 2012 totalling €960 thousand, and performance-related variable remuneration amounting to €576 thousand, as approved by the Board of Directors. It also included attendance fees (€64 thousand) and remuneration in kind (€67 thousand). The figure excludes contributions to pension plans/ funds (€10 thousand) and life insurance premiums (€72 thousand). The Company has outsourced its pension commitments with its Directors through a mixed collective insurance policy, including welfare benefits in the event of survival, death and employment disability. The Executive Chairman forms part of the group covered by this policy: of the total premium paid for this during the year, €190 thousand corresponded to the Executive Chairman.

Remuneration of the Chief Executive Officer, MR. MARCELINO OREJA ARBURÚA, amounts to €103 thousand, €86 thousand of which comprises fixed remuneration and €17 thousand fees for attendance of Board meetings. The Chief Executive Officer also forms part of the group covered by the mixed collective insurance policy, although none of the premium paid in the year accrued to him.

For further disclosures on remuneration, see section B.1.11 of this report and the Annual Directors' Remuneration Report.

4.2.3 Summary table

Without prejudice to reproduction herein of information concerning the remuneration paid individually to each Director in 2012, the Company has provided a table below summarising the remuneration paid to each Director in 2012 by items.

It is stipulated that, for the sake of coherence with the format required for the Annual Corporate Governance Report, the table does not include, for the Executive

Chairman, contributions to pension plans in the amount of €10,000, the life insurance premium in the amount of €72,000, or the amount of €190,000 accruing from the premium on the mixed collective insurance policy, to which the Executive Chairman is entitled.

DIRECTOR	BOARD	AUDIT AND COMPLIANCE COMMITTEE	APPOINTMENTS, REMUNERATION AND CSR COMMITTEE	EXECUTIVE DUTIES			TOTAL
				FIXED REMUNERATION	VARIABLE REMUNERATION	REMUNERATION IN KIND	
Antonio Llardén Carratalá	64	--	--	960	576	67	1,667
Marcelino Oreja Arburua	17			86			103
Jesús David Álvarez Mezquiriz	64	--	--			--	64
Bilbao Bizkaia Kutxa/Kartera 1 (Represented by Joseba Andoni Aurrekoetxea Bergara)	56	--				--	56
Sagane Inversiones, S.L. (Represented by Carlos Egea Krauel)	37	--				--	37
Sultan Hamed Khamis Al Burtamani	45	--	--			--	45
Teresa García-Milá Lloveras	64	--	12			--	76
Miguel Ángel Lasheras Merino	64	--	7			--	71
Dionisio Martínez Martínez	64	--	17			--	81
Luis Javier Navarro Vigil	64	12	--			--	76
Martí Parellada Sabata	64	12	--			--	76
Peña Rueda, S.L.U. (represented by Manuel Menéndez Menéndez)	32	--	--			--	32
Ramón Pérez Simarro	64		12			--	76
José Riva Francos	64	17	--			--	81
SEPI (Sociedad Estatal de Participaciones Industriales) represented by Federico Ferrer Delso	64	12	--			--	76
Isabel Sánchez García	64	12	--			--	76
TOTAL	891	65	48		1,689		2,693

4.2.5 Total Directors' remuneration as a proportion of Enagás, S.A. earnings

Total remuneration paid to Directors represented 0.9% of profit attributable to Enagás, S.A. in 2012.

4.4. Aggregate remuneration paid to members of Senior Management in 2012

As set out above, aggregate remuneration paid to members of Senior Management in 2012 was as follows:

- Fixed remuneration	€1,345 thousand.
- Variable remuneration	€590 thousand.
- Remuneration in kind	€83 thousand.
- Pension scheme contributions	€58 thousand.
- Life insurance premiums	€98 thousand.

This report was adopted by the Board of Directors at its meeting on 19 March 2013.

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