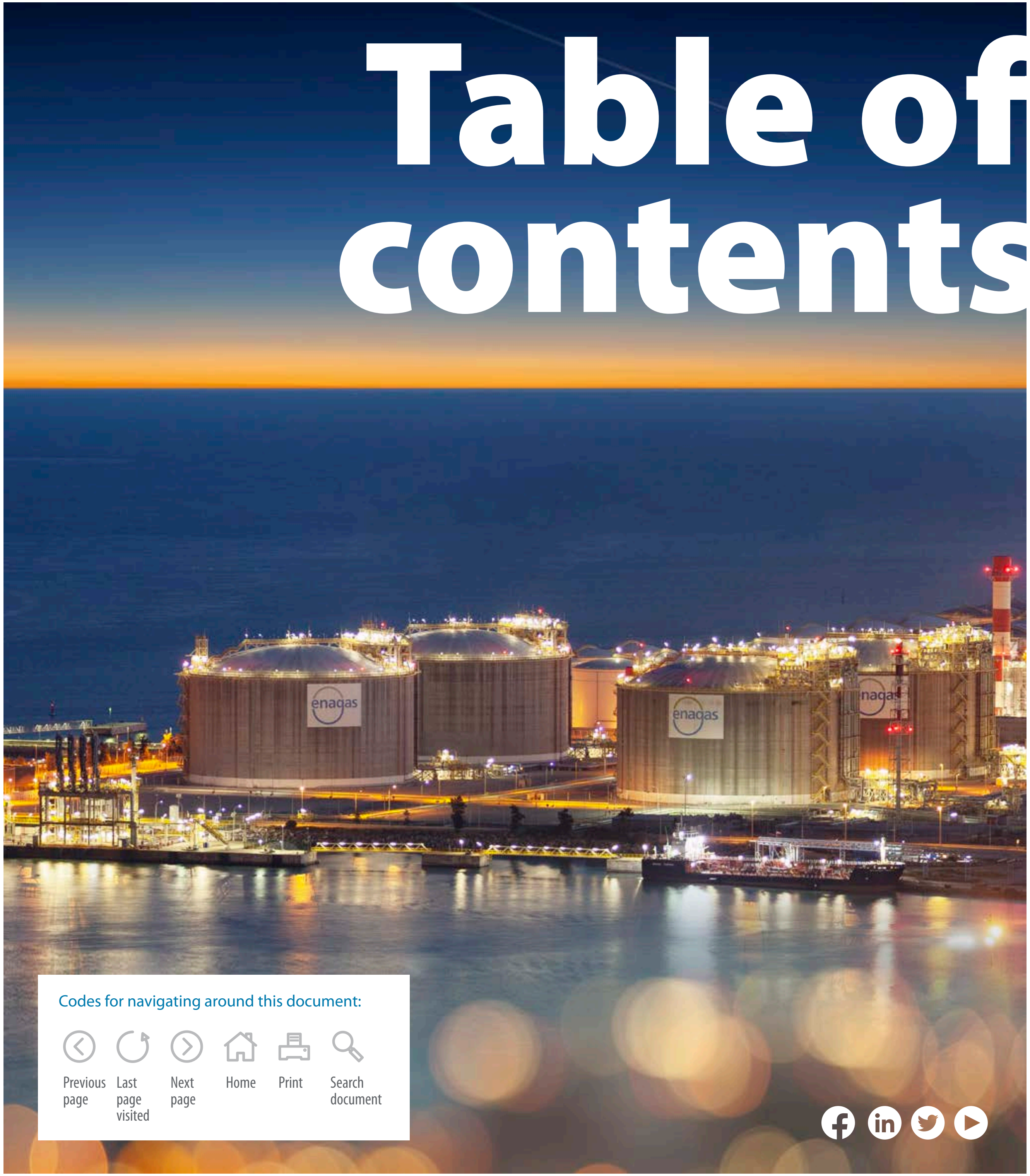
2019

Anual Report

enagas

Innovation for the energy transition

Table of contents



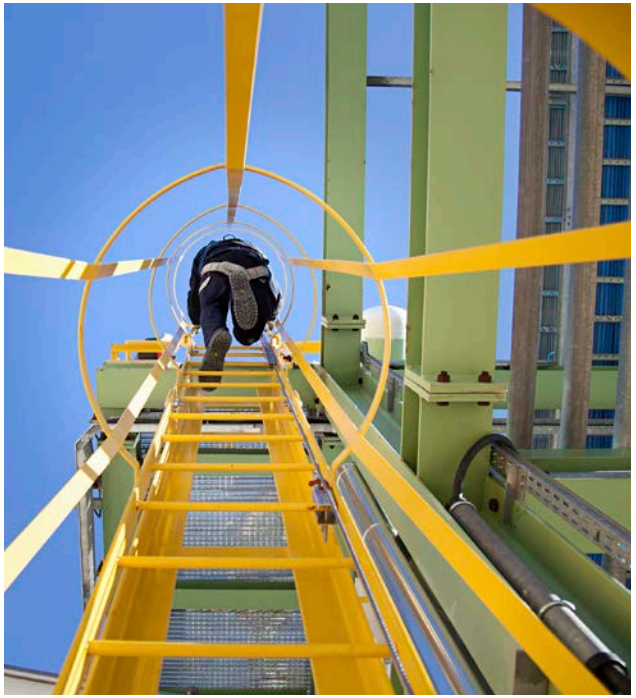
Codes for navigating around this document:

Previous page | Last page visited | Next page | Home | Print | Search document

Access more information on our website by clicking this icon.

About our Consolidated Management Report

[GRI 102-1, GRI 102-5, GRI 102-50]



Standards and principles used

The Consolidated Management Report includes the non-financial information statement and complies with the requirements of Directive 2014/95/UE on non-financial information and diversity, as well as with associated Spanish legislation (Law 11/2018) and has been prepared by the Board of Directors on February 17, 2020. [GRI 102-32]

The following standards and principles were used in preparing this 2019 Annual Report:

- This report was prepared according to the GRI Sustainability Reporting Standards, comprehensive option. These guidelines from Global Reporting Initiative (GRI) define the principles and content for compiling sustainability reports, and are subjected to GRI Context Index Service. The content of the report has been verified by EY. [GRI 102-56]
- The principles in the Integrated Reporting Framework, published by the International Integrated Reporting Council, IIRC (www.theiirc.org), for which Enagás participated in the Integrated Reporting Pilot programme.
- The principles of standard AA1000: inclusivity, materiality, responsiveness and impact.
- The Sustainable Development Goals approved by the United Nations General Assembly, which Enagás integrates in its strategy and are set out in the section 'Enagás in 2019' and in the' Index of contents according to the ODS Model'.
- The ten principles of the UN Global Compact, as set out in the Appendix 'Global Compact content index'. [GRI 102-12]
- Recommendations of the Task Force on Climate Related Disclosures (TCFD).
- Recommendations included in the 'Guide for the preparation of management reports of listed companies' of the CNMV.
- EFQM model criteria, in which Enagás maintains its +500 certification.
- Elements of the EFR model (Family Responsible Company).

Scope of the financial and non-financial information

The scope of this report includes the information on 2019 financial year of the Enagás Group (hereinafter 'Enagás'). The following criteria have been applied to the information reported herein:

- Financial information is presented in accordance with the consolidation principles applied in the annual accounts.
- Non-financial information relates to operations over which Enagás maintains control (companies consolidated in the Consolidated Financial Statements in accordance with the full integration method). The GNL Quintero (Chile) regasification plant has been excluded from the scope as non-financial information was considered irrelevant after the loss of control in February 2019. [GRI 102-10, GRI 102-45, GRI 102-49]

For further details on the scope of the financial information, refer to the 'Annual Accounts', section 1.3 'Basis of consolidation'.

Reliability of non-financial information

In 2019, Enagás implemented an internal control system over non-financial information that covers representative indicators of the areas of sustainability (environmental, social and governance). In addition, this system has been externally reviewed through Agreed-Upon Procedures.

Interview with the Executive Chairman

[GRI 102-14]

Antonio Llardén

Antonio Llardén

"We have reduced our CO_2 emissions by almost half and we are committed to being **carbon neutral by 2050**"

What would you highlight about the evolution of Enagás in 2019?

It has been a very intense year, with several historical milestones for the company. We entered the United States through a strategic operation and successfully carried out a capital increase. Furthermore, in line with our commitment to ecological transition, we have created a new subsidiary, 'EnaGasRenovable', to continue developing green hydrogen and biomethane projects, which will be key energy vectors in a carbon neutral future.

All this in a year that has ended with a new stable regulatory framework for the next six years, which encourages and supports the objectives of the energy transition.

2019 has also been characterised by a significant growth in demand and, in this context, I would like to highlight the maximum operational efficiency with which the infrastructures of the Spanish Gas System have operated during the year.

And what would you highlight about the 2019 results?
A year later, and on the back of thirteen years in a row, we can proudly say that we have met, and even exceeded, all the goals set.

We have made a net profit of 422.6 million euros, which is a result of two factors: our effective and efficient management of the Spanish Gas System —together with the country's good economic progress— and the contribution of our affiliates, who have contributed 162 million to the company's EBITDA.

What other aspects of the year stand out from a financial perspective?
The 500 million euros capital increase we carried out in December to finance part of the operation in the United States was very significant, maintaining a prudent leverage position. Our priority for the capital increase has been to maintain the profitability and dividend of our shareholders.

We are very satisfied with this operation, which was signed in record time and exceeded the total number of new shares several times, all of which is testament to the market's confidence in the company and its international growth strategy. In addition, it has strengthened Enagás' shareholder base, with SEPI maintaining its 5% stake, and the entry of Pontegadea, also with 5%.

We are in a very strong financial position: we have a very low cost of debt of 2.1%, 80% of the debt is at a fixed rate and we do not have significant maturities until 2022.

How did Enagás shares perform in 2019?
The stock market year has been turbulent in general for all companies and for the market, and complex for our sector given the uncertainties generated by the new regulations. However, since the CNMC published the final circulars, Enagás' share performance has been very positive.

> "Once again, and for the thirteenth year in a row, we have met and even exceeded all the objectives set and we are maintaining our dividend policy until 2023"

Even after the capital increase, the company had the best stock market performance after an operation of this nature —in ABB (Accelerated Book-Building) format and over 500 million euros— in the history of Spain.

What stands out about Enagás' dividend policy?
Shareholder remuneration is one of our strategic priorities. In 2019, we increased our dividend by 5% again, as we pledged, and we are of course maintaining the dividend policy that we established until 2023.

From 2024 to 2026, we are committed to maintaining a sustainable dividend of 1.74 euros per share.

What can you tell us about Enagás' international investments in the year?
Our entry into the United States through the investment in Tallgrass Energy has been the largest international operation in the history of Enagás, in a midstream company like ours and with top-level partners like Blackstone. It will also make it possible to strengthen the sustainability of our dividend in the medium and long-term.

It has been carried out in two phases throughout 2019 and aligns perfectly with the two objectives of Enagás' strategy: firstly, to maintain maximum effectiveness, efficiency and safety in the operation and management of the Spanish Gas System and, secondly, given that the LNG market is a global one, to take advantage of our knowledge and experience in Spain to continue growing as a company, maintaining and increasing employment and retaining the trust of our stakeholders.

In 2019, we have also continued to invest in the Trans Adriatic Pipeline (TAP) project, a key project in Europe's energy development, which is already 92% complete and is scheduled to come into commercial operation in 2020.

How did gas demand evolve?
This year the demand for gas in Spain has broken records and has grown by 14% to 398 TWh, the highest figure since 2010, mainly due to extraordinarily high demand for natural gas for power generation and higher industrial consumption.

Specifically, the demand for gas for electricity generation has increased by 80% compared to 2018, due to the greater participation of natural gas in the thermal gap with coal and the low level of hydraulic generation this year. This has contributed to a 25% reduction in CO_2 emissions from the electric mix compared to the previous year.

In a context of ecological transition, these figures highlight the important role played by natural gas in reducing emissions, guaranteeing supply and as a backup for renewable energies at times of record demand.

Enagás is one of the leading companies in sustainability. What would be the highlights of your strategy in this area?
Sustainability is one of our strategic priorities, and has been part of the company's objectives for years. Our Sustainability

[GRI 102-14]

Strategy, aligned with the UN's 2030 Agenda and its Sustainable Development Goals, outlines our main areas of work: promoting the role of natural gas in a low-carbon economy, the development of renewable gases and hydrogen, energy efficiency and emissions reduction, as well as people and culture.

Right now, the big challenge for all of us is to contribute to the climate emergency and at Enagás we have a clear goal: to be carbon neutral by 2050. To do this, we made a technical plan with well-defined objectives, specific technical measures and very rigorous measurement processes. As a result, between 2014 and 2018 we have reduced our CO_2 emissions by almost half and continue to set ourselves goals in the medium-term, with the ultimate goal of becoming carbon neutral by 2050.

In addition, we have committed to various initiatives that establish climate action commitments and emission reduction targets aligned with 1.5ºC scenarios.

All this work is reflected in Enagás' good positioning in the leading sustainability indexes. In 2019 our company was recognised as a global leader in its sector in the Dow Jones Sustainability Index (DJSI) for the fourth consecutive year, with the Gold Class distinction for our sustainability performance. We have also been included in the A List of 'CDP Climate Change', with the highest rating in our sector.

Along these lines, what is Enagás' role and involvement in the ecological transition process?
We are totally committed to decarbonisation and have a relevant role to play. According to data from the 'Integrated National Energy and Climate Plan', gas is expected to increase its weight in the energy mix by 2030, due to its irreplaceable role in industry, its capacity to reduce emissions and improve air quality, and its role as a backup for renewables.

> "The Gas System has operated with maximum efficiency, in a year in which gas demand has broken records and grown by 14%"

Looking to the future, we know that renewable gases will play a fundamental role, because they make it possible to decarbonise even those sectors that cannot be electrified. Furthermore, existing gas infrastructure can be used for transport and storage, which is already prepared for this purpose and will be key to ensuring that the energy transition takes place at the lowest possible cost.

At Enagás, we are working on these technologies from our new subsidiary EnaGasRenovable and we estimate that we will invest around 300 million euros in green hydrogen, biogas and biomethane projects by 2026.

What can you highlight as regards human resources and talent management?
People and corporate culture are key to a company like Enagás, as our greatest asset is the experience and knowledge of our professionals.

The priority for us in this area has always been to offer stable and quality employment, enhancing well-being, motivation and talent retention, and ensuring diversity and equal opportunities.

In 2019 we have positioned ourselves among the '100 Best Companies to Work For', a ranking published by *Actualidad Económica* a few months ago, and more recently we have again received the Top Employers seal. In addition, in 2019 we have been awarded the maximum qualification, 'level A of Excellence' in work-life balance as a 'Family-Responsible Company' (EFR).

Moreover, our efforts to promote diversity led us to be positioned among the top 100 companies worldwide in the Equileap 2019 gender equality ranking, and to remain on the Bloomberg Gender Equality Index in 2020.

To finish, would you like to point out any other relevant topic or issue?
I'd like to say that this Annual Report, which has been approved by the Enagás Board of Directors, represents the renewal of our commitment to the ten principles of the Global Compact, and at the same time, reflects our contribution to achieving the United Nations Sustainable Development Goals. [GRI 102-32]

It has been a year with many milestones and challenges for Enagás, which has showcased the ability of all the company's professionals to work as a team, with very positive results. I would like to thank the more than 1,300 people who work at Enagás for their hard work and daily efforts to continue making Enagás grow and create value for all our stakeholders.

Also a thank you to all the members of our Board of Directors, for their commitment and involvement in the development of our strategy and in the management for the good running of the company.

And thanks, of course, to all our shareholders, on my behalf and on behalf of the Board of Directors. Continuing to create value in a sustainable way for you and continuing to count on your trust and support is a priority for us and for all of Enagás.

[GRI 102-14]

Enagás in 2019

Sound financial and liquidity position

422.6 M€
Net profit

20.1%
FFO (last 12 months)/ Net Debt

3,755 M€
Net debt

706.2 M€
Net investment

2.1%
Financial cost of debt

Rating

BBB+
Standard & Poor's

A-[3]
Fitch

Important circumstances arising after year-end: see 'Consolidated Annual Accounts', section 4.9 'Subsequent events'.

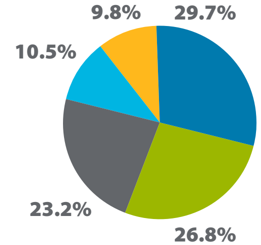
Attractive and sustainable shareholder remuneration

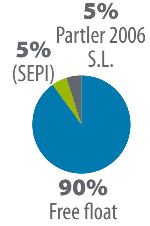
+5%
Dividend per share (1.6 €)

22.74 €
Share at 31/12/2019

Distribution of capital

- Spain
- USA and Canada
- Continental Europe
- United Kingdom
- Others





Capital increase

500 M€
Amount

21.50 €
Share (issue price)

1.47%
Discount

Growth

Investment in Tallgrass Energy - USA[1]

30%
Stake

1,623 M$
Equity invested

~140 M€
Enagás' average annual dividend in the period 2020 -2026

~2,900 M€
Invested[2] in international subsidiaries

11
Start-ups invested in by Enagás Emprende

Efficiency

398.2 TWh
National demand for natural gas (+14% vs. 2018) [GRI 302-2]

100%
Of commercial availability

98.91%
Of technical availability

+17%
Of vessel unloading usage vs. 2018 (138 TWh)

+28%
Of regasification usage vs. 2018 (130 TWh)

32%
Of LNG stored vs. 2018

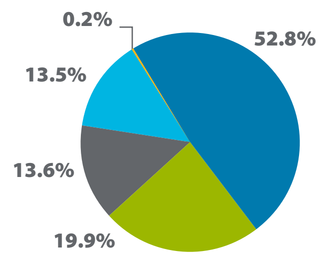
+4%
Of truck loading usage vs. 2018 (8.8 TWh)

>95%
of capacity contracting in storage facilities

Sustainability

Contribution to society [GRI 201-1]

- Capital providers (dividends and financial result)
- Suppliers
- Tax
- Employees
- Social action



927 M€
Economic value distributed

Reduction targets of greenhouse gas emissions:

-15%
CO_2 emissions in 2025 (vs. 2018)

-25%
CO_2 emissions in 2030 (vs. 2018)

-61%
CO_2 emissions in 2040 (vs. 2018)

1,306
professionals (28% women)

Indices

85
DJSI score (Gold class)

A
CDP climate change score

(1) Estimated impacts on our business model pending completion of the transaction.
(2) The capital invested in international subsidiaries includes: the investments made in the Spanish subsidiaries BBG and Saggas, the planned investment in Trans Adriatic Pipeline until its start-up and the planned investment in the second phase of Tallgrass. It does not include the investment made in Gasoducto Sur Peruano.
(3) On January 9, 2020, Fitch placed Enagás' credit rating at BBB+ with a stable outlook.

Our contribution to the SDG

Enagás, as a leading company in sustainability, is committed to the achievement of the Sustainable Development Goals, which represent the Agenda for Humanity 2030 and which address several fundamental human rights.

At Enagás, we have identified and prioritised the Sustainable Development Goals to which we contribute directly, both through our key business activities and our Sustainability Strategy (see the 'Our Commitment to the energy transition' chapter):

Our contribution

Ensure access to affordable, reliable, sustainable and modern energy

7 AFFORDABLE AND CLEAN ENERGY

We work on new energy solutions for a low-carbon economy, such as renewable gases: biomethane and hydrogen. We also work on energy efficiency and emissions reduction, promoting natural gas in transport.

Build resilient infrastructure, promote sustainable industrialization and foster innovation

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Our aim is to improve the competitiveness of the countries in which we operate, and contribute to the energy transition and decarbonisation process by developing and managing energy infrastructures.

Take urgent action to combat climate change and its impacts

13 CLIMATE ACTION

Energy efficiency is a key area for Enagás. We continue to work and set targets for reducing emissions and energy intensity at each of our facilities.

Targets linked to variable remuneration, commitments and degree of progress

Targets. We have set targets for investment in the development of renewable gases and reduction of emissions linked to the variable remuneration of our professionals (see the 'Strategy/Targets linked to variable remuneration' chapter). We have also set ambitious long-term emission reduction targets that constitute our path to carbon neutrality in line with the European Union's commitment (see the 'Climate change and energy efficiency' chapter).

Degree of progress and impact. The energy efficiency measures implemented in recent years have not only enabled us to halve our carbon footprint, but we have also contributed to the reduction of emissions by third parties:

› The replacement of coal by natural gas in the electric mix made it possible to reduce CO_2 emissions by 25% in 2019, equivalent to 14 million tCO_2 avoided into the atmosphere.

› The use of LNG in vessels makes it possible to reduce CO_2 emissions by 18%. Within the framework of the LNGasHIVE project (see the 'Our commitment to the energy transition' chapter), it is estimated that 2 million tCO_2 will be avoided in 2030 and 10 million tCO_2 in 2050.

Moreover, Enagás promotes the development of renewable gases, which will contribute to the total decarbonisation of all these uses (see the ' Our commitment to the energy transition' chapter).

	Our contribution	Targets linked to variable remuneration, commitments and degree of progress
Achieving gender equality and empower all women and girls (5 GENDER EQUALITY)	We promote projects to identify and develop talent in women, which has gradually allowed the company to increase the presence of women in its workforce and in management positions.	**Targets.** We have set targets to increase the presence of women on the Board of Directors, in Management and among staff, linked to the variable remuneration of our professionals (see the 'Strategy/ Targets linked to variable remuneration' chapter). We also have clear commitments to people and diversity, which are reflected in our Human Capital Management policy and our diversity guidelines. **Degree of progress and impact.** Our progress in these areas is reflected in the gradual increase in the percentage of women at different levels of the organisation (see the 'Good Governance' and 'People' chapters), as well as in the recognition obtained both in terms of gender equality and work-life balance, diversity and talent management (see the 'People' chapter).
Promote inclusive and sustainable economic growth, employment and decent work for all (8 DECENT WORK AND ECONOMIC GROWTH)	We believe people and culture play a key role in allowing us to meet our targets. In this sense, we are focused on attracting and retaining the best talent, and creating working environments that enable us to continue to transform ourselves and bring about creative solutions in order to form part of a more sustainable future.	

Likewise, with our management models we contribute to the achievement of other SDG such as:

- **SDG 15 (Terrestrial ecosystems):** Managing natural capital is a key aspect for Enagás. We control and minimise our environmental impact, improving the use of natural resources and developing measures aimed at preserving biodiversity (see the 'Natural capital management' chapter).
- **SDG 17 (Partnerships):** Dialogue and collaboration with our stakeholders allow us to establish alliances for the creation of shared value and, therefore, to achieve the objectives set.

As a result of Enagás' commitment to achieving the SDG, the company conducts awareness campaigns on the subject and includes the SDG in several of its face-to-face training courses for professionals (Sustainability and Value Chain courses).

In the chapter 'Creation of value for our stakeholders', best practices that are aligned with the SDG mentioned here are included.

Enagás carries out SDG awareness campaigns and includes SDG in several of its face-to-face training courses for its professionals

1 Our business model

Our aim is to help improve the competitiveness of the countries in which we operate, and contribute to the energy transition and decarbonisation process by developing and managing energy infrastructures

Our aim and activities

1972
Enagás is founded

2000
Enagás is appointed as Technical Manager of Spanish Gas System

2002
Enagás is listed on the stock exchange

2009
Enagás is named the sole transporter for the primary gas transmission trunk network.

2010
Acquisition of the Gaviota underground storage facility and 40% of the BBG Plant (Bilbao).

2011
First international acquisition: TLA Altamira plant (Mexico).

2012
International acquisition of the GNL Quintero plant (Chile).

Certification as European TSO.

2013
Acquisition of Naturgas.

2014
International acquisitions: TGP (Peru) and TAP (Europe).

2015
Acquisitions: increased share in TGP (Peru) and Swedegas (Europe).

2016
Acquisitions: increased share in TGP (Peru), Saggas (Spain) and Quintero (Chile).

2017
Acquisitions: Increased share in Coga (Peru).

2018
International acquisition of DESFA.
Sale of stake in Swedegas.

2019
International acquisition of Tallgrass Energy LP (USA). [GRI 102-10]

Our aim is to improve the competitiveness of the countries in which we operate, and contribute to the energy transition and decarbonisation process by developing and managing energy infrastructures.

Enagás, a midstream company with almost 50 years of experience and independent European TSO (Transmission System Operator), is an international reference in the development and maintenance of gas infrastructure and in the operation and management of gas networks. [GRI 102-2]

Gas infrastructures are a core element in the energy transition towards decarbonisation. In addition, natural gas is of great importance for improving competitiveness, as it allows for the introduction of efficient industrial technologies which improve the intensity of energy usage and competitiveness in the industry, generating direct and indirect employment.

Enagás provides its experience to offer new energy solutions that contribute to a low-carbon economy: biogas/biomethane and hydrogen (see the 'Our commitment to the energy transition/ Renewable gases' chapter).

Gas infrastructures are a core element in the energy transition towards decarbonisation

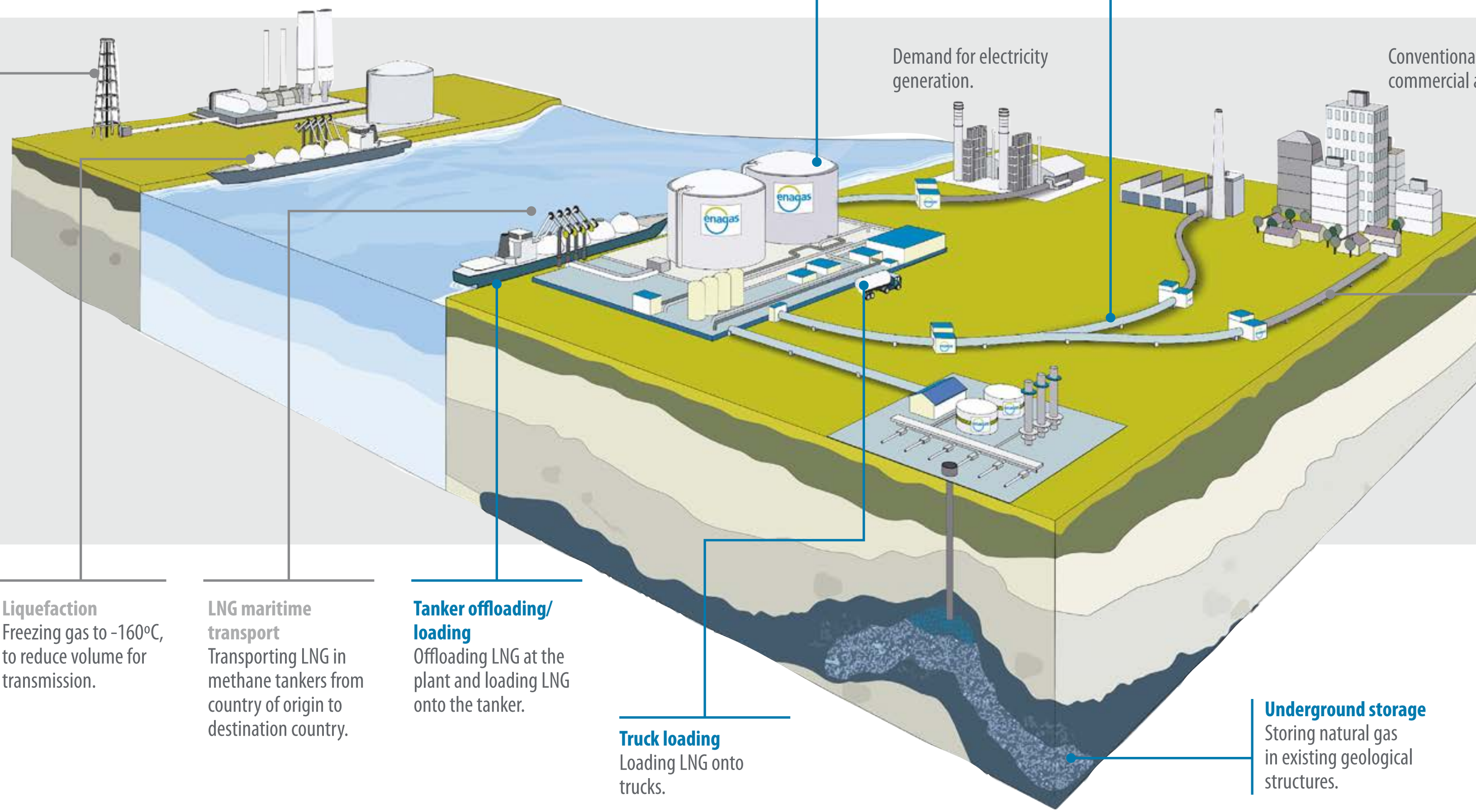
Value chain

Gas network operation
(Technical Manager of the Spanish Gas System, certified as independent European TSO).

● Activities carried out by Enagás on the gas value chain.

Regasification
Returning gas to its original gaseous state.

Natural gas transmission
Natural gas is transmitted through the high- pressure network.



Extraction
Extracting natural gas from the gas field.

Liquefaction
Freezing gas to -160ºC, to reduce volume for transmission.

LNG maritime transport
Transporting LNG in methane tankers from country of origin to destination country.

Tanker offloading/ loading
Offloading LNG at the plant and loading LNG onto the tanker.

Truck loading
Loading LNG onto trucks.

Underground storage
Storing natural gas in existing geological structures.

Distribution to customers
Distributing natural gas to end customers for consumption.

More details about 'Gas transmission' are available on the corporate website:
https://www.enagas.es/enagas/es/Transporte_de_gas

Mission, vision and values

The company's mission, vision and values, as well as its policies and strategy, are reviewed and approved by the Board of Directors.
[GRI 102-16, GRI 102-26]

Mission

› To develop and manage global gas infrastructure in a secure, efficient and sustainable manner; complying responsibly with prevailing legislation and helping guarantee supply, particularly in our role as Technical Manager of the Spanish Gas System; offering our experience, knowledge and best practices to create value for our stakeholders.

Vision

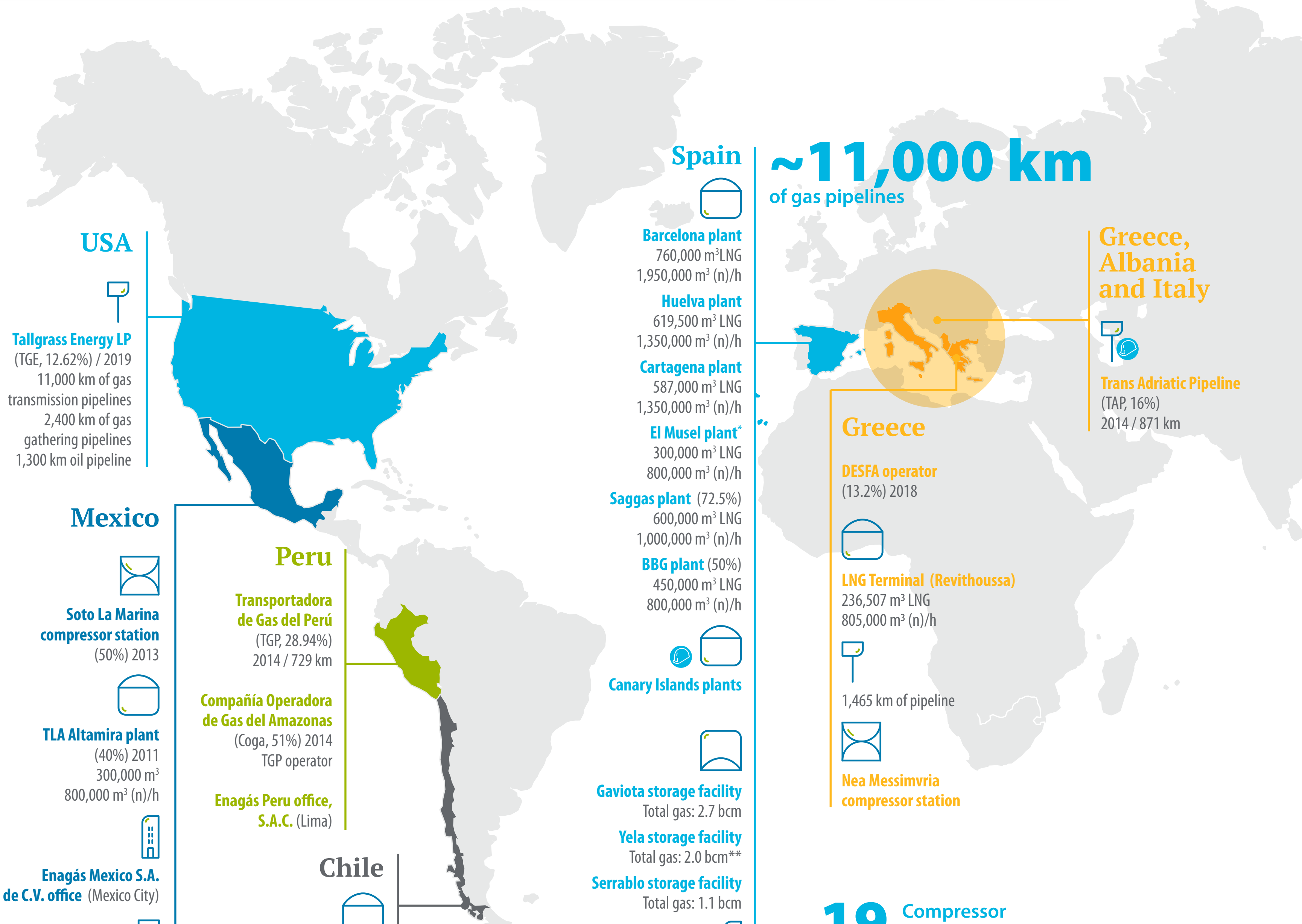
› To be a national and international standard bearer in the development and management of gas infrastructures, promoting their use by offering innovative services that contribute to sustainable development.

Values

- Efficiency
- Transparency
- Innovation
- Integrity
- Sustainability
- Safety
- Team work

Geographies

[GRI 102-3, GRI 102-4, GRI 102-6, GRI 102-10]



USA

Tallgrass Energy LP
(TGE, 12.62%) / 2019
11,000 km of gas transmission pipelines
2,400 km of gas gathering pipelines
1,300 km oil pipeline

Mexico

Soto La Marina compressor station
(50%) 2013

TLA Altamira plant
(40%) 2011
300,000 m^3
800,000 m^3 (n)/h

Enagás Mexico S.A. de C.V. office (Mexico City)

Morelos pipeline
(50%) 2012 / 172 km

Peru

Transportadora de Gas del Perú
(TGP, 28.94%)
2014 / 729 km

Compañía Operadora de Gas del Amazonas
(Coga, 51%) 2014
TGP operator

Enagás Peru office, S.A.C. (Lima)

Chile

GNL Quintero plant
(45.4%) 2012
334,000 m^3 LNG
625,000 m^3 (n)/h

Spain

Barcelona plant
760,000 m^3LNG
1,950,000 m^3 (n)/h

Huelva plant
619,500 m^3 LNG
1,350,000 m^3 (n)/h

Cartagena plant
587,000 m^3 LNG
1,350,000 m^3 (n)/h

El Musel plant*
300,000 m^3 LNG
800,000 m^3 (n)/h

Saggas plant (72.5%)
600,000 m^3 LNG
1,000,000 m^3 (n)/h

BBG plant (50%)
450,000 m^3 LNG
800,000 m^3 (n)/h

Canary Islands plants

Gaviota storage facility
Total gas: 2.7 bcm

Yela storage facility
Total gas: 2.0 bcm**

Serrablo storage facility
Total gas: 1.1 bcm

Head office (Madrid)

~11,000 km
of gas pipelines

Greece, Albania and Italy

Trans Adriatic Pipeline
(TAP, 16%)
2014 / 871 km

Greece

DESFA operator
(13.2%) 2018

LNG Terminal (Revithoussa)
236,507 m^3 LNG
805,000 m^3 (n)/h

1,465 km of pipeline

Nea Messimvria compressor station

19 Compressor stations

6 International connections

Under construction / Project

* Pending after Royal Decree 335/2018.
** Quantity upon reaching its nominal capacity.

2 Strategy

Gas infrastructure is necessary for the development of renewable gases

Operating context

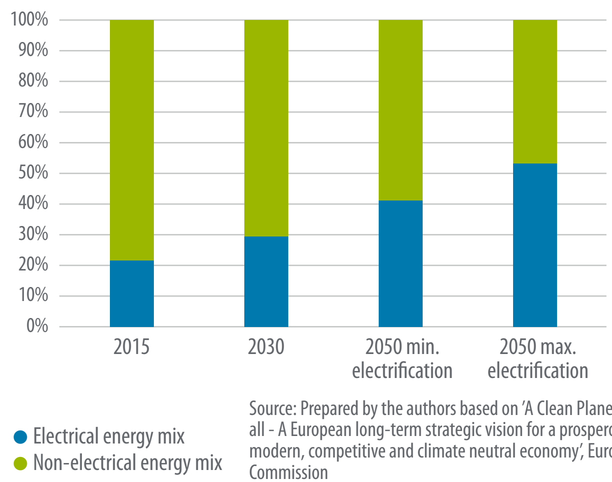
The energy transition is gaining momentum, driven by environmental policies, cost reductions in renewable generation technologies and the abundance of competitive natural gas supplies. The shale revolution has brought about a structural change in energy markets, where the availability of resources from North America continues to put downward pressure on natural gas prices.

Natural gas is a widely available and reliable energy that significantly reduces emissions of greenhouse gases and air pollutants compared to other fossil fuels. The abundant supply of liquefied natural gas (LNG) in Spain has led to the substitution of coal by natural gas, the main factor allowing CO_2 emissions from the electricity generation mix to be reduced by 25% in 2019 compared to 2018. Nevertheless, it is essential to continue advancing towards the decoupling of economic growth from energy demand, so that meeting environmental goals does not restrict economic development. In this respect, gas technologies enable efficiency gains in all sectors.

Natural gas is critical for many industrial processes whose high-temperature needs, due to the characteristics of the activity they perform, lack an alternative vector. The economic and environmental sustainability of industrial processes requires greater penetration of natural gas as a source of clean heat and as a raw material, together with the implementation of the best available technologies to improve their energy efficiency, in particular high-efficiency cogeneration.

In addition, natural gas is a necessary component for energy security, in order to allow the massive penetration of renewable electrical energies, bringing firmness and flexibility to the electricity generation mix. In the long-term, the European Union's target of becoming climate-neutral by 2050 is driving the development of renewable gases (biomethane and hydrogen), clean energies with huge potential whose integration into the energy system contributes to sustainability, competitiveness and stability (See the 'Commitment to energy transition'). Final energy demand scenarios in the European Union, in line with the commitment to carbon neutrality by 2050, define a non-electric energy mix that will represent about 50% of the emission-free energy supply, reflecting the importance of renewable gases for the decarbonisation of all sectors, mainly those not suitable for electrification.

Final energy demand in the EU



Source: Prepared by the authors based on 'A Clean Planet for all - A European long-term strategic vision for a prosperous, modern, competitive and climate neutral economy', European Commission

Gas infrastructure is necessary for the development of renewable gases and to achieve a climate-neutral energy system in the European Union at the lowest cost

The Spanish context

2021–2026 Regulatory framework

In 2019, the new 2021-2026 regulatory framework was approved, a stable and predictable framework developed by an independent regulator (National Commission on Markets and Competition (CNMC)):

- This is a transparent regulatory framework, which establishes a period of six years without intermediate revision. It establishes a methodology that includes:
  - Remuneration linked to net assets during this regulated period to compensate investment, with a financial remuneration rate in the period of 5.44%.
  - Remuneration for continuity of supply linked to the long-term availability of the assets of the Gas System with adequate maintenance, whereby the income established for 2020 for this concept will progressively decrease to 20% by the end of the 2026 regulatory period.
  - Incentives to extend the life of assets through remuneration at OPEX standards, with a margin for efficiency. In this sense, Enagás could maintain 50% of the efficiencies and once its

useful life is at an end, its extension will be compensated with this concept of remuneration, with a long-term, progressive formula.

- Investments in the system (not included in the regulated asset base) with an interest rate of 5.44% on borrowings and two years' amortisation for investments over 250,000 euros.

This new regulatory framework supports climate and energy targets by establishing incentives to keep the gas system infrastructure available, to fulfil the role assigned by the Spanish National Integrated Energy and Climate Plan for natural gas and renewable gases in the energy transition process. This shows that the use of existing gas infrastructure is essential if advances are to be made in energy transition at the lowest cost.

Evolution of demand

In the Target Scenario proposed for the fulfilment of Spain's ambitious commitments in the fight against climate change by the Updated Draft of the Spanish National Integrated Energy and Climate Plan, the demand for natural gas by 2030 will have gained a larger share of the energy mix (primary energy) compared to 2015.

In 2019, the demand for natural gas in Spain reached the highest level since 2010. By 2030, gas demand is expected to gain a larger share in the energy mix compared to 2015

In 2019 the demand for natural gas in Spain closed with growth of around 14% over the previous year, reaching 398 TWh, the highest figure since 2010. This increase has been mainly due to a very high demand for natural gas for power generation and higher industrial consumption. [GRI 302-2]

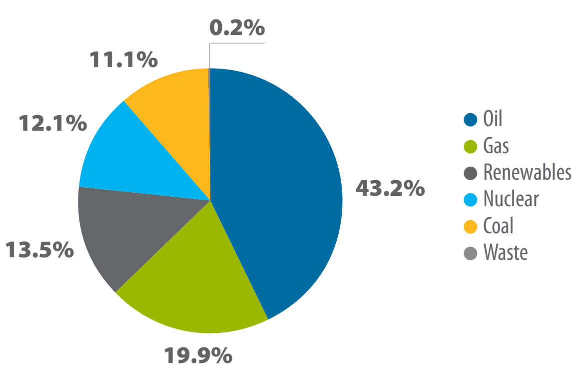
Demand for natural gas for power generation in 2019 grew by about 80% compared to the previous year, reaching 111 TWh, the highest figure recorded since 2010. This strong increase was mainly due to a greater share of natural gas in the thermal gap over coal, in a context where natural gas prices are more competitive, and to low hydroelectric power generation this year.

Industrial demand, which accounts for approximately 54% of total natural gas consumption, reached 214 TWh, an increase of about 2% over that of the previous year. This is the highest figure ever recorded since disaggregated data for industrial consumption has been collected. Demand grew in almost all industrial sectors. This energy is currently irreplaceable due to its high calorific value and versatility.

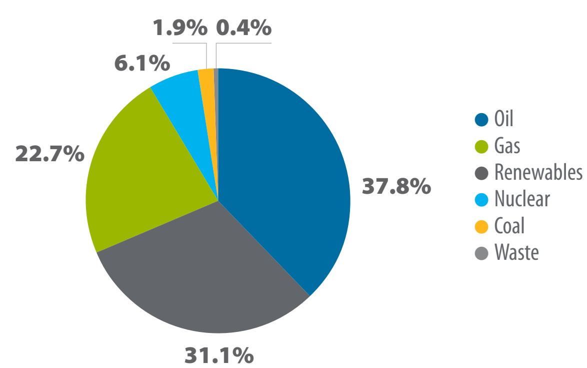
Enagás encourages competition in the market and liquidity in the Iberian Gas Market (Mibgas), and greater interconnection with the rest of Europe in order to advance the integration of the European market. This will lead to the removal of barriers that cause price differences between the Spanish gas system and those of its neighbouring countries.

In a context of low liquefied natural gas (LNG) prices in the international market, LNG regasification terminals have played a key role. In Spain, there were high levels of LNG storage and lower gas prices in Mibgas than in neighbouring markets at some periods at the end of the year. This allowed for an increase in natural gas exports to Europe via the Pyrenees in the last two months of 2019.

Primary energy 2015



Primary energy 2030



Source: Prepared by the authors from the Updated Draft of the PNIEC. Target scenario.

Furthermore, since 2018, the Spanish Gas System has shown a net annual surplus, which will allow the totality of the debt to be paid earlier than expected, in an environment of growing demand.

Other regions

The United States is the engine of growth in gas supply and demand, a key market both for its domestic consumption and its growing export potential. For this reason, Enagás has made an investment in Tallgrass Energy, a diversified midstream infrastructure company in the United States (see next section). It is a growing market with a favourable regulatory environment. The development of gas infrastructure in this market allows large volumes of coal to be displaced and leads the way to reducing CO_2 emissions worldwide.

The region of Southeast Europe, in which Enagás is present, has become one of the nerve centres for the development of gas infrastructure in order to meet growing demand and as an entry point for new origins and supply routes, contributing both to the EU's energy security and to competitiveness and liquidity in the internal market.

Enagás is positioned in the fastest-growing gas markets of Latin America in order to take advantage of the opportunities for growth in the region, where the midstream sector shows solid fundamentals for the very strong demand expected and new and competitive resources that require adaptation to changes in flow.

What is more, LNG is consolidating its place as the fastest-growing means of supplying natural gas. LNG demand grew at record levels (12.3%) during 2019 in a context of abundant supplies, driven by the entry of new capacity from the USA, Russia and Australia, where Europe primarily, and China have absorbed the incremental supply.

Strategic priorities

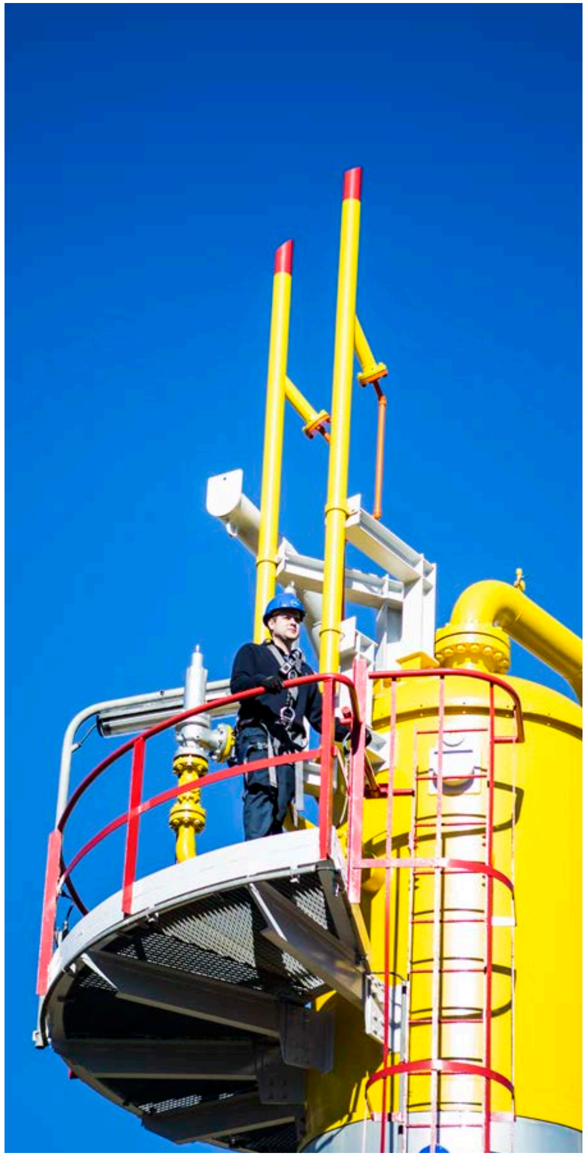
Given this operating context, Enagás has defined the following strategic priorities for the coming years:

Strategic priorities

Sustainable growth guaranteeing role as TSO in the process of decarbonisation and energy transition	Sustainability	Creation of value for our stakeholders
GROWTH AREAS: **New businesses** ● Renewable gases (biomethane/hydrogen) **Core business** ● Development of gas infrastructure ● Regional positioning (subsidiaries) ● Injection of renewable gases into the network **Expanded core business** ● Operation of floating and liquefaction infrastructure ● Small scale development ● Services for affiliates and third parties	**Energy efficiency and emission reduction** ● Minimising the environmental impact of our operations **People and culture** ● Attracting and retaining talent ● Creation of sustainable working environments **The role of natural gas and renewable gases in the energy model** ● New uses for natural gas ● Development of clean energies (biomethane/hydrogen)	LONG-TERM DIVIDEND SUSTAINABILITY **Financial sustainability of the gas system** **Financial strength and discipline** ● Evolution of net debt ● FFO/net debt ratio stand-alone **International activity** ● Contribution of international investments to net profit ● Contribution of international affiliates to cash flow **Solid cash flow generation**

Natural gas key to energy transition

Natural gas and renewable energies will lead the transition towards a low-carbon energy mix



Investment in Tallgrass Energy

In line with our strategic priorities, the investment by Enagás in Tallgrass Energy (TGE) is a strategic transaction of Enagás' core business, which reinforces the sustainability of the dividend in the medium to long-term.

This transaction was made through a strategic agreement with two of the world's main infrastructure investors (Blackstone and GIC), partners with excellent track records and recognised prestige in the industry and with a strong presence in the United States. Enagás participates as an industrial partner in the Consortium, given that TGE's core business is in line with Enagás' experience. In this way, Enagás' capabilities and experience of international expansion will strengthen the future development of TGE.

In relation to the governance model, Enagás will have customary minority rights and a presence on the Board of Directors, which gives Enagás influence on decision-making as regards finance and operations.

With this participation, Enagás will have the possibility of sharing its knowledge in green and renewable gases and other services for midstream assets, and will become a reference for the Spanish oil and gas industry in the United States, giving Spanish suppliers access to the midstream market in that country.

Investment criteria

We extend our criteria for solvent investment to all areas of the business, incorporating sustainability:

Results
Steady and predictable cash flow, with attractive returns.

Risk profile
Similar risk in regulated and non-regulated businesses.

Corporate governance
Strategic role as an industrial partner, actively participating in asset management.

Partners
Alliances with local partners with complementary capabilities.

Core business
Value creation in the main areas of expertise: LNG, transmission and storage.

Sustainability
Contributing to decarbonisation of the economy and improving air quality.

Targets linked to variable remuneration

[GRI 102-35, GRI 102-36, GRI 102-37]

The strategic priorities are established as company objectives linked to the variable remuneration of all Enagás professionals, including the Chairman and CEO, thus linking remuneration to economic, environmental and social objectives.

Moreover, Enagás has a long-term incentive plan in place, requiring the fulfilment of objectives aligned with strategic priorities, thus linking remuneration to the commitment to long-term management.

In 2019, we met the established objectives and we are making progress towards our long-term objectives:

Sustainability is one of the targets linked to the variable remuneration of all professionals

Strategic priorities	Long-Term Incentive Plan 2019-2021 targets (% weighting)	Yearly targets 2019 (% weighting)	Meeting 2019 targets (%)
Shareholder remuneration	Guarantee of total return for Enagás shareholders (30%). • Relative TSR: Enagás position in the ranking of the Comparison Group. • Absolute TSR	Improve the company's financial results (30%). • Profit after tax at December 31, 2019.	100%
Regulated assets	Consolidation of cash flows as a driver for solvency and ensuring a dividend payment for Enagás shareholders (25%). • Accumulated results corresponding to the company's funds from Operations (FFO)	Strengthening regulated revenues through: (25%) • Operating expense efficiency • Promotion and market positioning Small-Scale	100%
International growth	Consolidation of cash flows contributed by affiliates to the shareholder (Enagás Group) (35%). • Accumulated cash flows received from affiliates (dividend)	Consolidation of the company's Strategic Plan through: (35%) • Consolidation of international business • Services, diversification and entrepreneurship	100%
Sustainability	Guarantee of sustainable and organic growth through the fulfilment of initiatives contained in the Sustainability Plan (10%). • Average reduction in CO_2 emissions in the 2019-2021 period vs. 2018 • Percentage of women • Investment associated with the increased presence of renewable gases in the energy mix	Promoting sustainability and good governance through: (10%) • Positioning Enagás vis-à-vis socially responsible investors • Commitment to action on climate change • Promoting diversity, equal opportunities and digital transformation • Update of the Code of Ethics	100%

See details on **meeting 2019 targets** in the Annual Report on Directors' Remuneration.

Risk management

[GRI 102-11, GRI 102-15, GRI 102-29, GRI 102-30, GRI 102-31, GRI 201-2]

Enagás has established a risk control and management model aimed at ensuring the achievement of the objectives of the company in a predictable manner and with a medium-low profile for all of its risks. This model allows it to adapt to the complexity of its business activity in a globalised competitive environment, in a complex economic context, where the materialization of a risk is more rapid and with an evident contagion effect. The model is based on the following aspects:

- The consideration of some standard types of risk to which the Company is exposed:
  - Strategic and Business.
  - Operational and Technological.
  - Financial and Tax-related.
  - Credit and Counterparty.
  - Reputational.
  - Criminal Liability.
  - Compliance and Model.
- The segregation and independence of the functions of risk control and management at the company, in three lines of 'defence':
  - On the one hand, the business units that are responsible for the risks they take on when conducting their ordinary business activities, and are therefore responsible for identifying and measuring them.
  - Moreover, there is a risk control and management area responsible for: (i) ensuring that the risk control and management system functions properly, (ii) active participation in the development of the risk strategy and definitions of impacts on their management and (iii) ensuring that the control and management systems adequately mitigate risks.
  - Lastly the internal audit function, is in charge of supervising the efficiency of the risk controls in place.
- The existence of certain governing bodies with responsibilities in the process of risk control and management in the company:
  - The Board of Directors is responsible for approving the risk control and management policy. Other responsibilities with respect to risks are delegated in the Audit and Compliance Committee.
  - The Audit and Compliance Committee mainly supervises the efficiency of the risk systems and evaluates the risks to the company (identification, measurement and establishment of measures for their management).
  - The Risks Committee establishes the overall strategy for risks, the limits of global risk for the company, and reviews the level of exposure to risk and the corrective actions, should there be any non-compliance.
- Establishing a risk appetite framework which defines the risk levels considered acceptable and that are in line with established business objectives and the market environment in which the activities are carried out.
- The transparency of information supplied to third parties, to guarantee its reliability and accuracy.

The integral analysis and periodic monitoring of all risk permit the appropriate control and management thereof, an understanding of the relationships between them and facilitates their joint assessment. This is accomplished by taking into account, inter alia, the differences of each type of risk in terms of its nature, handling capacity and risk measurement tools.

The existing model is completed by carrying out of specific risk analyses that facilitate the decision-making process based on risk-profitability criteria in those strategic Enagás Group initiatives, new businesses or initiatives of special relevance from the risk standpoint. There is a risk function that performs this analysis independently, transversally (covering all risk types) and homogeneously (with similar operations and measuring overall risks).

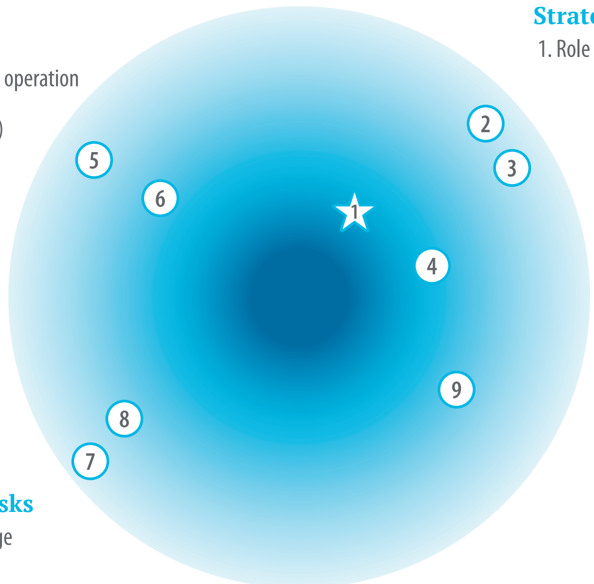
The risk map includes the main risks to which the Enagás Group is exposed, including risks associated with climate change

The main risks to which the Enagás group is exposed (with a three-year time horizon) are indicated below, as well as the main emerging long-term risk, which derives from climate change, among other factors. This risk due to the climate change factor, as well as other risks whose factor is climate change but which are not included in this map as they are not among the company's main risks, are detailed in the 'Climate change and energy efficiency' chapter, in line with the Task Force on Climate Related Disclosures (TCFD) recommendations. [GRI 201-2]

Corporate Risk Map [GRI 102-11, GRI 102-15, GRI 102-29, GRI 102-30, GRI 102-31, GRI 201-2]

Operational and Technological Risks
5. Industrial risks in infrastructure operation
6. Cybersecurity (industrial and corporate systems)

Strategic and Business Risks
1. Role of natural gas in the future energy mix (long-term effect)
2. Commercial risk and demand
3. Risk in the development of infrastructures
4. Legal risk



Financial and Fiscal Risks
7. Financial (interest rate, exchange rate and liquidity)
8. Tax risks

Reputational Risks
9. Direct reputational risks

Levels of risk:
- Acceptable
- Tolerable
- Significant
- Critical

Terms:
- ☆ Long-term emerging risks
- ○ Short-term risks (three-year time horizon)

Detail of the main risks [GRI 102-11, GRI 102-15, GRI 102-30]

Type of risk	Risk description	Risk level (1)	Control and management measures
STRATEGIC AND BUSINESS RISKS			
1. Role of natural gas in the future energy mix (long-term effect)(2)	• The policies and regulatory measures for decarbonising the energy models of the countries where the Enagás Group operates introduce uncertainty regarding the role of natural gas in the future energy mix in the medium and long-term.	Significant	• The company is actively working to mitigate this risk by encouraging new uses where natural gas contributes significantly to decarbonisation: marine, rail and heavy road transport. • In addition, the company is committed to renewable gases (biomethane and hydrogen) to move towards carbon neutrality and decarbonise sectors that are difficult to electrify, such as transport or high-temperature industry and energy storage. See the 'Our commitment to the energy transition' chapter.
2. Commercial risk and demand	• The evolution of demand for transmission, regasification and underground storage of natural gas in Spain has a direct impact over the regulated remuneration received by these activities. • In some international markets in which the company operates, revenues are affected by the performance of its commercial activity.	Acceptable	• Internal analysis about the evolution of demand, gas system capacity, inter alia. • Participation in projects to promote the use of natural gas. • Development of strategic commercial plans, detailed studies of potential markets for LNG, renewable gases (biogas, hydrogen, among others), and generation and development of new projects. See the 'Our commitment to the energy transition' chapter.
3. Risk in the development of infrastructures	• New infrastructure developments are subject to obtaining licences, permits and administrative authorisations. The development of these complex processes could adversely affect the company. • The execution of infrastructure projects may give rise to unforeseen circumstances resulting in missed deadlines or deviations from initially planned investment costs.	Acceptable	• Ongoing working relationship with government bodies. Monitoring processes of the required procedures. • Contingency plans established to address unforeseen deviations.
4. Legal risk	• The financial results of the company may be affected by the uncertainties related with the different interpretation of contracts, laws or regulations which the company and third parties may have, as well as the results of any legal actions undertaken.	Significant	• Management and monitoring of court cases. • Monitoring of the existing situation with corresponding administrative authorities.

(1) The risk map represents the residual risk, meaning the risk considering the effectiveness of the established management and control measures (risk transfer to insurance companies or mitigation measures). Level of Risk: Acceptable / Tolerable / Significant / Critical.
(2) The risk of climate change is detailed in the 'Climate change and energy efficiency' chapter, where the risks and opportunities of climate change are described following the TCFD methodology.

Type of risk	Risk description	Risk level (1)	Control and management measures
OPERATIONAL AND TECHNOLOGICAL RISKS			
5. Industrial risks in infrastructure operation	• In the operation of the infrastructure for transmission, regasification plants and underground storage facilities, accidents, damage or incidents involving loss of value or lost profits may occur.	Acceptable	• Emergency, maintenance and continuous improvement plans, the existence of control systems and alarms that guarantee service continuity and quality. • Quality, prevention and environmental certifications and redundancy of equipment and systems. • Insurance policy contracts. See the 'Financial and operational excellence', 'Health and safety' and 'Natural capital management' chapters.
6. Cybersecurity	• Damage to corporate and industrial systems as a result of deliberate attacks by third parties.	Tolerable	• Development and updating of the Cybersecurity Master Plan including specific action measures. See the 'Health and safety' chapter.
FINANCIAL AND FISCAL RISKS			
7. Interest rate, exchange rate and liquidity	• Volatility of interest and exchange rates, as well as movements in other financial variables that could negatively affect the company's liquidity.	Acceptable	• Hedging using derivatives to establish an optimal debt structure. • Natural hedging through financing in the business's functional currency. • Taking out credit lines with unconditional availability and temporary financial investments. See the 'Financial and operational excellence' chapter.
8. Tax risks	• Possible changes to tax legislation that could affect the company's results. • Possible differences in interpretation of the tax legislation in force in the countries in which the Group is present that may diverge from the criteria held by Enagás and its tax advisers. Possible defects of form.	Acceptable	• Consultancy services provided by tax specialists. • Principles of action that govern compliance with tax obligations, avoiding risks and tax inefficiencies. See the 'Ethics and integrity' and the 'Financial and operational excellence' chapters.
REPUTATIONAL RISKS			
9. Direct reputational risks	• Possible deterioration of the perception or image of the Enagás Group from the different stakeholders.	Tolerable	• Fluent, direct communication with stakeholders. • Regular tracking of information harmful to the company. See the 'Materiality and Sustainable Management Model' chapter.

Credit and Counterparty Risks: In application of IFRS 9 since January 2018, a provision has been made for the expected loss from this type of risk.
(1) The risk map represents the residual risk, meaning the risk considering the effectiveness of the established management and control measures (risk transfer to insurance companies or mitigation measures). Level of Risk: Acceptable / Tolerable / Significant / Critical

[GRI 102-11, GRI 102-15, GRI 102-30]

3 Our commitment to the energy transition

We are committed to innovative solutions that support our progress towards a more sustainable energy model

Sustainability strategy

The Enagás Sustainability Strategy supports the company's strategy, and is linked to short and long-term incentive plans. This strategy sets out the three drivers upon which the company relies to address the energy transition process and thus move towards a more sustainable energy model:

Sustainability drivers

Energy efficiency and emissions reduction:

we must minimise the environmental impact of our operations by means of solutions that enable us to reduce our energy consumption, thereby minimising our carbon footprint.

See the 'Climate change and energy efficiency' chapter.

People and culture:

we must be able to attract and retain the best talent, creating working environments that enable us to continue to transform ourselves and bring about creative solutions in order to form part of a more sustainable future.

See the 'People' chapter.

The role of natural gas and renewable gases in the energy model:

we have faith in the promotion of new uses for natural gas and the development of clean energy projects, such as biogas/biomethane and hydrogen.

See the 'Renewable gases' and 'Natural gas for mobility' sections in this chapter.

Renewable gases

[GRI 102-15, GRI 201-2]

Enagás promotes the development of renewable gases as new key solutions for the energy transition.

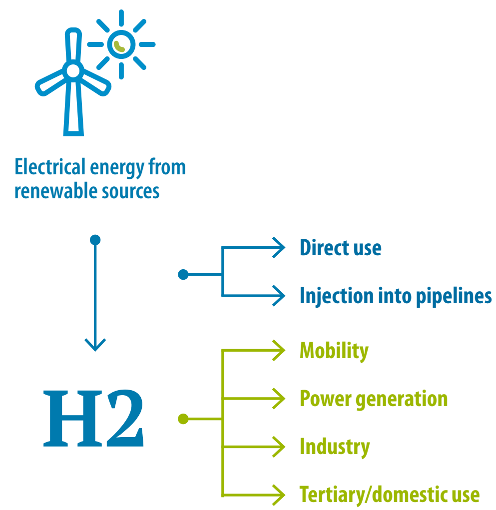
Non-electric renewable energies (hydrogen, biomethane and synthetic natural gas) are indispensable energy vectors that contribute to the development of a circular economy and to the energy transition process, helping achieve a carbon-neutral economy.

These non-electric renewable energies can be transported via the existing gas network infrastructure, maximising their use.
In this way, renewable gases will provide the energy system of the future with the necessary flexibility and firmness, guaranteeing security of supply, helping promote the connection of the gas and electricity sectors and enabling complete decarbonisation.

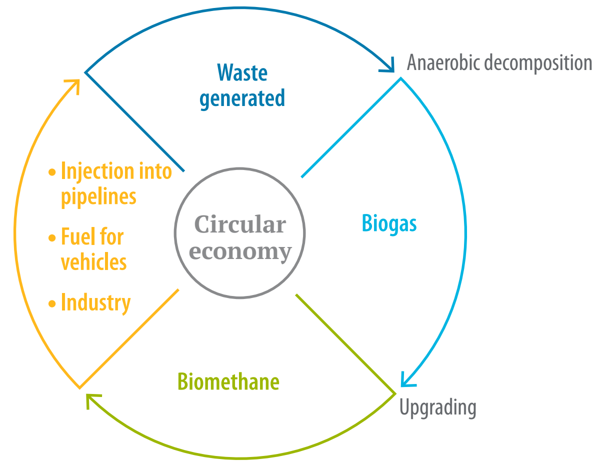
Green hydrogen, which is obtained from electrical renewable energy, is an energy vector for the future and a key solution for storing renewable energy. It also has multiple applications, as it can be used in all energy sectors (industry, mobility, domestic-commercial and electricity generation).

Enagás' infrastructure portfolio has sufficient capacity and geographical structure to connect the potential production and consumption points. For this purpose, Enagás has identified potential additional storage capacities compatible with this new energy vector and is working to develop a roadmap to ensure that these infrastructures will be viable by 2026 in accordance with the needs arising from the sustainable development of the new 'Hydrogen Economy'.

Hydrogen



Biogas-Biomethane



See the **Enagás' informational video on renewable gases**

On the other hand, biogas produced from waste is a source of renewable, local and storable energy, with a positive impact on employment and the rural economy. After a process of cleaning and CO_2, separation, the biogas transforms into biomethane: a totally renewable gas, of equivalent quality to natural gas, that can be injected into the transmission network. The Valdemingómez plant in Madrid is the first example in Spain of this type of use with injection into the gas network, in this case by Enagás.

Biomethane can also be used as sustainable fuel in the form of Bio-CNG (compressed natural gas) and Bio-LNG (liquefied natural gas) in light and heavy vehicles.

Enagás is currently sponsoring different projects for the development of non-electric renewable energies, such as hydrogen and biomethane, as new energy solutions that are key to the decarbonisation process, and in order to bring about a circular economy

10/2019

› Enagás, in close cooperation with the Ministry for Ecological Transition and the Ministry of Industry, Trade and Tourism, has submitted an initiative to the European Union as a candidate to become a strategic project of European interest (SPEI).
The project deals with the generation of green hydrogen using renewable energy and its use domestically and across Europe to decarbonise energy across society and in the industrial, mobility and tertiary sectors.

As part of its commitment to decarbonisation, Enagás created a new subsidiary in 2019, EnaGasRenovable, to promote renewable gas projects.

The company plans to invest 300 million euros in hydrogen, biogas and biomethane projects during the period 2020-2026:

- Demo projects on an industrial scale, such as the 'Power to Green Hydrogen' project in Mallorca, which involves building a green hydrogen plant that uses renewable electrical energy (photovoltaic park) (agreement signed between the Government of the Balearic Islands, Enagás, Acciona and CEMEX).
- Projects to decarbonise different sectors of the economy and Power-to-Gas projects for connecting the gas and electricity sectors, especially in regions where the energy transition may have a greater impact:
  - Development of local hydrogen economies that can be extrapolated to other regions of Spain.
  - Development of sustainable and scalable business models.
  - Deployment of clean technologies for the production of green hydrogen in Spain.
- Investment projects in proprietary technology.
  - Direct hydrogen generation using solar energy.

In addition, Enagás also supports start-ups from its 'Enagás Emprende' programme and start-ups that focus on promoting renewable gases, such as 'BioEnGas' (see the 'Corporate entrepreneurship and open innovation' chapter).

[GRI 102-15, GRI 201-2]

Natural gas for mobility [GRI 102-15]

Natural gas plays a highly relevant role in ensuring security of supply and competitiveness, while meeting the energy requirements of highly demanding sectors, such as industry. It also contributes in other areas such as transport, where it is positioning itself as one of the most sustainable fuels; key in reducing emissions and improving air quality.

The use of natural gas as a fuel for transport would allow for NOx emissions to be reduced by 80-90%, CO_2 emissions to be reduced by 20-30% and SOx emissions and particles by practically 100% compared to traditional fuels. This makes natural gas a sustainable alternative for mobility and heavy, maritime and rail transport.

Its contribution is particularly important in the case of maritime transport, as it allows vessels to adhere to new environmental regulations set forth by the International Maritime Organization (IMO) and directive (EU) 2016/802.

As part of our commitment to innovation, at Enagás, we have made technical adaptations to our LNG plants which are now ready to offer new services related to the role of gas as a fuel, such as bunkering (supplying fuel for ships). In addition, we promote these new uses through our coordination in projects such as 'CORE LNGas hive' and 'LNGHIVE2' and participation in other projects with European CEF funds in the rail sector.

In addition, Enagás was one of the participating companies in the first LNG rail traction pilot test in Europe. It should also be noted that with the implementation of the Road Map set out with Renfe, the company will work with all segments of rail traction to retrofit diesel vehicles for natural gas in business areas where electrification would be unprofitable.

The Company also supports start-ups that have emerged from its 'Enagás Emprende' programme that are focused on promoting mobility with natural gas, such as 'Gas2Move'.

Photo: Balearia.

02/2019

› The ECO-GATE European Consortium – of which Enagás is a member – has launched the 'ECO-G' label to standardise the different names for technology fuelled by natural gas. The label may be used by manufacturers of land or sea vehicles, vehicle users, technology companies, shippers and distributors in the natural gas mobility sector.
Specifically, Enagás and Naturgy are participating together in the first project to generate biomethane for land mobility. The project aims to supply the light vehicle segment using waste water from the Isabel II canal in Butarque.

Corporate entrepreneurship and open innovation

Enagás has put in place a programme of corporate entrepreneurship and open innovation for the purpose of supporting and fostering new ideas and innovative business projects which, in accordance with our strategy, will enable us to create value and diversify the business, and to gain an early foothold in disruptive innovation and start-ups that are aligned with the improvement of efficiency, competitiveness and sustainability in the energy sector in the current context of energy transition.

The 'Enagás Emprende' programme searches inside and outside the company for projects related to the business to help them grow and turn them into viable companies. It is structured along the following lines:

- Corporate entrepreneurship – developing business projects and ideas based on Enagás technical, economic and market-related skills.
- Venture Capital – investing in and supporting start-ups.
- Open Innovation – developing projects and incorporating technology supported by skills external to Enagás.

'Enagás Emprende' studies and analyses each proposal on an individual basis and offers acceleration programmes tailored to the needs of each project, which can vary from financial resources, conducting technical pilot testing, co-development and support for commercial development, among others.

Thanks to the support of 'Enagás Emprende', seven internal Corporate Entrepreneurship projects have become start-ups:

Start-ups from corporate entrepreneurship

VIRA GAS IMAGING www.viragasimaging.com	• A start-up offering consultancy services for gas detection and quantification, assisting their customers to comply with environmental laws and regulations.
e4efficiency Powered by enagas www.e4efficiency.es	• A start-up with innovative, technically validated technology for environmentally friendly cold energy transport, encouraging large companies requiring cold energy to set up in the vicinity of LNG plants.
SCALE GAS Powered by enagas www.scalegas.com	• A start-up that invests in small/medium-scale NG/LNG infrastructure (bunkering, service stations, vehicular natural gas, etc.) and design, execution, operation and maintenance for third parties, commercialising its experience and providing logistics services.
gas2move atodomás Powered by enagas www.gas2move.com	• A start-up dedicated to environmentally sustainable last-mile logistics in which the entire vehicle fleet is powered by alternative energy sources (natural gas, electricity, hydrogen, etc.).
SERCOMGAS www.sercomgas.com	• Support services for shippers in their daily operations. Providing services for the entire process, ranging from obtaining a licence number to ship gas in Spain to back office services, reporting to official entities and training on the gas system.
SMART ENERGY ASSETS www.smartenergyassets.com	• A start-up that manages gas measuring processes, based on latest-generation artificial intelligence algorithms (Data Analytics and Machine Learning). The new metering models will have the capacity for self-learning and will be available through a platform in the cloud.
BIOENGAS Powered by enagas www.bioengas.com	• Start-up that aims to develop, operate and maintain biomethane plants.

For further details on the **Enagás Emprende Programme,** visit the corporate website

In addition to the internal projects mentioned, Enagás Emprende has also invested in four external start-ups:

External *start-ups*

SEaB energy www.seabenergy.com	• English circular economy start-up that designs small-scale plants installed in buildings to transform organic waste generated on site into green energy, water and fertiliser.
DualMetha www.dualmetha.com	• French start-up with proprietary technology for modular biogas plants that manage multiple types of waste, mainly agricultural; the objective of which is to generate biomethane to inject into the gas network.
HYGEN www.hygengroup.com	• Latvian start-up that has developed a CNG (Compressed Natural Gas) fuelling system that allows the rapid refuelling of vehicles in situ, in homes or workplaces. Hygen's compressors are based on a patented technology that provides greater durability and reliability.
HELIOPROD PREMERY Helioprod Premery	• Start-up originating from the first Dual Metha modular plant pilot project; the project, named a prizewinner by the French state agency Ademe, featured 8 solid digestion tanks with a capacity of 250m³ each.

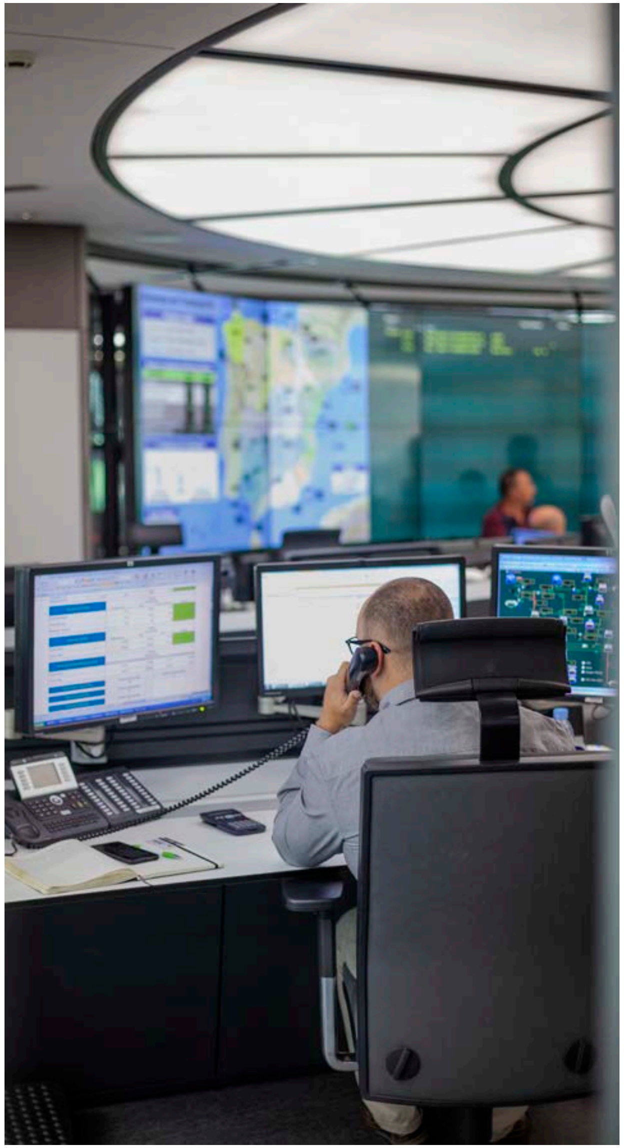
12/2019

› Enagás has received the Innovative Programme Award and Open Innovation Challengers awards granted to 'Enagás Emprende' for being one of the top European companies in terms of supporting entrepreneurship and open innovation. These awards are part of the Start-up Europe Partnership (SEP) initiative promoted by the European Union.

Digital transformation

This digital transformation is, for Enagás, a strategic lever of change, key to ensuring our positioning in an interconnected industry and our competitiveness in the market in the medium-term. Enagás is undergoing a process of digital transformation to allow us to adapt flexibly to the context in which we operate. For this purpose, work is being carried out in the following areas:

- Strengthening and development of digital capacity regarding human capital, allowing us to promote new ways of working within the organisation, in a more creative, agile, autonomous, collaborative and coordinated way.
- Optimisation of the value chain through the exploitation of advanced data analytics, which will allow us to achieve greater efficiency in our processes (optimisation of operating costs derived from energy consumption, capital costs associated with managing the life cycle of assets, etc.).
- Creation of opportunities for new sources of revenue in the medium term resulting from the good use the opportunities arising from the digital transformation.



This year, we have developed a new strategic transformation framework. Besides including cross-cutting transformation projects, this strengthens our Data, Stakeholder Experience, Agile and Digital Culture capabilities.

This will mean that digitalisation will provide support for the company's vision of the future, both in the development of non-electric renewable energies (hydrogen and biogas/biomethane), and the adaptation of our infrastructure for its transport.

In 2019, Enagás invested 3.2 million euros in technological innovation, of which more than 26% corresponds to projects related to renewable energy

Technological innovation

Technological innovation at Enagás is focused on two areas:

- Improving the different aspects of the company's present activities, such as energy efficiency and self-generation of energy, the measuring of gas and analysis of its components, operational safety and materials and equipment necessary for its activity. The most important projects on which work has been done this year are the installation of a reactor for chlorine dioxide generation at the Barcelona plant and our efforts to measure fugitive methane emissions (see the 'Climate change and energy efficiency' chapter).
- The analysis and development of technology that, in the short and medium-term future, may add value to the company's own infrastructures and/or know-how, such as production, analysis, certification and transport of synthetic natural gas, biogas, biomethane and hydrogen. The following projects are featured in this area:
  - Enagás and Repsol's joint project, 'SUN2HY', for the development of photoelectrochemical technology for hydrogen production.
  - Design, construction and operation of biomethane upgrading plants for injection into the Enagás network or for vehicular use. This is a collaborative project with several waste-producing partners (Biogastur, Sacyr, Ferrovial, Ence, Emgrisa, etc.).
  - The 'Power to Green Hydrogen Mallorca' project, a collaborative effort with the Government of the Balearic Islands, Acciona, CEMEX and Redexis, to develop a green hydrogen production plant in Mallorca that will supply clean energy to sustainable mobility vehicles for fleets both public and private.
  - Demonstration of an hydrogen injection process in the gas network in Spain (Cartagena plant).

In 2019, our investment in technological innovation has grown to 3.2[1] million euros, more than 26% of which corresponds to projects related to renewable energy. [GRI OG2]

(1)This figure comprises the costs associated with the projects approved by the Investment Committee (amount entered as R+D expenses in the 'Other operating expenses' section of the Annual Accounts), procurement of R+D, personnel expenses and the purchase of equipment and instruments.

4 Creation of value for our stakeholders

Our Sustainable Management Model allows us to create value for our stakeholders in each of the material issues

Materiality and Sustainable Management Model

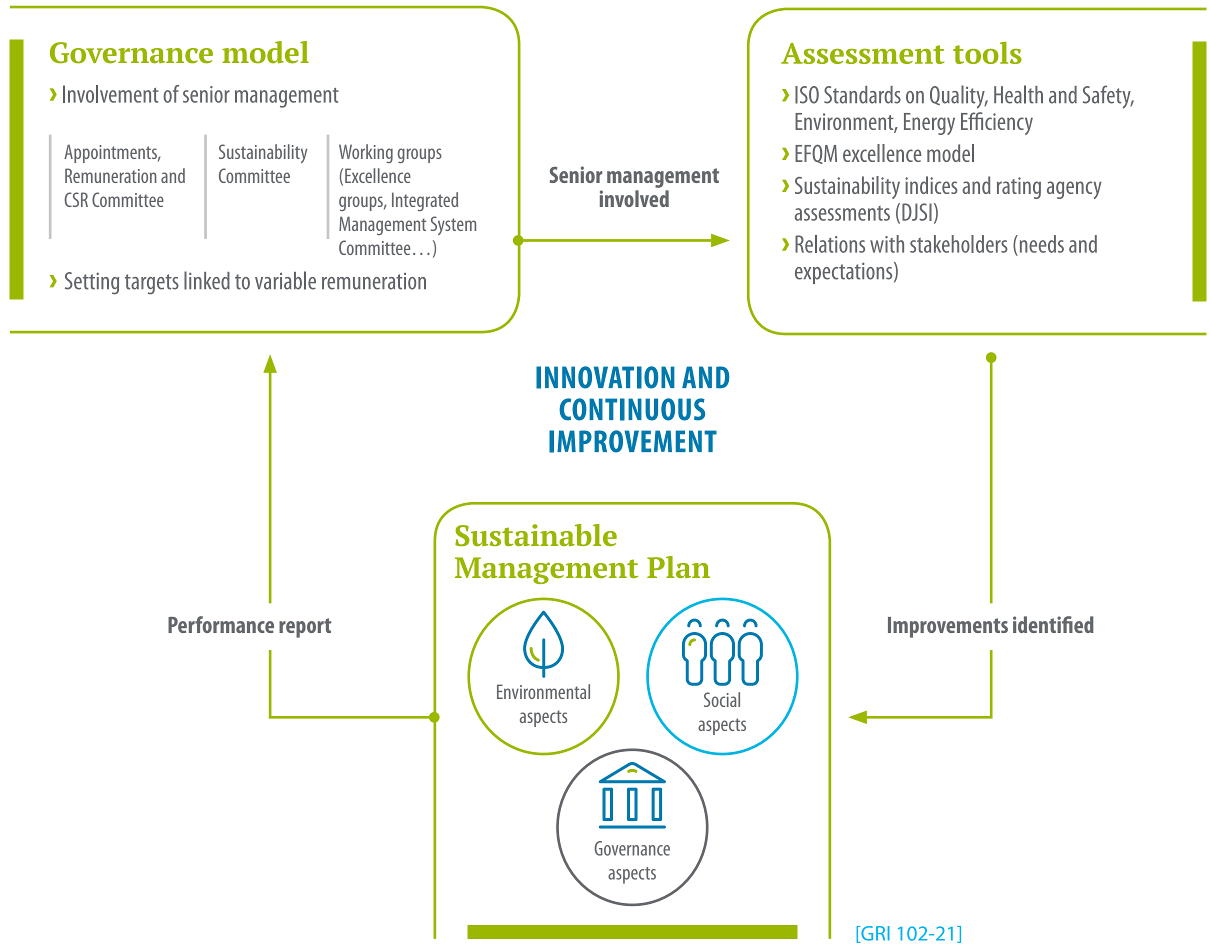
The Enagás Sustainable Management Model establishes the company's responsibilities as regards sustainability governance and defines the assessment tools for identifying the lines of action that are set out in the Sustainable Management Plan.

The Appointments, Remuneration and CSR Committee (ARCSRC) is the highest body with responsibility for sustainability (economic, environmental and social impacts). The Sustainability Committee, made up of members of the Management Committee, reports to this committee and is responsible for approving initiatives in this matter (by delegation from the ARCSRC). [GRI 102-29, GRI 102-31]

At executive level, the Chief Executive Officer is responsible for managing the company's business, under the supervision of the Chairman, who is responsible for driving the company forward and the ongoing coordination of its activities.

Under the umbrella of the Chief Executive Officer and as a general rule, the Finance Department is responsible for managing financial matters, while the Human & Corporate Resources Department is responsible for environmental and social matters. [GRI 102-18, GRI 102-19, GRI 102-20]

The Sustainable Management Plan includes initiatives for innovation and continuous improvement in the company in order to create value in the short, medium and long term, and achieving results in the environmental, social and governance areas. In turn, it is structured into the material issues of the company, which are represented below in the materiality matrix.



[GRI 102-21]

Materiality analysis

[GRI 102-44, GRI 102-46]

Enagás identifies and prioritises material issues in the company's direct operations, according to the level of importance these have for Enagás and its stakeholders. This is based on the company's activities, the strategy and operating context, as well as on the needs and expectations of its stakeholders, identified through the following relationship channels:

[GRI 102-21, GRI 102-42, GRI 102-43, GRI 102-44]

We establish processes of dialogue and collaboration with our stakeholders to identify their needs and expectations

Enagás stakeholders	Relationship channels	
Regulatory bodies (state, local and international)	• Regular meetings (face-to-face, telephone, e-mail) • Corporate website	
Investors (investment fund managers, rating agencies, analysts)	• Regular meetings (face-to-face, telephone, e-mail) • Roadshows • Corporate website	• Shareholders' Office • Free shareholders' helpline • Electronic mailbox • Meetings with minority shareholders and analysts
Employees (professionals, social organisations)	• Regular meetings (face-to-face, telephone, e-mail) • Corporate Intranet • In-house magazine 'Azul y Verde' • Electronic newsletter 'Ráfagas'	• Internal communication campaigns • Ethics channel • Opinion surveys and associated improvement plans
Customers (distributors, shippers, transmission companies, direct consumers in the market)	• Account managers • Regular meetings (face-to-face, telephone, e-mail) • Main Control Centre • SL-ATR • Spanish Gas System Monitoring Committee	• Corporate website: SL-ATR 2.0 portal and SITGAS portal • Customer newsletter • Meetings with customers (Shippers' Day) • Customer satisfaction surveys and associated improvement plans
Partners (business partners, strategic business partners and company management)	• Coordinators of affiliate companies • Regular meetings (face-to-face, telephone, e-mail) • Governing bodies	
Media (general, specialising in natural gas sector, specialising in sustainability)	• Regular meetings (face-to-face, telephone, e-mail) • Corporate website	• Media hotline • Media mailbox
Suppliers (critical and non-critical)	• Regular meetings (telephone, e-mail) • Corporate website: supplier portal • Supplier platform	• Contractor Access System • Supplier mailbox
Financial institutions	• Regular meetings (face-to-face, telephone, e-mail)	
Associations and foundations (from the energy / gas sector, from social, environmental, ethical (sustainability) areas, in education and culture, health and development cooperation areas)	• Regular meetings derived from participation in groups and forums (face-to-face, telephone, e-mail)	

[GRI 102-40, GRI 102-42, GRI 102-43]

Material issues in the Enagás value chain

[GRI 102-44, GRI 102-46, GRI 102-47, GRI 103-1]

Enagás has identified eight material issues in the Governance, Social and Environmental aspects:

- Good Governance
- Ethics and compliance
- Financial and operational excellence
- Natural capital management
- Local communities
- Health and safety
- People
- Climate change and energy efficiency

Enagás ensures the company's sustainability by managing these aspects in its value chain, viz., both in its direct operations and in the operations of third parties with whom it has relationships: suppliers and affiliates.

Direct operations

Sustainable Management Model

Supply chain

Evaluation of material issues (consultations and audits)

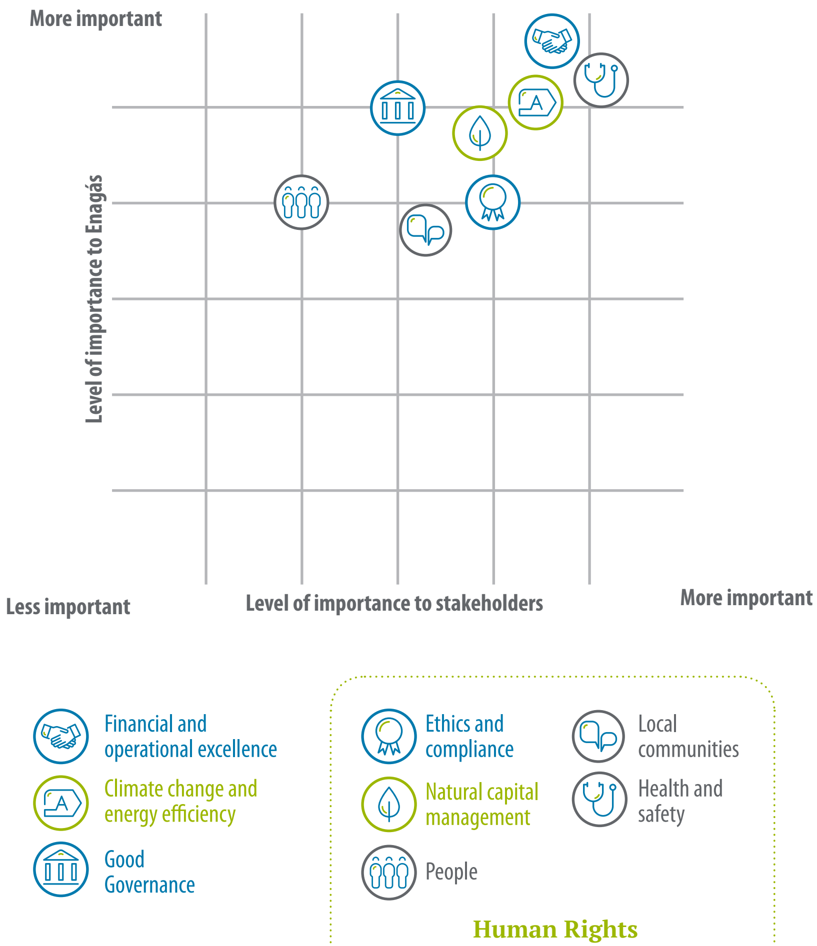
See the 'Supply chain' chapter.

Affiliates

Evaluation of critical management standards (affiliates management model)

See the 'Affiliates management' chapter.

Materiality matrix in Enagás' direct operations



[GRI 102-44, GRI 102-46, GRI 102-47, GRI 103-1]

Enagás considers human rights as a material issue included in the areas of Ethics and Compliance, People (labour rights), Local communities (rights of communities), Health and Safety and Management of natural capital (right to use natural resources). (See the 'Human Rights' chapter).

The following chapters explain how we are creating value for our stakeholders through our performance in each material issue, including corporate governance, the supply chain and management of affiliates as key transversal aspects for value creation. [GRI 102-47]

4.1 Good Governance

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

Good governance is a primary concern for the company, as is reflected in the Enagás Sustainability and Good Governance Policy. This policy confirms that a good governance model permits us to create value in the short, medium and long term for shareholders, customers, suppliers and other stakeholders. It also strengthens the company's control environment, reputation and credibility for third parties.

The key areas on which our governance model is structured are the company's strategy and objectives (see the 'Strategy' chapter), the structure and functioning of our governing bodies (independence, diversity, etc.), performance and the system of incentives for decision-making.

Sustainable Management Plan

Main lines in 2019

- Update of the company's Long-term Incentive Plan according to the recommendations of good governance:
  - Increase of shares as a form of remuneration
  - Establishment of a deferment period in the delivery of shares
  - Increase in the holding period for shares
- Compliance with the long-term target of increasing the diversity of the Board, reaching 31% women
- Update of the Regulations of the Board and the Committees

2020 lines

- Review of the evaluation process of the Board of Directors
- Enhanced Board training in key areas of company strategy

31%
female members on the Board

[GRI 405-1]

18%
women in the Management Committee

13
members of the Board of Directors

62%
Independent Directors

51%
Quorum at 2019 GSM

In 2019, the **diversity** target was met, with 31% of the Board of Directors being women
(see the 'Strategy' chapter)

Board of Directors and Committees

[GRI 102-18, GRI 102-22, GRI 102-23]

Name of the Director	Position on the Board of Directors	Type of Director	Position on the Audit and Compliance Committee	Position on the Appointments, Remuneration and CSR Committee
Antonio Llardén Carratalá	Chairman	Executive		
Marcelino Oreja Arburúa	Chief Executive Officer	Executive		
Martí Parellada Sabata	Director	Other external	Member	
Isabel Tocino Biscarolasaga	Director	Independent	President	
Ana Palacio Vallelersundi	Independent Leading Director	Independent		President
Antonio Hernández Mancha	Director	Independent		Member
Eva Patricia Úrbez Sanz	Director	Independent		Member
Santiago Ferrer i Costa	Director	Proprietary		Member
Luis García del Río	Director	Independent	Member	
Rosa Rodríguez Diaz	Director	Independent	Member	
Gonzalo Solana González	Director	Independent		Member
Ignacio Grangel Vicente	Director	Independent		Member
SEPI - Sociedad Estatal de Participaciones Industriales (represented by Bartolomé Lora Toro)	Director	Proprietary	Member	
Rafael Piqueras Bautista	General Secretary	-	Secretary	Secretary

Consult the **Regulations of the Organisation and Functioning of the Board of Directors** of Enagás on the corporate website

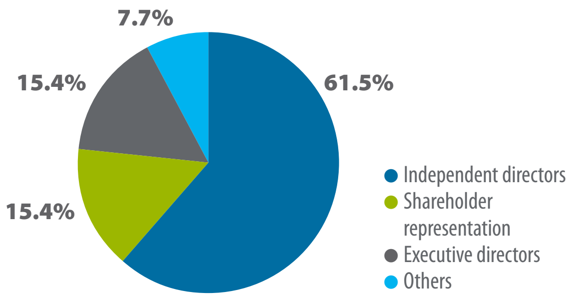
03/2019

› The General Shareholders' Meeting approved the 2018 accounts, the management report and all items listed on the Agenda. The shareholders endorsed the management of the Board of Directors and ratified Santiago Ferrer as a Proprietary Director, designated at the proposal of the shareholder Sociedad Estatal de Participaciones Industriales (SEPI). They also approved the appointment of a new Independent Director, Patricia Úrbez, to replace Luis Javier Navarro.

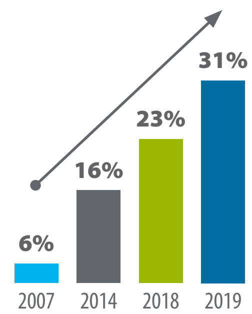
Structure of the Board of Directors: independence and diversity [GRI 102-18, GRI 102-22, GRI 405-1]

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

Board of Directors



Proportion of women on the Board of Directors



31%
female members on the Board

+8%
increase in the percentage of women on the Board from 2018 to 2019

See the **Director Selection Policy** on the corporate website

The Enagás Board of Directors has increased the number of Independent Directors to 61.5% compared to the 44% in the Spanish market.

The policy for the selection of Directors sets out the principles on which the selection processes for members of the Board of Directors are based:

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

In addition, Enagás' commitment to promoting gender diversity on the Board is reflected in the significant increase in the percentage of women, from 6% in 2007 to 31% in 2019, having met the commitment established by the company and the recommendations of the CNMV to reach 30% by 2020.

As concerns diversity of knowledge and experience, the Enagás Board of Directors was evaluated by an independent external assessor who concluded that the Board presents an appropriate balance of knowledge and experience that allows it to fulfil the company's strategy and given the context of its markets.

For this purpose, the skills, knowledge and experience of each of the members of the Board of Directors have been studied to ensure the fulfilment of strategic priorities.

Moreover, the Board of Directors of Enagás covers other relevant abilities and experience for the development of the business, for instance, in the fields of business and management, economics, legal and tax, finance and capital markets, human resources, infrastructure, computing and technology, and marketing and sales. Cybersecurity and computing and technology abilities have also been added to the 2019 evaluation.
[GRI 102-18, GRI 102-22, GRI 102-27, GRI 405-1]

Enagás has met its commitments on independence and diversity by increasing the number of Independent Directors and reaching 31% women on the Board

Skills, knowledge and professional experience of the Board of Directors [GRI 102-27]

			Audit and Compliance Committee					Appointments, Remuneration and CSR Committee						
SKILLS	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**% of the total**
Engineering (qualification and ample experience as a practising engineer).	X	X		X	X		X	X						**46%**
Industry / Sector (Ample experience in administration, management and control in major energy companies).	X	X		X	X			X	X		X	X	X	**69%**
Public / Regulatory institutions (Ample experience acquired through direct exposure to regulators and related institutions).	X	X	X	X	X	X	X	X	X		X	X	X	**92%**
Corporate Governance (Experience in positions of oversight (Chairman / Director on the Board of Directors of listed companies / specific management roles in large or listed companies)).	X	X		X	X		X	X	X		X	X	X	**77%**
Auditing / Accounting (Ample experience acquired in positions of senior management (CEO, CFO) in listed companies and/or holding management positions in an accounting firm).		X	X	X	X	X	X	X	X		X	X		**77%**
Risk control and management (Relevant experience in related positions (Risk Officer, internal auditor, internal control positions, monitoring/risk/internal control committees).		X		X	X		X	X	X		X	X	X	**69%**
Corporate Social and Environmental Responsibility (Ample experience in administration, management and control in companies operating in sectors exposed to high environmental impact or broad experience in roles of strategic management of social and/or environmental issues. Multi-year academic experience in this field).		X		X	X	X	X	X		X	X	X	X	**77%**
International expansion / Multicultural environment (Previous experience working for multinational or domestic companies in a position with significant international exposure).	X	X		X	X		X	X	X		X	X	X	**77%**
Business / Management (Previous experience as a senior manager in other companies).		X		X	X		X	X	X	X	X		X	**69%**
Cybersecurity.										X				**8%**
Computing and technology.		X		X	X		X	X		X				**46%**

Functioning of the Board

[GRI 102-28]

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

Every year, an assessment of the Board is performed with the participation of an independent external expert. This assessment is performed objectively and from a best-practice viewpoint by means of questionnaires completed by all members of the Board. The conclusions of this phase are checked in interviews with the same Directors.

The Board's competence matrix includes Sustainability competences

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

- Efficient functioning of the Board and its Committees, where debate and sharing of opinions are encouraged, highlighting the involvement of the Board in such a relevant year as 2019.
- Good assessment of the training programme, seeking for it to continue in line with the new challenges posed by the context of Enagás.

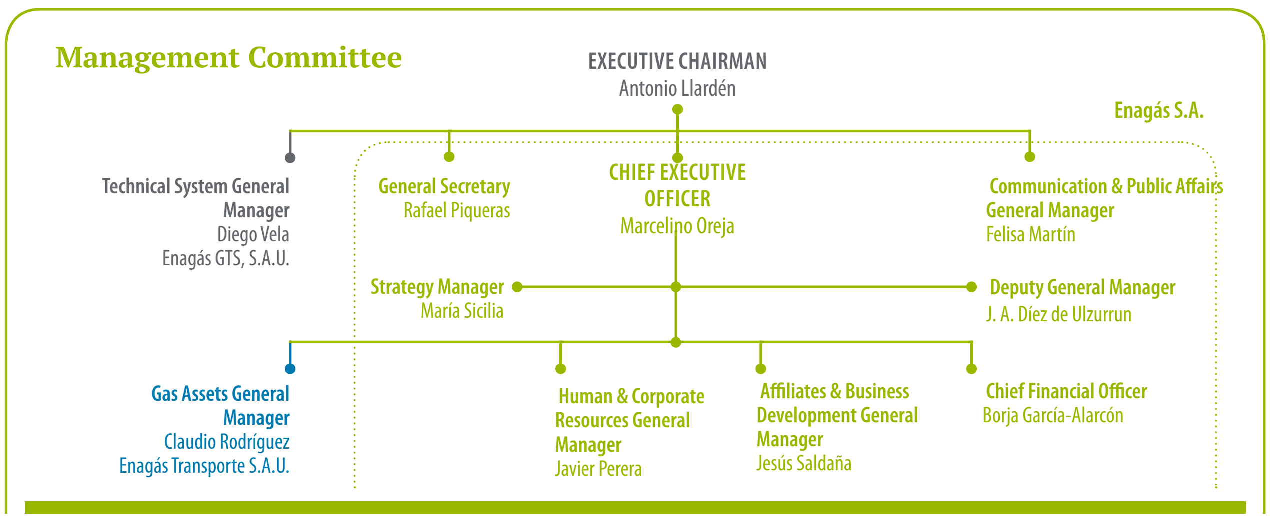
Thirteen meetings of the Board of Directors were held in 2019 with an average attendance of 100%, and the following critical issues were addressed: [GRI 102-21, GRI 102-33, GRI 102-34]

See the **Sustainability and Good Governance Policy** on the corporate website

Topic	Type	Resolution
Sustainability Challenges	Corporate Governance, Environmental and Social	Unanimously approved
Transparency in non-financial information and diversity	Corporate Governance, Environmental and Social	Unanimously approved
Annual Risks Report	Corporate Governance	Unanimously approved
Monitoring of the Company's contributions to social action and corporate volunteering	Social	Unanimously approved
Establishment of human rights commitments (Human Rights Policy)	Social	Unanimously approved
Establishment of commitments relating to energy management (Update of the Quality, Environment and Safety Policy)	Environmental	Unanimously approved

Among the critical issues addressed in 2019 by the Board of Directors, are those related to environmental, social and good governance aspects

Management Committee



Remuneration of the Board of Directors

[GRI 102-35, GRI 102-36, GRI 102-37, GRI 103-1]

The Enagás Board of Directors is empowered to adopt resolutions on Directors' remuneration. The Appointments, Remuneration and CSR Committee proposes the remuneration criteria, within the limits set forth in the Articles of Association and pursuant to the decisions taken at the General Shareholders' Meeting. The Committee also monitors the transparency of remuneration. Thus, in 2019, the General Shareholders' Meeting approved the Executive Compensation Plan for 2019-2021 with the following characteristics and following the criteria of independence, involvement of stakeholders (the remuneration report is put to a consultative vote at the General Shareholders' Meeting) and internal and external assessment.

Remuneration of the Board of Directors in 2019 [GRI 102-35]

The remuneration of the members of the Board of Directors for their membership of the Board and those corresponding to the Chairman and the Chief Executive Officer for the exercise of their executive functions during the year 2019 have been approved in detail by the General Shareholders' Meeting held on March 29, 2019 as part of the 'Directors' Remuneration Policy for the 2019, 2020 and 2021 financial years', approved as Item 7 of the Agenda.

The two Executive Directors were beneficiaries of the 2016-2018 Long-term Incentive Plan approved by the General Shareholders' Meeting on March 18, 2016 under Item 8 of the Agenda. During the first half of financial year 2019, the aforementioned incentive was paid out under the terms established by the General Shareholders' Meeting. As a result of this settlement, a total of 76,428 gross shares were delivered to the two Executive Directors, which they will not be able to sell within two years. The Group has outsourced its

2019-2021 Long-term Incentive Plan

Eligibility	• Members of the Management Committee and the rest of the management team: 48 participants
Type of Plan	• Plan for delivery of shares and cash linked to the goals of the Strategic Plan. A minimum reference of shares is established for each segment: 100% Executive Directors, 80% Management Committee and 60% Managers
Duration	• Period of goal measurement and permanence: 3 years
Conditions for receiving the incentive	• Achievement of the four outlined targets (see the 'Strategy' chapter) • Permanence in the Group
Achievement scales	• An achievement scale is established for each goal with: ◦ A minimum achievement level, below which no remuneration is paid ◦ A 100% achievement level, for which 100% of the initial target remuneration is paid ◦ The maximum total remuneration may not exceed 125% of the initial target remuneration ◦ Intermediate levels are calculated using linear interpolation ◦ In the case of absolute TSR, no reward can be given if the target is not met 100% or over, in which case the total maximum incentive would change from 125% to 85%.
Incentive level	• The incentive is expressed as a percentage of the fixed remuneration for 2019 or a number of times the fixed remuneration amount in a way that allows segmentation by management level. Annualized incentive: 50% for Executive Directors, 45% for the Management Committee and 30% for Managers
Clawback clauses	• In the event of certain circumstances coinciding, the Board may, if suggested by the Committee, claim part or all of the remuneration paid
Malus clauses	• Allowing the partial or total cancellation of deferred amounts pending payment.
Share settlement and maintenance period	• Once the period for measuring targets has elapsed, the 1st Payment Date (50% of incentive) will take place. • The 2nd Payment Date (50% deferred) will take place on the first anniversary of the 1st Payment Date. • A holding period of two years is proposed for the shares received on the 1st Payment Date, and of one year for the shares received on the 2nd Payment Date.

pension commitments with respect to its executives through a mixed group insurance policy for pension commitments, including benefits in the event of survival, death, and employment disability. The Executive Chairman and the Chief Executive Officer are part of the group covered by this policy and of the total premium paid for this during the year, 406 thousands of euros corresponded to them.

Members of Senior Management (members of the Management Committee) were equally beneficiaries of the 2016-2018 Long-term Incentive Plan. In the terms approved by the General Meeting, in the settlement of this incentive in the first half of 2019, 77,979 gross shares and a cash incentive amount of 708 thousands of euros corresponded to them. Members of Senior Management also form part of the group covered by the mixed group insurance policy for pension commitments and the total premium paid by the same during the financial year corresponds to 750 thousands of euros.

The two Executive Directors are beneficiaries of the 2019-2021 Long-term Incentive Plan approved by the General Shareholders' Meeting on March 29, 2019 under Item 8 of the Agenda. In said meeting, a total of 118,635 rights relating to shares were assigned. Said rights do not constitute acquisition of shares until the program finalises, the final bonus depending on the degree to which the program objectives have been met. Members of Senior Management (members of the Management Committee) are equally beneficiaries of the 2019-2021 Long-term Incentive Plan. As approved by the General Shareholders' Meeting, the Board of Directors has assigned them a total of 160,236 rights relating to shares as well as an incentive in cash amounting to 950 thousands of euros. Said rights do not constitute acquisition of shares or collection of any amounts until the programme has finalised, the final bonus depending on the degree to which the programme objectives have been met.

The aforementioned remuneration, broken down for each member of the Board of Directors, without taking into account insurance premiums, is as follows:

Remuneration of the Board of Directors in 2019 [GRI 102-35]

thousands of euros

Board members	2018	2019
Mr Antonio Llardén Carratalá (Executive Chairman)(1)	1,896	1,847
Mr Marcelino Oreja Arburúa (Chief Executive Officer)(2)	925	937
Sociedad Estatal de Participaciones Industriales (Proprietary Director) (4)	155	160
Mr Luis García del Río (Independent Director) (4)	160	160
Mr Jesús Máximo Pedrosa Ortega (Proprietary Director)(3)	123	
Mr Martí Parellada Sabata (External Director)(4)	160	160
Mr Luis Javier Navarro Vigil (External Director) (3) (4)	160	44
Mr Santiago Ferrer i Costa (Proprietary Director) (3)	37	160
Ms Rosa Rodríguez Diaz (Independent Director)(4)	160	160
Ms Ana Palacio Vallelersundi (Independent Leading Director) (4)	190	190
Ms Isabel Tocino Biscarolasaga (Independent Director)(4)	172	175
Mr Antonio Hernández Mancha (Independent Director) (4)	157	160
Mr Luis Valero Artola (Independent Director)(3)	44	
Mr Ignacio Grangel Vicente (Independent Director)(3)	116	160
Mr Gonzalo Solana González (Independent Director) (4)	160	160
Ms Patricia Urbez Sanz (Independent Director) (3) (4)		115
Total	**4,615**	**4,588**

(1) The remuneration for the Executive Chairman for the 2019 financial year was approved in detail by the General Shareholders' Meeting on March 29, 2019, as part of the 'Directors' Remuneration Policy for the 2019, 2020 and 2021 financial years'. During 2019, the Executive Chairman received fixed remuneration in the amount of 1,000 thousands of euros and variable remuneration in the amount of 564 thousands of euros; he also received 130 thousands of euros for Board membership and other remuneration in kind amounting to 153 thousands of euros (the changes in remuneration in kind with respect to previous years is exclusively a result of measurement differences without there having been any additional items included in the remuneration). Thus, the combined amounts totalled 1,847 thousands of euros. In addition, he was also the beneficiary of a life insurance policy with a premium of 57 thousands of euros for the year. The Group has outsourced its pension commitments with respect to its Executives through a mixed group insurance policy for pension commitments, including benefits in the event of survival, death, and employment disability. The Executive Chairman is one of the beneficiaries covered by this policy, and of the total premium paid during the year, 246 thousands of euros correspond to the Executive Chairman. The Executive Chairman is a beneficiary of the 2019-2021 Long-term Incentive Plan approved at the General Shareholders' Meeting held on March 29, 2019 under Item 8 of the Agenda. In said meeting a total of 79,090 performance shares or rights related to shares were assigned to him. These shares do not entail an acquisition of the shares until the end and settlement of the programme and the final remuneration depends on the level of achievement of the goals of the programme. As a result of settlement of the 2016-2018 Long-term Incentive, approved by the General Meeting of Shareholders held on March 18, 2016, as item 8 on the Agenda, in 2019 the Executive Chairman received 54,669 gross shares in Enagás S.A. The Executive Chairman is subject to the obligation to maintain the shares received for a period of two years from handover. Once that period has elapsed, the shares will be freely available.

(2) The remuneration of the Chief Executive Officer for 2019 was approved in detail by the General Shareholders' Meeting on March 29, 2019, as part of the 'Directors' Remuneration Policy for the 2019, 2020 and 2021 financial years.' During 2019, the CEO received fixed remuneration in the amount of 500 thousands of euros and variable remuneration in the amount of 282 thousands of euros; he also received 130 thousands of euros for Board membership and other remuneration in kind amounting to 25 thousands of euros (the changes in remuneration in kind with respect to previous years is exclusively a result of measurement differences without there having been any additional items included in the remuneration). Thus, the combined amounts totalled 937 thousands of euros. In addition, he was also the beneficiary of a life insurance policy with a premium of 0.7 thousands of euros for the year. The Chief Executive Officer is also beneficiary of the mixed group insurance policy for pension commitments, and the share of the premium corresponding to the Chief Executive Officer for this policy amounted to 160 thousands of euros for the year. The Chief Executive Officer is a beneficiary of the 2019-2021 Long-term Incentive Plan approved at the General Shareholders' Meeting held on March 29, 2019 under Item 8 of the Agenda. In said meeting a total of 39,545 performance shares or rights related to shares were assigned to him. Said rights do not constitute acquisition of shares until the program finalises, the final bonus depending on the degree to which the program objectives have been met. As a result of settlement of the 2016-2018 Long-term Incentive, approved by the General Meeting of Shareholders held on March 18, 2016, as item 8 on the Agenda, in 2019 the Chief Executive Officer received 21,759 gross shares in Enagás S.A. The Chief Executive Officer is subject to the obligation to maintain the shares received for a period of two years from handover. Once that period has elapsed, the shares will be freely available.

(3) On March 22, 2018 Mr Luis Valero Artola resigned as Director and Mr Ignacio Grangel Vicente occupied his position. On October 15, 2018 Mr Jesús Máximo Pedrosa Ortega resigned as Director and Mr Santiago Ferrer i Costa occupied his position. On March 29, 2019 Mr Luis Javier Navarro Vigil resigned as Director and Ms Patricia Urbez Sanz occupied his position.

(4) The remuneration for these Directors relating to Board and Committee membership was approved in detail by the General Shareholders' Meeting on March 29, 2019 as part of the 'Directors' Remuneration Policy for the 2019, 2020 and 2021 financial years'.

(5) The remuneration of Directors in 2019, broken down by sex, was 395 thousands of euros for men and 160 thousands of euros for women (calculated as the average remuneration). The difference is due to the fact that the Executive Directors, Chairman and Chief Executive Officer, are men.

4.2 People

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

People management is a key area for the company, since, as reflected in the Enagás Human Capital Management Policy, attracting, developing and retaining talent enables the company to equip itself with the resources necessary for the deployment of its strategy.

The key aspects that we address in our people management model are the structure and sizing of our organisation (workforce), the stability and quality of employment, our professional development programmes and compliance with labour rights in the areas of diversity, conciliation and non-discrimination.

Sustainable Management Plan

Main lines in 2019

- Strategic orientation of the General Diversity Plan.
- Renewal of the Diversity Charter.
- Bequal and EFR re-certification.
- Signing of the EJE&CON (Spanish Women Managers and Directors Association) Good Practices Guide for Talent Management and Improving Business Competitiveness.
- Endorsement of the UN Women's Empowerment Principles.
- Incorporation of peer review among Directors.

2020 lines

- Constitution of the negotiating table for the third collective bargaining agreement of the Enagás Group.
- Approval of the digital disconnection policy
- Signing of an agreement with the Ministry of Equality with the aim of promoting a balanced participation of women and men in pre-management, management and Management Committee positions.
- Preparation of an equal pay study and resulting action plan.

26
employees have taken part in talent identification programmes

51.9
training hours per employee (1,091 euros investment per employee) [GRI 404-1]

81.1%
of the workforce underwent a performance assessment* [GRI 404-3]

33
Internal promotions (52% women)

35.2% (1)
female managers and pre-managers

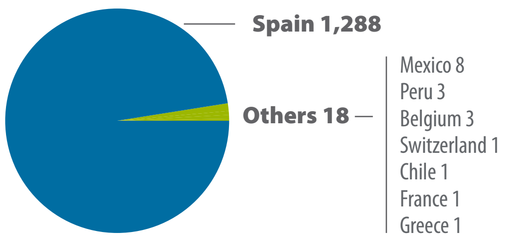
* Performance evaluation linked to their professional development and the increase in their fixed remuneration. For employees outside the collective bargaining agreement, this performance evaluation is also linked to the increase in their variable remuneration.

(1) In the management career.

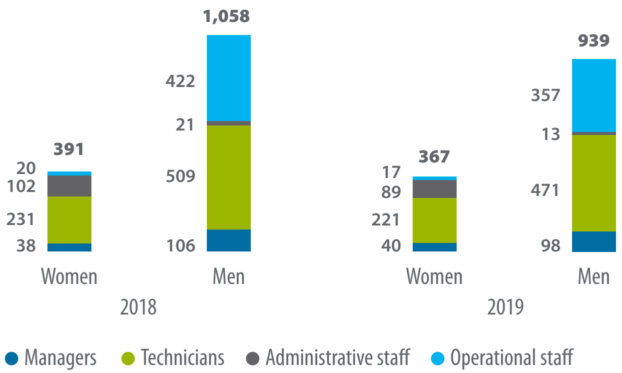
Our professionals

The following outlines the distribution of Enagás' 1,306 professionals by country, age group, job category and gender.
The difference in the number of Enagás employees in 2019 compared to 2018 is due to the workforce data of the GNL Quintero (Chile) regasification plant (119 employees) being excluded from the scope, as indicated in the section 'About our Consolidated Management Report'.

Number of employees by country* [GRI 102-8]



Number of employees by job category and gender
[GRI 405-1]



09/2019
› Enagás joins the Ministry for Ecological Transition and the CEOE's 'Advancing a Just Transition and Green Jobs for All' initiative to work together to promote business engagement and to foster green, fair, decent and inclusive jobs that lead to carbon neutrality, to eradicate poverty, and to prosperity and community resilience.

In 2019, there were 86 new recruitments, 72% being people aged under 35 and 34% women. [GRI 102-10, GRI 401-1]

Stable, quality employment

Enagás maintains stable, quality employment levels with high percentages of permanent and full-time contracts.

Percentage of employees by contract type, working hours and gender [GRI-102-8]

	2018			2019		
	Women	Men	Total	Women	Men	Total
Full-time	93.4%	99.6%	97.9%	92.6%	99.5%	97.5%
Permanent contract	98.0%	96.2%	97.5%	97.0%	97.4%	97.3%

In addition, at the end of 2019, 10 professionals were hired through temporary employment agencies and 45 interns were working at Enagás.

The commitments undertaken by Enagás in its Human Capital Management Policy, and the measures and actions implemented, translate into high levels of satisfaction and motivation, as reflected by the low turnover rate, the results of the survey on workplace climate and the awards received by the company in this area.

See the **Human Capital Management Policy** on the corporate website

* The number of employees per country in 2018 was 1,300 in Spain, 130 in Chile, 9 in Mexico, 3 in Belgium, 3 in Peru, 2 in Sweden, 1 in Switzerland and 1 in France (total 1,449).

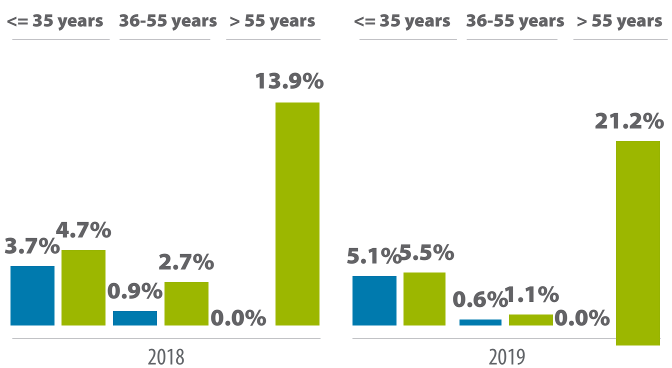
Voluntary and absolute turnover rate by gender

[GRI 401-1]

	2018			2019		
	Women	Men	Total	Women	Men	Total
Voluntary turnover rate	2.7%	0.9%	1.3%	2.5%	0.9%	1.3%
Absolute turnover rate	5.8%	4.4%	4.8%	5.1%	5.4%	5.3%

Voluntary and absolute turnover rate by age group

[GRI 401-1]



● Voluntary turnover rate: Total permanent contract voluntary redundancies/total workforce (%)
● Absolute turnover rate: Total permanent contracts terminated/total workforce (%)

Enagás has not carried out any restructuring in recent years, nor does it plan to do so. However, for years it has had a programme of planned redundancies that guarantees the adequate transmission of the company's expert knowledge. In 2019, an involuntary redundancy was carried out at the company[(1)].

New ways of working

Enagás promotes the cultural change and internal transformation of the company by putting people at the centre of all initiatives that take place. It also promotes new ways of working based on collaboration, transversality, empowerment and the implementation of new management methodologies. These initiatives focus on three areas:

- Culture and behaviours that encourage more flexible working models.
- Methodologies that allow challenges to be faced in a more innovative and creative way.
- Flexibility by providing people with new spaces, tools and intelligent ways of working.

In this way, the necessary conditions are created to promote a collaborative attitude in the day-to-day work of every employee.

Within this framework, one of the most relevant initiatives that will be addressed in 2020 is the establishment of Corporate Guidelines on the Digital Disconnection Policy, with a positive impact on the productivity and welfare of people.

Knowledge of internal talent

[GRI 404-3]

Evaluation of the performance and skills of our professionals means that we can know our internal talent and guide their training and professional development effectively.Performance assessment allows the identification of strengths and areas of development of professionals regarding the performance of their work and on which the different development plans are developed. The competences and behaviours of professionals are evaluated annually, among others, based on corporate values.

The results of these evaluations are linked to their professional development and the increase in their fixed remuneration and, in the case of professionals outside the collective bargaining agreement, in their variable remuneration.

The management team's performance evaluation process is carried out under a 360º approach. In addition to an assessment by the manager, an upward assessment is incorporated through the teams assessing their managers, as well as a peer review of the group by employees of the same professional category. Additionally, for Directors, an assessment is made by the Management Committee. In 2019, 84 people from the management team were evaluated under this comprehensive approach.

Moreover, competencies are evaluated through Development Centre workshops, in which participants get feedback on the strengths and areas for development.

Percentage of professionals who have received performance assessment by professional category and gender

		2018	2019
Managers	Men	87.7%	91.8%
	Women	82.4%	95.0%
Technicians	Men	71.3%	70.1%
	Women	86.6%	91.4%
Administrative staff	Men	100.0%	92.3%
	Women	63.7%	61.8%
Operational staff	Men	90.8%	91.0%
	Women	45.0%	41.2%
TOTAL		**80.5%**	**81.1%**

(1) A men in the professional category of technicians aged between 36 to 55 years old. In 2018 there was one redundancy in Spain and seven in Chile (three women (one manager and two administrators) and five men (one manager, two technicians and two operators).

Professional development programmes

The information obtained from the different evaluations of professionals is used to design customised development plans adapted to the needs identified. On the one hand, development programmes are promoted through on-the-job experience. With this in mind, internal rotation programmes are fostered so that new knowledge can be applied to real situations, and participation in transversal projects or temporary assignments can also be taken advantage of. In 2019, there were 74 internal movements (promotions, horizontal transfers and international transfers). 40% of hirings selected internal candidates. Fifteen interns also stayed on at the company.

On a related note, there is room for mentoring and/or coaching programmes (five professionals participated in coaching programmes). In addition, professionals in the company have received training and are certified in coaching; they are therefore qualified to carry out internal coaching processes.

Lastly, an extensive programme of training actions, face-to-face or via e-learning, are available on the corporate training portal.

In addition, there have been two career models at the company since 2019. On the one hand, there is the classic management career, where you are promoted vertically to positions of greater responsibility and based on team management. On the other hand, there is the technical career, aimed at creating and identifying experts in those areas of knowledge that are critical for Enagás.

Training [GRI 404-2]

Enagás is committed to training its professionals from when they join the company and throughout their professional career.

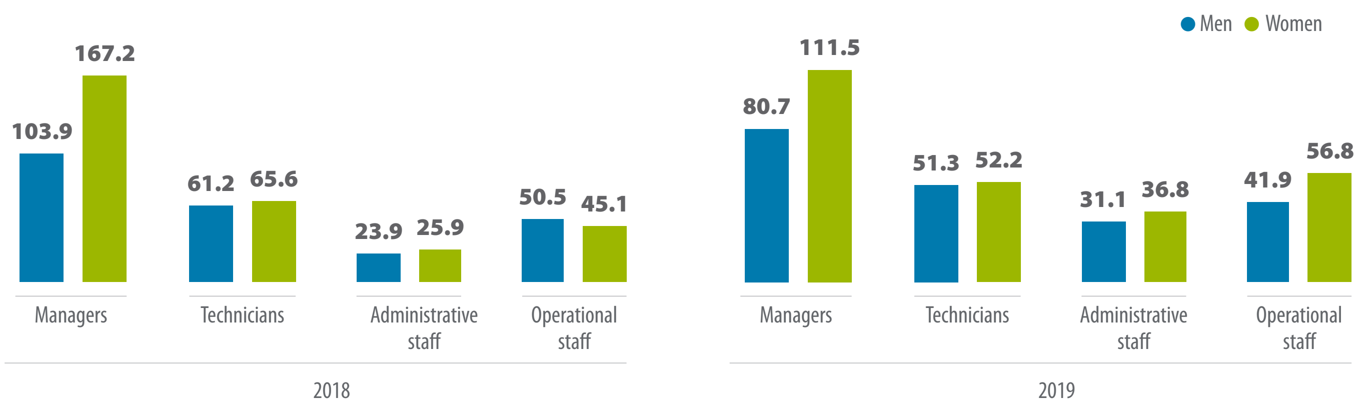
Training begins with the Enagás Welcome Plan, which includes communication and training activities. It includes e-learning training on aspects such as the Code of Ethics, a crime prevention model, human rights and equality, among others, which are compulsory for all professionals, and face-to-face training on the Enagás value chain that offers professionals a global vision of the Company's business.

In addition, and depending on the type of work carried out by the new employee, a training plan has been designed in areas related to operations, maintenance and administrative management.

The company's face-to-face training is offered at the Enagás Training School where over 10% of the workforce participate as trainers in different programmes. This face-to-face training in the classroom and in the workplace is complemented by e-learning, mobile training, communities of practice, etc.

Enagás assesses the satisfaction of professionals who have received training, which in 2019 averaged 9 out of 10.

Hours of training received by professional, by professional category and gender* [GRI 404-1]



2,445 training courses given

* The total hours of training by professional category are: In 2019: 12,370 hours for managers, 35,761 hours for technicians, 3,678 hours for administrative staff and 15,941 hours for operational staff. In 2018: 17,363 hours for managers, 46,315 hours for technicians, 3,146 hours for administrative staff and 22,197 hours for operational staff.

Diversity

The corporate guidelines on diversity and equal opportunities define the principles by which Enagás frames its actions in this area.

These principles include the integration of diversity in the main human resources processes such as access to employment, personal progress and professional development and promotion. It also reflects the company's commitment to the promotion of policies and measures to enhance work-life balance and the personal life of its professionals. In the same way, Enagás extends this commitment to all its stakeholders, paying special attention to suppliers and contractors as indispensable partners in achieving the company's business objectives (see the 'Supply chain' chapter).

2019

› Enagás has launched training workshops on diversity, with the aim of raising awareness of unconscious biases, harnessing collective intelligence and meeting the challenge of creating inclusive environments that allow diverse talent to flourish.

To achieve this commitment, Enagás, aware of the wealth that the combination of knowledge, abilities and different experiences brings to the organisation, bases its diversity and diverse talent management strategy on the following aspects:

Gender diversity | Generational diversity | Functional diversity | Cultural diversity

In the area of **gender diversity**, Enagás guarantees equal opportunities for men and women.

To this end, it has an Equality Plan that sets out a framework for action to promote effective equality, equity, merit, personal progress, work-life balance, and co-responsibility among all professionals.

Enagás is promoting measures aimed at increasing the participation of women in positions of responsibility, such as the 'Women with Talent' development programme or the participation in the 'Promociona Project', the mentor initiative promoted by the Chairman of the company. Another is the 'Women in Networking' initiative, to encourage female leadership and create a space for dialogue and debate between female managers and pre-managers of the Company.

In addition, Enagás has joined the 'Progresa Project' in collaboration with the CEOE, which aims to provide high-potential women with the tools and skills necessary to boost their professional careers and assume positions of high responsibility in the future.

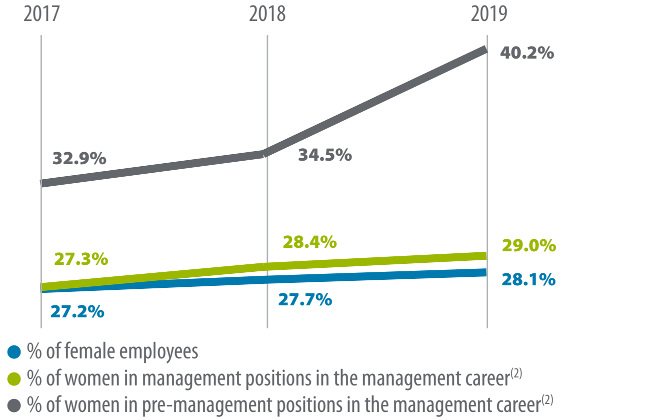
03/2019

› Enagás is participating in the first collaborative intelligence movement, 'Conquering Equality', led by Womenalia and ideas4all Innovation, which seeks to mobilise the main actors in society to promote those changes needed to achieve effective and real equality between men and women.

See the **Corporate guidelines on diversity and equal opportunities** on our corporate website

Evolution of female employees in management positions[1]

[GRI 102-8, GRI 405-1]



(1) The data for 2017 and 2018 has been recalculated eliminating the employees of the GNL Quintero regasification plant for the purpose of facilitating comparison. [GRI 102-48]

(2) In 2019, a new career model, the technical career, has been implemented aimed at creating and identifying experts in those areas of knowledge that are critical for Enagás. Therefore, for the purpose of calculating the percentage of women in management and pre-management positions, the staff included in that technical career are excluded.

03/2019

› Enagás adheres to the Code of Good Practices for Talent Management and Improving Business Competitiveness of the Spanish Women Managers and Directors Association (EJE&CON). For this reason, EJE&CON presented Enagás with the 'Committed Company' award for its commitment to diversity.

The Enagás remuneration model factors in considerations of equality and non-discrimination, establishing differences due solely to the worker's position in the organisation and professional experience. Furthermore, the Enagás Collective Bargaining Agreement sets out different salary levels based exclusively upon objective work criteria. The minimum salary for an Enagás employee has exceeded that established as the minimum inter-professional salary in Spain [GRI 202-1].

Evolution of the relationship between basic salary of women and men by age and professional category [GRI 405-2]

		MANAGERS					
		MEMBERS OF THE MANAGEMENT COMMITTEE***	OTHER MANAGERS	TECHNICIANS	ADMINISTRATIVE STAFF	OPERATIONAL STAFF	TOTAL
	2018						
Basic salary*	< 35 years	There are no employees in this category	0.79**	1.02	1.23**	0.94	1.09
	36-55 years	0.73**	0.95	1.05	1.00	0.98	1.02
	> 55 years	There are no women in this category	1.18**	0.98	1.08	There are no women in this category	0.76
	Total	**0.63****	**0.94**	**0.98**	**0.99**	**0.90**	**0.96**
	2019						
	< 35 years	There are no women in this category	There are no women in this category	1.03	1.13**	0.92	1.11
	36-55 years	0.75**	0.91	1.04	1.07	1.01	1.04
	> 55 years	There are no women in this category	1.20**	1.02	1.11	There are no women in this category	0.79
	Total	**0.66****	**0.92**	**0.99**	**1.03**	**0.92**	**0.97**

* The ratio of women to men is included, calculated as the average of the annual basic salary of all professionals in Spain with a permanent contract, both full-time and part-time (99.1% of the workforce). In the case of part-time staff, the basic salary has been extrapolated to a full-time salary for comparability.
**Non-representative data, as there are less than three professionals in this category for one of the genders
*** Includes the Chairman and Chief Executive Officer.

0.97
the pay gap ratio in 2019

2.9%
pay gap (difference between basic salary of men and women as a percentage)

Remuneration by age, gender and professional category [GRI 405-2]

		MANAGERS											
		MEMBERS OF THE MANAGEMENT COMMITTEE***		OTHER MANAGERS		TECHNICIANS		ADMINISTRATIVE STAFF		OPERATIONAL STAFF		TOTAL	
		Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
	2018												
Remuneration*	< 35 years	There are no professionals in this category	There are no professionals in this category	76,817**	102,184	46,977	48,085	32,101	26,309**	37,634	41,689	45,700	46,917
	36-55 years	340,255**	510,484	111,351	117,990	58,600	60,228	38,667	38,862	42,833	47,874	62,720	65,532
	> 55 years	There are no professionals in this category	670,565**	166,269**	134,428	63,178	68,059	47,801	45,370	There are no professionals in this category	54,657	56,644	82,815
	Total	**340,255****	**599,418**	**110,947**	**119,139**	**54,071**	**59,607**	**40,192**	**42,552**	**40,753**	**48,109**	**57,135**	**65,988**
	2019 (year of settlement of long-term incentive plans)												
	< 35 years	There are no professionals in this category	There are no professionals in this category	There are no professionals in this category	95,263**	54,651	56,071	34,623	24,374**	42,708	45,164	52,845	51,635
	36-55 years	738,332**	1,059,290	154,502	179,272	67,393	69,567	43,981	39,900	46,486	52,726	81,197	83,747
	> 55 years	There are no professionals in this category	1,377,085**	303,424**	206,999	75,888	79,027	55,872	50,897	There are no professionals in this category	60,008	71,568	115,876
	Total	**738,332****	**1,235,843**	**158,421**	**180,542**	**63,166**	**69,208**	**46,118**	**44,627**	**45,324**	**52,741**	**72,563**	**85,031**

* Average remuneration that includes: variable remuneration, per diems, indemnities, payments to long-term savings plans and any other item, such as overtime. This takes into consideration all professionals in Spain with a permanent contract, both full-time and part-time, who have remained in the company throughout the year (95.9% of the workforce). In the case of part-time staff, the basic salary has been extrapolated to a full-time salary for comparability. The average remuneration according to professional category and age range is: In 2019: Management Committee members 753,226 euros, Other managers 173,763 euros, Technicians 67,311 euros, Administrative staff 45,920 euros, Operational staff 52,462 euros, < 35 years 52,462 euros, 35-55 years 52,462 euros, > 55 years 107,556 euros. In 2018: Management Committee members 552,298 euros, Other managers 116,808 euros, Technicians 57,900 euros, Administrative staff 40,538 euros, Operational staff 47,802 euros, < 35 years 46,404 euros, 35-55 years 64,800 euros, > 55 years 78,350 euros.
**Non-representative data, as there are less than three professionals in this category.
*** Includes the Chairman and Chief Executive Officer.

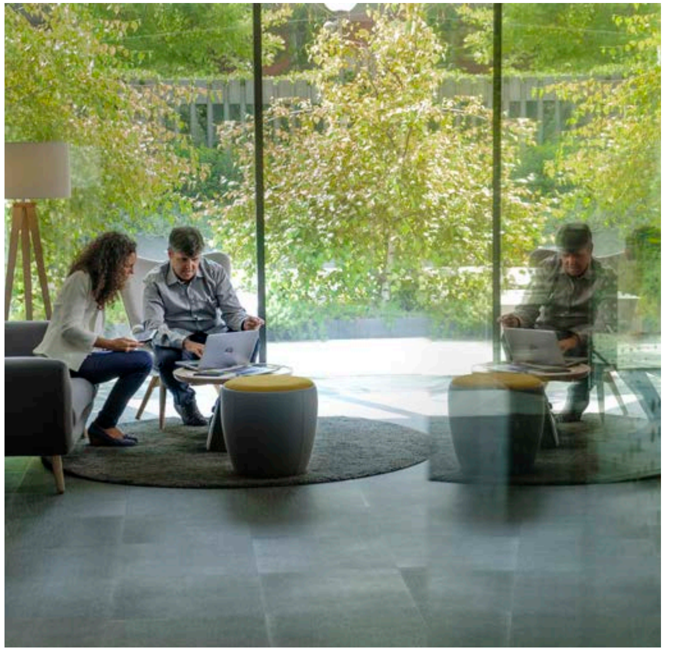
In 2019, the long-term incentive plans (2016-2018) were settled, significantly increasing the remuneration of the company's employees. The allocation of these incentive plans was structured according to the contribution level of the professional category to the targets set, which explains the higher remuneration increase in the managerial category.

When analysing the pay gap by professional category, the difference identified in the Members of the Management Committee category is due to the fact that this category includes the two Executive Directors of the Company (Chairman and CEO) and both are men (the ratio without considering the latter would be 0.85). The difference in the Other managers category (0.92) is due to a greater presence of men in this category (70%), as well as a greater seniority of males in this category with respect to females.
In this regard, Enagás is making great efforts in developing talent aimed at female managers and pre-managers, as well as promoting women to positions of responsibility.

The difference in the category of operational staff (0.92) is explained by a greater presence of men (96%) with an average seniority greater than that of women (an average of 15.2 years for men compared to 9.2 years for women). In this regard, Enagás is promoting the incorporation of women in the operational staff category (47% of operators under 35 years of age are women) through initiatives such as the search for female profiles in vocational schools.

Similarly, the difference in salary by age group compared to the total salary difference in the administrative staff category (1.03), is due to the fact that the majority of employees in this category are women (88%). In addition, the majority of men in this category are older than women (54% of male administrative staff are over 55 years old).

In terms of **generational diversity**, the company is a partner of the Generation and Talent Observatory which encourages innovation and promotes active policies of generational diversity based on values and ethics. Enagás has sponsored and collaborated in the studies 'Diagnosis of generational diversity: analysis of intergenerational talent in companies', 'Intergenerational leadership' and 'Intergenerational Health and Welfare', this latest study focuses in a new model of health promotion related to favourable and positive factors as opposed to the traditional protectionist model.



Number of employees by age and job category [GRI 405-1]

	2018				2019			
	<= 35 years	36-55 years	> 55 years	Total	<= 35 years	36-55 years	> 55 years	Total
Managers	6	120	18	**144**	2	119	17	**138**
Technicians	193	449	98	**740**	172	413	107	**692**
Administrative staff	13	75	35	**123**	8	67	27	**102**
Operational staff	113	263	66	**442**	84	229	61	**374**
Total	**325**	**907**	**217**	**1,449**	**266**	**828**	**212**	**1,306**

As to **functional diversity,** Enagás is working to promote the social inclusion of people with disabilities. This has included direct hires (10 people on staff, as in 2018) as well as indirect job creation for people with serious disabilities through partnership agreements with special employment centres and foundations, not to mention corporate volunteering initiatives (see the 'Social investment' chapter), and measures taken to increase disability awareness and training.

In addition, Enagás has taken action to improve accessibility for people with disabilities, such as the progressive elimination of architectural barriers at our facilities and the 'AA' accessibility level of our corporate website.

07/2019

› Enagás participates in the IDEA Project by the Fundación Juan XXIII, whose aim is to implement activities that generate quality employment for people with intellectual disabilities.

Equality in the Workplace Award since 2010

Bequal Plus Seal for the company's commitment to the social inclusion of people with disabilities

Adherence to the Diversity Charter (plurality at the company)

07/2019

› Enagás receives the Bequal certification, Plus category, which highlights its policies aimed at improving the quality of life for people with disabilities and promoting their social integration.

Work-life balance [GRI 201-3, GRI 401-2]

For Enagás, work-life balance means reconciling employees' needs and interests with those of the company.

Enagás has held the EFR company certificate since 2007, having obtained the highest score, Level A for Excellence in work-life balance, in 2019. The company has 117 reconciliation measures that favour the professional and personal development of all professionals; these also help to balance the different dimensions of each person's life and meet their social and healthcare needs as well as those of their immediate family.

Family-Responsible Company, Level A for Excellence

Some of the relevant measures available to our employees are as follows:

Family

- Flexible Remuneration Plan: includes health insurance, childcare, travel card and training.
- Study support for employees' children.
- 80% subsidy on special schooling expenses for employees who have children with disabilities.
- 'Día sin Cole' (No School Day) programme and subsidised urban summer camps for employees' children on workdays throughout the school year.
- Specific measures for female workers who are victims of gender-based violence.
- Subsidy for the purchase or rental of vehicles powered by compressed natural gas (CNG).
- Alares Family Support Programme:
  - 'miAsistente' (myAssistant) personal manager, which takes care of all necessary day-to-day procedures and information.
  - Free handling of diverse procedures in connection to vehicles, maternity and paternity, licences, certificates and reports.
  - Free service for selecting domestic helpers and healthcare personnel.
  - Services for making online wills and living wills, expert legal advice, signings before a notary public and registrations.
  - Specialised treatment and 56 free hours of home help service in the event of convalescence, illness or accident.

Work flexibility

- Flexibility in start times and lunch break.
- Flexible working (telecommuting)*.
- Shorter workday during the summer and every Friday throughout the year.
- Division of annual leave into a maximum of three periods.

*For all non-agreement positions compatible with this type of work

Health and well-being

- Annual medical check-up and flu vaccine campaigns.
- 90% subsidy on the cost of private medical healthcare insurance for employees and 100% for their children. Medical cover for international trips.
- Meal subsidies (canteens, financial aid, restaurant vouchers).
- Temporary disability allowance: payment of 100% of the fixed gross annual salary in the event of illness, accident or parental leave and childcare.
- Access to a programme of discounts and exclusive prices on a wide range of online products, services and leisure activities.
- Pension plans for employees with two years' effective or recognised service.
- Healthy eating corner at head office.
- Help towards sports activities.

Social benefits most used by employees [GRI 201-3, GRI 401-2]

	% of Costs borne by the company	% of workforce taking advantage of benefits
Meal subsidies (financial assistance and restaurant vouchers)	100%	95.3%
Group death and disability insurance	100%	100%*
Healthcare insurance for employees and their dependants	92.6%	95.1%
Pension plans**	91.1%	91.4%

* Social benefit for newly recruited employees, with less than two years' service. Subsequently, this benefit was included in the Pension Plan.
** Benefit for employees with at least two years' service at the company.

Enagás has 117 work-life balance measures that favour the professional and personal development of all professionals

Furthermore, Enagás improves and extends paid leave beyond the provisions of current labour regulations (death or illness of a close relative, special circumstances, etc.). [GRI 401-3]

Maternity/paternity leave taken in 2019		Return-to-work rate in 2019*		Retention rate**	
46	16	94%	65%	100%	90%

* Total number of employees who have returned from parental leave/total number of employees who were scheduled to return to work following parental leave.
** Total number of employees retained 12 months after returning to work following parental leave/total number of employees who returned to work the previous year.

Collective bargaining [GRI 102-41]

Enagás has a collective bargaining agreement and in 2020 the negotiating table for the next Enagás Group collective bargaining agreement will be set up. In addition, the company enters into collective bargaining and carries out regular consultations with the workers' legal representation regarding working conditions, remuneration, dispute resolution, internal relations and issues of mutual concern.

Percentage of professionals included in collective bargaining agreement by professional category*

	2018	2019
Technicians	28.8%	29.9%
Administrative staff	83.7%	86.3%
Operational staff	98.9%	100.0%
Total	**52.0%**	**51.2%**

* These data refer to professionals in Spain.

Satisfaction and motivation of professionals [GRI 102-21]

Enagás conducts workplace climate surveys in Spain every two years. In 2018, the most recent workplace climate survey was carried out. 65% of employees participated, and overall employee satisfaction was 82%. The level of commitment also improved, rising to 88%.

In conclusion, particularly notable were the high scores professionals gave to the closeness between managers and teams, a sense of integration within the working teams and the work-life balance/social benefits programmes as a form of non-salary compensation. In 2019, improvement plans have been defined based on the findings of the survey.

In 2020, Enagás received the Top Employer certification for the tenth consecutive year.

4.3 Ethics and integrity

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

Ethics and integrity form one of the most relevant aspects for the company, as reflected in its Code of Ethics and Compliance Policy. Guaranteeing the honest behaviour of our professionals, and of the third parties with whom we form relationships; even when this behaviour is not set out in the legislation, is one of our priorities. This commitment allows us to guarantee appropriate decisions are made, creating trust in our stakeholders and facilitating the sustainability of the business.

Key aspects that are covered by our ethics and integrity model are the frameworks of policy, procedures and applicable regulations, including the Code of Ethics, and the implementation of Compliance, Crime Prevention and Corruption Prevention Models, and their dissemination.

Sustainable Management Plan

Main lines in 2019

- Review and update of the Code of Ethics
- Implementation of the Enagás Group Compliance Model, in keeping with the obligations set out in the General Compliance Standard, including regular reporting from divisions and reporting to the Audit and Compliance Committee
- Approval and Implementation of the Corruption Prevention Model
- Executives training on the Corruption Prevention Model
- Definition and implementation of the Internal Control over Non-Financial Reporting System (ICNFR)
- Development of a procedure for the Compliance Officers of the Mexican and Peruvian offices

2020 lines

- Training and dissemination of the new Code of Ethics
- Update of the Procedure for Managing the Offering and Acceptance of Gifts
- Update of the Crime Prevention Model in Spain and Mexico on the basis of the corresponding legislative reforms
- Continuation of training for the rest of the employee groups on the Corruption Prevention Model
- Prior analysis for future external certification of the Corruption Prevention Model

1
communications received via the Ethics Channel

93.6%
of Enagás' employees received training on the Code of Ethics

92.2%
of employees have received training on the Crime Prevention Model

97.9%
of employees received training in anti-corruption policies and procedures
[GRI 205-2]

Enagás is committed to
answering
all communications received

Code of Ethics

The Enagás Code of Ethics (Enagás Group Code of Ethics and Enagás GTS Code of Conduct) sets out the conduct that is expected from all professionals in the company, irrespective of their responsibilities and their geographical or functional location. The Code is implemented via policies, regulations, procedures and controls.

In 2019, the Enagás Group's Code of Ethics was reviewed and updated, structuring it according to the company's values and including Enagás' commitments in matters related to each of the values, as well as other aspects related to language and format.

The policies set out the principles and commitments of the main management areas of the company. The corporate directives define the principles of action for specific management areas.

The Ethical Compliance Committee, functionally and directly dependent on the Board of Directors' Audit and Compliance Committee, has competencies relating to the Code of Ethics.

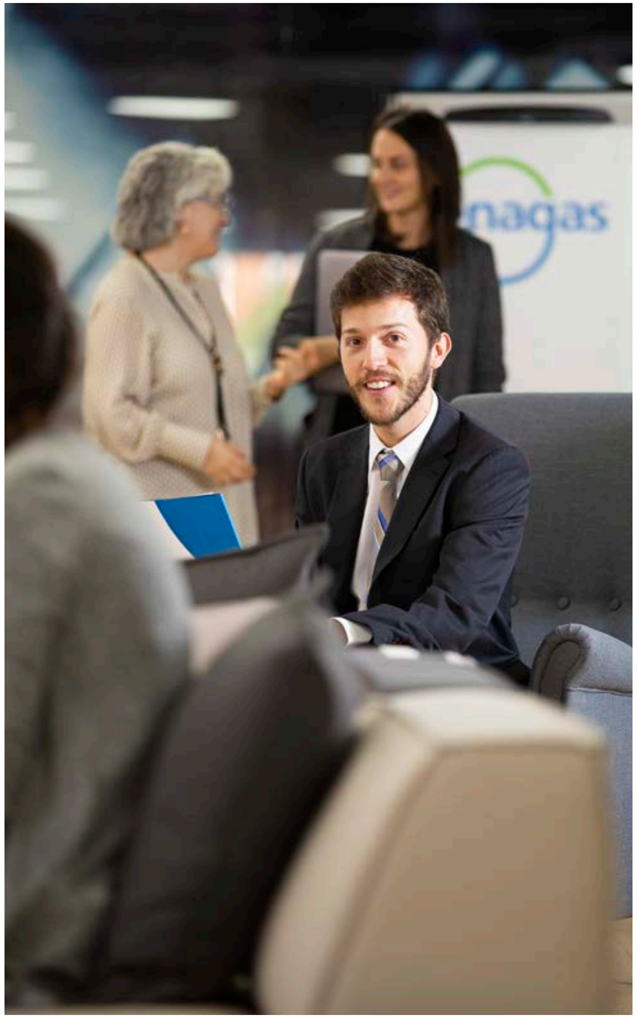
Enagás also has the following procedures in place associated with the Code of Ethics:

- Procedure for the functioning of the Ethical Compliance Committee.
- Management of offering and acceptance of gifts, which states the professionals who offer or receive gifts over a specific value are obligated to report those gifts.
- Management of consultations and reporting regarding irregularities or breaches of the Code of Ethics in order to encourage compliance with the Code of Ethics and the regulations that govern its implementation. For this purpose, the company enables Enagás employees and the company's suppliers, contractors and those who collaborate with it or act on its behalf, including business partners, to resolve any doubts or to report any irregularities or breaches through one of the following channels or any other means the company may set up in the future (Ethics Channel), informing the party who made the report of the status of their report at all times: [GRI 102-17]

- Electronic mailbox: canal.etico@enagas.es
- Post addressed to the chairperson of the Ethical Compliance Committee
- Form available on the corporate Intranet

In 2019, a communication was received through the Ethics Channel regarding irregular conduct at work, which, after analysis, was dismissed as inadmissible. [GRI 205-3]

See the **Code of Ethics and Policies** section on the corporate website
[GRI 102-16]



Consult the **Compliance Policy** on the corporate website

Compliance model

The Enagás Compliance Model is managed by the Compliance Function, which is supported by synergistic functions and other corporate support areas including the participation of local compliance officers located in certain countries where Enagás operates.

According to the company's policy, procedural and regulatory framework, the Enagás Compliance Model is structured around the Compliance Policy and its associated regulations:

- The Compliance Policy sets out a series of compliance commitments that all company professionals must comply with, irrespective of their professional category or the country where they carry out their activities.
- The General Compliance Standard develops what is set out in the Compliance Policy and Enagás Code of Ethics. It outlines the compliance responsibilities that, according to each professional category, are assigned to Enagás' professionals.

The model defines double line reporting in order to have a Compliance Function that is coordinated on a global level; this mitigates the risks of regulatory non-compliance in the national and international arena, which may in turn have serious reputational consequences. This double line reporting is on the one hand, that developed by the corporate areas and, on the other hand, that developed by Compliance Officers in the different affiliates. Loss of information and inconsistencies are therefore avoided.

Crime Prevention Model

As part of the Compliance Model, Enagás has a Crime Prevention Model that acts as the core of the company's criminal compliance, notwithstanding the existence of policies, procedures and controls that illustrate its content and 'contribute to preventing crimes being committed by any person who is part of Enagás as well as, in their respective areas of relation, by contractors, suppliers, business partners and any third party that collaborates with or acts on their behalf.'

The Crime Prevention Model in Spain includes the following elements:

- Potential risks of committing crimes that are considered when taking into account the company's activity. Among these, money laundering has been identified as one of the criminal risks for Enagás, establishing specific controls to prevent and detect possible acts that may materialise such risk.
- Roles and responsibilities defined by a governance structure aligned with Art. 31 bis 2.1 and 2 of the Criminal Code. The role of the Head of Compliance has thus been redefined with regard to the reception, prior study and investigation of complaints, as has the Compliance Department as a Criminal Prevention Body.
- Map of criminal risks and activities exposed to those risks.
- Inventory of controls, both general and specific, that help prevent potential crimes from being committed at Enagás.
- Disciplinary system articulated around compliance with the Code of Ethics which ensures compliance with the model via disciplinary measures.

In 2019 an internal audit was carried out to test the effectiveness of the controls defined in the corporate Crime Prevention Model.

Prevention of fraud, corruption and bribery

Enagás has an Anti-Fraud, Corruption and Bribery Policy in place which reflects the company's vehement opposition to the committing of illicit or unlawful acts and its firm will to combat and prevent them, for the purpose of fulfilling its 'zero tolerance' principles.

The Crime Prevention Model includes risks related to corruption, such as bribery, influence peddling and corruption in business.

All activities in Spain have been analysed for these risks and the company has put in place controls and guidelines for action in order to prevent and mitigate those risks. [GRI 205-1]

The Enagás Corruption Prevention Model is based on ISO 37001 on anti-bribery management systems, and includes the review of the Anti-Fraud, Corruption and Bribery Policy, and the creation of regulations that implement and will serve as a framework for the corruption prevention controls.

The standard establishes the following general control measures to prevent corruption:

- **Anti-Fraud, Corruption and Bribery Policy**
- **Code of Ethics**
- **Ethics channel**
- **Procedure for managing the offer and acceptance of gifts**
- **Procedures for Managing Sponsorship, Patronage, Donations and Partnerships**
- **Procedure for the Management of Powers and Certificates**
- **General Standard for Awarding and Contracting Management**
- **General Standard for Hiring External Advisors**
- **General Standards for Work Purposes Travels**

In 2019, the company established the Corruption Prevention Model, based on ISO 37001

The Company makes it easy for Enagás employees, as well as its suppliers, contractors, and those who collaborate with the Company or act on its behalf, including its business partners, to consult doubts and report irregularities via:

- Electronic mailbox: canal.etico@enagas.es
- Communication channel on the corporate intranet
- Post addressed to the chairperson of the Ethical Compliance Committee

In addition to the formal channels, Enagás professionals can always:

- Go to their immediate hierarchical superior
- Contact the person in charge of specific Compliance functions in their area
- Personally address the Head of Compliance (compliance@enagas.es)

See the **Anti-fraud, Corruption and Bribery Policy** on the corporate website

Responsible tax practice

Enagás adopts a focus of responsible tax practice based on prudence and aligned with the recommendations set out in the OECD Guidelines for Multinational Enterprises.

The Fiscal Policy sets out the strategy and principles that must guide the conduct of all employees, executives and directors of Enagás, as well as third parties with whom the company has relationships.

Enagás adhered to the Code of Good Tax Practices, and presented the Fiscal Transparency Report in line with the company's commitment to tax transparency.

Moreover, in accordance with the public reporting commitments set out in the Fiscal Policy, the company has published in this report the total tax contribution and the taxes paid in the different jurisdictions where the company operated through affiliates (see the 'Financial and operational excellence' chapter).

Consult the **Fiscal Policy** on the corporate website

European Transparency Register [GRI 102-13]

The company is included in the European Transparency Register, and reports on information related to European policies that directly or indirectly impact the gas transmission and storage business, the liquefied natural gas business, and the Spanish and European gas industry. It also reports on lobbying initiatives carried out by the company in Brussels in relation to these policies and implementations, and the associated costs.

Enagás has three professionals participating part-time in different activities related to the transparency register, including a permanent representative in Brussels. In 2019, annual costs were less than 200,000 euros, distributed as follows: personnel expenses (73%), office and administration expenses (2%), representation, communication and public relations expenses (2%), internal expenses (7%) and association membership fees (15%).

Besides that, Enagás is participating in commercial associations, business associations and groups such as chambers of commerce and think tanks as a sponsor for these initiatives. The amount allocated in 2019 was 588,353 euros.

Training in and dissemination of ethics and compliance [GRI 205-2]

Enagás professionals are provided with the opportunity to undergo training on the Code of Ethics that encompasses such key issues as the fight against fraud, corruption and bribery, fiscal responsibility and respect for Human Rights, among others. It is a tool for preventing irregularities, including those that could constitute crimes, in those spheres. The course has been completed by 93.6% of professionals.

Training was given over the last three years on the Enagás Crime Prevention Model, which was completed by 92.2% of professionals. The course includes general information on the Crime Prevention Model and practical cases related to the most relevant crimes related to the company’s activity, and professionals are provided with a Crime Prevention Manual. This manual includes a description of each crime and behavioural guidelines for its prevention.

Members of the Management Committee and Senior Managers have received face-to-face training on the Corruption Prevention Model

In 2019, face-to-face training on the Corruption Prevention Model was given to members of the Management Committee and Senior Managers, and will be extended next year to all employees in an online format.

Furthermore, one of the most highly valued aspects of the workplace climate survey carried out in 2018 (see the 'People' chapter) was the awareness among professionals regarding the existence of the Ethics Channel to report inappropriate behaviour without fear of reprisal. This reveals the level of familiarity with the principles and guidelines on conduct expected by Enagás.

4.4 Financial and operational excellence

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

Financial and operational excellence is one of our main concerns, given that the efficient management of the company's assets is one of the key strengths for the sustainability of the business in the short, medium and long-term.

The key aspects on which we focus are sustaining our excellent results over time, a financing strategy based on diversification, and driving operational excellence through continuous improvement programmes, digitalisation, corporate entrepreneurship and the efficiency plan.

Sustainable Management Plan

Main lines 2019*

- Net profit 422.6 million euros (higher than the target of 417 million euros)
- 162.1 million euros in contributions by affiliates to EBITDA
- 754.6 million euros in Funds from Operations (FFO) (+4.1%)
- 706.2 million euros in net investments (mainly in Tallgrass Energy)
- 500 million euros capital increase
- Dividend (+5%) in line with the growth target until 2020.
- Sustainable loan

2020 lines

- Dividend 1.68 euros/share (+5%)
- Profit after tax ~ 440 million euros (+4.1%)
- Dividend from affiliates ~ 235 million euros (x1.9)

1.60 €
dividend per share in 2019

422.6 M€
of net profit

3,755 M€
net debt
(3.9x Net Debt/EBITDA adjusted)

2.1%
financial cost of debt

* Pro forma GNL Quintero by Equity

Financial excellence

2019 Results Figures

Results in line with the targets set for 2019.

In M€	2018(2)	2019(3)	% variation
Total revenue*	1,342.2	1,182.8	-11.9%
EBITDA**	1,060.7	1,016.4	-4.2%
EBIT**	691.0	657.4	-4.9%
Net profit(1)*	442.6	422.6	-4.5%

(1) 540 million euros profit before tax, which includes the result of investments accounted for using the equity method, which is recorded net of tax effect.
The breakdown of profit before tax per country is as follows: Spain 456 million euros, Peru 41.8 million euros, Greece 14.6 million euros, USA 13.7 million euros, Mexico 11.4 million euros, Chile 9.4 million euros and Switzerland -6.9 million euros.
(2) The GNL Quintero affiliate accounted for the full consolidation method.
(3) The GNL Quintero affiliate was fully consolidated until February 2019 and has been accounted for using the equity method since March.

Evolution of the share price

At year-end 2019, Enagás shares were trading at 22.74 euros each, a fall of 3.7% on the previous year-end, with a share capitalisation of 5,958 million euros. Taking into account the dividends paid during 2019, the total yield for company shareholders stood at +9.9% for 2019.

In 2019 the Spanish benchmark index, Ibex 35, rose by 11.82% and the European sector index, EuroStoxx Utilities, was up by 24.59%. Throughout the year, the Enagás share price behaved less positively than its benchmark index, Ibex 35 (+11.8%), and than its European sector index, EuroStoxx Utilities (+24.6%).

During 2019, the price of the Enagás share peaked at 27.08 euros (March 21), with a low of 19.12 euros (July 16). The average volume traded for the year was 1,086,439, slightly more than recorded at year-end 2018, which was 943,326 shares.

Capital increase

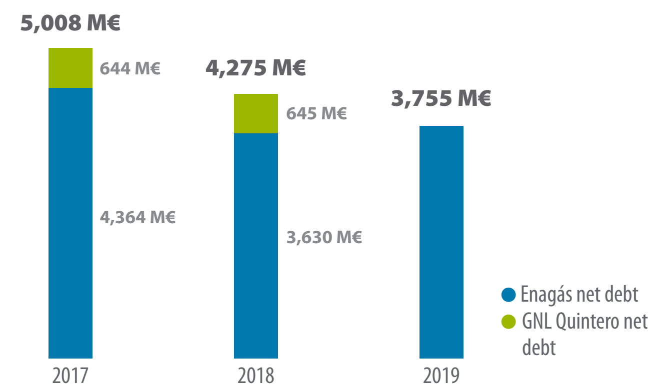
Enagás successfully completed a capital increase of 500 million euros, through the issuance of 23,255,814 shares at a price of 21.50 euros per share. This meant a discount of only 1.47%. This was the lowest discount and best after-market performance for a capital increase without preferential subscription rights in the Accelerated Book-Building (ABB) format over 500 million euros in Spain's history.

Enagás will use this capital increase to finance its increased stake in the American energy company Tallgrass Energy.

Financing strategy

Enagás adapted to the new context arising from the global financial crisis by reducing external bank borrowings and replacing it with another type of financing, such as bonds. This enabled it to achieve a more diversified structure.

Net debt

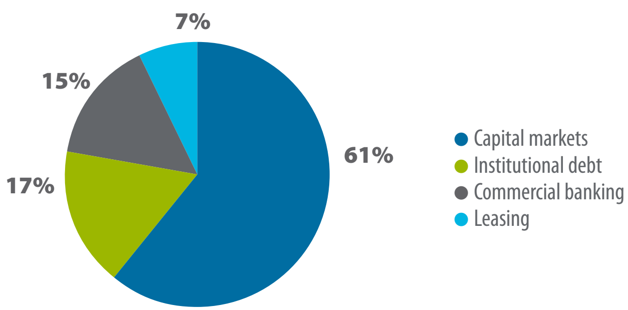


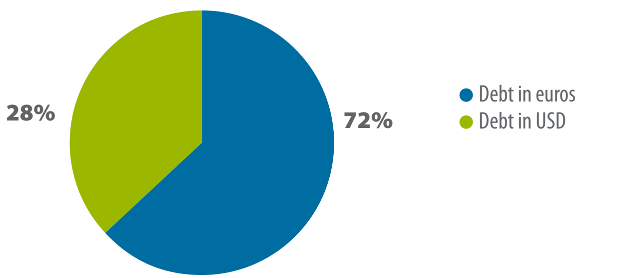
Leverage and liquidity	Pro forma GNL Quintero by Equity 2018	Pro forma GNL Quintero by Equity 2019	2018	2019(1)
Net debt*	3,630 M€	3,755 M€	4,275 M€	3,755 M€
Net debt/adjusted EBITDA(2)**	3.8x	3.9x	4.0x	3.8x
FFO/Net debt**	20.0%	20.1%	18.8%	20.2%
Financial cost of debt*	2.0%	2.1%	2.4%	2.2%
Liquidity*	2,467 M€	2,717 M€	2,809 M€	2,717 M€

(1) Includes the two months' full consolidation for GNL Quintero.
(2) EBITDA adjusted by dividends received from affiliates.

* Figures from the income statement of the Consolidated Annual Accounts of Enagás Group for 2019.
** The said sums were found in the report on Alternative Performance Measures, available at https://www.enagas.es/enagas/es/AccionistasEInversores/InformacionEconomicoFinanciera/Medidas_Alternativas_de_Rendimiento_(APM)

Debt type





+80% fixed-rate debt with no significant maturities until 2022

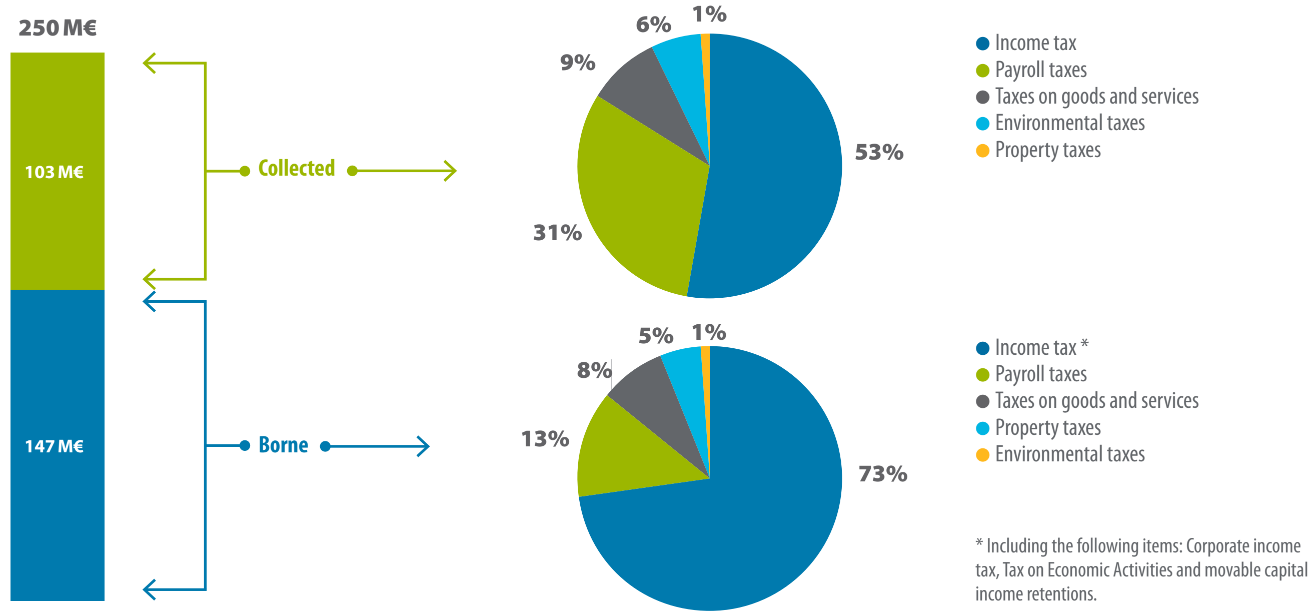
Total tax contribution

The total tax contribution made by Enagás in 2019 amounted to 250 million euros, of which 59% corresponded to taxes borne (147 million euros) and 41% to taxes collected (103 million euros).

The total tax contribution is calculated according to the PwC Total Tax Contribution (TTC) method, using the cash method and taking into account the fully integrated entities and joint operations (see section '1.3 Consolidation principles, Consolidation methods' of the Consolidated Annual Accounts).

Tax paid in 2019 corresponded almost entirely (99.7%) to tax paid in Spain*.

Enagás total tax contribution



Sustainable loan

Enagás has transformed its 1,500 million-euro syndicated credit line into a sustainable one by linking its price to the reduction of CO_2 emissions (see the 'Climate change and energy efficiency' chapter). This credit line is held by 11 national and international financial institutions, has a limit of 1,500 million euros – not currently drawn down – and it matures in December 2024.

* The additional TTC of national and international affiliate companies accounted for using the equity method was 105 million euros, of which tax borne was 50 million euros and tax collected was 55 million euros.

Operational excellence

Commercial logistics hub

Due to its geostrategic location, Spain is in a privileged position with regard to the liquefied natural gas (LNG) market for domestic supply and also for exporting natural gas to Europe from a wide range of sources. Spain has the highest number of regasification plants of any European country, as well as a meshed network of gas pipelines. This gives the country great capacity for storage, transmission and operational flexibility.

Given this situation, and after fifty years of experience in developing, maintaining and operating regasification plants and transmission pipelines, Enagás positions itself as one of the most reputable transmission companies in Europe in terms of facility efficiency.

Our terminals are now recognised as among the most efficient in Europe, with availability of over 99%. At Enagás, we place our facilities at the service of our customers. There, we provide both traditional LNG services, such as the unloading of tankers, regasification, LNG transfer to ships and tanker trucks, as well a new small-scale and bunkering services. We are adapting our facilities to these services every day.

Across the board, we are working on continuously improving our facilities, implementing the latest technologies. We have invested in creating a 'logistics hub' for Europe in the gas market, promoting the use of our infrastructure through traditional services and other services may arise as new small-scale and bunkering services.

The Spanish Gas System

Enagás, a midstream company with fifty years of experience in the development and maintenance of gas infrastructure and operation and management of gas networks, was certified as an Independent Network Manager (TSO: *Transmission System Operator*) by the European Commission in 2012, securing its positioning as a European sector leader. It also works as the Technical Manager of the System following the publication of the Hydrocarbons Law. This means it is responsible for the operation and technical management of the Basic Network and the secondary transmission network, guaranteeing the continuity and security of the natural gas supply as well as proper coordination between access points, storage facilities, transmission and distribution.

Enagás has been carrying out the majority of its activities in Spain since its founding in 1969. It has built up a meshed network of more than 12,000 km of high-pressure gas pipelines, facilitating access to gas from almost every point on the Iberian Peninsula. The company holds stakes in six of the seven regasification plants in the Iberian Peninsula (four terminals owned outright and two part-owned), and has three underground storage facilities. As the main transmission company, Enagás has developed the main infrastructure facilities of the Spanish Gas System, making it a leader in security and diversification of supply and consolidating its presence on the international stage.

See the **Annual Report on the Spanish Gas System** on our corporate website

LNG terminals

Enagás is one of the companies with the most LNG terminals in the world. We are pioneers in the development, maintenance and operation of this type of infrastructure, and our knowledge and experience have made us international leaders in the sector.

Our terminals have a unique logistical position: their placement between the Atlantic, Cantabrian and Mediterranean catchment areas favours sea transmission and the diversification of LNG sources and destinations. In addition, as regards emissions, Spain is the entry point for a possible ECA (Emission Control Area), an area that could be declared particularly vulnerable to pollution. In such an area, a small-scale market could be a solution.

At Enagás, we offer a vetting service for the assessment and inspection of methane tankers, both in the large and small-scale sectors.

At the vanguard of technology and efficiency

- **100%**
  availability at all LNG terminals
- **Greater than 3,500 m^3/h**
  average tanker loading rate at all our plants
- **Zero operational losses from boil-off**
  during tanker loading operations
- **Minimum shrinkage rate**
  in operations
- **Maximum flexibility**
  without penalisation in the allocation and adjustment of slots for tanker offloading and loading
- **Terminals ready to receive the world's largest LNG ships**
  Q-Max up to 266,000 m^3 LNG

Commercial services in Spain

At Enagás, we are working to provide our customers with the set of services we provide, in accordance with current regulations. The Third-Party Network Access (ATR) services that we provide at our facilities are fundamentally classified as:

- Liquefied natural gas (LNG) services
- Natural gas (NG) services
- Gas measurement services
- Other services
  - Calibration/testing laboratories, accredited by the Spanish National Accreditation Body (ENAC):
    - Gas quality
    - Volume of gas
    - Pressure and temperature instrumentation
  - Other services related to infrastructures.

On December 23, 2019 the CNMC[1] published its Circular 8/2019, which set out the methodology and conditions for access and capacity allocation in the natural gas system. In addition, on January 17, 2020, the CNMC published its Circular 2/2020, setting out the natural gas balancing rules. Finally, publication is still pending of the last piece of regulation to define the methodology for the calculating tolls for transport, local networks and regasification of natural gas.

This entire regulatory system represents the foundations for bringing about a major change in the management/marketing model of the Spanish Gas System, with significant changes such as single-plant management, management of the virtual balance tank, as well as the marketing of new services such as LNG storage in tanks or liquefaction. Also included is the marketing of products located in a particular terminal, such as tanker truck loading services or marketing of aggregate products, i.e. a single contract for example for the unloading of a ship and storage and regasification of the unloaded LNG. It also includes changes in the management model for gas balancing with the aim of minimising operators' risks in the face of fraudulent movements by any shippers .

However, owing to regulatory changes, Enagás, as a company with excellent standards of operation and infrastructure use, is adapting to this new management model in order to continue providing a quality service, both during the transition period defined in the regulation, from April 1 to September 30, 2020, and for the definitive implementation of the model scheduled for October 1, 2020.

In 2019, commercial availability was at 100% and technical availability was at 98.91%. On the other hand, the year was characterised by a global abundance of LNG, which led to an increase in ship unloading at Spanish terminals. This was evidenced by a gas volume of 138 TWh being unloaded at Enagás terminals, 17% more than the gas unloaded from ships in 2018. Likewise, the use of regasification increased, reaching 130 TWh, 28% more than in 2018.

In this scenario of LNG oversupply, use of LNG storage facilities increased, reaching an average ratio of 64%, resulting in an increase in stored LNG of 29% compared to 2018. Finally, the use of tanker truck loading services increased, reaching 12.6 TWh, 4% more than in 2018. Underground storage capacity allocation is currently at levels above 95%.

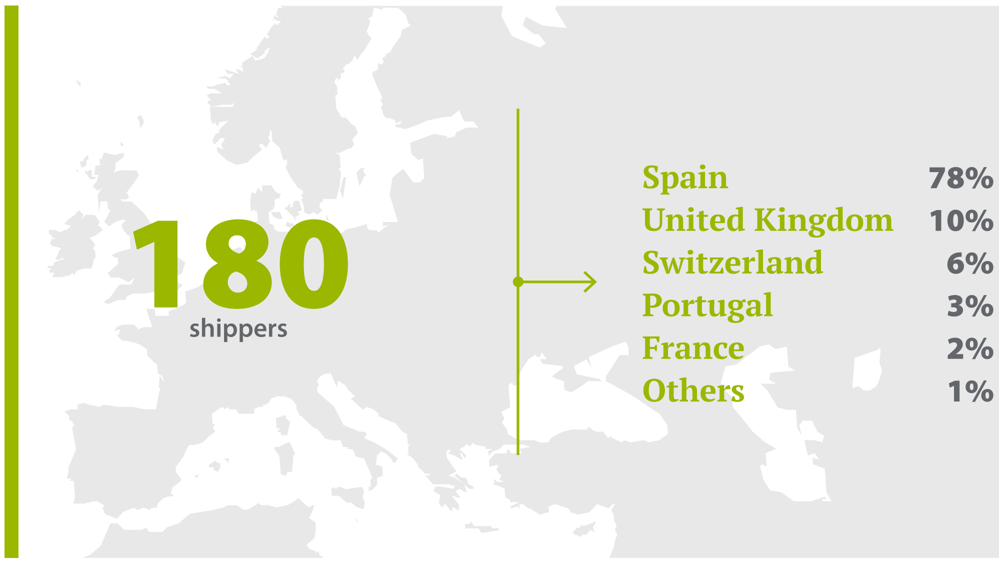
(1) National Commission on Markets and Competition.

Customer management

Our customers are transmission companies, shippers, distributors and the direct consumers in the market (consumers which connect directly to our facilities), to which Enagás supplies a wide range of liquefied natural gas (LNG) services, transmission and underground natural gas storage.

Enagás regularly evaluates the satisfaction of its customers and professionals (see the '<u>People</u>' chapter) through satisfaction surveys, the results and associated improvement plans being reported to those same stakeholders.

In the case of customers, the results obtained in 2019 were as follows: [GRI 102-21, GRI 102-42, GRI 102-43, GRI 102-44]



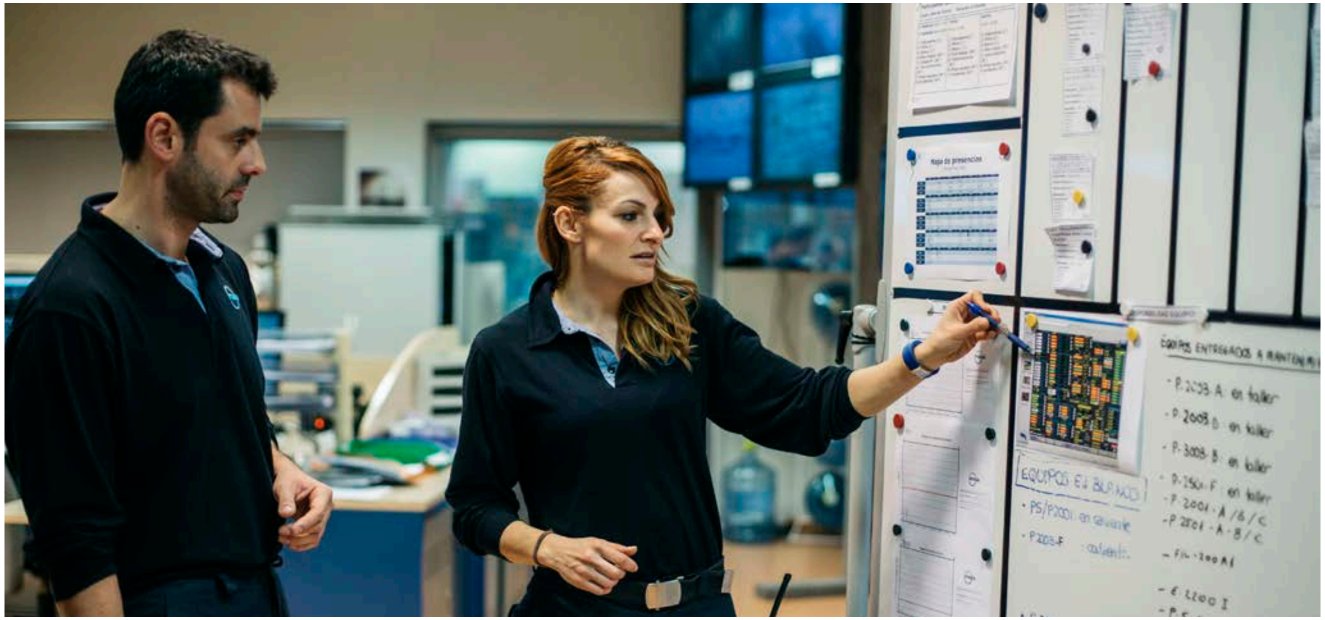
2019 customer results

			Number of responses out of the total	Assessment of services rendered	Services
Business operation	Enagás as transmission company	Shippers	47/74	8.8/10	Capacity management and viability analysis, infrastructure operation and programming, etc.
		System operators (transmission and distribution companies)	3/8	8.0/10	
	Enagás as Technical Manager of the System	Shippers	71/174	8.5/10	Programming, operations, distribution and balances, etc.
		System operators	5/16	9.0/10	

See the **list of our customers** on our corporate website

Consult the **improvement plans associated with satisfaction surveys** on the corporate website

In 2019, no formal complaints were received from customers.



Efficiency plan

Enagás continues to promote efficiency as one of the key strengths for the sustainability of the business in the short, medium and long-term. In order to do this, our current efficiency plan focuses on the following areas:

- Infrastructure, by implementing plans for greater efficiency and optimising maintenance management using tools for continuous improvement and operating excellence (continuous improvement programme and digital transformation process); reducing CO_2 emissions through energy efficiency and elimination of fugitive emissions (see the 'Climate change and energy efficiency' chapter).

- People, by implementing measures to adapt the resources and organisational structure to the strategy, and strengthening talent as a critical asset of the company (see the 'People' chapter) and innovation (corporate entrepreneurship programme).

- Administration and support services, by putting in place actions to ensure control of spending, adjusting it to the needs of the business at all times (cost efficiency plan).

Agility and continuous improvement programmes

As part of the *Lean-Kaizen* Continuous Improvement Programme, the implementation of the 'Daily Kaizen' project, launched in 2015, was completed in 2019 at all the company's facilities. This initiative involves more than 450 professionals and is focused on people and enhancing team communication and collaboration. To this end, the different teams were equipped with 'lean' tools in order to generate autonomous improvement teams in their day-to-day work, thus enabling a cultural change to be generated that is sustainable over time. In addition, the lines addressed are directed towards the development and implementation of a culture of improvement in daily operations through the use of different tools such as *Kanban* panels for team organisation, the application of '5S' for the organisation of spaces, the standardisation of tasks and problem-solving, as well as focusing on training and capacity building to guarantee the implementation of the programme's philosophy of continuous improvement and sustainability in the future.

In addition, as a way of addressing new challenges at the company, since 2018, cross-cutting projects have been launched with multidisciplinary teams that will allow us to create innovative solutions with a focus on efficiency and process improvement, thus generating disruptive results in the short-term. These use new methodologies, including *Lean-Kaizen* and *Design Thinking*.

In 2020, the Programme will focus on initiatives directed at programme sustainability and continuing with cross-cutting improvement projects.

Within the Agility Programme, during the course of 2019, the 'Agility Hub' promoted specific actions in the fields of culture, organisation and processes and projects, with the aim of providing the organisation with a greater capacity for adaptation, new work capacities and dynamics, as well as early value delivery. Pilot tests incorporating agile principles and methodologies have resulted in an improvement in the satisfaction and commitment of the teams, better adaptation of the products, reduction of the time of delivery of value to the customer and have confirmed the viability of Agility scaling at Enagás.

Moreover, specific roles and profiles have been identified in the organisation as facilitators for the promotion and implementation of these different methodologies, and communities of practice have been created to share and maintain the company's critical knowledge.

4.5 Health and safety

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

Health and safety is one of the material aspects for Enagás, as is reflected in the Company's Health and Safety, Environment and Quality Policy. From an overall safety perspective, the Company seeks the involvement of leaders and the development of a behavioural model for health and safety that guarantees the operation and maintenance of the facilities, processes and equipment, in safe conditions, so that people can carry out their work in optimal health and safety conditions.

The key aspects that we address in our approach to overall safety are the management of occupational risk prevention, including road safety, crisis management, industrial safety and major accidents and emergencies, information security and the health of professionals.

Sustainable Management Plan

Main lines in 2019

- Psychosocial project: Psychosocial risk assessment and completion of stress management workshop by all personnel.
- Collection, analysis, prioritisation and implementation of action items resulting from the Guide Project - Culture in Health and Safety.
- Digitalisation of the regular vehicle check process.
- Extension of the scope of ISO 27001:2013 certification to regasification plants and underground storage facilities.

2020 lines

- ISO 45001 certification: occupational health and safety management systems
- Digitalised Integrated Management System: SYSMAC
- Approval of Crisis Management Manual

0.07
Lost time injury severity rate (own staff + contractors)
[GRI 403-9]

100%
of activity certified under OHSAS 18001 [GRI 403-1]

4.04
Lost time injury frequency rate (own staff + contractors)
[GRI 403-9]

14,379
training hours in health and safety [GRI 403-5]

3.59%
Rate of absenteeism
[GRI 403-9]

Health and Safety Management

The Integrated Health, Safety, Environment and Quality System of the Enagás Group is certified under OHSAS 18001 and has procedures and systems that seek to prevent injuries and illnesses caused by working conditions in addition to the protection and health promotion of employees. This certification covers 100% of the professionals and contractors under this management system that work at Enagás infrastructure facilities. [GRI 403-1, GRI 403-7, GRI 403-8]

In addition, this system includes the Road Safety Management System, certified in 2017 according to ISO39001. On this topic, the company has a Mobility and Road Safety Plan, a set of Road Safety Guidelines, a vehicle use protocol, a Sustainable and Safe Fleet Management Handbook and a Road Safety Best Practices Guide.

Enagás promotes safety throughout its supply chain and requires OHSAS 18001 certification as part of its approval process for suppliers of certain families of products or services. Furthermore, in order to guarantee the coordination of business activities and the coordination of health and safety on building projects, the company has the Enagás Contractor Access System (SACE) to manage the safety of its suppliers, contractors and the whole subcontracting chain. This system offers contractors the operating safety procedures applicable to the risks involved in the works they perform. [GRI 403-7]

Employees and contractors have access to various channels through which they can participate in and consult the operation, implementation and assessment of the management system. These include the bulletin board, staff letters, forms, meetings, internal memos, informational pamphlets, posters and/or electronic communications or by any other means that can be documented and guarantee receipt by the recipient.

Enagás has various employee representative bodies where employees may exercise their participation and consultation rights. Different committees comprise health and safety officers and management representatives. The Health and Safety Committees[1] meet every three months, while the Group and Enagás Transporte SAU Intercentre Health and Safety Committees meet with a frequency set out in the Collective Bargaining Agreement. There is also a suggestion box on the Intranet, which is available to all employees. [GRI 403-4]

Awareness

In 2019, a total of 14,379 hours of health and safety training were provided for company employees. [GRI 403-5]

Health and Safety training is a key part of any preventative action to improve worker protection from the hazards present in daily operations. This is why Enagás has designed a training schedule for all different job profiles at the company that sets out the specific training activities needed for each risk group. Among these actions, in 2019, the following stand out: risk training in the office using virtual reality, a sleep workshop for shift personnel and stress management workshops for the entire Enagás Group.

During 2019, 60 awareness-raising campaigns were carried out, most aimed at promoting the physical and mental well-being of Enagás workers through the development of activities that favour a healthy diet, promote regular physical activity and help improve general health.

1. The Health and Safety Committees are statutorily established for centres with more than 50 workers. In centres with fewer than 50 workers in which there is a Prevention Delegate, health and safety meetings are held regularly.

04/2019

› To mark World Day for Safety and Health at Work, on May 28, Enagás organised several activities throughout the week with the aim of promoting healthy and safe habits among the company's employees.

In addition, 11 informative talks were held in the field of health and safety on various topics: prevention of colon cancer, mindfulness, healthy eating, habits for better posture, cardiorespiratory arrest, new mobility habits, etc. [GRI 403-6]

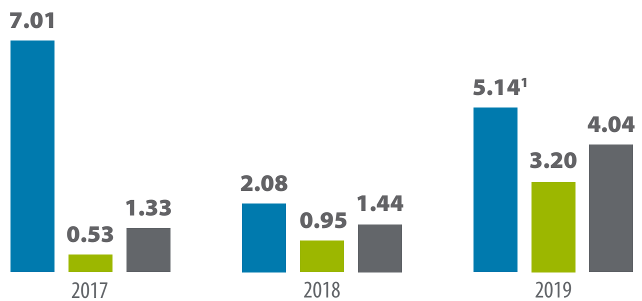
Enagás is also providing training to all its contractors through the SACE platform. This training is complementary to the face-to-face chats at infrastructure facilities where particularly hazardous work may be carried out. 4,372 hours of training were provided to contractors through the SACE platform, which is equivalent to 2,186 training courses. [GRI 403-5]

See the **health and safety, environment and quality policy**, as well as the **Corporate guidelines for the prevention of major accidents** and the **Corporate road safety guidelines** on the corporate website.

Health and safety indicators [GRI 403-9]

Lost time injury frequency rate

Number of accidents causing injuries and sick leave per million hours worked. (Number of accidents leading to sick leave x 10^6 / Number of hours worked).

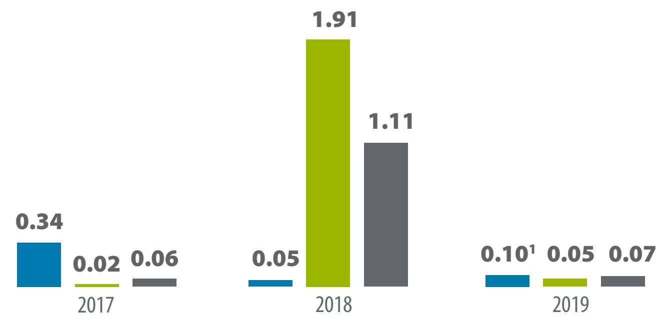


- Lost time injury frequency rate (own staff)
- Lost time injury frequency rate (contractor staff)
- Lost time injury frequency rate (own staff + contractor staff)

(1) Lost time injury frequency rate by gender is 6.49 for men and 1.67 for women in 2019, and 2.85 and 0.00 respectively in 2018 (calculated from the number of hours worked estimated on the basis of the distribution of the workforce)

Lost time injury severity rate

Number of days lost due to accidents per thousand hours worked. (Number of working days lost x 10^3 / Number of hours worked).

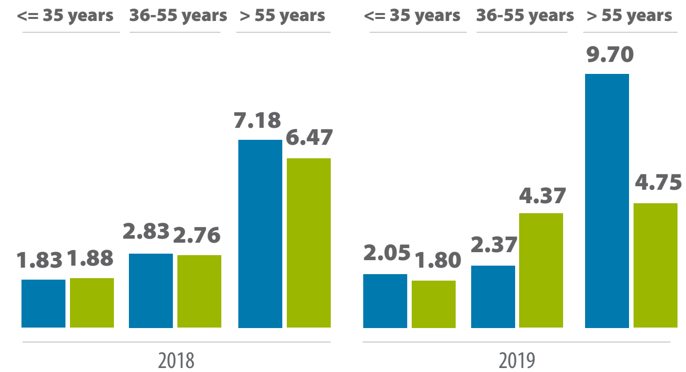


- Lost time injury severity rate (own staff)
- Lost time injury frequency rate (contractor staff)
- Lost time injury severity rate (own staff + contractor staff)

(1)Lost time injury severity rate by gender is 0.13 for men and 0.01 for women in 2019, and 0.06 and 0.00 respectively in 2018 (calculated with the number of hours worked estimated on the basis of the distribution of the workforce)

Absenteeism rate by age and gender [GRI 403-9]

Absenteeism hours x 100 / Theoretical hours (collective workforce x 1,682 hours)



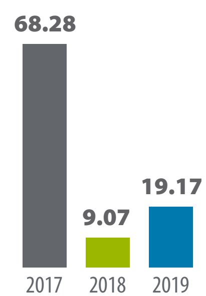
- Men
- Women

In 2019, there were 11 accidents involving sick leave for own staff (ten men and one woman) (five accidents in 2018, all of them men), and all of them have been categorised as minor accidents by the Mutual Social Security Association. The main causes have been slipping and/or tripping, overexertion and postural/ergonomic aspects. Enagás has a procedure of lessons learned where the method of dissemination is established, that uses a cascade approach so that it reaches all personnel at the company.

As regards reported workplace injuries, the rate per million hours worked is 7.48 for own staff and 6.75 for contractors.

Lost day rate

Total cases with lost days (own staff) / Total hours worked per 200,000



Occupational illnesses [GRI 403-10]

Through its evaluation systems for health and safety-related risks, Enagás has not identified job profiles at risk of work-related diseases.

Enagás' accident rates are below the energy sector average

Risk assessments and incident handling

[GRI 403-2]

Within its Health and Safety Management System, Enagás has a procedure for the identification of occupational hazards and subsequent risk assessment. Additionally, the following procedures are available:

- An internal procedure for occupational risk assessment using a method based on the Simplified Accident Risk Assessment System based on the National Occupational Safety and Hygiene Institute, which is used for both routine and exceptional work. In the latter case, the methodology is associated with a special operational instruction that makes it possible to quantify the magnitude of the existing risks and to define their correction priority.

- Procedures for the assessment of industrial risks based on different methodologies, such as HAZOP (Hazard and Operability study), a technique of risk analysis and operability that allows the identification of potential and operational risks produced by deviations of systems from their design conditions; *What if,* a technique that provides the possibility of identifying potential hazards easily, assessing the significance of hazards and the adequacy of existing safeguards; risk analysis methodology for facilities affected by the SEVESO Directive, or methodology for assessing the explosion risk which enables the analysis of both the existence and probability of the formation of an explosive atmosphere and the activation of all possible sources of ignition.

- Safety inspections (planned observations and safety visits) and work permits are other procedural methods that make up Enagás' management system.

Following any risk assessment, corrective actions are established to mitigate the relevant identified risks, and the effectiveness of the action is subsequently evaluated.

Enagás has an internal procedure for reporting risks or anomalies that any worker may detect during the course of their activity. There are various channels for establishing these communications, such as Health and Safety Committees and meetings, workers' representatives, an electronic mailbox available to all employees, coordination meetings with contractors, through the prevention service or those directly responsible.

If a situation involving an imminent and major risk is identified, professionals have the right to stop working, remain in a safe location and notify their direct supervisor of the situation.

Enagás has a procedure for action, notification, investigation and statistical analysis of the incidents (including accidents resulting in sick leave, not resulting in sick leave, fatal, major and multiple, as well as incidents).

If the following circumstances arise, a specialised investigation is carried out through a specific register:

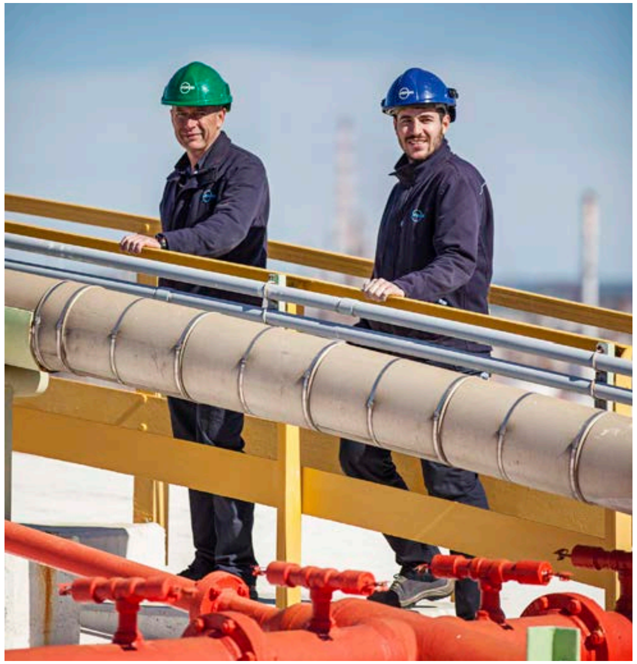
- Incidents with a risk score above a specific level, established according to the method included in the procedure.

- By request of the Intercentre Health and Safety Committee and/or the Health and Safety Committee of the facility, the chain of command or the Prevention Service.

- Major or fatal accidents.

- Major accidents according to RD 840/2015.

Following the investigation, a report is produced including the causes of the incident, the potential risk assessment, the corrective actions identified, the persons responsible for carrying out and monitoring the corrective measures (including those that affect the risk assessment review or changes to the management system), as well as resources and timelines.



See the **General Policy on the Integrated Security of Strategic Infrastructures** on our corporate website

See the **Corporate guidelines for the prevention of major accidents** on our corporate website

Crisis and emergency management

Enagás has a stakeholders map for managing crises in the infrastructures so that, in a hypothetical crisis situation, all key people as well as the channels and issues are identified.

Enagás has different procedures in place to respond to incidents in information systems, which include roles and responsibilities, steps to take to restore the operability of equipment and systems, recovery times, etc.

Enagás has also worked on creating a company Crisis Manual for quick and effective incident management, establishing numerous action committees to its control depending on the degree of severity and consequences of the different scenarios.

Information security

Enagás has a cybersecurity policy approved by the Board of Directors, which is aimed at efficiently managing the security of information processed by the company's IT systems, as well as the assets involved in these processes.

The Enagás information security management model is applicable to cybersecurity and is based on international and national regulations, in order to provide, through all means within its reach and in proportion to the threats detected, the resources required for the organisation to have an environment that is aligned with the established business and cybersecurity targets.

Additionally, as enhanced protection for the critical infrastructures operated by Enagás, a General Policy on the Integrated Security of

Enagás has a cybersecurity management model with segregation of duties between government and operation, as well as a Cybersecurity Master Plan

Strategic Infrastructures has been defined in which the processes of physical and logical security have been combined for compliance with the Law governing the Protection of Critical Infrastructure (LPIC).

During 2019, several projects have been put in place to improve the protection of industrial control systems as well as their resilience within the framework of the Cybersecurity Master Plan. External cybersecurity audits have been conducted on corporate information systems and industrial control systems, with satisfactory results in terms of the level of cybersecurity found.

Enagás has been deploying its cybersecurity awareness and training strategy, reaching all staff and carrying out a number of face-to-face and online activities intended to improve employee ability to detect and react to threats. Currently, Enagás has obtained ISO 27001:2013 certification for its logistics and commercial systems, gas pipeline control systems and industrial control systems for each type of infrastructure that it operates.

Cybersecurity incidents

As in previous years, Enagás' IT systems were not subjected to any successful attacks in 2019.

See the **Cybersecurity Policy** on our corporate website

A healthy company [GRI 403-3]

Enagás has received the Healthy Workplace certification. The Integrated Healthy Management System encompasses aspects and information regarding the physical working environment, the psychosocial environment, personal health resources and community participation.

At Enagás, all job-specific risks with health impacts are assessed, and there are associated medical protocols to prevent and/or mitigate these impacts. [GRI 403-7]

In addition, there is an agreement with an external prevention service to provide coverage to the occupational medicine and health monitoring speciality at all centres. Enagás' headquarters has a doctor and a qualified occupational nurse. At the Gaviota platform, there is a qualified occupational nurse. Enagás also offers its employees private health insurance at a subsidised rate, and a physiotherapy service is offered for shift workers at regasification plants. [GRI 403-6]

Enagás professionals have a programme that allows them to gather the necessary knowledge to become promoters of their own health

Medical service actions [GRI 403-6]

Besides the specific medical check-up for each position, Enagás also carries out basic analytics, a cholesterol breakdown, prostate cancer check-ups for men over 45 years of age, an electrocardiogram and a colon cancer diagnostic test. Enagás has also implemented a programme to encourage professionals to gather the necessary knowledge to become promoters of their own health.

- 737 medical consultations of Enagás staff plus 48 of external personnel.
- 230 cases of vaccinations against flu, hepatitis A and B, tetanus and typhoid.
- 1,079 health examinations.
- 979 examinations for blood pressure and cardiovascular risk (including 89 blood tests and 99 blood pressure measurements in the medical service, both at specific times and in follow-up).
- 472 tests of early diagnosis of prostate cancer.
- 273 tests of early diagnosis of colon cancer.

With the aim of promoting a healthy lifestyle among employees, Enagás provides professionals with healthy and natural food at the headquarters and in infrastructure canteens. It also encourages exercise through yoga and pilates classes by means of programmes such as 'In shape', and provides changing rooms, showers and bicycle parking. [GRI 403-6]

4.6 Natural capital management

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

Natural capital management is one of the key areas for Enagás, as is reflected in the company's health and safety, environment and quality policy. The control and minimisation of our impacts on the environment produces direct internal benefits by improving the use of resources, ensuring the sustainability of our business and generating confidence in our stakeholders.

The key aspects that we address in our environmental management model are the environmental management system, the analysis of environmental impacts through the evaluation of environmental aspects (atmospheric emissions, control of spillages and waste, noise control, light pollution, water management and biodiversity) and environmental impact studies.

Sustainable Management Plan

Main lines in 2019

- Materiality analysis of environmental aspects in the facilities.
- Analysis of results of water consumption reduction actions implemented in some plants for the possible extension of these actions to the rest of the plants.
- Dissemination of environmental information actions.
- Environmental programme for the management of discharges and waste at the facilities.
- Transparency in matters of risk and water management (CDP Water).

2020 lines

- Update of waste management model.
- Raise awareness among contractors and Enagás professionals about sorting and recycling waste.
- Inclusion of the results of the materiality analysis in the assessments of environmental aspects of the facilities.
- Programmes of environmental objectives and targets 2020.
- Maintenance of environmental certifications and associated actions.
- Identification and analysis of measures to protect biodiversity at headquarters and in infrastructures (LIFE project)
- Transparency in matters of risk and water management (CDP Water)

100% of activity certified in accordance with ISO 14001

48,243 m^3 of water consumption [GRI 303-5]

4,917 t of waste generated [GRI 306-2]

1,074 t of NOx [GRI 305-7]

17 t of SOx [GRI 305-7]

44 t of CO [GRI 305-7]

Natural capital management model

Enagás undertakes its environmental commitments (as outlined in the Health and Safety, Environment and Quality Policy) via its environmental management system. 100% of Enagás' activity is certified in accordance with ISO 14001.

Furthermore, the Serrablo and Yela storage facilities and the Huelva and Barcelona regasification plants are EMAS certified.

Enagás analyses the dependencies and impacts on natural capital, at both corporate and facility level, with the aim of identifying actions that will enable us to move towards a positive net impact.

At corporate level, energy consumption (natural gas and electricity) is key to carrying out our activities. With regard to energy consumption, in 2019 Enagás, within the framework of its ISO 50001-certified energy management system, analysed the most significant energy consumption in terms of facilities and equipment, as well as their dependence on the main variables, enabling us to establish and prioritise the energy efficiency initiatives with the greatest impact (see the 'Climate change and energy efficiency' chapter).

Environmental impacts are analysed through environmental assessments in the case of construction, operation and maintenance activities. What is more, for infrastructure construction projects, and based on their type and on applicable regulations, environmental impact studies are carried out which include both the impacts themselves and the measures taken to mitigate them, while also establishing stakeholder consultation procedures. (See the 'Local communities' chapter).

For each of these aspects, ordered by relevance, their origin is shown as well as the main actions Enagás carries out to prevent and reduce them.

Natural capital management

	Environmental aspects		Origin of impacts	Preventative and impact mitigation actions
Most relevance	Gas emissions	CO_2 emissions CH_4 emissions NOx, HCFCs, CO, SOx emissions	Energy consumption for the operation, construction and maintenance of infrastructures (transmission, storage and regasification)	Energy efficiency Emissions offsetting Preventive maintenance Emission reduction targets linked to variable remuneration paid to professionals
Medium relevance	Waste	Non-hazardous waste Hazardous waste Spillage	Infrastructure maintenance	Recycling and re-use Spillage prevention measures Waste recycling and re-use targets
Least relevance	Seawater withdrawal (returning the water in similar conditions)		Regasification plant operations	Use water for cooling before returning to the sea
	Impact on biodiversity		Infrastructure construction	Restitution and replanting Species recovery programmes
	Consumption of water from the municipal network and ground or surface water sources		Fire fighting systems Irrigation Sanitation	General plan to reduce the consumption of water in facilities
	Noise pollution		Infrastructure operation	Silencers, insulation
	Light pollution		Infrastructure operation	Reduction of night-time lighting

In addition, Enagás conducts other analyses and studies, such as assessments of environmental risks associated with accidental scenarios. All of this enables us to identify the natural capital assets in which we have the greatest impact at facility level and to therefore prioritise environmental actions based on them. As a result of the environmental risk assessments associated with

See the **Health and Safety, Environment and Quality Policy** on the corporate website

Enagás has conducted an assessment of natural capital based on an analysis of environmental materiality at infrastructure level

accidental scenarios and their economic quantification (Law 26/2007), it has only been obligatory to provide a financial guarantee at the El Musel plant (scenario of oil spillage into surface waters) and the underground storage facilities at Serrablo and Yela (the main risk scenario is fire affecting wild species and habitats).

In certain cases, a more detailed assessment is conducted to analyse the ecosystem services of the environment. This is the case of the Landscape Integration Study that was carried out prior to the construction of the Euskadour Compressor Station and which resulted in the identification of revegetation and recovery measures for soils, vegetation and water courses, with more than 900 species planted.

Environmental monitoring is carried out through environmental audits, environmental surveillance programmes, assessments of legal compliance at all facilities and monitoring of environmental indicators and improvement plans. In 2019, environmental monitoring was performed on 124 km of gas pipeline and 52 environmental audits were conducted at facilities.

Circular economy

Enagás has signed the 'Circular Economy Agreement' and has made the following commitments which are already being worked on:

Commitments of the Pact for a Circular Economy

1) Promotion of a responsible consumption model that includes the use of sustainable products and services and lower use of non-renewable natural resources	• **Energy efficiency:** Enagás' energy efficiency and emissions reduction plan includes measures aimed at reducing the consumption of natural gas and electricity as well as the self-generation of energy (see the 'Climate change and energy efficiency' chapter). • **Use of cooling:** Enagás is implementing a project to make use of the cooling properties of liquefied natural gas (LNG) in the Huelva regasification plant. Through this project the residual cooling resulting from the plant's regasification process is transferred to refrigeration facilities. Therefore, a freezing service for sustainable products is provided, with an energy saving of over 50% in energy costs and a reduction in the carbon footprint of 90%.
2) Promoting guidelines to increase process innovation and efficiency	• **Renewable gases:** At Enagás we are promoting the development of non-electric renewable energies, like biogas/biomethane and hydrogen, as well as the development of new services and uses for natural gas, as these are key new energy solutions in the energy transition process. The use of biogas/biomethane fosters the development of a circular economy as it involves properly recovering solid waste from cities, wastewater, and waste from animal agriculture, farming and forestry. In Spain there is already a waste treatment centre at Valdemingómez (Madrid) which is connected to Enagás' pipeline network and we are working on new projects along the same line. Renewable hydrogen is positioning itself as a new, comprehensive energy vector, given that it can be used to store surplus electrical energy from renewable sources, can be transformed into different forms of energy (electricity, synthetic gas and heat) and can be used in multiple applications. At Enagás, we are promoting different initiatives to make the use and application of renewable hydrogen a reality. (see the 'Our commitment to the energy transition' chapter).
3) Empowering the principle of waste hierarchy, promoting the prevention of its generation, promoting re-use and recycling and promoting its traceability	• **Recycling and re-use of waste:** waste generated by Enagás is managed by an authorised waste management company. Enagás requires that this waste management company re-uses/recycles a minimum percentage (90%) of the total waste managed; this requirement is stipulated in the contract and non-compliance would result in a penalty. Furthermore, Enagás has an agreement with the integration company 'Otro Tiempo Otro Planeta S.L.U.', which promotes the recycling of coffee capsules at Enagás' headquarters, while also providing work for women at risk of social exclusion. • **Re-use:** Every year, Enagás donates IT equipment and mobile devices that are no longer in use.
4) Promoting analysis of the product life cycles incorporating ecodesign criteria, making repair possible and prolonging service life	• **Ecodesign:** Enagás has started applying ecodesign criteria to its construction works, such as those carried out at the Gaviota underground storage facility, which were certified under ecodesign regulations (ISO 14006:2011). • **Extending useful life:** The company extends the useful life of oils and lubricants used in the equipment of its facilities by cleaning and filtering these products.
5) Raising awareness on the importance of moving towards a circular economy	• **Training:** Enagás has introduced the concept of circular economy in environmental training courses. • **Awareness:** The company is working on a campaign for contractors and Enagás professionals about separating and managing waste.

Biodiversity protection

During the development of infrastructures, Enagás carries out activities aimed at protecting and preserving flora and fauna, thereby mitigating any impact on biodiversity. Such activities start with on-site reconnaissance before any work commences in order to check for the presence/absence of species along the route.

In addition, after the construction work, Enagás returns the affected areas to their previous state and reforests the forestal areas.

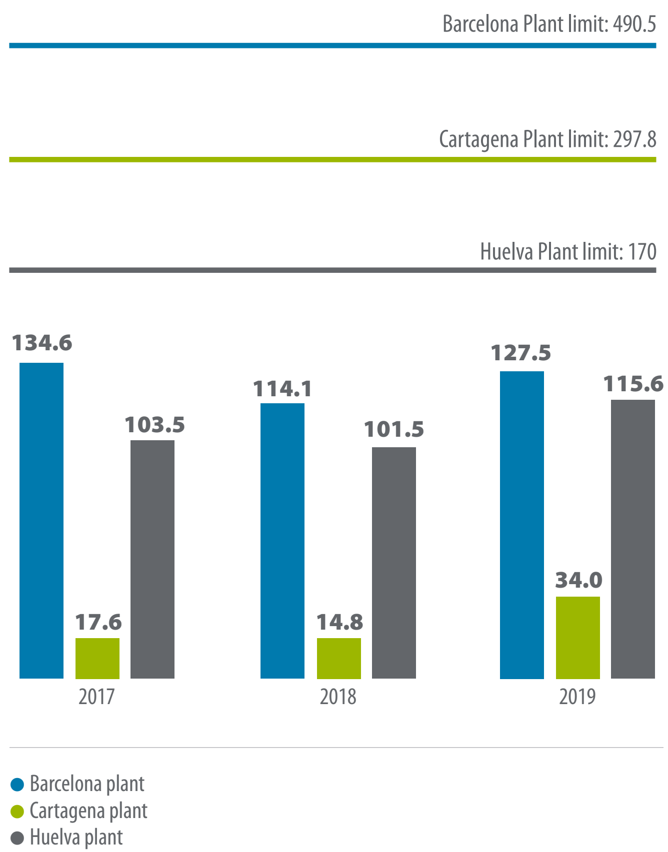
In 2019, a construction project was carried out using the corridors of other existing infrastructures and existing accesses to the work area were also used, thus reducing the damage to soil and waters. [GRI 304-2, GRI 304-3, GRI OG4]

Water management [GRI 303-1]

At Enagás, we do not consume water in our production processes. The company has thus not stated significant aspects linked to water shortages in the yearly assessments that are conducted in line with the environmental management model.

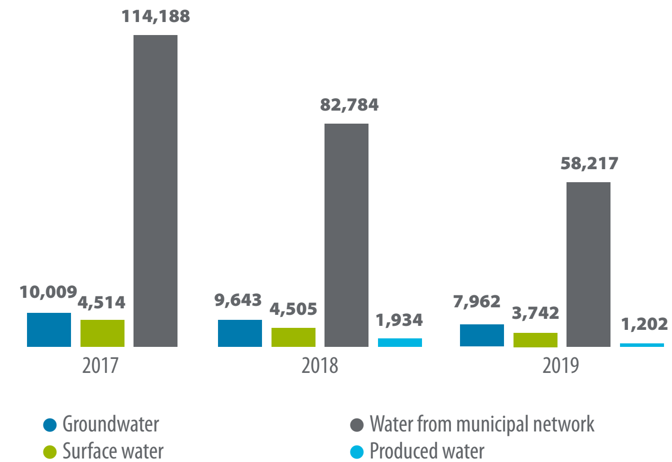
The main withdrawal of water that Enagás carries out is that of seawater for use in seawater vaporisers at regasification plants. This water is returned under the same conditions as those in which it is withdrawn (the temperature decrease is minimal and it does not affect the marine ecosystem). The volume of water taken is directly proportional to the quantity of gas regasified. [GRI 303-3, GRI 303-4]

Seawater withdrawn and returned to its source (hm^3) [GRI 303-3, GRI 303-4]



In 2019 Enagás obtained a B rating in 'CDP Water'

Other water withdrawn from other sources (m^3) [GRI 303-3]



The reduction in the amount of water withdrawn from other sources is the result of consumption reduction measures implemented in previous years, as well as regular publicity and awareness campaigns on this issue.

Additionally, Enagás discharges wastewater similar to household wastewater. In 2019, 15,849 m^3 of water was discharged into the public mains and 8,937 m^3 of water into septic tanks or the sea. [GRI 303-2, GRI 303-4, GRI 306-1]

In 2019, 48,243 m^3 of water was used mainly for sanitation, irrigation and fire fighting equipment, which represents only 0.02% of withdrawn water [GRI 303-5]. The company therefore has various measures aimed at reducing water consumption such as better techniques for irrigation and consumption of grey water.

Spillage and waste control

[GRI 303-1]

In terms of spillage, the company has implemented preventative measures such as installing containment troughs and trays.

Accidental spillage in 2019 was: [GRI 306-3]

Accidental spills in 2019

- 70 litres of diesel fuel
- 168 litres of oils
- 600 litres of water with methanol
- 15 litres of chlorine dioxide
- 15 litres of cooling liquid

Corrective actions include damage assessment, land decontamination and replenishment if necessary, removal and treatment by the waste management company and preparation of the incident report.

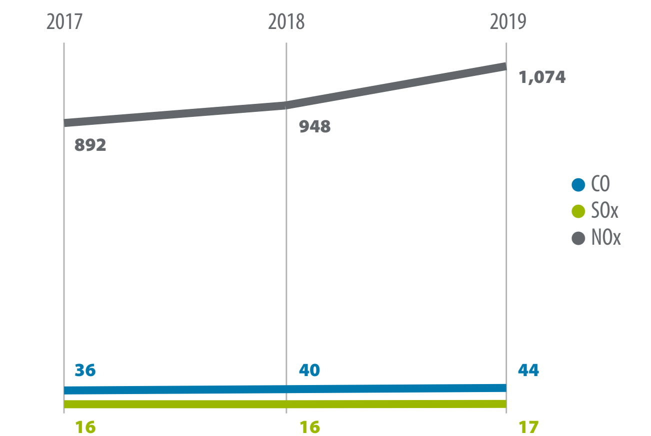
Enagás has implemented a system of segregation, management, storage and delivery to authorised managers of hazardous and non-hazardous waste. Enagás mainly generates waste through facility and equipment maintenance (activities that mainly depend on externalities, which accounts for the variability of the level of waste generated in 2019 compared to the previous year). The company aims to recycle, recover and re-use this waste where possible. The target of treating (recycling/re-using) 90% of hazardous and non-hazardous waste has been established in the contract with the waste management company. [GRI 306-2]

The increase in the generation of non-hazardous waste in 2019 is due to an incident that occurred at the regasification plant in Barcelona. This facility usually discharges its grey water into the municipal network of the Port of Barcelona. However, in 2019, it had to manage its water as sludge through a manager, as it was found that the sulphides and nitrogen values had been exceeded in the discharge.

Generated and managed waste (t) [GRI 306-2]

Enagás recycled/re-used 70% of waste generated

Non-GHG emissions (t)



Atmospheric pollution

The main non-GHG emissions at our facilities are CO, SOx and NOx. These emissions are produced by the consumption of natural gas by the different equipment.

The energy efficiency measures and the objectives of reducing CO_2 emissions (see the 'Climate change and energy efficiency' chapter) are directly related to the reduction in these atmospheric emissions. [GRI 305-7]

Enagás carries out regulatory and voluntary atmospheric checks (self-checks) at all its combustion sites.The control actions are as follows:

- Initial regulatory inspection (conducted by an authorised inspection organisation (AIO)).
- Annual TESTO check (carried out with their own resources (Analysing team and Enagás employees)).
- Periodic regulatory inspections.

Both the regulatory inspections and the internal TESTO checks are planned annually for every facility as part of the 'Atmospheric Monitoring Programme'.

Noise at Enagás' facilities is produced by the operation of regulators, turbines, vaporisers and pumps. Every facility carries out regular environmental noise measurements around its perimeter, in line with the limits set out in municipal by-laws or legislation that is in force. Enagás conducts annual noise measurement campaigns at its facilities in order to minimise noise pollution. In 2019, a total of 132 noise measurements were conducted at two regasification plants, at three compressor stations and at 127 sites. During 2019, actions were taken to minimise noise levels by installing silencers at six regulation and metering stations.

In certain facilities where legal requirements apply, light pollution is a material aspect. Over the last few years, Enagás has been working on implementing the necessary measures to reduce night-time lighting in its compressor stations.

4.7 Climate Change and Energy Efficiency

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

Improved energy efficiency and lower GHG emissions are major factors in reinforcing the vital role that natural gas will play in a low carbon economy as a key element for achieving sustainable, safe and efficient energy.

The most relevant aspects that we address in our climate change management model are public commitment and the setting of objectives, emissions reduction and compensation measures, as well as reporting on our performance and results, following TCFD recommendations (Task Force on Coimate-related Financial Disclosures).

Sustainable Management Plan

Main lines in 2019

- Setting long-term emission reduction targets in line with the 1.5°C scenarios.
- Joining the United Nations Global Methane Alliance and setting a methane emissions reduction target.
- Energy management system certification according to the ISO 50001 standard.
- Development of a computer application for recording and using data from LDAR campaigns (Leak Detection And Repair) to detect, quantify and repair fugitive emissions in the facilities.
- Sustainable loan linked to the reduction of CO_2 emissions.

2020 lines

- Annual campaign to detect, quantify and repair fugitive emissions in the facilities.
- 2020 Energy Efficiency and Emissions Reduction Plan.
- Increase in the percentage of electrical energy consumption with guarantees of origin.

9,860 tCO_2e
avoided in 2019 through energy efficiency measures

+61%
self-generation of energy from renewable, clean and efficient sources (vs. 2018)
[GRI OG3]

310,162 tCO_2e
Greenhouse gas emissions (Scopes 1 and 2)

275,889 tCO_2e
Scope 1 emissions [GRI 305-1]

34,273 tCO_2e
Scope 2 emissions [GRI 305-2]

Governance model for climate change management

At Enagás there is a governance structure led by the Board of Directors that supervises the company's climate change performance. The Appointments, Remuneration and CSR Committee, through the Sustainability Committee, approves and monitors the CO_2 emissions reduction targets linked to variable remuneration as well as initiatives that help achieve said reduction that are included in the Energy Efficiency and Emissions Reduction Plan.

Furthermore, the Audit and Compliance Committee supervises the efficiency of risk control and management systems and assesses the possible impact of climate change through the Risk Committee.

The Sustainability Committee is formed of the main Directorates of the company, among which is the Strategy function, that provides input for the identification of opportunities.

The Health and Safety, Environment and Quality Committee periodically assesses and manages issues related to climate change associated with business processes, impact assessment studies and the evaluation of environmental aspects.

There are also various working groups reporting to these committees, such as the Energy Efficiency and Emissions Reduction Group, responsible for drafting and monitoring the Energy Efficiency Plan and setting the company's emissions reduction targets, among other matters.

In terms of risk management, on the one hand business units are responsible for risk identification and measurement, the risk function controls and manages risks and the Internal Audit Department function supervises the efficiency of the established risk controls (see the 'Risk management' chapter).

Management of risks and opportunities derived from climate change

[GRI 102-29, GRI 102-31, GRI 201-2]

Risks derived from climate change are evaluated comprehensively in the Company's risk control and management model.

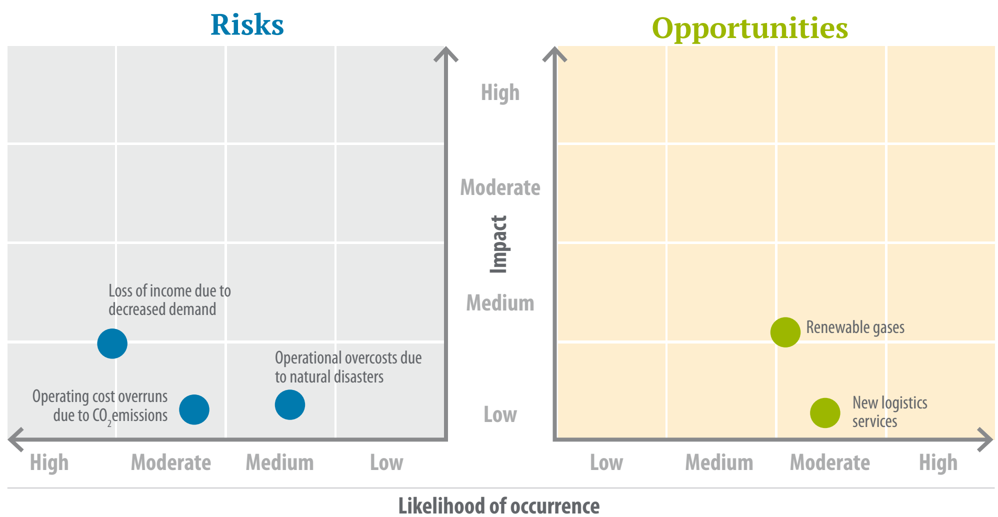
To assess these risks, 2030 has been taken as the timeframe (the first timeframe for compliance with the objectives established in the Spanish Integrated National Energy and Climate Plan). In this way, risks from factors such as policies and regulatory measures that encourage the use of renewable energy sources, natural disasters or adverse weather conditions and volumes of CO_2 emissions and prices are identified and quantified.

According to the assessment, the effects of these risks would have a low economic impact on the company in 2030 (around 5-10% of profit). The effects of these risks can be compensated by the opportunities that the company has identified both in the field of renewable gas development and in new natural gas logistics services.

For this climate change risk assessment, a 4ºC temperature rise (business as usual) has been taken as the baseline scenario and a risk scenario of 1.5ºC aligned with the Spanish Integrated National Energy and Climate Plan. In the case of the evaluation of physical risks (natural disasters), the risk scenario is a 6ºC increase in temperature.

12/2019

› Enagás participated in different events held at the COP25 World Climate Summit in Madrid, where it highlighted the role of LNG and renewable gases such as green hydrogen, both for decarbonisation process and for clean transport.



In 2019 Enagás has been the only company in the world in the Oil & Gas sector included on the CDP Climate Change A List, which means it has achieved the highest score in this annual ranking

Factors	Risk	Control and management measures
Volume of CO_2 emissions CO_2 prices	• **Operating cost overruns due CO_2 emissions**	• Short and long-term emissions reduction targets linked to variable remuneration • Energy Efficiency and Emissions Reduction Plan • Setting internal carbon prices • Emissions offsetting programme
Policies and regulatory measures encouraging the use of renewable energies	• **Loss of income due to decreased demand**	• Promotion of new services and uses of natural gas in transportation (by road, rail and sea) and in the industrial and household sectors • Promotion of the development of gas from renewable sources and hydrogen and their integration in gas infrastructures • Promotion of the development of new technologies and infrastructures for the capture, transmission and storage or use of CO_2 and small-scale liquefaction
Natural disasters or adverse meteorological conditions (floods, landslides, etc.)	• **Operational overcosts due to natural disasters**	• Environmental certifications (ISO 14001 and EMAS) • Emergency response action plans • Procedures for the investigation and monitoring of incidents • Development of demand scenarios that determine the infrastructure to develop in order to guarantee secure supply • Material damage policy • Emergency response action plan • Insurance policy covering catastrophic damage • Review of plans for adaptation to climate change in infrastructures

Opportunity	Lines of action
Renewable gases	**Focus areas related to biomethane:** • Issuance of green certificates • Measurement of gas quality: guaranteeing the quality of renewable gas before its injection into the gas network • Stake in biomethane infrastructures (upgrading/connection to the transmission network) **In relation to hydrogen, the main areas of focus are:** • Involvement in different European groups analysing the technical conditions for the introduction of hydrogen into gas networks • Joint Ventures for technological development and the promotion of hydrogen production and transmission infrastructures • Projects under consideration are focused on the methanisation of hydrogen for its injection into the network, use in mobility and application in auxiliary machinery
New services	• Design and development of new services in infrastructures, turning them into logistical centres for LNG supply • Development of other new services: bunkering (refuelling LNG, between tanks or from a satellite plant to a tank), small scale (refuelling small LNG tanks), bulk breaking (refuelling medium LNG tanks and loading LNG onto trucks) and parking gas (long term storage of gas in tanks) • Extension of tank refuelling service

[GRI 102-29, GRI 102-31, GRI 201-2]

Our climate change performance

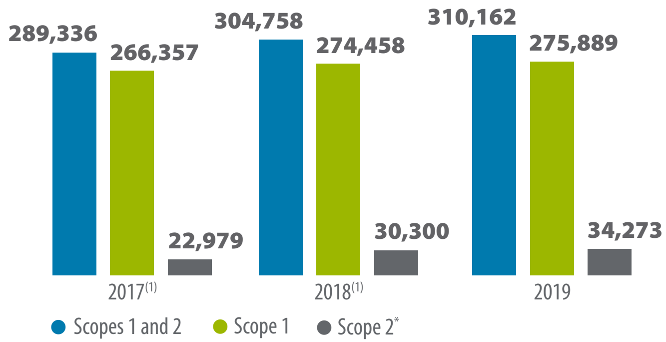
Enagás' carbon footprint is ISO 14064 certified, recorded in the Spanish Ministry for Ecological Transition's Carbon Footprint Record with the 'Calculation, reduction and offset' seal.

Despite the sharp increase in the level of activity, Enagás has maintained its emissions at the previous year's level as a result of greater energy efficiency. Domestic demand has increased by 14% while our Scope 1 and 2 emissions have increased by only 1.8%.

In this regard, the highest level of activity has been in underground storage due to the high level of contracting (94.19%), which has translated into a high increase in net injection (+89.84%).

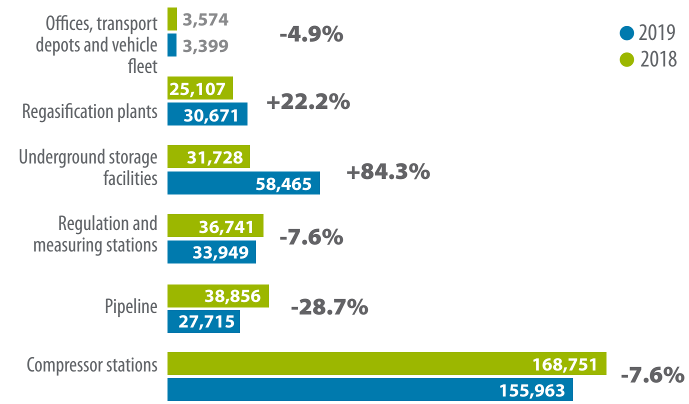
Evolution of Scopes 1 and 2 CO_2 emissions (tCO_2e)

[GRI 305-1, GRI 305-2]



(1) The data for 2017 and 2018 do not include the emissions data of the GNL Quintero regasification plant for the purposes of comparability. They only include data from Spain.
*Scope 2 calculated according to market based methodology. Scope 2 data calculated according to location based methodology are: 88,444 tCO_2e in 2017, 72,078 tCO_2e in 2018, and 81,883 tCO_2e in 2019.

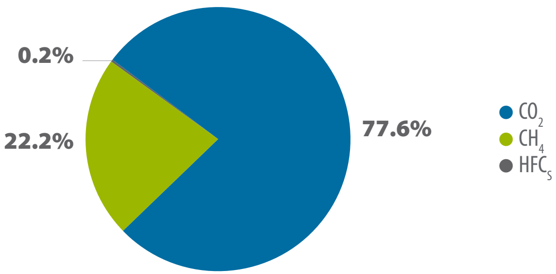
Evolution of emissions broken down by infrastructure 2018-2019



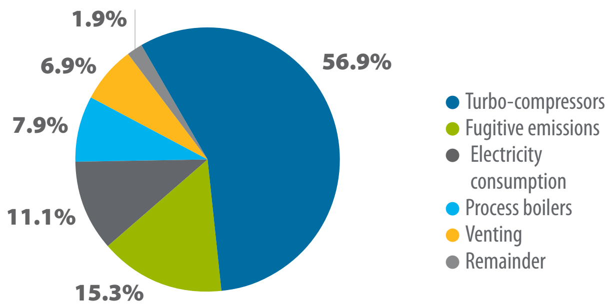
Activity data [GRI 302-2]

		Unit	Total 2018	Total 2019	2019 vs. 2018 (%)
Domestic demand	Conventional market and electricity sector demand	GWh	349,300	398,200	14.00%
Regasification plants	Regasified gas, truck and tanker loading at regasification plants	GWh	114,063	138,882	21.76%
Compressor stations	Compressed gas at Compressor stations	GWh	220,500	177,520	-19.49%
Underground storage facilities	Total net injection underground storage facilities	GWh	6,697	12,714	89.84%
	Total gross extraction of underground Storage Facilities	GWh	5,727	4,989	-12.89%

Scopes 1 and 2 emissions by gas type [GRI 305-6]



Scopes 1 and 2 emissions by source [GRI 305-1, GRI 305-2]



Approximately 77.6% of the Enagás carbon footprint (Scopes 1 and 2) corresponds to emissions of CO_2, mainly produced during the combustion of natural gas in stationary sources, i.e. turbo-compressors, boilers, flares, etc.

Emissions of CH_4, which account for approximately 22.2% of our carbon footprint (Scopes 1 and 2), are mainly due to fugitive emissions (15.3%) and natural gas venting (6.9%). Venting may occur as a result of operation and maintenance, operating safety, pneumatic valves and analysis equipment (chromatographs, etc.)

57% of total footprint emissions (Scopes 1 and 2) are generated by the self-consumption of natural gas in turbo-compressors in compressor stations and underground storage facilities.

Emission intensity (Scopes 1 and 2)

[GRI 305-4]

	2017(1)	2018(1)	2019
Domestic demand (tCO_2e/TWh)	892	873	779
Net profit (tCO_2e/M€)	638	689	734
Employee (tCO_2e/Employee)	240	231	237
Gas departures(2) (tCO_2e/GWh total gas departures)	0.82	0.79	0.76

(1) The data for 2017 and 2018 have been recalculated removing emissions from the GNL Quintero regasification plant for the purposes of comparability. [GRI 102-48]
(2) Total gas departures include the following items: 1) National market demand (conventional national and electricity sector); 2) International market demand (international departures and ship loading).

EU Emissions Trading System

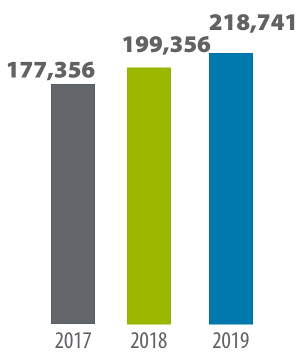
55.6% of emissions included in the Carbon Footprint (Scopes 1 and 2) are included in the EU Emissions Trading System (EU ETS).

In 2019, 50,017 tCO_2 were received through free allocation and 70,000 tCO_2 were purchased to cover the period's emission rights needs. [GRI 201-2]

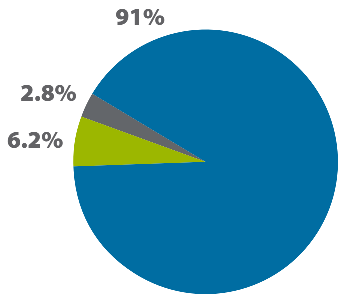
In 2019 we reduced the emissions intensity ratio per domestic demand (tCO_2e/TWh) by 10.7% compared to 2018

Scope 3 emissions [GRI 305-3]

Scope 3 emissions (tCO_2e)



Emissions classification Scope 3[(1)]



	Scope 3	tCO_2e	% of total
1	Purchased goods and services	13,517	6.2%
2	Capital goods, for example equipment, machinery, vehicles, buildings, factories, etc.	226	0.1%
3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	198	0.1%
4	Upstream transportation and distribution	1,845	0.8%
5	Waste generated in operations	614	0.3%
6	Business travel	2,028	0.9%
7	Employee commuting	1,315	0.6%
15	Investments	198,999	91%
	SCOPE 3 TOTAL	**218,741**	**100%**

The increase in Scope 3 emissions in 2019 is due to the inclusion of the emissions from the GNL Quintero regasification plant (in previous years included in Scope 2), as well as the emissions from the operator DESFA.

97% of our Scope 3 issues are concentrated in the category of investments (91%) and Purchased of goods and services (6.2%). The investment category includes the Scope 1 and 2 emissions of our affiliates, in which Enagás does not have financial control but which nevertheless have significant emissions considering the percentage of ownership. The category of Purchased of goods and services includes emissions from the extraction, manufacture and transport of goods and services acquired through our suppliers as well as office paper consumption.

Enagás promotes the reduction of its Scope 3 emissions by extending its emissions reduction commitments to its value chain, through the following actions in the most significant categories:

- Investments: in its affiliates, through Enagás' coordinators, it guarantees the alignment of actions with the Enagás strategy. Specifically, in the area of emissions, we work together to identify measures to reduce emissions. As an example, during 2019, Enagás worked together with the TLA Altamira regasification plant to prepare the methane footprint, identify and prioritise measures to reduce methane emissions and set a target and path for methane reduction (see the 'Affiliates management' chapter).
- Purchased of Goods and Services: Enagás has several platforms for the approval and evaluation of its suppliers' performance. In this way, Enagás sends a specific questionnaire on greenhouse gases to its main suppliers. This questionnaire enables suppliers to be assessed on climate change issues and for areas of work to be identified to reduce their carbon footprint (see the 'Supply chain' chapter).

Commitment to our suppliers on Climate Change

› In 2019, Enagás was included by CDP in the 'Supplier Engagement Leaderboard', obtaining an A in CDP's '2019 Supplier Engagement Rating'. This list recognizes the best companies for value chain and Scope 3 emissions management.

Emission reduction targets

In line with our commitment to climate action, we are adhering to different international initiatives where climate action commitments and emission reduction targets are established:

- We Mean Business: we are committed to driving policies towards a low-carbon economy, setting a carbon price and reporting climate change information in corporate publications.
- Global Methane Alliance: we are committed to reducing methane emissions from our activity by 45% by 2025 and 60% by 2030 with respect to 2014 figures.

(1) Classification of Scope 3 categories according to the fifteen categories of the GHG Protocol.

- Methane Guiding Principles: we have signed up to commitments on methane emissions reduction and transparency.

Our commitment and actions have enabled us to reduce our carbon footprint by almost half in recent years. In the future we will continue to make progress in reducing emissions and therefore we are committed to defining targets in line with science (1.5ºC) and to achieving carbon neutrality by 2050.

To this end, we have defined an ambitious emissions reduction path, setting the following targets compared to 2018, which we will achieve through the specific measures outlined in our Energy Efficiency and Emissions Reduction Plan:

5% in 2019-2021
objective included in the Long-term Incentive Plan, linked to the variable remuneration of all employees

15% in 2025
objective linked to sustainable loan conditions

25% in 2030

61% in 2040
objective aligned with the 1.5ºC scenarios

We also keep the link between our emissions reduction objectives and variable remuneration:

- Annual target management programme: since 2011 Enagás has been setting annual targets for energy consumption reduction and for self-generation of electrical energy from efficient, clean and renewable sources.
- Long-term Incentive Plan: from 2016 Enagás includes emissions reduction targets in its Long-term Incentive Plan.

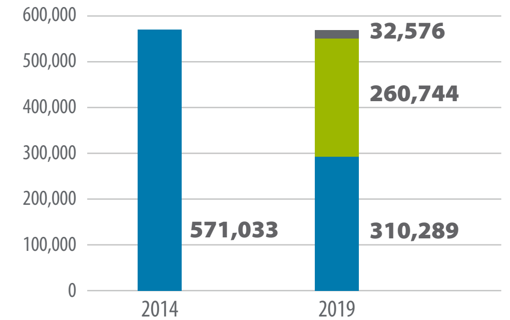
Energy Efficiency and Emissions Reduction Plan

At Enagás, energy efficiency has a key role in emissions reduction and considerable efforts have been made in this regard. In recent years we have halved our CO_2 emissions thanks to the implementation of energy efficiency measures, in which we have invested more than 64 million euros from 2008. [GRI 201-2]

During 2015-2019, the Energy Efficiency and Emissions Reduction Plan has allowed to avoid 558,175 tCO_2e. The net impact of these measures in 2019 is shown below.

Enagás has defined an ambitious emissions reduction path aligned with the 1.5ºC scenarios and links its objectives to the variable remuneration of its employees

Net impact (tCO_2e)



- Emissions Scope 1 + Scope 2.
- Cumulative emissions avoided from energy efficiency, emissions reduction and operational efficiency measures from 2015-2019.
- Compensated emissions.

Avoided emissions include the accumulated emissions avoided as a result of the measures of the Energy Efficiency and Emissions Reduction Plan implemented from 2015 to 2019. These emissions were verified in the year of their implementation, with a total of 148,393 tCO_2 verified in the period.

We are working to ensure the continuous improvement of the energy efficiency of our infrastructures. Therefore, in 2019 we have implemented and certified, in accordance with ISO 50001 standard, its energy management system, which would bring about significant improvements in the measurement and reduction of energy consumption in facilities.

The implementation of this system has made it possible to identify the most significant energy consumption at facilities and equipment levels, as well as the correlations between this consumption and the activity at each facility. This enables us to prioritise measures and monitor energy efficiency more precisely.

Energy Efficiency Measures established in 2019

[GRI 302-4, GRI 302-5, GRI 305-5]

Actions aimed at reducing GHG emissions (Energy efficiency and emissions reduction measures)	Savings type	Energy savings achieved in 2019 (GWh)	Emission reductions achieved in 2019 (tCO_2e)
Installation of frequency variator on a primary LNG pump at the Cartagena regasification plant.	Electric consumption savings	0.16	40.22
Installation of a frequency variator on a seawater collection pump at the Cartagena regasification plant	Electric consumption savings	0.96	235.19
Installation of recirculating pumps with electronic regulation module (frequency variator) in regulation and measurement stations.	Electric consumption savings	0.03	6.26
Installation of a frequency variator on a seawater pump at the Barcelona regasification plant	Electric consumption savings	0.40	97.59
Replacement in regulation and measurement stations of existing boilers with high performance, low emissions boilers, modulating natural gas burners and three-way valves. Installation of a boiler and pump control system, with remote access control through the Enagás network.	Natural gas savings	1.83	370.39
Use of nitrogen in the molecular seal of the flare in Huelva, with the supply and installation of a second nitrogen generation appliance	Natural gas savings	0.35	70.80
2019 Fugitive Leak Detection And Repair Campaign (LDAR) in the gas pipeline network	Leaked natural gas savings	-	125.02
2019 Fugitive Leak Detection And Repair Campaign (LDAR) in regasification plants.	Leaked natural gas savings	-	3,187.28
2019 Fugitive Leak Detection And Repair Campaign (LDAR) in underground storage facilities	Leaked natural gas savings	-	583.42
Modification in the Organic Rankine Cycle (ORC) installed in Huelva for operation with the high pressure cycle	Self-generation	18.71	4,601.65
Decrease in working pressure downstream of the turboexpander to increase power generation	Self-generation	2.20	542.03
TOTAL		**24.63**	**9,860**

06/2019

› Enagás has contracted a Power Purchase Agreement (PPA) for the supply of electricity for approximately 20% of Enagás' total consumption. This power purchase agreement involves reaching an agreement with Iberdrola for 10 years from 2021 to obtain 100% renewable energy.

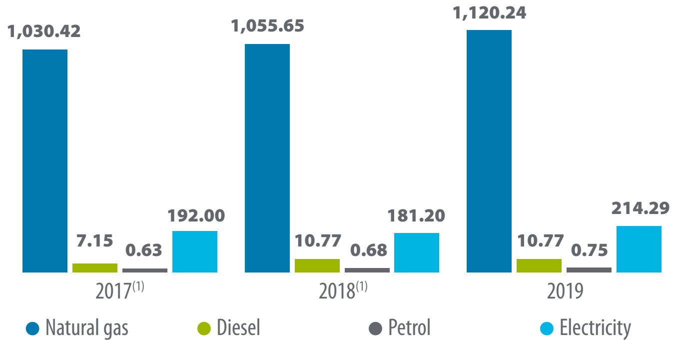
Thanks to the 2019 Energy Efficiency and Emissions Reduction Plan, emissions equivalent to almost 4,000(1) cars have been avoided in one year

In 2019, the percentage of electricity with guarantees of origin out of total grid electricity consumption was 40% in facilities with the highest consumption.

In 2019, self-generation of electricity from renewable, clean or efficient sources has increased by 61.3% compared to 2018, representing 17% (36.6GWh) of total electricity consumption. Part of the energy generated is delivered to the national grid and another part is consumed at Enagás' own facilities. [GRI-OG3]

(1) The calculation considers the emission factor 0.1667 kg CO_2/km of a 'generic' car according to the most recent report published by the Ministry for Ecological Transition, based on travel of 15,000 km/year.

Energy consumption (GWh/year) [GRI 302-1]



(1) The data for 2017 and 2018 do not include the emissions data of the GNL Quintero regasification plant for the purposes of comparability. They only include data from Spain.

The continuous improvement in the efficiency of our facilities as well as specific energy efficiency measures have enabled us to control energy consumption, which has increased by only 7.8% despite the fact that domestic gas demand has increased by 14% from 2018. The increase in activity has mainly impacted electricity consumption with an 18% increase.

Energy intensity [GRI 302-3]

	2017(1)	2018(1)	2019
Domestic demand (GWh energy consumed/TWh)	3.50	3.57	3.38
Net profit (GWh energy consumed/M€)	2.51	2.82	3.19
Employee (GWh energy consumed / employee)	941.24	945.68	1,030.67
Gas departures (GWh energy consumed /GWh total gas departures)	3.21	3.24	3.28

(1) The data for 2017 and 2018 have been recalculated to remove the consumption of the GNL Quintero regasification plant for the purposes of comparability. [GRI 102-48]

Methane emissions reduction

[GRI 305-5]

Methane emissions represent 22.2% of Enagás' carbon footprint (Scopes 1 and 2). These emissions are mainly due to fugitive emissions (15.3%) and natural gas venting (6.9%). Fugitive emissions are produced in connectors, valves and other components of Enagás' facilities. Venting may occur for operational, maintenance or safety reasons.

In 2019, thanks to Enagás' efforts to reduce venting and fugitive emissions, methane emissions decreased by 13.4% compared to 2018, with a 32.1% decrease in venting while fugitive emissions remain constant (-1.1% vs. 2018).

After several campaigns for the detection, quantification and repair of natural gas leaks in its facilities, Enagás has internalized these actions in the maintenance ranges of its facilities in order to reduce losses from emissions leaks from its activity year after year.

During 2019, a computer application was developed to record fugitive emissions and enable increased control and management of this type of emissions.

11/2019

› Enagás joins the United Nations Global Methane Alliance initiative and undertakes to reduce methane emissions from its activity by 45% in 2025 and 60% in 2030 with respect to 2014 figures.

Another important measure is the development in 2019 of a procedure and specific technical instructions for the measurement and quantification of fugitive emissions. Moreover, from 2020 Enagás will carry out annual measurements at all its facilities, thus increasing the frequency of LDAR campaigns.

Furthermore, Enagás participates in a number of associations actively collaborating in the preparation of reports, studies and research related to methane emissions. During 2019, the following were of note:

- Publication, through the associations GIE and MARCOGAZ, of a report on how the gas industry can contribute to reducing methane emissions (Assessment of methane emissions for gas Transmission and Distribution system operators).
- Implementation of the action plan of GIE and MARCOGAZ with dissemination and training actions with communication brochures such as 'Potential ways the gas industry can contribute to the reduction of methane emissions'.
- Publication by GIE to fully support the European Green Deal and publication with Gas For Climate of the report 'The optimal role for gas in a net-zero emissions energy system'.
- Collaboration with the Methane Guiding Principles in the development of best practice guidelines for methane emissions reduction such as 'Reduction of methane emissions: Best Practices - strengthening the environmental credibility of gas'.
- Participation with the LNG Protocol in the preparation of a workshop and a study on the role of LNG in the decarbonisation of the transport sector.
- Enagás holds the presidency of the UNECE Group of Gas Experts within which one of the lines of work is methane emissions. In this field, a study financed by the EPA about methane emissions in extractive industries has been launched and Enagás is a member of the Steering Committee.
- Production, with GIE and MARCOGAZ, of the draft 'Guidelines for methane target setting', in comments phase.
- Submission and analysis of results of a survey on methane emissions within the GIE-MARCOGAZ Action Plan for the evaluation of the establishment of a methane target for the European midstream and distribution gas sector.

Compensation of emissions

Enagás commits to reaching carbon neutrality in key fields at a strategic level:

- Neutrality of regasification plants: this involves key infrastructures for the security and diversification of supply. Furthermore, they make up one of the priorities at a strategic level, as the company aims to position itself as a worldwide specialist in LNG.
- Neutrality of the corporate fleet: one of the strategic priorities of Enagás is the promotion of new uses of natural gas in transport. The corporate fleet, certified as an ecological fleet, is one of the key areas of the company's Sustainable Mobility Plan.
- Neutrality of the corporate headquarters: the corporate headquarters is the company's most representative building and has recently received LEED Gold certification.

Therefore 32,576 tCO_2 have been offset through carbon credits generated by two projects to collect and use gas from landfills in Chile and Mexico, for generating electricity and for another reforestation project in Peru.

4.8 Local communities

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

Relations with local communities are of concern to the company, since our activities impact the communities in which we operate. They encourage competitiveness in the industry, enhance energy supply security and create direct and indirect employment. We carry out our activity guaranteeing the safety of infrastructure, minimising impacts on ecosystems and the population.

The most relevant aspects of managing relations with local communities are the identification of local stakeholders, the information and consultation processes we carry out in infrastructure development activities and action plans (social investment).

Sustainable Management Plan

Main lines in 2019

- Participation in the IDEA project of Fundación Juan XXIII Roncalli to create quality employment for people with intellectual disabilities.
- Workshops held to promote the employability and social integration of women in situations of vulnerability.

2020 lines

- Creation of the Enagás Foundation
- Implementation of volunteering initiatives aligned with the company's values in the social environmental, cultural, sporting, and leisure fields.
- Maintaining our presence in initiatives such as Give and Gain Day (Forética) and Company Solidarity Day.

18
corporate volunteering initiatives

0.47%
social action investment with respect to net profit

2,483
hours of corporate volunteering

327
professionals took part in corporate volunteering initiatives

Local community management model

Identification of local stakeholders

In local communities where Enagás develops and operates infrastructure, the company's priority is to contribute to the their social and economic development and to minimise environmental impact while guaranteeing safety.

For this purpose, the first stages of building, operation and maintenance projects involve analysis of the area in terms of social, economic and environmental aspects, from which local stakeholders are identified.

This enables stakeholder maps to be created for the management of crises and emergencies affecting infrastructure, in which key collectives, communication channels and relevant issues are identified (see the 'Health and safety' chapter).

Furthermore, the needs analysis of the area enabled the identification of key collectives and associations (NGOs, local councils, etc.) which are an important source of information for understanding the local context and for the establishment of partnerships (see section 'Social investment' in this chapter).

Information and consultation processes

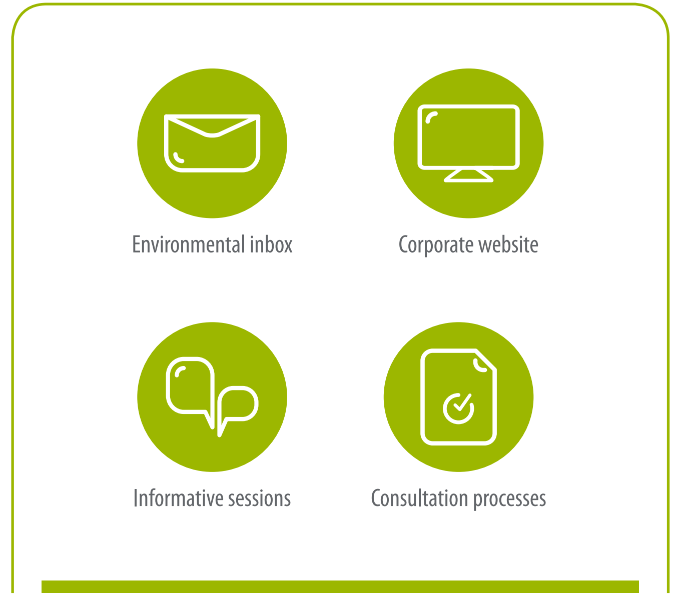
Enagás conducts environmental impact studies for construction projects and assessment of environmental aspects for infrastructure operation and maintenance projects. Environmental impact studies are open to public information and are also subject to processes of consultation in which stakeholders may voice their opinion and even propose modifications to a project. EMAS-certified facilities publish an annual report (Barcelona and Cartagena regasification plants and Yela and Serrablo underground storage facilities).

In the case of gas pipeline construction projects, the route design already takes into account criteria for minimising the impact on local plant and animal wildlife, and for avoiding the occupation of private property. Where the latter is concerned, a regulated procedure is applicable in Spain which includes public information and consultation with the entities affected, which guarantees transparency in the construction of infrastructure and equal treatment before the law.
[GRI 413-2, GRI OG10]

In matters related to infrastructure safety, Enagás develops internal emergency plans, which include information on stored chemical substances, human and material resources, scenarios, emergency plans, liability, etc. These plans are registered with the local government authorities, which are responsible for communicating them to the community and creating an associated action plan.

Enagás also holds information sessions in local areas for the purpose of explaining details of projects that are being executed locally, and safety and environment-related issues, among others.

Communication channels with local communities



One of Enagás' priorities is to contribute to socio-economic development in the local communities where it develops and operates its infrastructure

Social investment [GRI 413-1]

The objective of Enagás' social investment is to contribute to the social and economic development of local communities, giving priority to those regions in which we operate, through sustainable social action models.

Through dialogue and collaboration with stakeholders, we maximised the positive social impact of our initiatives, whether through volunteering, sponsorships, patronage or donations.

Strategic social investment priorities

Priority 1: Investment in communities

Enagás promotes the development of long-term collaboration initiatives, which contribute to the social and economic development of local communities, giving priority to those areas in which the company operates. For this purpose, it contributes economically and with time to social welfare, economic development, education and youth, health, art and culture, and the environment.

Promote inclusive and sustainable economic growth, employment and decent work for all	The initiatives implemented in this field cover the following aspects targeted by Sustainable Development Goal 8. ● Employment ● Economic inclusion ● Non-discrimination ● Development of abilities

11/2019

› Enagás promotes the employability of vulnerable groups through training. Together with the Tomillo Foundation, training courses on digitalisation were given to young people and other socially disadvantaged people, with the aim of developing new digital skills demanded by the labour market. In addition, in collaboration with the Fundación Randstad and the Fundación José María de Llanos, five training workshops were held to promote the employability and social integration of women in vulnerable situations who have been victims of gender violence.

[GRI 413-1]

Priority 2: Commercial contributions to the community

Within the scope of its social actions, Enagás includes initiatives aimed at supporting research and the development of the gas sector, since natural gas is of great importance for improving competitiveness of industry, and therefore aids the creation of direct and indirect employment. For this purpose, economic contributions are made in the fields of economic development, education and youth, art and culture, and the environment.

7 AFFORDABLE AND CLEAN ENERGY	Ensure access to affordable, reliable, sustainable and modern energy	The initiatives implemented in this field cover the following aspects targeted by Sustainable Development Goals 7 and 9. • Energy efficiency • Investments in infrastructure • Environmental investments
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Build resilient infrastructures, promote sustainable industrialisation and foster innovation	

Priority 3: Donations to charity

Enagás engages in a number of specific collaborations as a reaction to emergencies taking place both in Spain and internationally. For this purpose, it makes contributions in cash and kind in the fields of social welfare, economic development, education and youth, health and the environment.

17 PARTNERSHIPS FOR THE GOALS	Partnerships for achieving the objectives [GRI 102-12]	In the international context, the initiatives are implemented in collaboration with local partners. In Spain, these initiatives are carried out in collaboration with entities and associations, for the purpose of fulfilling Sustainable Development Goal 17. In this way, and through partnerships with different stakeholders, Enagás contributes to achieving the other SDG in the following areas: • Poverty • Hunger • Health • Education • Gender equality • Energy • Infrastructures • Reducing inequality • Climate change • Terrestrial ecosystems

Enagás' strategic social investment priorities are aligned with the Sustainable Development Goals

[GRI 413-1]

Corporate volunteering programme [GRI 413-1]

Enagás employees participate in the company's Corporate Volunteering programme 'En nuestras manos' ('In Our Hands'), giving up their time and bringing their skills and talent. There are two forms of cooperation:

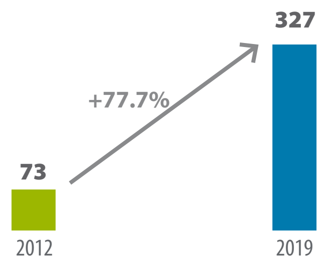
- **Face-to-face corporate volunteering**, for which activities are carried out in collaboration with an association and overseen by the company. This type of initiative takes place during business hours. In line with corporate guidelines on diversity and equal opportunity, the company guarantees that participation in volunteering activities will not lead to work-related discrimination.
- **Virtual volunteering**, for which the company connects with volunteering opportunities through different associations by means of the corporate volunteering portal. A platform that strengthens and extends the existing programme. It encompasses special days organised by the company as well as over 1,200 national and international collaboration opportunities, both face-to-face and virtual, put forward by NGOs.

In 2019, we carried out 18 initiatives, in which 327 employees dedicated a total of 2,483 working hours. This required an investment of 292 thousands of euros by the company to cover programme management costs.

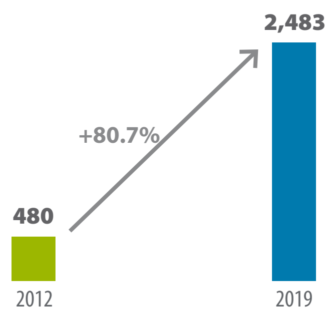
11/2019

› Enagás volunteers took part in a reforestation day with people with intellectual disabilities from the Fundación Juan XXIII Roncalli

Employees who took part in corporate volunteering initiatives



Hours devoted to volunteering initiatives



Sponsorships, patronage and donations

[GRI 413-1]

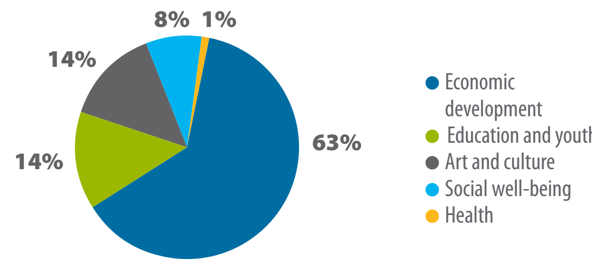
Enagás collaborates economically with social welfare projects through such activities as:

- Sponsorships: institutional and/or sporting activities.
- Patronage: social and cultural activities and initiatives.
- Donations, which may be corporate or voluntary from employees.

The procedure for managing sponsorships, patronage and donations establishes the criteria for the reception, approval and follow-up of collaboration requests (financial contributions).

In 2019 financial contributions amounting to 2 million euros were distributed as follows:

Areas of contribution



4.9 Supply chain

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

Supply chain management is an increasingly critical point in the company's management. Appropriate supply chain management allows us to identify and manage the risks (regulatory, operational, reputational, etc.) associated with it, and to make good use of opportunities for collaboration and value creation shared with our suppliers.

A key focal point in the management of our supply chain is greater knowledge of our suppliers, which allows us to take advantage of opportunities for collaboration and share value creation with them. Likewise, greater information on our supply chain enables us to identify and manage the associated risks more efficiently.

Sustainable Management Plan

Main lines in 2019

- Continuous monitoring of legal compliance risks and reputational risks at all approved suppliers.
- Finalising the incorporation of all supplier information (approval, reliability, ESG assessments, etc.) from different platforms into a sole supplier database.
- Monitoring audits of partners to optimise the supplier authorisation process, as well as the purchasing process itself in affiliates.
- New evaluation of cybersecurity scoring to critical suppliers.
- Definition of the decision-making methodology for reputational and economic risks of our suppliers.

2020 lines

- Update of the Supplier Code of Ethics in line with the new Enagás Code of Ethics.
- Internal audit of the supplier approval and disqualification process.
- Training to all approved suppliers on the update of the Supplier Code of Ethics.
- Update of the external electronic questionnaire on financial, ethical, environmental and social aspects.

1,458
approved suppliers

1,403
approved suppliers evaluated through an internal questionnaire on ethical, environmental and social aspects

129
approved suppliers audited externally in financial, ethical, environmental and social aspects in the last two years

58.3%
of approved suppliers are critical

Our supply chain [GRI 102-9]

In order to work with Enagás, suppliers must undergo a strict approval process. The company currently works with 1,458 approved suppliers, which are classified in families according to the products or services they offer:

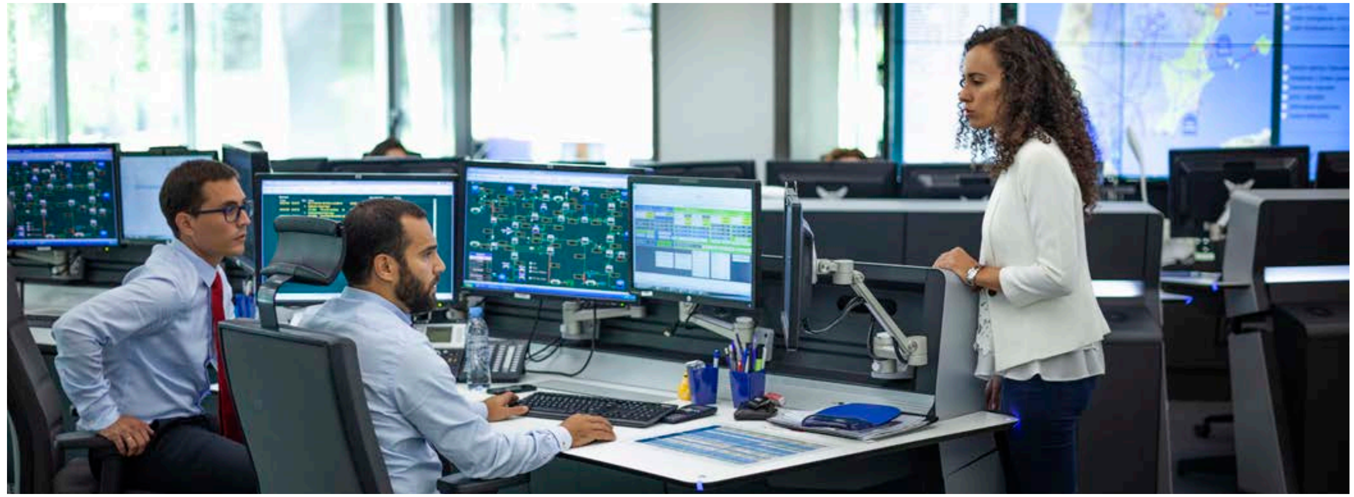
- Suppliers of works and services: IT & communication suppliers, engineering, etc. In 2019, 458 service providers carried out work at Enagás facilities. [GRI 102-8]
- Suppliers of supplies: electrical equipment suppliers, piping manufacturers, rotary machine manufacturers, manufacturers of instrumentation and control devices, among others.

Product and service families are classified into levels according to the risk or cost derived from the safety of the company's operations due to a failure or malfunctioning. The suppliers of products and services whose failure or malfunctioning would entail a high risk or cost to the company's operational safety are designated major or critical (level 1 and 2) suppliers.

Enagás has 850 approved critical suppliers. In 2019, we began working with 20 new suppliers and stopped working with 35 suppliers because they discontinued their activity, merged with third parties or for breach of contract. [GRI 102-10]

Volume of supplier management [GRI 204-1]

	Works and services	Supplies
Number of orders	3,674 (98% local)	6,099 (99% local)
Order value (M€)	89.8 (94% local)	46.1 (90% local)



Supply chain risk management

Enagás has identified areas in supply chain management where there may be risks for the business and our stakeholders. These areas, which cover both economic and ethical, social and environmental (ESE) aspects, form the basis for the assessments we perform on our suppliers in the different procurement processes. The areas analysed are: [GRI 308-2, GRI 414-2]

- Product and/or service quality.
- Financial situation, civil liability, economic dependence on Enagás.
- Health and safety.
- Ethics and compliance: penal risks, ethical compliance, legal compliance, responsible tax practice.
- Human rights: labour rights (diversity, work-life balance, gender equality), respect for the principles of the United Nations Global Compact and the Universal Declaration of Human Rights, human rights compliance in the supply chain.
- Environment: emission intensity, environmental impact (resource consumption, waste generation, noise emissions, gas emissions, etc.), environmental safety (discharges, spills, pollution, etc.).

Enagás has a supplier management model that includes the company's goals in order to guarantee supply chain sustainability. These goals are translated into approval requirements depending on the level of risk in the economic, ethical, compliance, social and environmental aspects of the family of products and services to which each supplier belongs.

The requirements established in the supplier approval process are:

- For all suppliers:
  - Have the capacity and resources to meet technical, quality, environmental and safety requirements, and upholding thereof over an extended period of time.
  - Acceptance of the Enagás Code of Ethics.
  - Respect the principles of the United Nations Global Compact and the Universal Declaration of Human Rights.
  - Compliance with the quotas set out in the Spanish Rights of Persons with Disabilities Act[(1)].
  - Implementation of a Gender Equality Plan.[(1)].
- For suppliers of specific families of products or services:
  - Quality, environmental and/or occupational risk prevention certification requirements for suppliers of certain product or service families (required from 87.9%, 21.3% and 31.1% of Enagás suppliers, respectively).
  - Policies or measures to promote work-life balance of employees or Family-Responsible Company certificate.

During contract execution, Enagás evaluates its suppliers in the previously mentioned areas using different assessment methods. The results of these assessments allow monitoring of the degree by which suppliers meet the targets scores, audit results and legal compliance, established for each assessment area, and to identify suppliers that pose a high risk to sustainability. Also define action plans with each of the suppliers to mitigate these risks.
[GRI 308-2, GRI 414-2]

Assessment methodology [GRI 102-21, GRI 102-42, GRI 102-43, GRI 102-44]		Number of suppliers assessed in 2019 [GRI 308-1, GRI 414-1]	Definition of high risk	Number of suppliers identified as high risk
Internal assessment	Questionnaire to assess reliability[(2)]	177	Suppliers with a score less than 50/100	5
	Electronic questionnaire on ESE aspects	1,403	Suppliers with a score less than 30/100	186
	Consultation on ethics and compliance on reputational analysis platforms	1,403	Suppliers involved in legal non-compliance	85
	Electronic questionnaire on climate change management[(2)]	149	Suppliers that do no measure or report their emissions	75
	Documentary and on-site audits of suppliers who conduct work at company facilities[(2)]	163	Suppliers with unfavourable audits	20
External assessment	Electronic questionnaire on financial and ESE aspects	727	Suppliers with a score less than 50/100	365
	Cybersecurity scoring[(2)]	707	Suppliers with high or very high risk of non-compliance and/or financial loss	129
	Audits on financial and ESE aspects[(2)]	129	Suppliers with non-conformities	89

Enagás integrates environmental, social and ethical aspects into supply chain risk assessment

11/2019

› Enagás has been awarded the 'Purchasing Diamond' prize in the category of Strategy at the 10th edition of the AERCE awards. In addition to this award, the company received a special mention in the 'Innovation' category for the sixth consecutive year. The association has rewarded the improvements made by Enagás in the management of the supply chain, which included the improvement of the visualisation of risks associated with the company's suppliers, the definition in the decision-making process of the reputational and financial risks of the suppliers and the inclusion of two new areas of supplier information (cybersecurity and privacy).

(1) Requisite set for companies with a workforce greater than that indicated by the applicable laws.
(2) The result of the assessments are considered to have a validity of two years.

4.10 Affiliate management

Sustainable Management Plan

Main lines in 2019

- Subsidiary business plan compliance: dividend in line with targets.
- Preparation of the methane footprint and setting of methane emission reduction targets at the TLA Altamira regasification plant.
- Audits of corporate governance and local community management at Transportadora de Gas de Perú, Compañía Operadora de Gas del Amazonas and Trans Adriatic Pipeline; of the procurement process at the TLA Altamira regasification plant and global review of the internal control system at the Soto La Marina compressor station and Morelos pipeline.
- Signing of the new DESFA collective bargaining agreement.
- Reinforcement of the management team at Compañía Operadora de Gas del Amazonas, with the appointment of a new CEO and three members of the Management Committee.

2020 lines

- To ensure fulfilment of the objectives communicated to the market.
- Internal audit of the Crime Prevention Model of the SAGGAS regasification plant and of the Compliance Model and Risk Model of Trans Adriatic Pipeline.
- Internal audit of processes and purchase controls at Transportadora de Gas de Perú, Compañía Operadora de Gas del Amazonas, the GNL Quintero regasification plant, Morelos pipeline and the Soto la Marina compressor station.
- Review of the organisational model, definition of the remuneration policy for employees excluded from the agreement (managers) and definition of DESFA's company objectives.
- Updates to compliance models in Transportadora de Gas del Perú and Compañía Operadora de Gas del Amazonas.

Management model for affiliates

Enagás has developed a management model for affiliates that aims to guarantee profitability target of its business plans and its long-term sustainability, by providing the experience, knowledge and best practices of Enagás as an industrial partner. This model enables affiliates to contribute to the growth of Enagás, by fulfilling the objectives communicated to the market.

This model is based on an *ad hoc* team that advocates for the interests of Enagás by lobbying government and active management with the partners and managers of its affiliates:

Ad hoc team for the management of affiliates:

- _Ad hoc_ team with local structure (led by the managers of each country) and corporate structure (with specific managers for each affiliate) that has the technical support of all Enagás areas for specific decisions: infrastructure, finance, engineering, human resources, etc. One of its responsibilities is to ensure that the actions to be carried out in the affiliate are aligned with Enagás' strategy.

- Quarterly report to the Board of Directors of Enagás with key aspects of the affiliates and Internal Monitoring Committee, consisting of the managers of Enagás, responsible for supervising critical decisions made by affiliates.

Influence on the government:

- Shareholder agreements that regulate the decision-making mechanisms to guarantee co-control of the company and the capacity to block relevant decisions.

- Influence and decision-making through leadership on the Boards of Directors, through the appointment of directors with extensive industry and country experience.

Active management with partners and the managers of affiliates:

- Active management of relations with the partners and managers of affiliates in order to make decisions on relevant aspects. An objectives plan is defined for each affiliate, for implementation in the companies within a five-year time frame.

- To guarantee the suitability of the managers of the affiliates for their positions by analysing and evaluating their profiles, appointing specialised Enagás profiles to key positions in the affiliates (seconded personnel).

Under this model, affiliates are managed autonomously and Enagás exercises its influence and carries out monitoring, in line with the following critical management standards defined in accordance with the company's material issues.

Enagás has defined critical management standards, based on its material issues, which it extends to its affiliates based on its level of influence

Critical management standards are transferred through working groups led by the specific managers of each affiliate, involving members of the General Management of Enagás who co-lead matters falling under their remit. These working groups are instrumental in aligning positions and ensuring the operability of the Board of Directors of the affiliate company, where the decisions taken by consensus in the groups will be concluded.

The following is a list of the most significant actions carried out in our affiliates in recent years to ensure alignment with the Enagás strategy and sustainable management model.

For further information on Enagás' affiliates, please consult their corporate websites:

USA
- Tallgrass Energy

Mexico
- TLA Altamira regasification plant
- Soto La Marina compressor station
- Morelos pipeline

Peru
- Transportadora de Gas del Perú (TgP)
- Compañía Operadora de Gas del Amazonas (COGA)

Chile
- GNL Quintero regasification plant

Greece, Albania and Italy
- Trans Adriatic Pipeline (TAP)

Greece
- DESFA operator

Spain
- SAGGAS regasification plant
- BBG regasification plant

Critical management standards

Financial and operational excellence

Financial excellence:

- Financial and cash planning and management
- Insurance
- Management control
- Taxation
- Financial reporting
- Accounting and administration

Operational excellence:

- Quality management system
- Operational efficiency
- Prioritisation of assets
- Maintenance management system
- Operation
- Warehouse management
- Customer service
- Affiliate programming management
- Measurement
- Distribution and balances

Good Governance

- Procedure rules
- Board of Directors' remuneration policy
- Company governance (agreements, working groups, etc.)

Ethics and compliance

- Code of conduct
- Crime prevention model
- Whistleblowing channel

People

- Remuneration policy
- Contractual relations and trade union rights
- Negotiation and representation
- Human resources policy
- Human resources development (training and recruitment)
- Workplace climate

Health and safety

- Asset protection
- Health and safety management system
- Emergency plan
- Risk analysis
- Health monitoring
- Cybersecurity

Local communities

- Stakeholder management model
- Local development actions

Natural capital management

- Environmental management system
- Conducting environmental impact assessments

Climate change and energy efficiency

- Energy efficiency measures and emissions reduction

Supply chain

- Contracting and reporting (procurement processes)
- Suppliers approval

Other management standards

- Risk Map: identification and monitoring of risks
- Internal control (general control and process control)
- Internal audit

Internal control in affiliates

Enagás, together with its business partners, is conducting internal audits of its affiliates in order to verify the solidity of internal controls associated with the processes at greatest risk for fraud, corruption and bribery, and is establishing control activities to strengthen these processes wherever necessary. It also monitors the local internal audit plans (Transportadora de Gas del Perú, Trans Adriatic Pipeline and the GNL Quintero regasification plant), to ensure that the main risks of the affiliate are covered by the internal audits.

During 2019, we continued with the continuous process of complying with the audit plans approved by the different Committees to ensure maximum coverage of the processes with the highest risk. Examples include work on crime prevention (Mexico and Peru), a review of corporate governance and management of local communities (Transportadora de Gas del Perú, Compañía Operadora del Gas del Amazonas and Trans Adriatic Pipeline), improvements in purchasing processes (TLA Altamira regasification plant), and the deployment of an internal control framework at the Mexican affiliates (Soto La Marina compressor station and Morelos pipeline).

Most significant actions carried out in our affiliates

Management standard	Actions
Health and Safety Natural capital management	• Design and implementation of the integrated prevention, environment and quality management system at the Soto La Marina compressor station, Morelos pipeline and Trans Adriatic Pipeline.
Climate Change and Energy Efficiency	• Preparation of the methane footprint and setting of methane emission reduction targets at the TLA Altamira regasification plant.
Operational and financial excellence	• Development of operational efficiency plans for Transportadora de Gas del Perú, Morelos pipeline, the Soto La Marina compressor station, the GNL Quintero regasification plant, the TLA Altamira regasification plant and Trans Adriatic Pipeline. • Promotion of commercial initiatives for the development of new LNG-related products (bunkering, small-scale, etc.) at the TLA Altamira regasification plant, SAGGAS and the GNL Quintero regasification plant. • Design of infrastructure construction standards and/or the maintenance management system at Morelos pipeline, the Soto La Marina compressor station, Trans Adriatic Pipeline, the GNL Quintero regasification plant, Transportadora de Gas del Perú and Compañía Operadora de Gas del Amazonas. • Optimisation of the financial structure at the GNL Quintero regasification plant, the TLA Altamira regasification plant and Trans Adriatic Pipeline.
People	• Establishment, on Morelos pipeline and at the Soto La Marina compressor station, of a remuneration system based on company objectives through the implementation of a Management-by-Objectives process, from definition, agreement, approval, monitoring and achievement to reinforcement through an annual variable remuneration programme. • Participation in the operator DESFA together with the partners Fluxys and Snam in activities for the integration of the asset and implementation of best practices in the field of resources. • Among other activities, the operator DESFA is conducting a review of the organisational and remuneration model, the definition of objectives and the assurance of the correct implementation of change management. The collective bargaining agreement has also been approved.
Supply chain	• Review of the purchasing procurement model at the Soto La Marina compressor station, which develops and regulates the procurement process to mitigate its inherent risks. • Review of the subcontracting model and definition of the Cominsa action plan used at the TLA Altamira regasification plant and Morelos pipeline.
Ethics and Compliance	• Approval of the Crime Prevention Model at the GNL Quintero regasification plant. • Design of the risk management system at the GNL Quintero regasification plant, the Transportadora de Gas del Perú and the TLA Altamira regasification plant. • Design of internal control systems, in Audit Committees and in the development of Codes of Conduct, at the GNL Quintero regasification plant, Transportadora de Gas del Perú, Compañía Operadora de Gas del Amazonas, Morelos pipeline and the TLA Altamira regasification plant.
Local communities	• Definition of the community management plan at Transportadora de Gas del Perú, Morelos pipeline and Trans Adriatic Pipeline.

4.11 Respect for human rights

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

Respect for Human Rights

By acting on each material issue, Enagás ensures that human rights are upheld where applicable to the context and activities of the company. For this purpose, the company follows the roadmap set out by United Nations through its Sustainable Development Goals.

Enagás sets out its commitments to ensure compliance with Human Rights in its Human Rights Policy, approved in 2019. These commitments are developed in the Enagás' Code of Ethics and the corporate policies that comprise it, aligning them with, inter alia: [GRI 102-12]

- United Nations International Charter of Human Rights.
- The International Labour Organization (ILO) Declaration as well as the fundamental conventions (freedom of association and trade unions, the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation) and the conventions concerning indigenous and tribal peoples.
- OECD Guidelines for Multinational Enterprises.
- The European Convention on Human Rights.

Enagás provides an online training programme for all employees so that they can learn the company's methods for ensuring compliance with human rights.

Identification of rights and risk assessment

Human rights management is addressed using a continuous improvement approach aligned with our Sustainable Management Model. At Enagás, we differentiate between those human rights which, according to the risk assessments we perform[1], are applicable at different points in the company's value chain (Enagás' activities with management control, affiliates without management control, supply chain, and customers), including labour rights, safety, the environment, ethics and integrity, and fundamental rights. [GRI 412-1]

Enagás considers that the level of risk is very low in all of these owing to the measures the company has put into place within the framework of its sustainable management model, which is explained below.

(1) Country risk assessment (see the 'Strategy' chapter), corporate risk map (see the 'Risk Management' chapter), workplace and facility safety risk assessments (see the 'Health and Safety' chapter), Environmental impact/risk assessments (see the 'Natural capital management' chapter), supply chain risk assessments (see the 'Supply Chain' chapter).

Human rights assessed in Enagás activities:

Human Rights	Measures to reduce the level of risk
LABOUR PRACTICES	
The right to decent work and the rejection of forced, compulsory and child labour	Enagás guarantees stability and quality of employment, a commitment that is reflected in its Human Capital Management Policy. The Enagás Collective Bargaining Agreement prohibits the company from employing minors of under 16 years of age (Article 28).
Right to rest and leisure	Enagás improves and extends the periods and conditions of rest and leisure established in current legislation (flexibility in start times and lunch break, intensive working days during the summer and every Friday throughout the year, division of annual leave into a maximum of three periods, etc.).
Right to family life	Enagás improves and extends paid leave beyond the provisions of current labour regulations (death or illness of a close relative, special circumstances, etc.).
Freedom of association	Enagás employees can freely exercise their right to belong to trade unions in order to promote and defend their economic and social interests without this being the basis for discrimination, and any agreement or decision by the company contrary to this principle is deemed null and void (Article 64 of the Collective Bargaining Agreement).
Collective bargaining	Enagás has in place a collective bargaining agreement, in line with its human capital management policy (see the 'People' chapter), and enters into collective negotiations and carries out regular consultations with authorised employee representatives.
Workplace non-discrimination and diversity	The company has in place an Equality Plan and a Prevention and Action Protocol at the disposal of its employees for any situation of workplace harassment. This protocol provides a confidential channel for reporting workplace harassment (canal.etico@enagas.es).
Equal pay	The Enagás remuneration model factors in considerations of equality and non-discrimination, establishing differences due solely to the worker's position in the organisation and professional experience. Furthermore, the Enagás Collective Bargaining Agreement sets out different salary levels based exclusively upon objective work criteria.
Fair and favourable remuneration	Part-time employees receive remuneration that is proportional to the salary of full-time employees, with identical employee benefits. What is more, the minimum salary for an Enagás employee has exceeded the minimum inter-professional salary in Spain. [GRI 202-1]

Human Rights	Measures to reduce the level of risk
Right to a safe working environment	Enagás' occupational risk prevention management system, certified under OHSAS 18001, provides mechanisms for identifying and preventing incidents (see the 'Health and Safety' chapter).
Right to life, liberty and security of person	The company exercises due diligence when rendering its services in order to prevent errors that could harm the life, health or safety of consumers or others who could be affected by the defective product. It also complies with national laws and relevant international guidelines.
Right to freedom of opinion, expression and information	Enagás has various clear and transparent internal communication channels that allow workers to communicate with senior management.
SOCIETY AND LOCAL COMMUNITIES	
Right to use natural resources	The Enagás environmental system, certified under ISO 14001 and EMAS, provides the mechanism to mitigate the environmental impacts derived from the company's activities (see the 'Natural Capital Management' chapter).
Rights of communities and indigenous people	Through its social action strategy, Enagás contributes to the socio-economic development of local communities, prioritising those areas where the company operates, through sustainable social action models, paying special attention to the most vulnerable communities such as indigenous or tribal populations.
Property rights, resettlement and compensation	Enagás' procedures relating to the development of infrastructure construction projects include criteria aimed at avoiding the occupation of privately owned areas and minimising potential relocation of local communities, applying procedures for information, consultation and fair compensation that guarantee transparency and equal treatment.
Prevention of abuse by security forces and prevention of cruel, inhuman or degrading treatment	Enagás ensures compliance with principles on respect for Human Rights by requesting to the security personnel proof of membership to associations promoting respect for Human Rights. [GRI 410-1]
Privacy of information	Enagás has adapted its personal data control and management systems to the latest requirements incorporated by EU regulation 679/2018 (GDPR) and Law 3/2018 (LOPDGDD), in order to continue processing the personal information of its professionals with the maximum guarantees of respect for privacy and legal compliance.

Human rights assessed in the supply chain:

Human Rights	Risk Management
• General human rights • Labour • Safety • Environment • Ethics and integrity	Enagás ensures that its suppliers, and especially those with workers operating within Enagás' facilities, respect these human rights. We demand a commitment from them, we ask them for the necessary documentation and we conduct audits. (See the 'Supply chain' chapter).
Basic rights / Confidentiality of information	Enagás has adapted its personal data control and management systems to the latest requirements incorporated by EU Regulation 679/2018 (GDPR) and Law 3/2018 (LOPDGDD), in order to continue processing the personal information of its suppliers with the maximum guarantees of respect for privacy and legal compliance.

Human rights assessed in affiliate companies without management control:

Human Rights	Risk Management
• General human rights • Labour • Safety • Environment • Ethics and integrity • Basic rights • Rights of indigenous peoples	In our business agreements we promote compliance with corporate policies (according to the degree of influence). Our management model for affiliate companies is based on the transfer of critical standards of management (see the 'Affiliate management' chapter), which include the necessary areas in order to guarantee respect for the following human rights: • People management • Ethics and compliance • Health and safety • Local communities • Environment • Supply chain Likewise, these areas are evaluated as critical aspects in due diligence processes.

Human rights assessed in customers:

Human Rights	Risk Management
Basic rights / Confidentiality of information	The Enagás Code of Ethics sets out diligent management of information as one of its guidelines of conduct. The company keeps a record of what information may be accessed by each person and for what purpose. In addition, Enagás has adapted its personal data control and management systems to the latest requirements incorporated by EU Regulation 679/2018 (GDPR) and Law 3/2018 (LOPDGDD), in order to continue processing its customers' personal information with the maximum guarantees of respect for privacy and legal compliance.

Repair procedures and mechanisms

Enagás also has in place procedures for redress should there be non-compliance with any of the previously mentioned human rights, such as:

- Procedure for the management of consultations and reporting regarding irregularities or breaches of the Code of Ethics (see the 'Ethics and integrity' chapter).
- Self-protection and interior emergency plans, the incident and transmission network emergency response action plan and the procedures regulating it, the accident and incident management procedure and procedure for reporting them to stakeholders (crisis manual, incident reporting, etc.). (See the 'Health and Safety' and 'Natural Capital Management' chapters).
- Procedure for compensation and indemnity for the passage of gas pipelines on private property (see the 'Local Communities' chapter).

Additionally, as mechanisms for redress, Enagás has in place an ethical channel (accessible to all stakeholders) and an Ethical Compliance Committee (see the 'Ethics and Integrity' chapter). There are also corporate mailboxes available for specific areas.

Consult the **Human Rights Policy** of Enagás on the corporate website

4.12 Ranking on indices and certifications

Recognition for the Enagás sustainable management model.

Position

Enagás has been a member of the United Nations Global Compact since 2003. The Progress Report has been at GC Advanced Level since 2011. The company has also been listed on the Global Compact 100 index since 2013.

Enagás has been a member of the Dow Jones Sustainability Index World (DJSI) since 2008. It is classified Gold Class, and the company was identified as the leader of the Oil & Gas Storage & Transportation in 2019.

Enagás has been a member of the FSE4Good index since 2006.

Enagás has been a member of the Ethibel Sustainability Index Excellence Europe, the Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers since 2009.

Enagás has been a member of the MSCI 'Global Sustainability Indices' since 2010, with an AA rating in 2019.

Enagás has been a member of the STOXXGlobal ESG Leaders indices since 2011.

Enagás renewed its presence on the Europe and Eurozone 120 Euronext Vigeo indices in 2019.

Enagás has held the Oekom 'B Prime' classification since 2010, and has been on the Global Challenges Indices since 2014.

Position

Enagás has been listed in CDP's Climate Change and Water Security rankings since 2009. In 2019 it has been included in the A List (maximum rating) of leading companies in climate change management, being the only one in the Oil & Gas sector worldwide to obtain this rating. It has also been included among the leading companies extending their commitment to the supply chain.

The Enagás management model has held the 'EFQM 500+ European Seal of Excellence' since 2012. In the 2018 assessment, the score was over 600 points.

Enagás was also acknowledged as Ambassador of European Excellence in 2019.

Since 2008, the Annual Report has been externally audited and drafted under standard AA1000APS and the Global Reporting Initiative (GRI) guidelines. Since 2012, it has been written as per the principles of integrated reporting of the International Integrated Reporting Council (IIRC).

Enagás has held the 'EFR Certificate of Reconciliation' since 2007, having achieved level A of Excellence in 2019.

In 2015 Enagás received the Bequal seal for its commitment to the inclusion of the disabled in the company, having achieved the Plus category in 2019.

Enagás has held the 'Equality in the workplace Award' since 2010, granted by the Ministry of Health, Social Services and Equality.

Enagás has been included among the 325 leading companies in gender equality according to the 2020 Bloomberg Gender-Equality Index.

According to Equileap, Enagás was included in 2019 among the 100 global leaders in the promotion in gender equality in the workplace.

Since 2009, Enagás has been recognised as one of the Top Employers in Spain.

Enagás holds ISO 9001:2008 certification for its processes of Technical Management of the System, Asset Management, Infrastructure Development and Information Systems Management. The company also holds SSAE 18 certification for Security of Supply of the System/Technical Management of Underground Storage Facilities Systems.

Enagás has ISO 14001:2004 certification for its Gas Transmission and Storage Infrastructure Development processes, its Asset Management, the Enagás Central Laboratory and the corporate head office. The Huelva and Barcelona plants and Serrablo and Yela storage facilities also have EMAS verification.

In 2019, the Energy Management System of the companies Enagás S.A. and Enagás Transporte S.A.U. was certified according to ISO 50001:2018.

The Health and Safety Management System for the Enagás Group Companies Enagás GTS, S.A.U., Enagás Internacional S.L.U., Enagás S.A. and Enagás Transporte S.A.U. is certified under OHSAS 18001:2007.

Moreover, Enagás has held healthy company certification since 2015 and has obtained ISO 39001 road traffic safety management and ISO 27001 information security management certification.

Enagás renews its leadership of its sector in the Dow Jones Sustainability Index for the fourth consecutive year and is included in the 'A List' of ' CDP Climate Change'

5 Key indicators

Our results and impacts in key areas reflect our commitment to sustainable development

Economic indicators

Economic performance and cost efficiency [GRI 102-7]

	2007	2008	2009	2010	2011	2012	2013(1)	2014(2)	2015	2016	2017	2018	2019
EBITDA (million euros)(7)	596.0	636.2	701.3	780.8	885.5	934.3	995.9	939.8	900.5	948.8(4)	1,110.3	1,060.7	**1,016.4**
EBIT (million euros)(7)	408.3	433.1	484.7	530.9	585.9	618.4	649.8	589.6	602.0	651.7(4)	732.1	691.0	**657.4**
Net profit (million euros)(6)	238.3	258.9	298.0	333.5	364.6	379.5	403.2	406.5	412.7	417.2	490.8	442.6	**422.6**
Dividends (million euros)(3) (6)	143.0	155.3	178.8	200.1	237.0	265.7	302.4	310.4	315.1	331.4	348.1	354.8	**371.3**
Net investment (million euros)(6)	508.6	776.9	901.6	796.3	781.4	761.4	531.4	625.0	530.2	912.2	328.5	-262.8	**706.2**
Net debt (million euros)(6)	1,942.7	2,351.3	2,904.0	3,175.3	3,442.6	3,598.6	3,657.8	4,059.0	4,237.0	5,088.7	5,007.7	4,274.7	**3,755.0**
Shareholders equity (million euros)(6)	1,344.8	1,456.1	1,593.4	1,738.8	1,867.4	2,014.9	2,118.4	2,218.5	2,318.9	2,373.7	2,585.6	2,658.7	**3,170.1**
Assets (million euros)(6)	3,976.0	4,717.8	5,779.9	6,829.1	7,717.4	8,083.4	7,043.5	7,711.8	7,751.9	9,248.0	9,649.6	9,526.2	**8,844.2**
Net debt/EBITDA (adjusted)(*) (7)	3.3x	3.7x	4.1x	4.1x	3.9x	3.8x	3.7x	4.2x	4.5x	5.2x	4.4x	4.0x	**3.9x**
Financial cost of debt(6) (8)	4.3%	4.7%	3.3%	2.7%	2.8%	2.5%	3.0%	3.2%	2.7%	2.4%	1.9%	2.3%	**2.1%**
Headcount (December 31)(6)	985	1,008	1,046	1,047	1,126	1,178	1,149	1,206	1,337	1,337	1,426	1,449	**1,306**(5)

(*) EBITDA adjusted by dividends received from affiliates.
(1) 2013 data were adjusted in application of IFRS effective at January 1, 2014.
(2) In 2014, and in accordance with IFRS 11, BBG and Altamira are now consolidated under the equity method.
(3) The figures reflect total dividends for the year (interim dividend + complementary dividend).
(4) Adjusted figure for comparative purposes as a result of changes to reporting practice made in 2017 in which the yearly result for consolidated companies through the equity method is now fully integrated into the group's operating result.
(5) The difference in the number of Enagás professionals in 2019 compared to 2018 is due to the exclusion of the scope of the GNL Quintero (Chile) regasification plant, as indicated in the section 'About our Consolidated Management Report'.
(6) Figures reported in the Notes to the Consolidated Annual Accounts of the Enagás Group for 2019.
(7) These figures are included in the Alternative Performance Measures Report, available at https://www.enagas.es/enagas/es/AccionistasEInversores/InformacionEconomicoFinanciera/Medidas_Alternativas_de_Rendimiento_(APM)
(8) From 2007 to 2016 the average cost of debt is reported and from 2017 the financial cost of debt is reported [GRI 102-48]

Stock market performance

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Share price (31 Dec) (€)	19.99	15.56	15.43	14.92	14.29	16.14	19.00	26.19	26.00	24.12	23.87	23.61	**22.74**
Dividend (€)	0.60	0.65	0.75	0.84	0.99	1.11	1.27	1.30	1.32	1.39	1.46	1.53	**1.60**(1)
Market capitalisation (million euros)	4,771.6	3,714.7	3,682.5	3,560.7	3,411.0	3,852.6	4,534.8	6,251.3	6,207.1	5,759.4	5,698.6	5,636.5	**5,967.7**
Number of shares (million)	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	**238.7**

(1) Distribution of the 2019 gross dividend of 1.60 euros per share is subject to approval at the General Shareholders' Meeting.

Economic value generated and distributed [GRI 201-1]

(million euros)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Economic value generated (EVG)	901.5	1,000.80	1,154.80	1,199.30	1,261.9	1,227.2	1,221.6	1,218.3	1,384.6	1,342.2	**1,182.7**
Economic value distributed (EVD)	565.7	617.5	727.6	769.2	845.4	801.5	862	894.0	942.7	969.7	**926.9**
Suppliers	137.2	147.3	193.1	168.1	184.6	198.3	193.4	203.9	209.6	229.8	**184.4**
Society (tax and social action investment)	127.7	144.3	164.9	179.8	172.2	102.6	166.3	136.3	144.8	138.8	**128.0**
• Investment in social action	0.8	1.3	2.2	1.6	1.6	1.6	1.9	2.2	2.0	2.0	**2.0**
• Tax	126.9	143	162.6	178.2	170.6	101.0	164.4	134.1	142.8	136.8	**126.0**
Employees (personnel expenses)	60.7	67.2	67	79	82.3	84.7	96.3	108.8	128.9	131.2	**125.2**
Capital providers	240	258.7	302.6	342.4	406.3	415.9	406	445.1	459.5	469.8	**489.3**
• Dividends paid to shareholders	178.8	200.1	237	265.7	302.4	310.4	315.1	331.7	348.6	365.3	**371.9**
• Financial result	61.2	58.6	65.6	76.7	103.9	105.5	90.9	113.4	110.9	104.6	**117.4**
Economic value retained (EVR)	335.9	383.3	427.2	430.1	416.5	425.7	359.6	324.3	441.9	372.5	**255.8**

Financial and non-financial ratings

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Standard & Poor's	AA-	AA-	AA-	AA-	AA-	BBB	BBB	BBB	A-	A-	A-	A-	**BBB+**
Fitch	A2	A2	A2	A2	A2	A-	A-	A-	A-	A-	A-	A-	**A-**[(2)]
Dow Jones Sustainability Index[(1)]	67	77	75	78	88	83	85	84	85	91	86	85	**85**
CDP (transparency/performance)	-	-	-	70/B	83/B	85/B	83/B	91/B	99/B	A	A-	B	**A**

(1) Enagás has been a member of the DJSI since 2008 and led its sector in 2019: *Oil & Gas Storage & Transportation.*
(2) On January 9, 2020, Fitch placed Enagás' credit rating at BBB+ with a stable outlook.

Social indicators

Corporate governance

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number of Directors	15	13	15	15	13	13	13	13	**13**
Independent Directors (%)	53.3%	61.5%	60%	60%	62%	62%	54%	54%	**62%**
Board gender diversity (%)	13.4%	15.4%	±20%	±20%	23%	23%	23%	23%	**31%**
Non Audit Fees (%)	27%	14%	3%	3%	+4%	53%	18%	36%	**34%**
General Shareholders' Meeting quorum (%)	57%	55.8%	53.1%	52.9%	54.8%	50.8%	45.6%	45.6%	**51.0%**

Supply chain

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Approved suppliers (no.)	1,989	2,010	1,875	1,745	1,781	1,800	1,356	1,382	**1,458**
Critical/approved suppliers (%)	52.1%	51.8%	54.4%	59.1%	59%	59%	69.5%	65.3%	**58.3%**
Suppliers audited externally in financial, ethical, environmental and social aspects (no.)	-	31	51	61	33	39	55	95	**129**
Percentage of approved suppliers assessed in accordance with CSR criteria (%)	-	-	25.05%	27.05%	26.6%	27.1%	52.4%	53.5%	**49.7%**

Ethical compliance and Human Rights

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Reports received via ethics channel (no.)	-	2	2	4	4	3	2	5	**1**
People trained in issues related to ethical compliance (cumulative figure) (no.)			128	200	1,217	1,214	1,206	1,357	**1,223**(1)

Human capital [GRI 102-7]

	2011	2012	2013	2014	2015	2016	2017	2018	2019(1)
Employees (no.)	1,126	1,118	1,149	1,206	1,337	1,337	1,426	1,449	**1,306**
Voluntary employee turnover (%)	0.8%	0.46%	0.45%	0.69%	0.49%	0.63%	1.86%	1.34%	**1.34%**
Absenteeism (%)	3.65%	2.33%	2.46%	2.50%	2.51%	2.89%	2.94%	3.10%	**3.59%**
Workforce gender diversity (%)	22.47%	22.45%	22.8%	23.88%	26.78%	27.45%	26.23%	26.98%	**28.10%**
Board gender diversity (%)	14.1%	15.9%	18.8%	20.0%	25.4%	24.8%	26.1%	26.39%	**28.99%**
Investment in training per employee (€)	956	898	1,192	1,041	894	920	1,081	1,164	**1,091**
Training per employee (hrs)	48.9	45.8	52.0	59.6	49.8	61.8	65.1	61.4	**51.9**

(1) The 2019 data does not include the information for the GNL Quintero (Chile) regasification plant after its exclusion from the scope in 2019, as indicated in the section 'About our Consolidated Management Report'.

Customer satisfaction

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Rate of shippers satisfaction with transmission	80%	82.5%	83%	82.2%	82.7%	84.3%	85.7%	89.4%	**87.8%**
Rate of satisfaction of transmission companies and distributors with transmission	76.7%	78.3%	79%	77.1%	89.2%	84.7%	85.0%	81.2%	**79.5%**
Rate of satisfaction of shippers with the technical management of the Spanish Gas System	76.7%	83.5%	80.5%	78.6%	78.3%	86.2%	83.9%	90.1%	**84.8%**
Rate of satisfaction of transmission companies and distributors with the technical management of the Spanish Gas System	76.7%	78.7%	81.2%	72.6%	83.3%	79.2%	82.3%	89.4%	**90.0%**

Occupational health and safety [GRI 403-9]

	2011	2012	2013	2014	2015	2016	2017	2018	2019(1)
Lost time injury frequency rate (own staff)	7.51	9.01	5.31	4.69	3.86	1.80	7.01	2.08	**5.14**
Lost time injury frequency rate (contractor staff)	7.08	6.36	9.32	3.04	2.25	10.43	0.53	0.95	**3.20**
Lost time injury severity rate (own staff)	0.07	0.37	0.25	0.53	0.14	0.08	0.34	0.05	**0.10**
Lost time injury severity rate (contractor staff)	0.2	0.28	0.36	0.11	0.07	0.11	0.02	1.91	**0.05**
Work-related fatalities of own staff (no.)	0	0	0	0	0	0	0	0	**0**
Work-related fatalities of contractor staff (no.)	0	0	0	0	0	0	0	1	**0**

Impact on local communities

	2011	2012	2013	2014	2015	2016	2017	2018	2019(1)
Social action investment/net profit (%)	0.6%	0.4%	0.4%	0.4%	0.5%	0.5%	0.4%	0.5%	**0.5%**
Participation of employees in corporate volunteering initiatives (% of workforce)		+5%	8.5%	9%	15.1%	16.7%	27.1%	27.6%	**25.0%**
Time spent on volunteer work (hrs)		400	640	866	1,404	1,475	2,675	2,780	**2,483**

(1) The 2019 data does not include the information for the GNL Quintero (Chile) regasification plant after its exclusion from the scope in 2019, as indicated in the section 'About our Consolidated Management Report'.

Environmental indicators

Environmental management and fighting climate change

	2011	2012	2013	2014	2015	2016	2017	2018	2019[1]
Scope 1 CO_2 emissions (tCO_2e) [GRI 305-1]	264,679	387,651	479,175	537,092	272,728	263,540	266,357	276,176	**276,016**
Scope 2 CO_2 emissions (tCO_2e) [GRI 305-2]	52,752	61,377	36,079	33,941	32,444	27,010	46,851	48,177	**34,273**
Self-consumption of natural gas (GWh) [GRI 302-1]	1,025	1,672	1,932.1	2,338.1	963.0	919.3	1,030.4	1,055.7	**1,120.2**
Electricity consumption (GWh)[*] [GRI 302-1]	201.5	186.7	150.0	143.1	148.3	160.5	252.1	234.4	**214.3**
Electricity generation/consumption (%)	1.9%	5.4%	6.8%	4.7%	8.0%	12.5%	11.0%	12.5%	**17.1%**
Waste generated (t) [GRI 306-2]	3,722	3,913	3,455	2,189	3,823	3,981	3,081	4,409	**4,916.9**
Waste recycled (%) [GRI 306-2]	59%	48%	63%	15%	40%	61%	68%	78%	**70%**
Area occupied in protected areas (km^2) [GRI 304-1]			3.7	4	4	4	4	4	**4**

(*) Includes consumption from the network and from own generation sources.
(1) The 2019 data does not include the information for the GNL Quintero (Chile) regasification plant after its exclusion from the scope in 2019, as indicated in the section 'About our Consolidated Management Report'.

6 Appendices

Non-financial and diversity reporting requirements (Law 11/2018)

The following are the requirements established by Law 11/2018 that are responded to in the Non-Financial Information Statement and in the Annual Corporate Governance Report included in the Consolidated Management Report:

Non-Financial Information Statement

Requirements of Law 11/2018	Reporting framework	Page numbers
General		
Description of the business model	GRI 102-2, GRI 102-3, GRI 102-4, GRI 102-5, GRI 102-6, GRI 102-7, GRI 102-14, GRI 102-15	3-6, 12-15, 23-26, 29-32, 111-116
Description of the group's policies with respect to environmental and social issues, to respect for human rights and the fight against corruption and bribery, and to personnel	GRI 103-1 and GRI 103-2 for all material issues	42, 49, 58, 63, 70, 76, 82, 92, 97, 100, 104
The results of the group's policies applied to environmental and social issues, to respect for human rights and the fight against corruption and bribery, and to personnel	GRI 103-2 and GRI 103-3 for all material issues	42, 49, 58, 63, 70, 76, 82, 92, 97, 100, 104
The main risks related to environmental and social issues, to the respect of human rights and the fight against corruption and bribery, as well as related to personnel, linked to the activities of the group	GRI 102-11, GRI 102-15, GRI 102-29, GRI 102-30, GRI 102-31, GRI 201-2	24-26, 83-84
Non-financial key performance indicators	Internal framework: Quantitative indicators of a non-financial nature	7, 111-116, 130-138
I. Information on environmental issues		
Detailed information on the current and foreseeable effects of the company's activities on the environment		
Detailed information on the current and foreseeable effects of the company's activities on the environment and, as the case may be, on health and safety	GRI 307-1, GRI 308-2	77-78, 83-84, 98-99
Environmental assessment or certification procedures	Internal framework: Qualitative description of environmental assessment and certification	77-78, 83-84, 88-89
Resources dedicated to the prevention of environmental risks	Internal framework: Qualitative description of the resources dedicated to the prevention of environmental risks at the company	77-78, 83-84, 88-89
Application of the precautionary principle	GRI 102-11	23-26
The amount of provisions and guarantees for environmental risks	Internal framework: Qualitative description of the financial guarantees for environmental risks provided by the company	77-78, 83-84
Pollution		
Measures to prevent, reduce or rectify carbon emissions that seriously harm the environment; taking into account any activity-specific form of air pollution, including noise and light pollution	Management approach (GRI 103-1, GRI 103-2 y GRI 103-3) in 'Climate change and energy efficiency', management approach (GRI 103-1, GRI 103-2 y GRI 103-3) in 'Natural Capital Management', GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-6, GRI 305-7	81-82, 85-88

Requirements of Law 11/2018	Reporting framework	Page numbers
Circular economy and waste prevention and management		
Circular economy and waste prevention and management: measures of prevention, recycling, reuse and other forms of recovery and elimination of waste	GRI 306-2	78-81
Actions to combat food waste	Internal framework: Qualitative description of the non-materiality of food waste for Enagás	Given the company's activity and the material issues identified, food waste is not a relevant issue for the company
Sustainable use of resources		
Sustainable use of resources: water consumption and supply according to local restrictions	GRI 303-3, GRI 303-4, GRI 303-5	79
Consumption of raw materials and the measures adopted to improve efficiency in their use	Internal framework: Qualitative description of the non-materiality of the consumption of raw materials	Enagás does not consume raw materials in its production process; only ancillary materials are used
Direct and indirect consumption of energy, measures taken to improve energy efficiency and the use of renewable energy	GRI 302-1, GRI 302-3, GRI 302-4, GRI 302-5	85-90
Climate change		
Climate change: the important elements of greenhouse gas emissions generated as the result of the company's activities, including the use of the goods and services produced	GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4	85-88
The measures adopted in order to adapt to the consequences of climate change	GRI 201-2	87-91
The voluntarily established long and short-term emission reduction targets to reduce greenhouse gas emissions and the measures implemented for this purpose	GRI 305-5	87-91
Biodiversity protection		
Biodiversity protection: measures taken to preserve or restore biodiversity	GRI 304-3	79
Impacts caused by activities or operations in protected areas	GRI 304-2, GRI 304-4, GRI OG4	79, 136

II. Information on social and personnel-related issues

Employment		
Total number and distribution of employees by gender, age, country and professional category	GRI 102-8, GRI 405-1	43-44, 50, 55
Total number and distribution of work contract modalities	GRI 102-8	50
Yearly average of permanent contracts, temporary contracts and part-time contracts by gender, age and professional category	Internal framework: quantitative description of contracts at year-end*	50
Number of dismissals by gender, age and professional category	GRI 102-8, GRI 102-10	51
Average remuneration and its evolution by gender, age and professional category or equivalent	Internal framework: quantitative description of average remuneration and its breakdown	54
Gender pay gap, remuneration for equal work or average for the company	Internal framework: quantitative description of the pay gap	54-55

* In 2019 the information relating to contracts at the end of the year is published, considering that this is a good estimate of the average number of contracts given the company's low turnover (5.3%). The average data is expected to be provided in the next management report.

Requirements of Law 11/2018	Reporting framework	Page numbers
The average remuneration of directors and managers, including variable remuneration, expenses, compensation, payments to long-term savings plans and any other item by gender	Internal framework: quantitative description of the average remuneration of directors and managers and their breakdowns	47-48, 54
Implementation of policies related to the disconnecting from work	Internal framework: Qualitative description of the actions related to disconnecting from work to be implemented at the company	49, 51
Employees with disabilities	GRI 405-1	56
Organisation of work		
Organisation of work hours	Internal framework: qualitative description of the organisation of work hours	50-51
Number of hours lost to absenteeism	Internal framework: quantitative description of the number of hours of absenteeism (including hours lost to common illness and accidents at work)	72 79,359.8 hours of absenteeism in 2019 (74,935.5 in 2018)
Measures aimed at providing work-life balance and promoting their shared use by both parents	GRI 401-2, GRI 401-3	
Health and safety		
Health and safety conditions in the workplace	GRI 403-1, GRI 403-2, GRI 403-3, GRI 403-4, GRI 403-5, GRI 403-6, GRI 403-7, GRI 403-8	71-75
Work-related accidents	Internal framework: quantitative description of the number of accidents resulting in sick leave	72
Frequency and severity, by gender	Internal framework: lost time injury frequency rate (No. accidents with sick leave x 10^6 / No. hours worked) and lost time injury severity rate (No. working days lost x 10^3 / No. hours worked)	71-72
Occupational illnesses, by gender	GRI 403-10	72 Enagás has not identified work-related diseases over the last year
Social relations		
Organisation of social dialogue, including procedures for notifying and consulting employees and negotiating with them	GRI 102-41, GRI 102-43, GRI 403-1, GRI 403-4	39, 57, 71
Percentage of employees covered by collective bargaining agreements by country	GRI 102-41	57
Results of collective bargaining agreements, particularly in relation to occupational health and safety	GRI 403-4	57, 71
Training		
Implemented training policies	GRI 404-2	52
Total number of hours of training courses by professional category	GRI 404-1	52
Universal accessibility for persons with disabilities		
Universal accessibility for persons with disabilities	Internal framework: Qualitative description of the universal accessibility measures implemented at the company	56

Requirements of Law 11/2018	Reporting framework	Page numbers
Equality		
Measures adopted to promote equal treatment and opportunities for men and women	GRI 401-3	53-57
Equality plans (Chapter III of Spanish Constitutional Act 3/2007 of March 22, for Effective Equality between Women and Men)	GRI 405-1	53-56
Measures adopted to promote employment	Internal framework: Qualitative description of the measures to promote employment adopted by the company.	52-53
Protocol against sexual harassment and harassment on the grounds of sex	GRI 102-17	59, 104-106
Integration and universal accessibility for persons with disabilities	GRI 405-1	56
Policy against any type of discrimination and, where appropriate, for managing diversity	Internal framework: qualitative description of the policy implemented against all forms of discrimination	53-56

III. Information on respect for human rights

Application of due diligence procedures in relation to human rights	GRI 102-16, GRI 102-17, GRI 410-1, GRI 412-1, GRI 412-3	59, 104-106, 138
Prevention of the risks of violation of human rights and, where appropriate, measures to mitigate, manage and rectify any possible abuses committed	Internal framework: Qualitative description of the measures implemented to prevent the risk of human rights violations at the company	59, 104-106
Formal complaints for cases of violation of human rights	GRI 102-17	59, 104-106
Promotion of and compliance with the provisions of the fundamental conventions of the International Labour Organization in relation to respect for freedom of association and the right to collective bargaining	GRI 412-2	59, 104-106
Elimination of discrimination in employment and occupation; the elimination of forced or compulsory labour and the effective elimination of child labour	Internal framework: Qualitative description of the measures implemented to eliminate discrimination in employment, eliminate forced labour and abolish child labour at the company and in the supply chain	104-106

IV. Information relating to the fight against corruption and bribery

Measures adopted to prevent corruption and bribery	GRI 102-16, GRI 102-17, GRI 205-1, GRI 205-2, GRI 205-3	59-62
Measures to combat money laundering	GRI 205-2	59-62
Contributions to foundations and not-for-profit organisations	GRI 201-1, GRI 413-1	62, 94-96, 115

Requirements of Law 11/2018	Reporting framework	Page numbers
V. Information about the company		
The company's commitment to sustainable development		
The impact of the company's activity on employment and local development	GRI 413-1	93-96
The impact of the company's activity on local communities and on the region	GRI 413-1, GRI 413-2, OG11	93-96, 137
Relations with key figures of local communities and modalities of dialogue with them	GRI 102-43, GRI 411-1, GRI 413-1, OG10,	93-96
Association and sponsorship actions	GRI 102-13, GRI 413-1	62, 93-96, 115
Subcontracting and suppliers		
Inclusion in the procurement policies regarding social issues, gender equality and environment	GRI 308-1, GRI 308-2, GRI 414-1, GRI 414-2	98-99
Consideration in supplier and subcontractor relations of their social and environmental responsibilities	GRI 308-1, GRI 308-2, GRI 414-1, GRI 414-2	98-99
Systems for supervision and auditing and their results	GRI 308-1, GRI 308-2, GRI 414-1, GRI 414-2	99
Consumers		
Measures for the health and safety of consumers	GRI 403-7	71, 74
Complaint systems	Internal framework: qualitative description of the complaint systems in place	39, 68
Complaints received and their resolution	Internal framework: quantitative description of complaints received and their resolution	68
Tax information		
Profits obtained by country	GRI 201-1	64, 112
Tax paid on profits	Internal framework: quantitative information on profits	65
Public subsidies received	GRI 201-4	134 In 2019, 568 thousands of euros of public subsidies corresponding to gas infrastructure investments were received, 115 thousands of euros in 2018 (in both years, 100% were received in Spain)

Information from the Annual Corporate Governance Report

Information from the Annual Corporate Governance Report	
Company ownership structure	Annual Corporate Governance Report
Company management structure	
Workings of the General Shareholders' Meeting	
Related-party and intragroup transactions	
Risk control systems, including tax risk	
Recommendations of the Unified Code of Good Governance	

Self-assessment of adoption of integrated reporting principles and elements

Together with other leading companies in international reporting, Enagás took part in a pilot programme of the International Integrated Reporting Committee (IIRC) to establish a common framework for the preparation of integrated reports and enable participants to share best practices. Up to and including 2017, Enagás was a member of the Integrated Reporting Business Network.

Enagás is committed to integrated reporting as a way of clearly and concisely presenting relevant issues affecting the company's capacity to create and maintain value in the present and future.

Since 2012, Enagás has been progressing towards an integrated report in its Annual Reports.

Strategic focus and future orientation

The report reflects key strategic aspects such as the positioning of Enagás in the energy transition and the context of operation, which includes the outlook for the natural gas sector and the impact they will have on business, based on those established by the company's strategic priorities.

In addition, our long-term vision is included, positioning the company with a sustainable business model, which is based on the role of natural gas as the key to achieving sustainable, safe and efficient energy, renewable gases and the creation of value in affiliate companies, as well as in areas such as digitalisation and corporate entrepreneurship and innovation.

The company also identified the main risks derived in the context of operation and of its business model. Furthermore, it includes the outlook from the Executive Chairman regarding the ability of the company to meet its long and short-term goals, providing an assessment of past performance and on future growth and strategies.

The commitment of leaders responsible for sustainability and opportunity and risk management, together with the performance and targets in each of the material issues, shows that the company is prepared to deliver its strategy, i.e. how to generate value in the present and in the future.

Connectivity of information

The report reflects the relationship between different information blocks, primarily:

- The long-term vision, the context of operation and the business model, from which the company's perceived risks, opportunities, pillars of growth and strategy are derived.
- Strategy and Corporate Governance, through which we leverage opportunities and manage risks, all of which is aimed at creating value, while taking into account the impact on business and society.
- The company's short and long-term objectives, aligned with the strategic drivers and linked to employees' variable remuneration, through which we ensure compliance with the strategy.

Enagás is committed to integrated reporting as a way of clearly and concisely presenting relevant issues affecting the company's capacity to create and maintain value in the present and future

The Annual Report contains all the necessary information to be able to respond to the information relevant to the main stakeholders

- The management of risks and opportunities, along with their impact, and the controls and mitigating actions in various areas of management.

- Our value creation process, prepared in accordance with the capital model, includes in the different chapters the main inputs and impacts on the material issues generated by our activity (see the 'Creation of value for our stakeholders' chapter). In addition, this section is linked to our contribution to the fulfilment of the Sustainable Development Goals (SDG), in which we prioritise the SDG to which we contribute with our activity, management models, corporate policies and guidelines as well as the goals, the degree of progress and impact (see 'Our contribution to the SDG' and 'Index of contents according to the SDG' chapters).

- Also included are navigation icons, hyperlinks and cross-references that facilitate reading and understanding of the connections between different contents.

Responsiveness and stakeholder inclusiveness [GRI 102-46]

Enagás' 2019 Annual Report targets its main stakeholders. The Enagás stakeholder map is aligned with corporate strategy.

Enagás has identified its stakeholders classified according to the different areas of relationship, identified by material topics.

As in previous years, the 2019 Consolidated Management Report has been drafted applying the principles of standard AA1000: inclusivity, impact, materiality and responsiveness.

Materiality and conciseness [GRI 102-44, GRI 102-46]

The Report contains all the necessary information to be able to respond to the information relevant to the main stakeholders.

Enagás' materiality analysis is aligned with the Company's Strategy. The outcome of this analysis was that Enagás identified those material topics that bring together the main interests and concerns of stakeholders. This Report provides detailed information concerning each material issue in the respective chapters of the section 'Creation of value for our stakeholders'.

Furthermore, the critical management standards that Enagás evaluates in its affiliates are identified. These are based on the material topics of the company (see the 'Affiliate management' chapter).

For the purpose of only including material topics in the Annual Report, the Consolidated Management Report and its detailed information was separated from the Consolidated Annual Accounts, Annual Corporate Governance Report and Annual Report on Directors' Remuneration. The Consolidated Management Report includes the more relevant data from these publications.

At the same time, the corporate website includes other aspects that constitute non-material information or static information (management models, policies, etc.).

Reliability

Both the financial and non-financial information from 2019 was audited and verified, respectively, by the same auditors: EY.

EY audits our annual accounts and examines information relating to the ICFR system, expressing an opinion on its effectiveness.

EY also verifies non-financial information with a limited level of assurance and a reasonable level of assurance for the following indicators:

- Safety indicators. Lost time injury frequency rate (own staff) and lost time injury severity rate (own staff).
- Human Resources indicators. Development of human capital, workforce and labour relations.

Enagás is continuing to review its indicators so as to achieve higher levels of assurance in the future.

Furthermore, it has also reviewed, through a Report on agreed procedures, the internal control over non-financial information system implemented by the company in 2019.

Comparability and consistency

The 2019 Management Report takes account of the GRI Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the Oil & Gas sector supplement. Therefore, it provides an internal and external benchmark for comparison based on internationally recognised principles and content.

Furthermore, the indicators included in the 2019 Management Report are defined so as to facilitate comparison with reports for prior years and other companies in the sector, including a data history and explaining the reasons for variations, using studies, sustainability indices and benchmarking projects as references.

Also, customer satisfaction surveys are standardised for the respondents in terms of structure and rating levels, to facilitate comparison with other companies in the energy sector.
Enagás is also involved in a *benchmarking* project with natural gas transmission companies internationally to compare the occupational health and safety, and environmental indicators, among others.

Enagás has implemented an internal control over non-financial information system that has been externally reviewed through an agreed procedures report

Integrated reporting framework content

Content element	Aspects included	Sections
Overview of the organisation and its external environment	Activities and material topics	Our business model Materiality and Sustainable Management Model
	Mission, vision and values	Our business model
	Supply chain description	Our supply chain
	Operating context	Geographies Operating context
	Shareholder composition	Enagás in 2019
Governance	Corporate Governance structure	Board of Directors and Committees Management Committee
	Board selection and self-assessment	Functioning of the Board
	Good corporate governance practices implemented	Good Governance
	Remuneration for the Board linked to value creation in the short, medium and long term	Remuneration of the Board of Directors
Opportunities and risks	Management of opportunities arising from future outlook	Operating context Strategic priorities Our commitment to the energy transition
	Management of risks associated with future outlook	Risk management Our commitment to the energy transition
	Management of opportunities and risks in the supply chain	Supply chain risk management
Strategy and resource allocation	Growth strategy	Strategic priorities
	Strategy	Our commitment to the energy transition
Business model	How Enagás creates value from its resources and business processes	Our contribution to the SDG Strategic priorities Sustainability strategy
Performance	Sustainable Management Model	Materiality and Sustainable Management Model
	Key company performance indicators	Enagás in 2019 Key indicators
	Performance in material topics measured by indicators	Good Governance People Ethics and integrity Financing and operating excellence Health and Safety Natural capital management Climate change and energy efficiency Local communities
Outlook	The opportunities, challenges and uncertainties the organisation may encounter in pursuing its strategy	Operating context Our commitment to the energy transition
	Risks associated with the business and implementation of the strategy	Risk management

Index of contents according to the EFQM Model

Hybrid EFQM - Consolidated Management Report

EFQM criterion	Subcriterion	References (chapters)	Pages
4. Partnerships and Resources	**4a.** Managing partners and suppliers for sustainable profit	Corporate Entrepreneurship and Open Innovation Affiliate management Supply chain	33-34 100-103 97-99
	4b. Management of economic-financial resources to ensure sustained success	Targets linked to variable remuneration Tax responsibility Financial excellence Social investment Internal Control over Financial Reporting System Consolidated Annual Accounts	22 62 64-65 94 ACGR* CAA*
	4c. Sustainable management of buildings, equipment, materials and natural resources	Materiality and Sustainable Management Model Crisis and emergency management Natural capital management Climate change and energy efficiency	38-41 74 76-81 82-91
	4d. Technology management to turn strategy into reality	Our commitment to the energy transition	29-35
	4e. Information and knowledge management to support effective decision-making and build up the organisation's skills	Sustainability strategy Information security	29 74
5. Processes, Products and Services	**5a.** Processes are designed and managed to optimise value for stakeholders	Strategy Sustainability strategy Affiliate management Operating excellence	20-21 29 100-103 66-69
	5b. Products and Services are developed to give optimum value to customers	Our commitment to the energy transition Operating excellence Circular economy	29-35 66-69 78
	5c. Products and Services are promoted and effectively marketed	Sustainability strategy Sustainable Management Model Operating excellence Information security	29 38 66-69 74
	5d. Products and services are created, distributed and managed	Our aim and activities Operating excellence Health and safety Natural capital management Climate change and energy efficiency	12 66-69 70-75 76-81 82-91
	5e. Customer relationships are managed and improved	Sustainability strategy Operating excellence	29 66-69
6. Customer Results	**6a.** Perceptions	Operating excellence Key social indicators	66-69 113-115
	6b. Performance indicators	Enagás in 2019 Operating excellence	7 66-69
7. Results in People	**7a.** Perceptions	Employee satisfaction and motivation	57
	7b. Performance indicators	Enagás in 2019 People Key social indicators	7 49-57 113-115
8. Results in the company	**8a.** Perceptions	Sustainability strategy Materiality and Sustainable Management Model Ranking on indices and certifications	29 38-41 107-108
	8b. Performance indicators	Enagás in 2019 Key indicators	7 111-116
9. Key Results	**9a.** Key Activity Results	Enagás in 2019 Key economic indicators Consolidated Annual Accounts	7 111-113 CAA
	9b. Key indicators for activity performance	Enagás in 2019 Key indicators Consolidated Annual Accounts	7 111-116 CAA

* Annual Corporate Governance Report
** Consolidated Annual Accounts

Index of contents according to the ODS Model

Sustainable Development Goal	References (chapters)		GRI Standard disclosures
SDG 5. Achieving gender equality and empower all women and girls	Our contribution to the SDG Targets linked to variable remuneration Sustainability strategy Good Governance People	Ethics and integrity Supply chain Affiliates management Respect for Human Rights Key indicators	GRI 102-8, GRI 102-22, GRI 102-24, GRI 401-1, GRI 401-2, GRI 401-3, GRI 404-1, GRI 404-3, GRI 405-1, GRI 405-2, GRI 414-1, GRI 414-2
SDG 7. Ensure access to affordable, reliable, sustainable and modern energy for all	Our contribution to the SDG Strategy Our commitment to the energy transition	Climate change and energy efficiency Supply chain Affiliates management	GRI 302-1, GRI 302-2, GRI 302-3, GRI 302-4, GRI 302-5, GRI 308-1, GRI 308-2, GRI OG2, GRI OG3
SDG 8. Promote inclusive and sustainable economic growth, full and productive employment and decent work for all	Our contribution to the SDG Strategy Our commitment to the energy transition People Ethics and integrity Health and safety Financing and operating excellence	Climate change and energy efficiency Local communities Affiliates management Respect for Human Rights Supply chain Key indicators	GRI 102-8, GRI 201-1, GRI 204-1, GRI 302-1, GRI 302-2, GRI 302-3, GRI 302-4, GRI 302-5, GRI 303-1, GRI 303-2, GRI 303-3, GRI 401-1, GRI 401-2, GRI 401-3, GRI 403-2, GRI 403-8, GRI 404-1, GRI 404-2, GRI 405-1, GRI 405-2, GRI 414-1, GRI 414-2
SDG 9. Build resilient infrastructure, promote inclusive sustainable industrialization and foster innovation	Our business model Our contribution to the SDG Strategy Our commitment to the energy transition Health and safety Climate change and energy efficiency	Natural capital management Financing and operating excellence Affiliates management Supply chain Key indicators	GRI 201-1, GRI 201-2, GRI 204-1, GRI 302-1, GRI 302-2, GRI 302-3, GRI 302-4,GRI OG2, GRI OG3
SDG 13. Take urgent action to combat climate change and its impacts	Our contribution to the SDG Strategy Our commitment to the energy transition Climate change and energy efficiency	Supply chain Affiliates management Key indicators	GRI 201-2, GRI 302-1, GRI 302-2, GRI 302-3, GRI 302-4, GRI 302-5, GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4, GRI 305-5, GRI OG2, GRI OG3, GRI 308-1, GRI 308-2, GRI OG6

Index of contents *GRI Standards* [GRI 102-55]

GRI Content Index Enagás Feb 2020 Service

The Content Index Service, GRI Services has confirmed that the GRI table of contents in the report is clear, and that the references for each included content correspond to the sections included in the report. The service was performed in the Spanish version of the report.

General content

GRI Standard	Content	Page number(s), URL and/or direct answers	Omissions
GRI 101: Foundation 2016			
	Organisation profile		
GRI 102: General content 2016	102-1 Name of the organisation	3, 142	
	102-2 Activities, brands, products and services	12	
	102-3 Location of the organisation's headquarters	15, 142	
	102-4 Location of operations	15	
	102-5 Ownership and legal form	3	
	102-6 Markets served	15	
	102-7 Scale of the organisation	111, 114	
	102-8 Information on employees and other workers	50, 53, 98	
	102-9 Supply chain	98	
	102-10 Significant changes in the organisation and its supply chain	3, 12, 15, 50, 98	
	102-11 Precautionary principle and approach	23-26	
	102-12 External initiatives	3, 95, 104	
	102-13 Membership of associations	62 Enagás is also involved with the governing bodies of a number of Spanish associations and organisations such as Sedigas, Enerclub and Instituto Elcano, and international bodies such as IGU, ENTSOG, GIE, EASEE Gas, GIIGNL and UNECE. It also cooperates with regulators, both directly and through industry associations, to propose regulatory improvements, whether directly or as part of consultations by the regulators.	
	Strategy		
	102-14 Statement from senior decision-maker	4-6	
	102-15 Key impacts, risks and opportunities	23-26, 30-32	

GRI Standard	Content	Page number(s), URL and/or direct answers	Omissions
	Ethics and integrity		
	102-16 Values, principles, standards and rules of the organisation	14, 59	
	102-17 Mechanisms for offering advice and concerns about ethics	59	
	Governance		
	102-18 Governance structure	38, 43-44	
	102-19 Delegating authority	38	
	102-20 Executive-level responsibility for economic, environmental and social matters	38	
	102-21 Consulting stakeholders on economic, environmental, and social topics	38-39, 46, 57, 68, 99	
	102-22 Composition of the highest governance body and its committees	43-44	
	102-23 Chair of the highest governance body	43	
	102-24 Appointment and selection of the highest governance body	Article 8 of the Regulations of the Enagás Board of Directors	
	102-25 Conflicts of interest	Enagás Internal Code of Conduct in Matters Relating to Securities Markets (pp. 9 to 19) Article 25 of the Regulations of the Enagás Board of Directors	
	102-26 Role of highest governance body in setting purpose, values, and strategy	14	
	102-27 Collective knowledge of highest governance body	44-45	
	102-28 Evaluating the highest governance body's performance	45	
	102-29 Identification and management of economic, environmental and social impacts	23-24, 38, 83-84	
	102-30 Effectiveness of risk management processes	23-26	
GRI 102: General content 2016	102-31 Review of economic, environmental, and social topics	23-24, 38, 83-84	
	102-32 Highest governance body's role in sustainability reporting	3, 6	
	102-33 Communicating critical concerns	46	
	102-34 Nature and total number of critical concerns	46	
	102-35 Remuneration policies	22, 47-48	
	102-36 Process for determining remuneration	22, 47	
	102-37 Stakeholders' involvement in remuneration	22, 47	
	102-38 Annual total compensation ratio	In 2019, the Chairman's total annual remuneration was 52.8 times the median total annual remuneration of professionals. In 2019, the long-term incentive plans (2016-2018) were settled, significantly increasing the remuneration of the company's employees. The allocation of these incentive plans was structured according to the professional category's degree of contribution to the established targets, which explains the higher increase in the Chairman's remuneration. Without taking into account this three-year variable remuneration, the ratio would be 29.7.	

[GRI 102-55]

GRI Standard	Content	Page number(s), URL and/or direct answers	Omissions
GRI 102: General content 2016	102-39 Percentage increase in annual total compensation ratio	In 2019, the increase in the Chairman's total annual remuneration was 13.2 times the increase in the median total annual remuneration of professionals. In 2019, the long-term incentive plans (2016-2018) were settled, significantly increasing the remuneration of the company's employees. The allocation of these incentive plans was structured according to the professional category's degree of contribution to the established targets, which explains the higher increase in the Chairman's remuneration. Without taking into account this three-year variable remuneration, the decrease in the total annual remuneration of the Chairman was 25.1 times the decrease in the median total annual remuneration of professionals.	
	Stakeholder engagement		
	102-40 List of stakeholder groups	39	
	102-41 Collective bargaining agreements	57	
	102-42 Identifying and selecting stakeholders	39, 68, 99	
	102-43 Approach to stakeholder engagement	39, 68, 99	
	102-44 Key topics and concerns raised	39, 41, 68, 99, 124	
	Reporting practice		
	102-45 Entities included in the consolidated financial statements	3	
	102-46 Defining report content and topic boundaries	39-41, 124	
	102-47 List of material topics	40-41	
	102-48 Restatements of information	53, 86, 90, 111	
	102-49 Changes in reporting	3	
	102-50 Reporting period	3	
	102-51 Date of most recent report	2018	
	102-52 Reporting cycle	Yearly	
	102-53 Contact point for questions regarding the report	142	
	102-54 Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with GRI Standards Comprehensive option.	
	102-55 GRI content index	130-138	
	102-56 External assurance	3, 139-140	

[GRI 102-55]

GRI Standard	Content	Page number(s), URL and/or direct answers	Omissions

Material topics

GRI Standard	Content	Page number(s), URL and/or direct answers	Omissions
Good Governance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	42	
	103-2 The management approach and its components	42	
	103-3 Evaluation of management approach	42	
GRI 419: Socio-economic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	In 2019, no significant sanctions or fines were received in the social and economic area.	
People			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	49	
	103-2 The management approach and its components	49	
	103-3 Evaluation of management approach	49	
GRI 202: Presence in the market 2016	202-1 Ratio of standard initial category salary by sex to the local minimum wage	53, 105	
	202-2 Proportion of senior management hired from the local community	100% of executives in Spain are local. There is a local general manager in both Mexico and Greece and a non-local general manager in Peru/Chile. Employees with the nationality of the country in which they work are considered local.	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	50-51	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	56-57	
	401-3 Parental leave	57	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	49, 52	
	404-2 Programmes for upgrading employee skills and transition assistance programmes	52	
	404-3 Percentage of employees receiving regular performance and career development reviews	49, 51	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	42–44, 50, 53, 55	
	405-2 Ratio of basic salary and remuneration of women to men	54	

[GRI 102-55]

GRI Standard	Content	Page number(s), URL and/or direct answers	Omissions
Ethics and integrity			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	58	
	103-2 The management approach and its components	58	
	103-3 Evaluation of management approach	58	
GRI 205: Anti-Corruption 2016	205-1 Operations assessed for risks related to corruption	61	
	205-2 Communication and training about anti-corruption policies and procedures	58, 62	
	205-3 Confirmed incidents of corruption and actions taken	59	
	OG12 Operations/facilities where involuntary resettlement took place, the number of resettled households and how their livelihoods were affected in the process	Expropriations resulting from Enagás activities did not involve involuntary resettlement of communities	
	OG13 Number of process safety events taking place in operations, by activity	No process safety events were reported according to the API RP 754 standard	
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	105	
GRI 415: Public Policy 2016	415-1 Political contributions	The financing of political parties is expressly prohibited, and this is one of the risks that Enagás has defined in its crime prevention model. In 2019, Enagás did not make political contributions of any kind.	
Financing and operating excellence			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	63	
	103-2 The management approach and its components	63	
	103-3 Evaluation of management approach	63	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	7, 112	
	201-2 Financial implications and other risks and opportunities due to climate change	23-24, 30, 83-84, 86, 88	
	201-3 Defined benefit plan obligations and other retirement plans	56-57	
	201-4 Financial assistance received from Government	See section '2.4. Property, plant and equipment, Grants' in the Consolidated Annual Accounts. The Group did not benefit from other significant financial assistance received from governments in 2019	

[GRI 102-55]

GRI Standard	Content	Page number(s), URL and/or direct answers	Omissions
Health and safety			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	70	
	103-2 The management approach and its components	70	
	103-3 Evaluation of management approach	70	
GRI 403: Occupational health and safety 2018	403-1 Health and safety management system in the workplace	70-71	
	403-2 Hazard identification, risk assessment and incident investigation	73	
	403-3 Health services in the workplace	75	
	403-4 Worker participation, consultation, and communication on health and safety in the workplace	71	
	403-5 Worker training on occupational health and safety	70-71	
	403-6 Promotion of worker health	71, 75	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	71, 75	
	403-8 Workers covered by a health and safety management system in the workplace	71	
	403-9 Work-related injuries	70, 72, 115	
	403-10 Occupational illnesses and diseases	72	
Natural capital management			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	76	
	103-2 The management approach and its components	76	
	103-3 Evaluation of management approach	76	
GRI 303: Water and effluents 2018	303-1 Interactions with water as a shared resource	79-80	
	303-2 Management of water discharge-related impacts	79	
	303-3 Water withdrawal	79 Although all Enagás' facilities are located in Spain, a country considered to be highly water-stressed (40-80%)*, almost 100% of the water withdrawn is seawater	
	303-4 Water discharge	79	
	303-5 Water consumption	76, 79	

* WRI Aqueduct, Gassert et al. 2013 (World Resources Institute)

GRI Standard	Content	Page number(s), URL and/or direct answers	Omissions
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	116 Enagás infrastructure occupies a surface area of 4 km^2 of lands included in the Natura 2000 network (SACs/SPAs)	
	304-2 Significant impacts of activities, products and services on biodiversity	79	
	304-3 Habitats protected or restored	79 Monitoring and verification is conducted internally	
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Enagás takes into consideration special protection areas and habitats of international interest listed by the International Union for Conservation of Nature (IUCN), along with the protection of the cultural heritage associated with them, in addition to the Spanish national and regional conservation lists	
	OG4 Number and percentage of significant operational sites in which biodiversity risk has been assessed and monitored	79	
GRI 306: Effluents and waste 2016	306-1 Water discharge by quality and destination	79	
	306-2 Waste by type and disposal method	76, 80, 116	
	306-3 Significant spills	80	
	306-4 Transport of hazardous waste	There are no cross-border movements of the waste produced by Enagás	
	306-5 Water bodies affected by water discharges and/or run-off	Enagás does not discharge any wastewater into watercourses located in protected nature reserves or considered to be of particular ecological value	
	OG5 Volume and disposal of formation or produced water	Enagás generates produced water in underground storage facilities given that the extraction of natural gas is performed jointly with water. In 2019 the volume of produced water was 1,202 m^3.	
	OG6 Volume of flared and vented hydrocarbon	The main hydrocarbon burnt in the flare and/or vented is natural gas. In 2019, the volume of natural gas flared and/or vented amounted to 1,431,633 Nm^3	
	OG7 Total drilling waste (drilling mud and cuttings). Strategies implemented for its treatment and elimination		Not applicable. As shown in the graph in 'Our business model', the company's activity commences with tankers offloading at any of its regasification plants or at international connections in the pipeline network. Therefore, as it is not involved in extraction activities, Enagás does not generate drill mud
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	In 2019, no significant sanctions or fines were received in the environmental area	

[GRI 102-55]

GRI Standard	Content	Page number(s), URL and/or direct answers	Omissions
Climate change and energy efficiency			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	82	
	103-2 The management approach and its components	82	
	103-3 Evaluation of management approach	82	
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	90, 116	
	302-2 Energy consumption outside of the organisation	7, 19, 85	
	302-3 Energy intensity	90	
	302-4 Reduction of energy consumption	89	
	302-5 Reductions in energy requirements of products and services	89	
	OG2 Total amount invested in renewable energy	35	
	OG3 Total amount of renewable energy generated by source	82, 89	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	82, 85-86, 116	
	305-2 Energy indirect (Scope 2) GHG emissions	82, 85-86, 116	
	305-3 Other indirect (Scope 3) GHG emissions	87	
	305-4 GHG emissions intensity	86	
	305-5 Reduction of GHG emissions	89-90	
	305-6 Emissions of ozone-depleting substances (ODS)	86	
	305-7 Nitrogen oxides (NOX), sulphur oxides (SOX) and other significant air emissions	76-81	

GRI Standard	Content	Page number(s), URL and/or direct answers	Omissions
Local communities			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	92	
	103-2 The management approach and its components	92	
	103-3 Evaluation of management approach	92	
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	No incidents of violations involving rights of indigenous peoples were identified in 2019	

[GRI 102-55]

GRI Standard	Content	Page number(s), URL and/or direct answers	Omissions
Supply chain			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	97	
	103-2 The management approach and its components	97	
	103-3 Evaluation of management approach	97	
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	98	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	99	
	308-2 Negative environmental impacts in the supply chain and actions taken	98-99	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	99	
	414-2 Negative social impacts in the supply chain and actions taken	98-99	
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments and development programmes	94-96	
	413-2 Operations with significant actual and potential negative impacts on local communities	93	
	OG10 Number and description of significant disputes with local communities and indigenous peoples	93	
	OG11 Number of sites that have been decommissioned and sites that are in the process of being decommissioned	In 2019, there were no significant dismantling	
Respect for Human Rights			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	104	
	103-2 The management approach and its components	104	
	103-3 Evaluation of management approach	104	
GRI 412: Human Rights Assessment 2016	412-1 Operations that have been subject to human rights reviews or impact assessments	104	
	412-2 Employee training on human rights policies or procedures	76% of employees received training on human rights (15,049 hours). Training in at least one of the following types of courses is considered human rights training: Equality and Anti-Corruption, Human Rights (general), and Prevention and the Environment.	
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	In 2019, no significant investment agreements or contracts were signed.	

[GRI 102-55]

External verification report [GRI 102-56]

Ernst & Young, S.L.
Torre Azca
Calle de Raimundo Fernández Villaverde, 65
28003 Madrid
España

Tel: 915 727 200
Fax: 915 727 238
ey.com

Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

INDEPENDENT ASSURANCE REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT AND INFORMATION ON SUSTAINABILITY

To the shareholders of ENAGÁS, S.A.:

In accordance with article 49 of the Commercial Code, we have verified, with a limited scope, the Consolidated Non-Financial Statement (hereinafter NFS) for the year ended December 31, 2019 of ENAGÁS, S.A. and subsidiaries (hereinafter the Group), which is part of the Group's accompanying Consolidated Management Report

The content of the Consolidated Management Report contains information in addition to that required by prevailing company law in respect of non-financial information that was not included in the scope of our assurance work. Consequently, our work was limited exclusively to verifying the information identified in the "Non-financial and diversity reporting requirements (Spanish Law 11/2018)" table and in conformity with the "GRI Standards content index" included in the accompanying Consolidated Management Report.

Responsibility of the directors

The preparation of the NFS included in the Group's Consolidated Management Report and its content is the responsibility of the directors of ENAGÁS, S.A. The NFS was prepared in accordance with the content required by prevailing company law and in conformity with the criteria outlined in the GRI Sustainability Reporting Standards (GRI standards), comprehensive option, as well as other criteria, including the GRI Oil and Gas sector supplement, described as explained for each subject matter in the "Non-financial and diversity reporting requirements (Spanish Law 11/2018)" table, in conformity with the "GRI Standards content index" of said report, and in accordance with principles stated in AA1000AP (2018) issued by AccoudntAbility (Institute of Social and Ethical Accountability).

This responsibility likewise includes the design, implementation, and maintenance of the internal control considered necessary to ensure that the NFS is free of material misstatement, due to fraud or error.

The directors of ENAGÁS, S.A. are also responsible for defining, implementing, adapting, and maintaining the management systems from which the necessary information for preparing the NFS is obtained.

Our independence and quality control

We have complied with the independence and other Code of Ethics requirements for accounting professionals issued by the International Ethics Standards Board for Accountants (IESBA), which are based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

Our firm applies International Standard on Quality Control 1 (ISQC 1), and consequently maintains a global quality control system which includes documented policies and procedures relating to compliance with ethical requirements, professional standards, and the legal and applicable regulatory provisions.

2

The EY team is made up of experts in non-financial information engagements and specifically, information on economic, social, and environmental performance.

Our responsibility

Our responsibility is to express our conclusions on the Independent Assurance Report with limited assurance, based on the work performed. We have carried out our work in accordance with the requirements established in the International Standard on Assurance Engagements (ISAE) 3000 (revised), "Assurance Engagements Other than Audits and Review of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and the Guidelines on performing non-financial statement assurance engagements issued by Spain's Institute of Auditors and AA1000AS (2008), with a moderate level of type 2 assurance.

In a limited assurance engagement, the procedures carried out vary in their nature and timing, and are less in extent than those carried out for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is also substantially lower.

Our work consisted in making inquiries of management and of the Group's various business units participating in the preparation of the NFS, reviewing the processes for compiling and validating the information presented therein, and applying certain analytical procedures and sample review tests as described in general terms below. These procedures included:

- Holding meetings with Group personnel to gain an understanding of the business model, the policies and management approaches applied, and the main risks related to these matters, as well as to gather the information needed to perform the independent assurance work.
- Analyzing the scope, relevance, and integrity of the contents of the 2019 NFS, based on the materiality assessment performed by the Group and described under "Sustainability Strategy," in light of the content required under prevailing company law.
- Analyzing the processes used to compile and validate the data presented in the 2019 NFS.
- Analyzing the documents from the Non-financial internal control system.
- Reviewing the disclosures relating to the risks, policies, and management approaches applied with respect to the material matters presented in the 2019 NFS.
- Checking, via tests of a selected sample, the information underlying the contents of the 2019 NFS and the satisfactory compilation of the NFS based on data taken from information sources.
- Analyzing the consistency of the information described in the appendix, "Self-assessment of adoption of integrated reporting principles and elements" and the information contained in the Management Report.
- Obtaining a representation letter from the directors and management.

EY
Building a better working world

In addition, with respect to GRI disclosures GRI 102-41, GRI 401-1, GRI 403-2, GRI 404-1, and GRI 405-1, our responsibility is to express an opinion, for which we have carried out reasonable assurance work. The work entailed understanding the internal control system relevant to the aforementioned indicators contained in the NFS, assessing the risk of material errors that the indicators might contain, testing and evaluating their content, as well as performing other procedures we considered necessary in the circumstances. We consider that our examination provides a reasonable basis for our opinion.

In addition, we reviewed the adequacy of the structure and content in accordance with the principles established in standard AA1000AP (2018), with a moderate level of type 2 assurance.

Conclusions

Based on the limited assurance procedures conducted and the evidence obtained, no matter has come to our attention that would cause us to believe that the Group's NFS for the year ended December 31, 2018 has not been prepared, in all material respects, in accordance with the contents required by prevailing company law and the criteria established by the GRI standards, comprehensive option, as well as other criteria, including the GRI Oil and Gas sector supplement, described as explained for each subject matter in the "Non-financial and diversity reporting requirements (Spanish Law 11/2018)" table and in conformity with the GRI content index of the Consolidated Management Report.

In addition, in our opinion, GRI disclosures GRI 102-41, GRI 401-1, GRI 403-2, GRI 404-1, and GRI 405-1, reviewed with a reasonable level of assurance, are prepared and presented, in all material respects, in accordance with the GRI Sustainability Reporting Standards (GRI standards), comprehensive option, described as explained for each subject matter in the GRI Standards content index of said report.

With regard to the application of the principles established in standard AA1000AP (2018), no matter has come to our attention that would cause us to believe that the Group has not applied the principles of inclusivity, materiality, responsiveness, and impact, as explained under "About our consolidated Management Report."

Recommendations

We presented our recommendations to Enagás management regarding areas of improvement related to the application of standard AA1000AP (2018). The most significant recommendations are summarized below:

- Inclusivity: Enagás continues to make progress in identifying and diagnosing its main stakeholders, including investees, based on its specific management model for these companies. We also recommend that Enagás continue to update the stakeholders as it determines new strategic priorities, and that it likewise persist in processing data and consulting with local communities to enhance management of local stakeholders.
- Materiality: Enagás identifies and values material matters that are relevant to its stakeholders, enabling it to define its sustainability strategy focusing on strategic levers. We recommend that Enagás periodically reassess material matters to ensure that they are incorporated in its sustainability strategy.

EY
Building a better working world

- Responsiveness: Through its Sustainable Management Plan, Enagás monitors its achievements and challenges in parallel to the material matters identified for the organization. We recommend that Enagás continue to focus its efforts on meeting stakeholders' expectations in the future by ensuring to monitor its three-lever strategy.
- Impact: Enagás's 2019-2021 Sustainability Strategy supports the Company's strategic levers and is the cornerstone of projected medium and long-term growth. We recommend that Enagás step up its efforts to measure and analyze the Company's long-term value and that it develop a process for assessing and managing both real and potential impacts on the various areas of the organization they affect.

Use and distribution

This report was prepared in response to the requirement established by prevailing company law in Spain and may not be appropriate for other uses and jurisdictions.

ERNST & YOUNG, S.L.

(Signature on the original in Spanish)

Alberto Castilla Vida

February 21, 2020

[GRI 102-56]

Contents of the Global Compact

The Global Compact is an ethical commitment initiative designed so that entities from all countries can adhere to, as an integral part of their strategy and operations, ten universal principles governing conduct and action on matters concerning human rights, labour, the environment and the fight against corruption.

Enagás has been a member of the United Nations Global Compact since 2003 and regularly renews its commitment, maintaining a public and transparent record of the progress it has made in this field in an annual report published on the Global Compact website at (**www.pactomundial.org**).

The links between the ten principles of the Global Compact and the GRI standards considered in this report are listed in the table below, and the United Nations Global Compact Communication on Progress, published by the United Nations Global Compact Office in May 2007.

To make it easier to identify the activities most directly related to the principles of the Global Compact, Enagás has singled out the GRI standards that have a direct bearing on these principles. The table below indicates the pages of this report in which this information is contained.

GC	Human Rights	GRI Standard disclosures	Pages
1	Companies must support and protect internationally acknowledged basic human rights within their sphere of influence	GRI 410-1, GRI 411-1, GRI 412-1, GRI 412-2, GRI 412-3, GRI 414-1, GRI 414-2	98–99, 104-106, 138
2	Companies must ensure they are not party to human rights violations	GRI 410-1, GRI 412-3	105, 134
Labour standards			
3	Companies must support freedom of association and the right to organise, and provide effective recognition of the right to collective bargaining	GRI 102-41	57
4	Companies must support all steps to eradicate forced or coerced labour	GRI 412-1, GRI 412-2, GRI 412-3	104-106, 138
5	Companies must support the eradication of child labour	GRI 412-1,GRI 412-3	104-106, 138
6	Companies must support the abolition of discriminatory practices in employment and occupation	GRI 401-1, GRI 405-1, GRI 405-2	42-45, 50-51, 53-55
Environment			
7	Companies must uphold a preventive approach that helps protect the environment	GRI 305-5, Management approach Natural Capital Management	82, 88-91
8	Companies must promote initiatives that foster greater environmental responsibility	GRI 302-4, GRI 302-5, GRI 304-3, GRI 304-4, GRI 305-5, GRI 306-1, GRI 306-2	79-81, 82, 88-91, 136
9	Companies must foster the development and dissemination of environmentally friendly technology	GRI 302-4, GRI 302-5, GRI 304-3, GRI 304-4, GRI 305-5, GRI 306-1, GRI 306-2	79-81, 82, 88-91, 136
Anti-corruption			
10	Entities must work against corruption in all its forms including extortion and bribery	GRI 205-1, GRI 205-3	59, 61

Contact [GRI 102-1, GRI 102-3, GRI 102-53]

Please address any comments, requests for clarification or suggestions in connection with this report to:

Enagás S.A.
Paseo de los Olmos, 19
28005 Madrid

Investor Relations Department
Tel.: +34 91 709 93 30 / 900 100 399
E-mail: accionistas@enagas.es

Organisation and Sustainability Department
Tel.: +34 91 709 92 62
E-mail: rsc.enagas@enagas.es

Pursuant to Article 253 of the Corporate Enterprises Act and Article 37 of the Code of Commerce, on February 17, 2020, the Board of Directors of Enagás, S.A. authorised the Consolidated Management Report which, in accordance with the provisions of Law 11/2018 of December 28 on non-financial information and diversity, includes the Consolidated Non-Financial Information Statement for the year ended December 31, 2019, consisting of the accompanying documents preceding this document, signed and sealed by the Secretary with the Company's stamp.

DECLARATION OF RESPONSIBILITY. For the purposes of Article 8.1.b) of Royal Decree 1362/2007, of October 19, the undersigned directors state that, to the best of their knowledge, the Consolidated Management Report includes a true and fair analysis of the performance and results of the businesses and the situation of the Company, together with the description of the main risks and uncertainties faced, and includes the Non-Financial Information Statement in accordance with the provisions of Law 11/2018, of December 28, on non-financial information and diversity. They additionally state that, to the best of their knowledge, the directors not signing below did not express dissent with respect to the Management Report.

Chairman

Mr Antonio Llardén Carratalá

Chief Executive Officer

Mr Marcelino Oreja Arburúa

Board members

Sociedad Estatal de Participaciones Industriales-SEPI
(Represented by Mr Bartolomé Lora Toro)

Mr Ignacio Grangel Vicente

Mr Antonio Hernández Mancha

Ms Eva Patricia Úrbez Sanz

Ms Ana Palacio Vallelersundi

Mr Martí Parellada Sabata

Mr Santiago Ferrer Costa

Mr Luis García del Río

Ms Rosa Rodríguez Diaz

Mr Gonzalo Solana González

Ms Isabel Tocino Biscarolasaga

Secretary to the Board of Directors

Mr Rafael Piqueras Bautista

Annual Corporate Governance Report

Issuer's Particulars

Financial year-end:

31/12/2019

Corporate Tax Code:

A-28294726

Corporate name:

ENAGÁS, S.A.

Registered office:

PASEO DE LOS OLMOS, 19 MADRID

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
20/12/2019	392,985,111.00	261,990,074	261,990,074

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

Yes ☐ **No** ☒

A.2. List the direct and indirect holders of significant ownership interests at year-end, excluding direct:

Name or corporate name of shareholder	% of voting rights assigned to shares		% of voting rights through financial instruments		total % of voting rights
	Direct	Indirect	Direct	Indirect	
BLACKROCK INC	0.00	3.20	0.00	0.17	3.38
STATE STREET CORPORATION	0.00	3.00	0.00	0.00	3.00
BANK OF AMERICA CORPORATION	0.00	3.61	0.00	0.00	3.61
AMANCIO ORTEGA GAONA	0.00	5.00	0.00	0.00	5.00
NORGES BANK	2.80	0.00	0.00	0.21	3.01

Detail of indirect stake:

Name or corporate name of the indirect holder	Name or corporate name of the direct holder	% of voting rights assigned to shares	% of voting rights through financial instruments	total % of voting rights
BLACKROCK INC	BLACKROCK INC	3.20	0.17	3.38
STATE STREET CORPORATION	STATE STREET CORPORATION	3.00	0.00	3.00
BANK OF AMERICA CORPORATION	BANK OF AMERICA CORPORATION	3.61	0.00	3.61
AMANCIO ORTEGA GAONA	AMANCIO ORTEGA GAONA	5.00	0.00	5.00
NORGES BANK	NORGES BANK	0.00	0.21	0.21

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

Most significant movements

At December 31, 2019, RETAIL OEICS AGGREGATE was not registered as significant shareholders in the information published on the CNMV's website.

Since December 24, 2019 AMANCIO ORTEGA GAONA has been registered as a significant shareholder in the information published on the CNMV website.

A.3. Complete the following tables on members of the board of directors holding voting rights through company shares:

Name or corporate name of director	% of voting rights assigned to shares		% of voting rights through financial instruments		total % of voting rights	% of voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR GONZALO SOLANA GONZÁLEZ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR MARCELINO OREJA ARBURÚA	0.00	0.00	0.01	0.00	0.01	0.00	0.00
MR ANTONIO LLARDÉN CARRATALÁ	0.03	0.00	0.03	0.00	0.06	0.00	0.00
MR MARTÍ PARELLADA SABATA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	5.00	0.00	0.00	0.00	5.00	0.00	0.00

% of total voting rights held by the Board of Directors	5.07

Detail of indirect stake:

Name or corporate name of director	Name or corporate name of the direct holder	% of voting rights assigned to shares	% of voting rights through financial instruments	Total % of voting rights	% of voting rights that can be transmitted through financial instruments
No data					

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, except for those entered in section A.6:

Related party name or corporate name	Type of relationship	Brief description
No data		

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:

Related party name or corporate name	Type of relationship	Brief description
BANK OF AMERICA CORPORATION	Corporate	Dividends and other benefits paid 13,442 thousands of euros.
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	Corporate	Dividends and other benefits paid 18,598 thousands of euros.
BLACKROCK INC	Corporate	Dividends and other benefits paid 12,587 thousands of euros.
STATE STREET CORPORATION	Corporate	Dividends and other benefits paid 11,187 thousands of euros.
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	Contractual	Expenses related to services received: 17 thousands of euros.
NORGES BANK	Corporate	Dividends and other benefits paid 10,741 thousands of euros

A.6. Describe the relationships, unless they are scarcely relevant to the two parties, between the significant shareholders or those represented on the board and the directors, or their representatives, in the case of legal entity directors.

Explain, where appropriate, how significant shareholders are represented. Specifically, those directors who have been appointed on behalf of significant shareholders, those whose appointment has been put forward by significant shareholders, or who are bound to significant shareholders and / or entities of their group, with a specification of the nature of such binding relationships, will be indicated. In particular, where appropriate, the information shall mention the existence, identity and position of board members or representatives of directors, if any, of the listed company, who are, in turn, members of the governing body, or their representatives, in companies that hold significant stakes in the listed company or in entities of the group of said significant shareholders:

Name or corporate name of related director or representative	Name or corporate name of related significant shareholder	Corporate name of the group's company of the significant shareholder	Description of relationship/role
MR SANTIAGO FERRER COSTA	SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	Proprietary director of Enagás S.A., appointed at the suggestion of Sociedad Estatal de Participaciones Industriales
MR BARTOLOMÉ LORA TORO	SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	Vice Chairman

A.7. Indicate whether the company has been notified of any shareholders' agreements pursuant to articles 530 and 531 of the Corporate Enterprises Act ("LSC"). Provide a brief description and list the shareholders bound by the agreement, as applicable:

Yes ☐ **No** ☒

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

Yes ☐ **No** ☒

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

N/A

A.8. Indicate whether any individuals or legal entity currently exercise control or could exercise control over the company in accordance with article 5 of the Securities Market Act. If so, identify:

Yes ☐ No ☒

A.9. Complete the following tables on the company's treasury share:

At year-end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
501,946		0.19

(*) Through:

Name or corporate name of the direct shareholder	Number of shares held directly
No data	

Explain the significant variations during the financial year:

Explain the significant variations
N/A

A.10. Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting to issue, buy back and/or transfer treasury shares:

The Ordinary General Shareholders' Meeting held on March 27, 2015 adopted the following resolution:

"To authorise and empower the Board of Directors, with power of substitution, for the derivative acquisition of the company's own shares in accordance with article 146 of the Corporate Enterprises Act, in the following terms:

1. The acquisitions may be carried directly by Enagás, S.A. or indirectly by subsidiaries under the same terms as those set out herein.

2. The acquisitions may be carried out through a purchase and sale, exchange or any other transaction permitted by law.

3. The maximum number of shares to be acquired shall be the maximum number permitted by law.

4. The acquisition price shall not be more than 15% higher or lower than the average weighted share price of the session prior the acquisition.

5. The authorisation is granted for a maximum of five years from adoption of this resolution.

In accordance with article 146 of the Corporate Enterprises Act, it is hereby expressly stated that the shares acquired pursuant to this authorisation may, in whole or in part, be directly awarded to employees or directors of the company or of companies belong to its Group, or that the purchase is the result of the exercise of employee or director options.

This resolution repeals and leaves without effect by the amount not used the authorisation granted by the General Shareholders' Meeting of April 30, 2010 for the derivative acquisition of treasury shares".

A.11. Estimated floating capital:

	%
Estimated floating capital	90.00

A.12. Give details of any restriction (statutory, legislative or otherwise) on the transferability of securities and/or any voting right restriction. In particular, the existence of any type of restrictions that may make it difficult to take control of the company through the acquisition of its shares in the market, as well as authorisation or prior notice arrangements that, on acquisitions or transfers of financial instruments of the company are applicable by sectoral regulations:

Yes ☒ No ☐

Description of restrictions

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

"No natural person or legal person may hold, directly or indirectly, an interest in the parent company (ENAGÁS, S.A.) representing more than 5% of share capital or exercise more than 3% of its voting rights. Under no circumstances may such shareholdings be syndicated. Any party operating within the gas sector, including natural or legal persons that directly or indirectly own equity holdings in the former of more than 5%, may not exercise voting rights over 1%. These restrictions do 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% (...)". (continues in Chapter H."OTHER INFORMATION OF INTEREST": EXPLANATORY NOTE ON SECTION A.12.)

A.13. 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:

Yes ☐ No ☒

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

A.14. Indicate whether or not the company has issued securities not traded in a regulated market of the European Union:

Yes ☐ No ☒

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer:

B. General Shareholders' Meeting

B.1. Indicate whether the quorum required for constitution of the General Shareholders' Meeting differs from the system of minimum quorums established in the Corporate Enterprises Act and specify any such:

Yes ☐ **No** ☒

B.2. Indicate and, as applicable, describe any differences between the company's system of adopting corporate resolutions and the framework established in the Corporate Enterprises Act:

Yes ☐ **No** ☒

B.3. Indicate the rules governing amendments to the company's articles of association. In particular, indicate the majorities required to amend the articles of association and, if applicable, the rules for protecting shareholders' rights when changing the articles of association:

Article 18 of the Consolidated Text of the Articles of Association states that:

"The shareholders, when constituted as a duly summoned General Meeting, shall by a majority of votes as determined by law decide upon the matters that fall within the powers of the General Meeting. The General Meeting is responsible for addressing and agreeing upon the following issues: (...) and states in section c) amendments to the Articles of Association".

Likewise, article 26 states that:

"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 second call, the attendance or representation of shareholders holding at least twenty-five percent of subscribed voting capital shall be sufficient". Likewise, article 13.3 of the Rules and Regulations of the General Shareholders' Meeting states that:

"An absolute majority of shareholders holding at least fifty percent of the subscribed capital with voting rights is required to validly adopt resolutions to increase or decrease capital, make any other amendment to the Articles of Association, issue bonds, eliminate or restrict pre-emptive subscription rights for new shares, transform, merge, spin off or globally assign assets and liabilities, and transfer the registered office abroad. However, the favourable vote of shareholders representing two-thirds of the share capital present or represented is required when, on second call, shareholders holding at least twenty-five percent of the subscribed capital with voting rights are present and the aforementioned fifty percent threshold is not reached".

B.4. Indicate the attendance figures for the General Shareholders' Meetings held during the year referred to in this report and those of previous years:

	Attendance data				
			% remote voting		
Date of general meeting	% attending in person	% of representation	Electronic means	Other	Total
31/03/2017	0.15	39.01	0.00	6.49	45.65
Of which floating capital	0.14	37.06	0.00	6.17	43.37
22/03/2018	0.28	40.17	0.00	5.18	45.63
Of which floating capital	0.27	38.16	0.00	4.92	43.35
29/03/2019	0.20	45.55	0.04	5.26	51.05
Of which floating capital	0.19	43.27	0.04	4.99	48.49

B.5. Indicate whether there has been any item on the agenda of general meetings during the year that, for any reason, was not approved by the shareholders:

Yes ☐ **No** ☒

B.6. Indicate whether the articles of association impose any minimum requirement on the number of shares required to attend the General Shareholders' Meeting or for remote voting:

Yes ☐ **No** ☒

B.7. Indicate whether or not it has been established that certain decisions, other than those established by Law, involving an acquisition, disposal, contribution of essential assets to another company or other similar corporate operations, must be submitted for the approval of the general shareholders' meeting:

Yes ☐ **No** ☒

B.8. Indicate the address and mode of accessing corporate governance content on your company's website as well as other information on general meetings which must be made available to shareholders on the:

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

The links to this information can be found easily through the company's web browser and are as follows:

- **In Spanish:**
  i) Página principal/Accionistas e Inversores/Gobierno Corporativo:
  - Junta General de Accionistas.
  - Política de Gobierno Corporativo.
  - Informe Anual de Gobierno Corporativo.

  ii) Página principal/Sostenibilidad/Gobierno Corporativo.

- **In English:**
  i) Home/Investors Relations/Corporate Governance:
  - General Shareholders´ Meeting.
  - Corporate Governance Policy.
  - Annual Report on Corporate Governance.

  ii) Home/Sustainability/Corporate Governance.

C. Company Management Structure

C.1 Board of Directors

C.1.1 Máximum and minimum number of directors included in the articles of association and the number set by the general meeting:

Maximum number of Directors	14
Minimum number of Directors	6
Number of directors set by the shareholders' meeting	13

C.1.2 Complete the following table with Board members' details

Name or corporate name of director	Representative	Director category	Position on the board	Date first appointment	Date last appointment	Election procedure
MS ANA PALACIO VALLELERSUNDI		Independent	INDEPENDENT LEADING DIRECTOR	25/03/2014	22/03/2018	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR GONZALO SOLANA GONZÁLEZ		Independent	DIRECTOR	25/03/2014	22/03/2018	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR ANTONIO HERNÁNDEZ MANCHA		Independent	DIRECTOR	25/03/2014	22/03/2018	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR MARCELINO OREJA ARBURÚA		Executive	CHIEF EXECUTIVE OFFICER	17/09/2012	22/03/2018	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR SANTIAGO FERRER COSTA		Proprietary	DIRECTOR	15/10/2018	29/03/2019	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR IGNACIO GRANGEL VICENTE		Independent	DIRECTOR	22/03/2018	22/03/2018	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR LUIS GARCÍA DEL RIO		Independent	DIRECTOR	31/03/2017	31/03/2017	VOTE AT GENERAL SHAREHOLDERS' MEETING
MS ISABEL TOCINO BISCAROLASAGA		Independent	DIRECTOR	25/03/2014	22/03/2018	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR ANTONIO LLARDÉN CARRATALÁ		Executive	CHAIRMAN	22/04/2006	22/03/2018	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR MARTÍ PARELLADA SABATA		Other External	DIRECTOR	17/03/2005	31/03/2017	VOTE AT GENERAL SHAREHOLDERS' MEETING
MS ROSA RODRÍGUEZ DÍAZ		Independent	DIRECTOR	24/04/2013	31/03/2017	VOTE AT GENERAL SHAREHOLDERS' MEETING
SOCIEDAD ESTATAL DE PARTICIPACION INDUSTRIALES (SEPI)	MR BARTOLOMÉ LORA TORO	Proprietary	DIRECTOR	25/04/2008	18/03/2016	VOTE AT GENERAL SHAREHOLDERS' MEETING
MS PATRICIA URBEZ SANZ		Independent	DIRECTOR	29/03/2019	29/03/2019	VOTE AT GENERAL SHAREHOLDERS' MEETING
TOTAL NUMBER OF DIRECTORS	13					

Indicate the losses due to resignation, dismissal or for any other reason, in the board of directors during the reporting period:

Name or corporate name of director	Status of director upon resignation	Date of last appointment	Date of departure	Specialized commissions of which she/he was a member	Indicate if the departure occurred before the end of the mandate
MR LUIS JAVIER NAVARRO VIGIL	Other External	27/03/2015	29/03/2019	Appointments, Remuneration and CSR Committee.	No

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

Executive Directors

Name or corporate name of director

MR MARCELINO OREJA ARBURÚA

Position held in the company

Chief Executive Officer

Profile

- Marcelino Oreja has been Chief Executive Officer of Enagás since September 2012. Currently, he is also a Trustee of the Transforma España Foundation.
- Marcelino Oreja is a Patent and Trademark Agent. He holds a degree in Industrial Engineering from the School of Engineering (ICAI) at the Pontifical University of Comillas and completed the Global CEO Programme and the Advanced Management Programme, both at the IESE Business School.
- Between 1992 and 1997 he was General Secretary of the National Confederation of Young Entrepreneurs, maintaining close collaboration with the Spanish Confederation of Entrepreneurs. In his international and strategic development he has been an adviser to companies such as COMET or SERVICOM.
- He founded DEF-4 patents and trademarks, which he sold to Garrigues Andersen in 1997, becoming its General Manager. Among other senior positions, he was the International Director of Aldeasa, General Manager of EMTE and, following the merger with COMSA, General Manager of COMSA EMTE (the second biggest unlisted Spanish group in the infrastructure and technology sector). He was also Chairman of the FEVE railway company.
- In the political sphere, he was a Member of the European Parliament from 2002 to 2004. He was also a Board Member of the Basque Energy Agency. He is the author of two books: Viaje interior por África (2000) and Cultura emprendedora y la Unión Europea (2003).

Name or corporate name of director

MR ANTONIO LLARDÉN CARRATALÁ

Position held in the company

Chairman

Profile

- Antonio Llardén has been the Executive Chairman of Enagás since 2007.
- In addition, he currently holds the office of Chairman of the Foundation for Energy and Environmental Sustainability (Funseam), formed by the major companies operating in the energy market in Spain, as well as being a member of the Executive Committee and the Spanish Energy Club Management Board and of the CEOE Business Action Council and the Business Leadership Forum.
- He is a Trustee of the Elcano Royal Institute of International and Strategic Studies (chaired by His Majesty King Felipe VI of Spain), of the Princess of Girona Foundation (whose Honorary President is H.R.H. Princess of Asturias and Girona), of the Spain-Peru Council Foundation, of Aspen Institute Spain, of the Spain-United States Council Foundation and of the Foundation of Studies of Applied Economics (FEDEA).

- Antonio Llardén collaborates with different institutions related to the world of music. He is a Trustee of the Reina Sofia Royal College of Music and a member of the Teatro Real Board of Protectors and of its Monitoring Committee.
- He is an Industrial Engineer and studied at the Higher Technical School of Industrial Engineering of the Polytechnic University of Catalonia in Barcelona, and has wide experience in the business sector. Throughout his career he has held various senior positions in the infrastructure and energy sectors. He has been Chairman of the gas employer Sedigas, and also a member of the Board of Directors of Eurogas and of the Executive Committee of the International Gas Union (IGU).
- He has been a Director in several companies. In 2007 he chaired the LNG World Congress, which periodically brings together the main players in the natural gas sector every three years. He has also been Dean of the College of Engineers; member of the Social Council of the Autonomous University of Barcelona and Chairman of its Economic Commission. He is a Knight of the National Order of the Legion of Honour, the highest award granted by France for eminent merits in service to the country. He is currently a visiting professor at several universities and business schools.

Total number of Executive Directors	2
% of the Board	15.38

External Proprietary Directors

Name or corporate name of director

MR SANTIAGO FERRER COSTA

Name or corporate name of significant shareholder represented or proposing appointment

SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)

Profile

- Graduate in Economics and Business Administration.
- Director of the Economic and Social Council (CES) of the Balearic Islands.
- Member of the Economic Committee of the Economic and Social Council (CES) of the Balearic Islands.
- Chief Executive Officer of Morna Assessors, associated with Grupo Tax Economistes i Advocats.
- Practising economist with No. 981 of the Association of Economists of the Balearic Islands.

Name or corporate name of director

SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)

Name or corporate name of significant shareholder represented or proposing appointment

SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)

Profile

- Vice Chairman of SEPI.
- A graduate in Economic and Business Sciences through CUNEF, specializing in Finance and Executive MBA through the Business Institute.
- He started his professional career at Bankinter and held positions in the financial area at Enfersa and Ferrovial.
- He joined the National Institute of Industry (INI) in 1990.
- He was appointed director of Planning in 2000 and director of Subsidiaries in 2002, joining SEPI's Management Committee.
- He has been a member of the Boards of Directors of NAVANTIA, ALESTIS, ITP and TRAGSA.

Total number of proprietary directors	2
% of the Board	15.38

Independent External Directors

Name or corporate name of director

MS ANA PALACIO VALLELERSUNDI

Profile

- Lawyer, founder of Palacio & Asociados law firm.
- Independent Leading Director of Enagás, Director of Pharmamar and Director of AEE Power.
- Elective member of the Spanish Council of State (2012-2018).
- Member of Investcorp's International Advisory Committee and Member of the International Advisory Council of Office Chérifien des Phosphates (OCP).
- Member of IE Business School's Governing Board.
- Member of the External Advisory Council of Energy Future Initiative (EFI).
- Member of the World Economic Forum's Global Agenda Council and Member of the Executive Board of the Atlantic Council of the United States.
- Member of the governing bodies of a number of research centres and public institutions: the MD Anderson Cancer Center, the Science Board of Real Instituto Elcano and the Global Leadership Foundation.
- Guest lecturer at Edmund A. Walsh School of Foreign Service at Georgetown University.
- Regular contributor to "Project Syndicate", among other media.
- Regular participant as panellist in international conferences and forums; in the energy sector, among others, the Istanbul G-20 International Energy Forum; the Atlantic Council Energy & Economic Summit, Atlantic Council Energy Forum and the Schlessinger Awards Energy Security Conference. She was invited as a speaker by the International Energy Agency (IEA) (2017).
- Holder of equivalent master's degrees in law, political science and sociology.
- Honorary doctorate in humanities from Georgetown University and winner of the 2016 Sandra Day O'Connor Justice Prize and Officer of the National Order of the Legion of Honour of the Republic of France (2016).
- Member of the European advisory council of The European House - Ambrosetti (2015-2016).
- Coordinator of the Trans-European Transport Network (2014).
- Member of the Advisory Council of Foreign Affairs and Security (2010-2014) and of the Committee for the Appointment of Judges and Advocates-General of the European Union Court of Justice and the General Court (2010-2013).
- Adviser to the European Commission on justice, fundamental rights and citizenship (2010-2012).
- Vice President and member of the Executive Committee of AREVA (2008-2009).
- Senior Vice President and General Counsel of the World Bank (2006-2008).
- Secretary General of the International Center for the Settlement of Investment Disputes (2006-2008).
- Member of the Spanish Parliament, Chairwoman of the Joint Committee of the Two Houses for EU affairs (2004-2006).
- Spain's first woman Minister of Foreign Affairs (2002-2004).
- Member of the Presidium of the Convention for the Future of Europe: She participated in the debate and the drafting of the European Constitution project (2001-2003).
- Member of the European Parliament, Chairwoman of the Legal Affairs and Internal Market, Citizen Rights, Justice and Internal Affairs Committees, and Chairwoman of the Conference of Committee Chairmen (1994-2002).

Name or corporate name of director

MR GONZALO SOLANA GONZÁLEZ

Profile

- Director Director of the Nebrija Santander Chair in International Business Management.
- Professor of international economics at a number of universities.
- Founding partner of the law firm Huerta & Solana specialising in competition law and regulations.
- Independent Director of OMIClear, Chairman of the Audit Committee and Vice Chairman of the Risk Committee.
- Member of the board of trustees of the Corell Foundation and coordinator of the mobility Think Tank.
- President of the Tribunal for the Defence of Competition (2000- 2005).
- Vice President and Director of Analysis and Strategy of the High Council of Chambers of Commerce (2006-2011) and Director of Study Services at the High Council of Chambers of Commerce (1986-2000).
- Former member of the National Institute of Statistics (INE)(1986-2000 and 2006-2011) and Chairman of the Regional Statistics Committee of the INE.
- Economist at the Institute for Economic Studies (1981-1986).
- Professor of Applied Economics at the University of San Pablo CEU and of International economics at the University of Deusto.

Name or corporate name of director

MR ANTONIO HERNÁNDEZ MANCHA

Profile

- Public prosecutor.
- Member of the Court of Arbitration of Madrid's Chamber of Commerce and Industry of Madrid.
- Founding President and Sole Director of Apple Energy Group Iberia, S.L.
- Member of CIMA (Civil and Mercantile Arbitration Court).
- Former Vice President of NAP de las Américas Madrid, S.A.
- Former Chief Executive Officer of NAP de África Occidental e Islas Canarias, S.A.

Name or corporate name of director

MR IGNACIO GRANGEL VICENT

Profile

- Ex-Chairman of OMEL (Electricity Market Operator).
- Ex-Director of MIBGAS and MIBGAS Derivatives.
- Member of the Expert Commission on energy transition scenarios.
- Managing Partner of the Department of Public Law and Regulated Sectors of CMS Albiñana & Suárez de Lezo.
- Ex-Director of the Legal Advisory and Ex-Vice-secretary General of REE (2015-2017).
- Former Director of the Cabinet of the Secretary of State for Energy. Ministry of Industry, Energy and Tourism (2012-2015).
- Ex-Member of the Board of Directors of the Strategic Petroleum Products Reserves Corporation (2012-2015).
- Ex-Director of the National Radioactive Waste Company. Ex- Chairman of the Audit and Control Committee. (March 2012-2015).
- Lawyer of the State (2004), having completed the Higher Programme in Energy Law of the Institute of Business (2011).

Name or corporate name of director

MR LUIS GARCÍA DEL RIO

Profile

- Public prosecutor, currently on leave of absence.
- Former Director of internal law assistance of Repsol Butano S.A. and former secretary of its Board (2003-2005).
- Former Director of regulations regarding vice presidency of exploration and production and natural gas of Grupo Repsol (2005-2008).
- Former Director of YPF,S.A. (Independent Director).
- Arbitrator and practising Lawyer (Partner of the firm DRL Abogados corresponding to the professional limited company GARCÍA DEL RÍO & LARRAÑAGA S.L.P).

Name or corporate name of director

MS ISABEL TOCINO BISCAROLASAGA

Profile

- Vice President of Santander Spain.
- Former President of Banco Pastor.
- Independent Director of ENCE.
- Former Spanish Minister for the Environment (1996-2000).
- Former President for Spain and Portugal and former Vice President of Siebel (subsequently acquired by Oracle).
- Former legal adviser to the Nuclear Energy Board (currently CIEMAT).
- Member of the Spanish Royal Academy of Doctors.

Name or corporate name of director

MS ROSA RODRÍGUEZ DÍAZ

Profile

- Doctorate in Economics and Business Administration.
- In her capacity as Tenured Professor of the Department of Financial Economics and Accounting of the University of Las Palmas de Gran Canaria, has financial and accounting knowledge.
- Member of the Board of Directors of Energías Renovables NAVCAN, S.L.
- Member of the Board of Directors of Eólica Las Cabras, S.L.U.
- Former Vice Secretary of Tax Administration and Planning for the government of the Canary Islands.
- Former Vice President of Gran Canaria's Cabildo.
- Former member of the Board of Directors of the collecting company of the City of Las Palmas of Gran Canaria, ERELPA, S.A., (1999-2003).
- Former member of the Board of Directors of EMALSA, S.A. (1999-2003).
- Former President of the autonomous collection agency dependent on the Cabildo de Gran Canaria VALORA GESTIÓN TRIBUTARIA (2003-2007 and 2011-2012).
- Former member of the Board of Directors of SERVICIO INSULAR DE ABASTECIMIENTO DE LECHE, S.A. (SIALSA), (2003-2007).
- Former member of the Board of Directors of the SOCIEDAD DE PROMOCIÓN ECONÓMICA DE GRAN CANARIA (SPEGC), exercising mainly the functions of economic and financial control (2003- 2007) and Vice President (2011-2012).
- Former member of the Board of Directors of the Sociedad de Avales de Canarias S.G.R.-SOGAPYME (2003-2007).
- Former Vice President of the Board of Directors of La Caja de Canarias (2004-2007).
- Former member of the Governing Council of the University of Las Palmas de Gran Canaria and member, among others, of the Economic Commission, (2003-2007).
- Former member of the Commission for the Plenary of Budgets, Economy and Finance of the Parliament of the Canary Islands in its VII Legislature (2007-2010).

Name or corporate name of director

MS PATRICIA URBEZ SANZ

Profile

- Head of Public Sector at Fujitsu Spain. Member of the Executive Committee of Fujitsu Iberia.
- She holds a degree in Telecommunications Engineering from the University of Zaragoza, complemented by several exclusive management programmes: Transformational Leadership Program, ICLD, Fundación CEDE, Spain (2016); Atos Executive GOLD (Talent Development Programme), HEC Paris, France (2014); Masters in Logistics (APICS) - CEL (Spanish Logistics Centre), Spain (2000) and the ESADE Programme for Directors.
- With more than 24 years of professional experience in the world of Information and Communication Technologies (ICT), she has developed her professional career in multinational companies: Accenture (Spain), as Manager (different areas - Banking, Telecommunications, Utilities, Public Sector - and responsibilities). Mercedes Benz (Germany and the Netherlands), as Director of the SAP Logistics Consulting Department in the Daimler Chrysler Solution Center. Atos Origin (Spain) as Consulting Director and Market Director- Public Sector Spain. Atos Corporation (France) as Vice President Head of Public Sector, Health and Transport Vertical Portfolio - Worldwide. Fujitsu Technology Solutions (Spain) where she holds her current position.
- She is a member of the AED (Spanish Association of Directors) and collaborator of the ILCD alumni group.
- She actively participates in media outreach activities, being co-founder of the think-tank #somosmujerestech and author of numerous articles in business communication.

Total number of Independent Directors	8
% of the Board	61.54

List any independent director who receives from the company or group any amount or payment other than standard director remuneration or who maintains or has maintained during the period in question a business relationship with the company or any group company, either in their own name or as a significant shareholder, director or senior manager of an entity which maintains or has maintained the said relationship.

If applicable, include a statement from the board detailing the reasons why the said director may carry on his duties as an independent director.

Name or corporate name of director	Description of the relationship	Motivated statement
MS ANA PALACIO VALLELERSUNDI	Not applicable.	Not applicable.
MR GONZALO SOLANA GONZÁLEZ	Not applicable.	Not applicable.
MR ANTONIO HERNÁNDEZ MANCHA	Not applicable.	Not applicable.
MR IGNACIO GRANGEL VICENTE	Not applicable.	Not applicable.
MR LUIS GARCÍA DEL RIO	Not applicable.	Not applicable.
MS ISABEL TOCINO BISCAROLASAGA	Not applicable.	Not applicable.
MS ROSA RODRÍGUEZ DÍAZ	Not applicable.	Not applicable.
MS PATRICIA URBEZ SANZ	Not applicable.	Not applicable.

Other external directors

Identify all other external directors and explain 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 MARTÍ PARELLADA SABATA

Reasons

- For having been a Director of the Company for a continuous period of more than 12 years. The Board of Directors has adopted the practice of not proposing to the General Shareholders' Meeting the re- election of Independent Directors who have continuously been directors for over 12 years and who would thus lose their status as Independent Directors if re-elected in accordance with Article 529 duodecies. 4 i) of the Consolidated Text of the Corporate Enterprises Act. Nevertheless, according to applicable laws, the Articles of Association and the Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagás, S.A., there is nothing to stop an Independent Director from being re- elected even if he or she has been a Director continuously for over 12 years, if there are sufficient grounds to justify that course of action and the structure of the Board overall continues to fulfil the company's good governance policy which is that most of the members of the Board of Directors have to be Independent Directors. In such case and in accordance with Article 529 duodecies of the Consolidated Text of the Corporate Enterprises Act and Article 9 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagás, the Director cannot be classified as Independent and will instead be included within the category of "other external directors" pursuant to Article 3.2 b3 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors. In the specific case of the Director Mr Martí Parellada Sabata, the Board, with the approval of the Appointments, Remuneration and Corporate Social Responsibility Committee, consists that on the whole there are sufficient grounds, in the company's interests, for him to remain on the Board of Directors of Enagás. His occupation as a Professor of Applied Economics helps the Board of Directors to have an overview of the general background in which the company operates, thereby completing the general skills map of the Board of Directors in different areas of expertise, and from a perspective which for the time being is not covered by other Board members. His professional experience is coupled with his deep knowledge of the business and activities of the Company, to which he adds rigour in the exercise of the position of Director.

Company, executive or shareholder with whom the relationship is maintained

ENAGÁS, S.A.

Profile

- Professor at the University of Barcelona.
- Member of the Governing Council and Chairman of the Standing Committee of the Hospital Clinic of Barcelona.
- Chairman of the Barcelona Economic Institute Foundation.
- Trustee of the Energy and Environmental Sustainability Foundation.

Total number of other external directors	1
% of the Board	7.69

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

Name or corporate name of director	Date of the change	Former category	Actual category
No data			

C.1.4 Complete the following table with information regarding the number of female directors over the last four financial years, and their category:

	Number of female Directors				% of total directors of each category			
	2019	2018	2017	2016	2019	2018	2017	2016
Executive					0.00	0.00	0.00	0.00
Proprietary					0.00	0.00	0.00	0.00
Independent	4	3	3	3	50.00	37.50	37.50	37.50
Other external					0.00	0.00	0.00	0.00
Total	**4**	**3**	**3**	**3**	**30.77**	**23.08**	**23.08**	**23.08**

C.1.5 Indicate whether or not the company has diversity policies in relation to the board of directors of the company with regard to issues such as age, gender, disability, or professional training and experience. Small and medium-sized entities, in accordance with the definition contained in the Accounts Auditing Law, must provide information, at least, on the policy they have established in relation to gender diversity:

Yes ☒ **No** ☐ **Partial policies** ☐

En If the answer is yes, describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results in the financial year. The specific measures adopted by the board of directors and the appointments and remuneration committee to achieve a balanced and diverse mix of directors must also be indicated.

If the company does not apply a diversity policy, explain the reasons why it does not do so.

Description of the policies, objectives, measures and manner in which they have been applied, as well as the results obtained

The Policy for the Selection of Directors, approved by the Board of Directors on September 19, 2016, establishes that in the procedure for the selection of new Directors it should be ensured that the proposals for appointment or re-election promote diversity in the Council, so they should be oriented to a preferential incorporation of women into Council and of persons who, because of their nationality or experience, have an international professional projection, in accordance with the strategy of the Company. The Director appointment or re-election proposals should pursue the goal of having at least 30% of total Board places occupied by female directors by the year 2020.

In addition, the Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagás, S.A. establishes that the Board is responsible for evaluating the report submitted by the Appointments, Remuneration and Corporate Social Responsibility Committee, the quality and efficiency of the Board's operation, in addition to the diversity in its composition and competences.

In turn, in relation to the appointment of the Director, the rules establish that the Board of Directors must ensure that the procedures for selecting its members promote diversity of age, gender, disability, experience and knowledge, that do not suffer from implicit biases that entail any discrimination and, in particular, that facilitate the selection of female directors on the board to guarantee an even balance between men and women.

After the appointments agreed-upon at the 2019 General Shareholders' Meeting, most of the Board members are Independent Directors. Of its thirteen members, nine will be Independent Directors and with four of its board members being women, Enagás has already reached in 2019 the diversity target of at least 30% of its Board of Directors members being women by 2020. Moreover, female directors perform important functions within the Board: Ana Palacio Vallelersundi is Independent Leading Director and Chairwoman of the Appointments, Remuneration and Corporate Social Responsibility Committee, Ms Isabel Tocino Biscarolasaga is Chairwoman of the Audit and Compliance Committee, Ms Rosa Rodriguez Díaz is member of the Audit and Compliance Committee and Ms Patricia Urbez Sanz is member of the Appointments, Remuneration and Corporate Social Responsibility Committee.

Finally, during 2018, the Internal Audit Department conducted a review of the application of diversity and non-discrimination principles in the human management process, which confirmed that an appropriate internal control framework exists.

C.1.6 Explain the measures taken, if applicable, by the appointments committee to ensure that the selection processes are not subject to implicit bias that would make it difficult to select female directors, and whether the company makes a conscious effort to search for female candidates who have the required profile to guarantee an even balance between men and women:

Explanation of measures

In order to select Directors, the Appointments, Remuneration and CSR Committee adheres to the provisions of the Director Selection Policy, approved by the Board of Directors at the request of this Committee on September 19, 2016. In application of this policy, the selection of a new Director takes into account at least the following criteria:

- Suitable professional knowledge and experience; appointments are limited to persons of recognised prestige and who possess knowledge and experience suited to the exercise of their functions.
- Requirements derived from the Hydrocarbons Sector Law: candidates must be able to satisfy the independence requirements demanded by Enagás' appointment as independent manager of the gas transmission network .
- Requirements for Independent Directors: in addition to the previous criteria, which shall be applied to all Directors, regardless of their category, the persons selected in the category of Independent Directors must meet the requirements for independence under the provisions of the applicable law at all times, and the additional conditions for independence, as the case may be, stipulated in the company's internal regulations.
- Commitment to fulfilling the duties and obligations of Directors: proposals for re-election of current members of the Board of Directors shall take into account the commitment demonstrated by the Directors during the year in which they held office, in fulfilling the duty of diligence and the duty of loyalty, and all the regulations to which, in their condition of Directors and, where applicable, as shareholders or high-ranking member of the company, they are subject under the Internal Code of Conduct in Matters Relating to Securities Markets, the Enagás Group Code of Ethics, the Code of Conduct of the Technical Manager of the Spanish Gas System and other laws or procedures derived from their application. Likewise, it will be judged whether their actions in the exercising of their office has been in good faith and in the best company's interest.

The Board of Directors shall ensure that the appointments encourage diversity within the Board, whereby they must focus on preferably incorporating women and people who due to their nationality or experience have an international professional profile, in accordance with the company's strategy. The Director appointment or re-election proposals have been focused on achieving the goal of having at least 30% of total Board places occupied by female directors in 2019.

Enagás Directors selection processes shall at all times take into account any other conditions, where applicable, determined by the company's Appointments, Remuneration and CSR Committee and the applicable laws.

In addition, for the presentation of the proposed candidates, the Appointments, Remuneration and CSR Committee receives support from executive recruitment and development firms of recognised prestige.

When, despite the measures taken, there are few or no female Directors, explain the reasons:

Explanation of reasons

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 Directors. In this regard, Enagás complies with Article 8 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors, which prescribes that selection procedures must be free of any implied bias against female candidates, and that the company shall seek out and include women with the target profile among the candidates for Board places.

At present, FOUR (4) of the THIRTEEN (13) members of the Board of Directors of Enagás are women: MS ROSA RODRÍGUEZ DÍAZ, MS ANA PALACIO VALLELERSUNDI, MS ISABEL TOCINO BISCAROLASAGA and MS PATRICIA URBEZ SANZ. Also, MS ROSA RODRÍGUEZ DÍAZ is a member of the Audit and Compliance Committee, MS PATRICIA URBEZ SANZ is a member of the Appointments, Remuneration and CSR Committee, MS ISABEL TOCINO BISCAROLASAGA chairs the Audit and Compliance Committee and MS ANA PALACIO VALLELERSUNDI is Independent Leading Director and chairs the Appointments, Remuneration and CSR Committee.

C.1.7 Explain the Appointments Committee conclusions on the checks carried out to ensure that the director selection policy is being complied with. Particularly whether the policy pursues the goal of having at least 30% of total board places occupied by female directors before the year 2020:

Policy for the Selection of Directors, approved by the Board of Directors on September 19, 2016, establishes that the Board of Directors should ensure that the proposals for appointment or re-election of Directors promote diversity in the Board, so they should be oriented to a preferential incorporation of women into the Board and of persons who, because of their nationality or experience, have an international professional projection, in accordance with the strategy of the Company. The Director appointment or re-election proposals have been focused on achieving the goal of having at least 30% of total Board places occupied by female directors in 2019.

Enagás Directors selection processes shall at all times take into account any other conditions, where applicable, determined by the company's Appointments, Remuneration and CSR Committee and the applicable laws.

In addition, for the presentation of the proposed candidates, the Appointments, Remuneration and CSR Committee receives support from executive recruitment and development firms of recognised prestige.

The report by the Appointments, Remuneration and CSR Committee of February 22, 2019, justifying the proposed re- election of a Director for the 2019 General Shareholders' Meeting includes the following:

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

As of the date of this report, of the 13 members of the Board of Directors, 4 are women, reaching a percentage of 30.77% of female presence on the Board as referred to in section C.1.4 of this report.

C.1.8 Explain, if applicable, the reasons why proprietary directors have been appointed upon the request of shareholders who hold less than 3% of the share capital::

Name or corporate name of shareholder	Justification
No data	

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:

Yes ☐ No ☒

C.1.9 Specify the powers and faculties delegated by the board of directors to board members or board committees, if any:

Name or corporate name of director or committee

MARCELINO OREJA ARBURÚA

Brief description

Pursuant to the resolution passed by the Board of Directors of Enagás, S.A. on March 22, 2018, MR MARCELINO OREJA ARBURÚA was delegated 34 joint and several powers and 13 joint powers. These powers are those which the Board of Directors considered had to be delegated to the Chief Executive Officer within statutory limits, in accordance with Article 43 of the company's Articles of Association and Article 19 of the Board Regulations. These powers delegated to the Chief Executive Officer, MR MARCELINO OREJA ARBURÚA, by the Enagás' Board of Directors, were granted in the public deed dated April 20, 2018 and executed before the Notary Public of Madrid Mr Francisco Calderón Alvarez as a replacement for his colleague, the Notary Mr Pedro de la Herrán Matorras, and for his files, with number 863 in his notarial archive and is recorded in Volume 33579, Book 0, File 69, Section 8; Sheet M-6113; Entry 827 of the Madrid Companies Registry. Further details on the powers delegated by the Board of Directors are provided in section H) "OTHER INFORMATION OF INTEREST". (EXPLANATORY NOTE ON SECTION C.1.9 of this Report).

C.1.10 List the board members, if any, who hold office as directors, representatives of directors or executives in other companies belonging to the listed company's group:

Name or corporate name of director	Corporate name of the group company	Position	Do they have executive duties?
MR MARCELINO OREJA ARBURÚA	COMPAÑIA TRANSPORTISTA DE GAS CANARIAS, S.A.	REPRESENTATIVE OF SOLE DIRECTOR	YES
MR MARCELINO OREJA ARBURÚA	ENAGAS EMPRENDE, S.L.U.	JOINT DIRECTOR	YES
MR MARCELINO OREJA ARBURÚA	ENAGAS SERVICES SOLUTIONS, S.L.U.	JOINT DIRECTOR	YES
MR MARCELINO OREJA ARBURÚA	ENAGAS TRANSPORTE DEL NORTE, S.L.	CHAIRMAN	YES
MR ANTONIO LLARDÉN CARRATALÁ	ENAGAS GTS, S.A.U.	REPRESENTATIVE OF SOLE DIRECTOR	YES
MR ANTONIO LLARDÉN CARRATALÁ	ENAGAS TRANSPORTE, S.A.U.	REPRESENTATIVE OF SOLE DIRECTOR	YES
MR MARCELINO OREJA ARBURÚA	ENAGAS RENOVABLE, S.L.U.	JOINT DIRECTOR	YES

C.1.11 List any company directors or representatives of legal entity directors, if any, who are also members of the boards of directors or representatives of legal entity directors of other non-group companies that are listed on official securities markets, insofar as these have been disclosed to the company:

Name or corporate name of director	Corporate name of the listed company	Position
MS ANA PALACIO VALLELERSUNDI	PHARMAMAR, S.A.	DIRECTOR
MS ISABEL TOCINO BISCAROLASAGA	ENCE ENERGÍA Y CELULOSA, S.A.	DIRECTOR

C.1.12 Indicate and, where appropriate, explain whether the company has established rules about the maximum number of company boards on which its Directors may sit and indicate where this is regulated, if applicable:

Yes ☒ **No** ☐

Explanation of the rules and identification of the document where it is regulated

Under Article 35 of the Articles of Association the following cannot be Directors or, if applicable, natural person representatives of a legal person Director:

a) Natural or legal persons who hold the post of Director in more than five (5) companies whose shares are admitted to trading on national or foreign markets.
b) Natural or legal persons whose circumstances render them incompatible or prohibited from serving on the board under any of the general provisions in law, including those persons who in any manner have interests that run contrary to those of the Company or its Group

C.1.13 Indicate the amounts of the following items relating to the overall remuneration of the board of directors:

Remuneration accrued in the year by the board of directors (thousands of euros)	6,950
Cumulative amount of rights of current directors in pension scheme (thousands of euros)	3,460
Cumulative amount of rights of former directors in pension scheme (thousands of euros)	

C.1.14 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	Position/s
MR DIEGO ANTONIO VELA LLANES	Technical System General Manager
MS ROSA SANCHEZ BRAVO	Director of Internal Audit
MR CLAUDIO PEDRO RODRÍGUEZ SUÁREZ	Gas Assets General Manager
MR JESÚS LUIS SALDAÑA FERNÁNDEZ	Affiliates & Business Development General Manager
MR JUAN ANDRÉS DÍEZ DE ULZURRUN MORENO	Deputy General Manager
MR FRANCISCO BORJA GARCÍA- ALARCÓN ALTAMIRANO	Financial General Manager
MS FELISA MARTÍN VILLAN	Communication and Public Affairs General Manager
MR RAFAEL PIQUERAS BAUTISTA	General Secretary
MR JAVIER PERERA DE GREGORIO	Human & Corporate Resources General Manager
MS MARÍA SICILIA SALVADORES	Strategy Director
Total remuneration received by senior management (thousands of euros)	**8,013**

C.1.15 Indicate whether any changes have been made to the board regulations during the year:

Yes ☐ **No** ☒

C.1.16 Indicate the procedures for selection, appointment, re-election and removal of directors. List the competent bodies and the processes and criteria to be followed for each of these procedures:

Pursuant to article 8 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagás:

1.- Directors shall be appointed at the General Shareholders' Meeting or by the Board of Directors in conformity with the provisions of the Corporate Enterprises Act and the company's Articles of Association.

2.- Candidates must be persons who, in addition to satisfying the legal and statutory requirements of the post, have recognised prestige and appropriate professional knowledge and experience to perform their duties. The Appointments, Remuneration and Corporate Social Responsibility Committee is responsible for proposing the appointment of Independent Directors. The proposals for the appointment or re-election of Non-Independent Directors which the Board of Directors submits to the General Shareholders' Meeting, as well as appointments adopted by the Board by virtue of its powers of co-option, must be made subject to a report from the Appointments, Remuneration and Corporate Social Responsibility Committee. When the Board of Directors does not agree with the Committee's recommendations, it must explain its reasons and duly record them in the minutes. Proposals shall always be accompanied by a report from the Board justifying the competencies, experience and merits of the proposed candidate. This report shall be attached to the minutes of the General Meeting or of the Board. The foregoing will also be applicable to natural persons appointed as representatives of a legal person Director. The proposal for a natural-person representative must be submitted to the Appointments, Remuneration and Corporate Social Responsibility Committee.

3. The Board of Directors must ensure that the procedures for the selection of its members favour diversity in aspects relating to training and professional experience, age, gender or disability, and that they are not implicitly biased in such a way as to imply any kind of discrimination and, in particular, that they facilitate the selection of female directors in a number that makes it possible to achieve a balanced presence of women and men.

(Continues in section H) OTHER INFORMATION OF INTEREST.- EXPLANATORY NOTE ON SECTION C.1.16)

C.1.17 Explain, if applicable, to what extent the annual evaluation of the board has prompted significant changes in its internal organisation and the procedures applicable to its activities:

Description of amendments

The annual evaluation of the Board has consisted of a self-evaluation that has been carried out through questionnaires and interviews. Board members were asked 22 questions and one open question with the aim of offering the Director the opportunity to provide more direct and personal feedback.

The areas analysed in the Evaluation process were the following:
i) membership and structure of the Board and its Committees,
ii) operation of and debate by the Board and its Committees,
iii) leadership and performance,
iv) personal contribution and alignment of the Board,
v) overall assessment and
vi) free opinion.

The areas analysed in the Evaluation process were the following: i) membership and structure of the Board and its Committees, ii) operation of and debate by the Board and its Committees, iii) leadership and performance, iv) personal contribution and alignment of the Board, iv) overall assessment and v) free opinion.

The evaluation has resulted in a series of strengths and potential areas for improvement. The Directors considered very positively, among other issues, the membership and structure of the Board and Committees given Enagás' circumstances and considering that it usually faces the challenge of seeking greater diversity. They highlighted the level of debate and transparency, inviting members to express their opinion independently, and also indicated that the participation of the management team occurs naturally, helping in the training and subsequent debate of the directors. The directors also have a positive opinion of the training plans, in particular their convenience and programming. The majority of directors believe that the others get involved, participate and ultimately add value to the Board.

Possible areas for improvement include focusing the debate more on the company's new context, or pushing for new products, digitalisation, innovation, start- ups, (strategy), etc. The directors also noted how they are looking for greater agility in the planning of time spent during meetings, for the Audit Committee to strengthen its accounting and auditing knowledge and for the Appointments and Remuneration Committee to adopt a more balanced approach to sustainability.

The company takes into account every year the result of the evaluation of the Board in order to improve its internal functioning, deliberation and decision making.

Describe the evaluation process and the areas evaluated by the board of directors assisted, where applicable, by an external consultant, regarding the operation and membership of the board and its committees and any other area or aspect that has been subject to evaluation.

Description of the evaluation process and areas evaluated

The Board evaluation process began via a resolution by the Appointments, Remuneration and CSR Committee appointing Morrow Sodali as an independent expert, based on its renowned solvency and prestige among international investors, particularly those with shareholdings in Enagás.

Morrow Sodali sent a questionnaire to each Director and conducted interviews with several key Directors, who issued their opinions on a series of questions related to: composition and structure of the Board and its Committees, operation and debate by the Board and its Committees, leadership and performance, personal contribution and alignment of the Board, overall assessment and free opinion

C.1.18 Explain, for those financial years in which the evaluation has been assisted by an external adviser, the business relationship that the adviser or any group company maintains with the company or any group company:

Enagás does not have any direct contractual relationship (nor has had it in recent years) with SODALI other than the independent evaluation of the Board. However, Enagás engages Santander Global Corporate Banking for a variety of services related to its General Shareholders' Meeting which, in turn, includes certain services that this firm contracts with SODALI regarding advisory on the relations with international investors and proxy advisers.

C.1.19 Indicate the cases in which Directors must resign:

In accordance with the Good Governance recommendations, Articles 12.2 and 12.4 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagás stipulate that:

12.2.- 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 affected by instances of incompatibility or prohibitions laid down in Law, the Articles of Association, and in these Regulations.
b)When they are in serious breach of their obligations as Directors.
c) When they may put the interests of the company at risk or damage its credibility and reputation. Once a Director is indicted or tried for any of the crimes stated in Article 213 of the Corporate Enterprises Act, the Board shall examine the matter and, in view of the particular circumstances, 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 exists.
e) When Independent Directors cease to meet the conditions required 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.

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

When a Director gives up his place before his tenure expires, through resignation or otherwise, they shall state their reasons in a letter to be sent to all members of the Board of Directors. 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.

12.4 - After a Director has been removed from their post, they may not work for a competitor company for a period of two years, unless the Board of Directors exempts them from this obligation or shortens its duration.

C.1.20 Are qualified majorities other than those prescribed by law required for any type of decision?:

Yes ☐ **No** ☒

If applicable, describe the differences.

C.1.21 Indicate whether there are any specific requirements other than those relating to the Directors, to be appointed chairman of the board of directors:

Yes ☐ **No** ☒

C.1.22 Indicate whether the articles of association or the board regulations set any age limit for directors:

Yes ☐ **No** ☒

C.1.23 Indicate whether the articles of association or the board regulations set a limited term of office or other stricter requirements for independent directors different to the one established in the regulations:

Yes ☒ **No** ☐

Additional requirements and / or maximum number of years in office

12

C.1.24 Indicate whether the articles of association or board regulations stipulate specific rules on appointing a proxy to the board of directors, the procedures thereof and, in particular, the maximum number of proxy appointments a director may hold. Also indicate whether there are any restrictions as to what categories may be appointed as a proxy other than those stipulated by law. If so, give brief details:

According to Article 39 of the Consolidated Text of the Articles of Association, the Board of Directors shall be validly constituted when one half of the membership plus one member are in attendance or represented at it. The Directors must attend the meetings of the Board in person. Without prejudice to the foregoing, Directors may grant a proxy to another Director. Non-Executive Directors may only grant a proxy to other Non-Executive Director.

In addition, according to Article 7.3 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors, Directors must attend the meetings in person. Without prejudice to the foregoing, Directors must grant a proxy to another Director. Non-Executive Directors may only grant a proxy to other Non-Executive Director. Proxies for the representation of absent Directors may be granted by any means, with a telegram, facsimile or email addressed to the Chairman or Secretary of the Board being valid.

C.1.25 Indicate the number of board of directors meetings held during the year. Indicate, where appropriate, how many times the board has met without the chairman's attendance. Attendance will also include proxies appointed with specific instructions.

Number of Board meetings	13
Number of board meetings held without the chairman's attendance	0

Indicate the number of meetings held by the leading director with the rest of the directors, without the assistance or representation of any executive director:

Number of meetings	2

Indicate the number of meetings of the various board committees held during the year:

Number of meetings of the AUDIT AND COMPLIANCE COMMITTEE	8
Number of meetings of the APPOINTMENTS, REMUNERATION AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE	15

C.1.26 Indicate the number of board meetings held during the year and details of members in attendance:

Number of meetings with physical attendance of at least 80% of board members	13
% of physical attendance as a total of the votes cast during the year	100.00
Number of meetings with physical attendance or proxies appointed with specific instructions from all the directors	13
% of votes cast with physical attendance and representations with specific instructions out of total votes during the year	100.00

C.1.27 Indicate whether the consolidated and individual annual accounts submitted for authorisation for issue by the board are certified previously:

Yes ☒ **No** ☐

Identify, where applicable, the person(s) who certified the company's individual and consolidated annual accounts prior for their authorisation for issue by the board:

Name	Position
MR FRANCISCO BORJA GARCÍA- ALARCÓN ALTAMIRANO	FINANCIAL GENERAL MANAGER
MR ANTONIO LLARDÉN CARRATALÁ	CHAIRMAN

C.1.28 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 shall see to it that the Annual Accounts and the Management Report provide a true and fair view of the Company's equity, financial position and results of operations, in accordance with the law.

The Board of Directors shall ensure that the Annual Accounts are presented in such a way that there are no grounds for qualifications by the company's Accounts Auditor, by taking into account all comments or recommendations that the Audit and Compliance Committee may have made previously in its report.

As a committee delegated by the Board, the Audit and Compliance Committee is assigned certain competences that are effective mechanisms to prevent that the Annual Accounts compiled are presented to the General Shareholders' Meeting with qualifications in the audit report, according to Article 8 of its Regulations:

a) Overseeing the preparation and presentation of financial information on the Company and its Group, and checking compliance with regulatory requirements, the due definition of the consolidation scope and correct application of accounting principles, and, especially, to understand and monitor the efficiency of the Internal Control over Financial Reporting system (ICFR).
b) Examining the information on activities and results of the Company which is prepared and published periodically in accordance with the prevailing regulations relating to the securities markets, seeking to ensure transparency and exactness in the information.
c) Reporting to the Board of Directors on recommendations or comments it deems necessary on the application of accounting criteria, internal control systems and any other relevant matter, and in particular, to present recommendations or proposals to the Board of Directors aimed at safeguarding the integrity of the financial information.

d) Informing the Board of Directors on the Annual Accounts prior to their preparation, as well as on financial information which the Company must periodically disclose publicly.
e) Ensure that the Board of Directors can present the accounts to the General Shareholders Meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the Chairman of the Committee and the auditors should give a clear account to shareholders of their scope and content.
f) The Board of Directors must explain properly any departure from the Audit and Compliance Committee's prior Report in the Annual Accounts finally authorised for issue.
g) Assessing any proposals made by senior managers regarding changes in accounting practices.

During the financial year, the Audit and Compliance Committee shall meet quarterly with the auditor in order to obtain their conclusions regarding the quarterly revision prior to the publication of results. Likewise, the Interim Condensed Consolidated Financial Statements are subject to a limited revision by the Accounts Auditor with the issuance of the corresponding report.

The competences of the Audit and Compliance Committee are designed to minimise the impact of any accounting aspect that becomes evident throughout the financial year, and allows the members of the Board of Directors and the Audit and Compliance Committee to be kept up to date on the most relevant aspects of the audit throughout the year.

C.1.29 Is the secretary of the board also a director?

Yes ☐ **No** ☒

Complete if the Secretary is not also a Director:

Name or corporate name of the secretary	Representative
MR RAFAEL PIQUERAS BAUTISTA	

C.1.30 Indicate the specific mechanisms established by the company to safeguard the independence of the external auditors, as well as any mechanisms to safeguard the independence of financial analysts, investment banks and rating agencies, including how the legal provisions have been implemented in practice:

The Enagás Code of Ethics serves as a code of conduct for all employees in their professional activities and in relation to all the company's stakeholders. Enagás has the necessary procedures to ensure due diligence in the issues related to this area, as well as an Ethical Compliance Committee, which is a collegiate body to which the Audit and Control Committee delegates management of the notifications and consultations concerning this matter.

Compliance with the Code of Ethics is mandatory for all employees, managers and directors of Enagás, as well as its suppliers, contractors and collaborators or business partners in their respective areas of relationship with the Company. Affiliates have an ethics and compliance model that is appropriate for the environment they operate in.

The Enagás Audit and Compliance Committee, in accordance with the provisions of Article 8 of its Regulations, shall safeguard the independence of the External Auditor; for this purpose, it will perform the following functions:

a) Regularly gather information from the external auditors on the auditing plan and its implementation, in addition to preserving their independence in the exercise of their duties.
b) Liaise with the external auditors to obtain information on any issues that could compromise the latter's independence. Specifically, the discrepancies that may arise between the auditor of accounts and Company management, for review by the Committee, and any other discrepancies relating to the audit process, as well as the possible safeguard measures to be adopted, discussing the significant weaknesses detected in internal control with the auditor of accounts, and never jeopardising the independence of the audit, concluding on the level of confidence and reliability of the system.
c) Receive those other communications provided for in audit legislation and audit standards.
d) Proceed with the authorisation of services other than those prohibited, in accordance with prevailing regulations.
e) Ensure that the Company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and, in general, other requirements concerning auditor independence.
f) Ensure that the fees of the external auditor do not threaten their quality and independence, and are not based on any form of contingency, as well as establish an indicative limit on the fees that the auditor may receive annually for non-audit services.
g) In the event of resignation of the accounts auditor, the Committee should investigate the issues giving rise to the resignation.
h) Receiving the annual statement from the external auditors on their independence with respect to the Enagás Group (included in the delivery of the supplementary report) or entities directly or indirectly related to it, in addition to detailed and individual information on additional services of any kind rendered to these entities by the external auditor or by persons or entities related to it, in conformity with audit regulations.
i) Issuing an annual report, prior to the issue of the audit report, giving an opinion on whether the independence of the auditors is compromised. This report shall include in all cases a reasoned assessment of each additional service rendered, as referred to in the previous section, that could comprise the independence of the accounts auditor, considered separately and in their totality, other than statutory audits and how they relate to the requirement of independence or to the audit regulations and shall be published on the website of the Company sufficiently in advance of the date of the Ordinary General Shareholders' Meeting.
j) Establishing a maximum term of auditor engagement, ensuring a gradual rotation with the main audit partners.

Likewise, the Internal Audit Code of Ethics includes the principles and rules of conduct relevant to the profession and practice of internal audit; they are mandatory for internal auditors and for those professionals performing internal audit, consulting and/or services, consulting and/or advisory services (outsourcing) to the Internal Audit function, through the annual signing of a declaration confirming that they have read, understand and comply with the Code.

During 2019 the Committee reviewed and approved all the services provided by the external auditor, to check that they complied with the requirements established in the Regulations of the Audit and Compliance Committee and the Accounts Auditing Law 22/2015.

With regard to the mechanisms introduced to preserve the independence of financial analysts, investment banks and ratings agencies, we should mention that Enagás regulates the framework for its relations with shareholders, analysts, investors and proxy advisors through its Communication Policy and contacts with shareholders, institutional investors and proxy advisors of Enagás. Specifically, this policy is based on the principles of good governance and corporate values such as: information transparency, continuity, accessibility and immediacy, promoting the trust of shareholders, protecting their rights and promoting their participation, equal treatment and non-discrimination and compliance with prevailing legislation, etc.

In line with Enagás' Corporate Governance System, the Board of Directors has put in place systems allowing for regular information exchange with shareholders on topics such as investment strategy, assessment of performance figures, the composition of the Board of Directors and management efficiency. Under no circumstances can this information create situations of privilege or attribute special advantages with regard to the other shareholders. In addition, within the scope of its activities the Finance Department provides investment banks with the information they need.

To this end, Enagás has an Investor Relations Area, to permanently deal with enquiries or suggestions from analysts and institutional investors, professionals or qualified persons, rating agencies, bondholders, as well as those from socially responsible investors (SRI), by providing a telephone number and email address for this purpose. Shareholders, investors and analysts can avail themselves of full and updated information via the following channels: the Investor Relations Department and the Shareholder Information Office.

As stipulated in Article 5 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagás, the Board 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.

Finally, Article 8 of the Regulations of the Audit and Compliance Committee of Enagás, establishes that this Committee is responsible for assessing compliance with the Internal Code of Conduct in matters relating to securities markets, the company's governance regulations in general, and making the proposals necessary for their improvement. In fulfilling this duty, the Audit and Compliance Committee liaises with the Appointments, Remuneration and Corporate Social Responsibility in considering company Directors' and managers' compliance with the Code.

It also assists with drafting the Annual Corporate Governance Report, especially in areas concerning transparency of information and conflicts of interests.

C.1.31 Indicate whether the company has changed its external audit firm during the year. If so, identify the incoming audit firm and the outgoing auditor:

Yes ☐ No ☒

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

Yes ☐ No ☒

C.1.32 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 ☒ No ☐

	Company	Group companies	Total
Amount of non-audit work (thousands of euros)	353	0	353
Amount of non-audit work / Amount of audit work (%)	34.00	0,00	23.00

C.1.33 Indicate whether the audit report on the previous year's annual accounts is qualified or includes reservations. If applicable, indicate the reasons given to the shareholders in the General Meeting by the Chairman of the Audit Committee to explain the content and scope of those reservations or qualifications:

Yes ☐ No ☒

C.1.34 Indicate the number of financial years during which the current audit firm has been auditing the individual and/or consolidated annual accounts of the company and/or its group without interruption. Likewise, indicate for how many years the current firm has been auditing the annual accounts as a percentage of the total number of years over which the annual accounts have been audited:

	Individual	Consolidated
Number of consecutive years	4	4

	Individual	Consolidated
No. of years audited by current audit firm / No. of years the company or its group have been audited (%)	9.00	9.00

C.1.35 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 ☒ No ☐

Details of procedure

Article 6 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors establishes that:

1.- The Board of Directors shall meet at least once every two months and, in any case eight times a year, and on the motion of the Chairman, whenever the Chairman deems it fit for the proper running of the Company. A call must be issued when so requested by a majority of the Directors, as set forth in Article 39 of the Articles of Association.
Directors who represent at least one third of the members of the Board of Directors may call the meeting, stating its agenda, to be held in the locality where the registered office is located, if they have requested the Chairman to convene the meeting, and the meeting has not been called within one month without reasonable cause.
Except in cases of where the Board is constituted or convened exceptionally on account of urgent circumstances, the Directors must have the necessary information at their disposal sufficiently in advance to be able to deliberate and adopt resolutions on the business to be transacted. To this end, the Agenda of the meetings shall clearly indicate those points on which the Board of Directors must take a decision or resolution. The Chairman of the Board of Directors, in collaboration with the Secretary, must ensure that this obligation to provide information is fulfilled.
In those cases in which, exceptionally, for reasons of urgency, the Chairman wishes to submit to the approval of the Board decisions or resolutions not appearing in the Agenda, this shall require the express prior consent of the majority of the Directors present at the meeting, which will be duly recorded in the minutes.
Ordinary meetings of the Board shall transact general business relating to the Group's performance, earnings, balance sheet, investments, the company's cash position and how it compares to the adopted budget, the business referred to in Article 5, if applicable, and the business listed on the agenda, to be drawn up pursuant to these Board Regulations.
At these regular meetings the Board shall receive timely information about the movements of the shareholders and of the opinion that significant shareholders, investors and rating agencies have on the Company and its Group. Similarly, the Board of Directors shall receive timely information on the main operational achievements and difficulties and any foreseeable circumstances which may prove critical for the company's affairs, and shall consider the course of action proposed by company management in response.

2.- Notices convening ordinary sessions shall be issued by the Chairman or the Secretary, or by the Vice Chairman on order of the Chairman, may be effected by any channel, and shall specify the meeting venue and agenda. The Chairman shall call the Board to meet when so requested by the Independent Leading Director in accordance with Article 18 of these Board Regulations.
The notice of meeting, which other than in exceptional circumstances shall be issued at least three 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. Directors shall further be furnished with the minutes of the previous meeting, whether or not such minutes have been adopted. 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 their view ought to be addressed by the Board.
The Board shall be properly constituted without need of prior notice if, all Directors being present in person or by proxy, the Directors unanimously consent to the holding of the meeting.

3. The meetings of the Board of Directors shall normally be held at the registered office, but may also be held in any other place determined by the Chairman and indicated in the notice of meeting, and by any means determined by the Chairman in accordance with the provisions of Article 39 of the Company's Articles of Association.

C.1.36 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 ☒ **No** ☐

Detail the rules

Pursuant to Good Governance recommendations, Article 12 of the Regulations of the Organisation and Functioning of the Board of Directors establishes that Directors must place their offices at the Board of Directors' disposal, and tender their resignation, if the Board deems fit, when, inter alia, they may put the interests of the Company at risk or damage its credibility and reputation. If a Director is indicted or tried for any of the crimes stated in Article 213 of the Corporate Enterprises Act, the Board shall examine the matter as promptly as possible and, in view of the particular circumstances, decide whether or not the Director shall be called on to resign.
When a Director gives up his place before his tenure expires, through resignation or otherwise, they shall state their reasons in a letter to be sent to all members of the Board of Directors. 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.

.

C.1.37 Indicate whether any member of the board of directors has notified the company that they have been indicted or tried for any of the offences stated in Article 213 of the Corporate Enterprises Act:

Yes ☐ **No** ☒

C.1.38 List the significant agreements entered into by the company which come into force, are amended or terminate in the event of a change of control of the company due to a takeover bid, and their effects:

Enagás does not have such significant agreements.

C.1.39 Identiy , individually when referring to directors, and in aggregate form in other cases and provide detailed information on agreements between the company and its directors, executives and employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of operation:

Number of beneficiaries	11
Type of beneficiary	**Description of the agreement**
Executive Chairman, Chief Executive Officer and Senior Management Executive Chairman, Chief Executive Officer and Senior Management	The company has an agreement with the Executive Chairman, the Chief Executive Officer and NINE (9) of its executives that include express severance pay clauses. The clauses in each case are applicable in cases of company termination of the contract, unfair disciplinary dismissal, dismissal for the reasons outlined under Article 52 of the Workers' Statute or as decided by the director citing one of the reasons outlined under Article 50 of the Workers' Statute provided the resolution is certified by means of conciliation between the parties, court judgement, arbitration award, or resolution by a competent administrative body. They are not applicable if the resolution is the result of a unilateral decision made by the Director without just cause. The termination benefits to which the Executive Chairman and Chief Executive Officer are entitled are equivalent to two years of their fixed and variable remuneration. The termination benefits to which the NINE (9) Directors are entitled depend on their length of service at the company and their age. All such contracts have been approved by the Board of Directors.

Indicate whether, other than in the cases provided for in law, these agreements must be reported to and/or authorised by the governing bodies of the company or its group. If they must, specify the procedures, assumptions provided and the nature of the bodies responsible for their approval or making the communication:

	Board of Directors	General Shareholders' Meeting
Body authorising clauses	√	

	Yes	No
Is the General Shareholders' Meeting informed of such clauses?	√	

C.2. Board committees

C.2.1 Give details of all the board committees, their members and the proportion of proprietary directors, independent directors and other external:

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Category
MR LUIS GARCÍA DEL RÍO	MEMBER	Independent
MS ISABEL TOCINO BISCAROLASAGA	CHAIRWOMAN	Independent
MR MARTÍ PARELLADA SABATA	MEMBER	Other External
MS ROSA RODRÍGUEZ DÍAZ	MEMBER	Independent
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	MEMBER	Proprietary

% of executive directors	0.00
% of proprietary directors	20.00
% of independent directors	60.00
% of other external directors	20.00

Explain the functions, including, where appropriate, those additional to those legally provided, assigned to this body, and describe the procedures and rules of organisation and operation thereof. For each of these roles, indicate the most important actions during the year and how they have exercised in practice each of the functions attributed to them, whether in the law or in the articles of association or other corporate agreements.

The Audit and Compliance Committee is governed by applicable legislation, the Consolidated Text of the Articles of Association and the Rules and Regulations of the Organisation and Functioning of the Board of Directors, the latest amendment of which was approved by the Board of Directors on December 16, 2019, and the Regulations of the Audit and Compliance Committee, the latest amendment of which was approved by the Board of Directors on December 16, 2019.

This Committee comprises five (5) members, which is within the limits established in Article 44 of the Consolidated Text of the Articles of Association, Article 26 of the Board Regulations, and Article 3 of the Audit and Compliance Committee Regulations, which set a minimum of three (3) and maximum of five (5) members, appointed by the Board of Directors based, in particular, on their knowledge and experience on accounting, auditing and risk management. Overall, the members of the Audit and Compliance Committee shall have the pertinent technical knowledge of the gas industry.

No Executive Director may sit on the Audit and Compliance Committee and the majority of its members must be independent. Three (3) of the Committee's members are independent and we highlight that the President of the Committee, MS ISABEL TOCINO BISCAROLASAGA, is independent and only one (1) member, SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI) is a Proprietary Director. MR MARTÍ PARELLADA SABATA, External Director, was appointed by the Board of Directors of Enagás based on his knowledge and experience on accounting, auditing or both, as provided for in Articles 44 of the Consolidated Text of the Articles of Association and 26 of the Rules and Regulations for the Organisation and Functioning of the Board of Directors.

According to Article 4 of the Audit and Compliance Committee Regulations, the Committee Chairperson shall be selected from among the Independent Directors by the Board of Directors, and shall not have a casting vote.

As established in Article 5 of the Committee Regulations, the term of a Committee member shall be the same as the term of office for a Director. A member of the Audit and Compliance Committee shall vacate that office if he loses his status as Director of the Company or if so decided by the Board of Directors. The foregoing notwithstanding the Committee Chairperson shall be replaced every four (4) years. A former Chairperson may be re-elected after the lapse of one year from his vacating office. The foregoing shall be without prejudice to an outgoing Chairperson 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 6 of the Committee Regulations, will be approved as established in the Articles of Association and the Board Regulations for the setting of remuneration to Directors, subject to the same requirements of public disclosure.

In the exercise of his office, a member of this Committee shall, according to Article 7 of the Committee regulations, be under the same duties and subject to the same principles of action as those prescribed for Directors in the Articles of Association, the Board Regulations and current legislation.

In keeping with Article 9 of the Committee Regulations, this Committee must meet at least four (4) times a year and the Chairperson shall call as many further meetings as they believe are required for the Committee to discharge its duties. In 2019, this Committee met 8 (eight) times. Each Committee meeting shall be reported at the first subsequent meeting of the Board in full. Any company employee or executive of the Company deemed relevant may be called to attend the Committee meetings, even ordering their appearance without the presence of another executive. In addition, according to Article 13, a copy of the minutes of Committee proceedings shall be sent to every Director.

The chief purposes of the Committee, according to Article 8, are to see to the proper operation of internal control, internal audit, risk management systems and the process of preparing and presenting the mandatory financial information, to formulate proposals for selecting, appointing, re-electing and replacing the external auditor, as well as to ensure their independence, to safeguard the transparency of information and to ensure compliance with the internal Code of Conduct and the legislation in force, and to report to the General Meeting in the area of their competence.

To achieve these objectives, the Audit and Compliance Committee, in addition to the functions established by law for this Committee, shall carry out those detailed in Appendix I (Explanatory notes) to this Report.

Identifiy the directors who are members of the audit committee who have been appointed on the basis of their knowledge and experience of accounting or auditing, or both and state the date of the appointment of the chairperson of this committee to that role.

Names of directors with experience	MR MARTÍ PARELLADA SABATA
Date of the appointment of the chairperson to that role	19/06/2017

APPOINTMENTS, REMUNERATION AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Name	Position	Category
MS ANA PALACIO VALLELERSUNDI	CHAIRWOMAN	Independent
MR GONZALO SOLANA GONZÁLEZ	MEMBER	Independent
MR ANTONIO HERNÁNDEZ MANCHA	MEMBER	Independent
MR SANTIAGO FERRER COSTA	MEMBER	Proprietary
MR IGNACIO GRANGEL VICENTE	MEMBER	Independent
MS PATRICIA URBEZ SANZ	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	16.67
% of independent directors	83.33
% of other external directors	0.00

Explain the functions, including, where appropriate, those additional to those legally provided, assigned to this body, and describe the procedures and rules of organisation and operation thereof. For each of these roles, indicate the most important actions during the year and how they have exercised in practice each of the functions attributed to them, whether in the law or in the articles of association or other corporate agreements.

The Appointments, Remuneration and Corporate Social Responsibility Committee is governed by applicable legislation, the Consolidated Text of the Articles of Association and the Rules and Regulations of the Organisation and Functioning of the Board of Directors, the latest amendment of which was approved by the Board of Directors on December 16, 2019, and the Regulations of the Appointments, Remuneration and Corporate Social Responsibility Committee, the latest amendment of which was approved by the Board of Directors on December 16, 2019.

The Appointments, Remunerations and Corporate Social Responsibility Committee is composed of six (6) Directors, appointed by the Board of Directors, which is within the limits established in Article 45 of the Consolidated Text of the Articles of Associations, Article 25 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors and Article 3 of the Regulations of the Appointments, Remuneration and Corporate Social Responsibility Committee, which set a minimum of three (3) and a maximum of six (6) Directors. It consists of six (6) Directors, of which five (5) are Independent Directors, including the Chairwoman, one (1) is a Proprietary Director.

Article 3 of the Regulations of the Appointments, Remuneration and Corporate Social Responsibility Committee sets out that Directors who are members of this Committee shall be appointed by the Board of Directors, ensuring that they have knowledge and experience in areas such as human resources, selection of Directors and Executives, design of remuneration policies and plans, corporate governance and corporate social responsibility and sustainability.

The Appointments, Remuneration and Corporate Social Responsibility Committee must comprise a majority of independent directors and Executive Directors cannot sit on this committee. In addition, gender diversity and other diversity criteria of its members must be encouraged.

As set out in Article 4 of the Regulations of the Appointments, Remuneration and Corporate Social Responsibility Committee, the Board of Directors shall elect the Chairman of the Committee from among the Independent Directors of the Committee. The Chairman shall not have a casting vote.

As established in Article 5 of the Regulations of the Appointments, Remuneration and Corporate Social Responsibility Committee, the term of a Committee member shall be the same as the term of office for a Director. Members of the Appointments, Remuneration and Corporate Social Responsibility Committee shall vacate that office if they lose their status as Director of the Company or if so decided by the Board of Directors.

The remuneration of Committee members, as provided for in Article 6 of the Committee Regulations, will be approved as established in the Articles of Association and the Board Regulations for the setting of remuneration to Directors, subject to the same requirements of public disclosure.

In the exercise of their office, a member of this Committee shall, according to Article 7 of the Committee regulations, be under the same duties and subject to the same principles of action as those prescribed for Directors in the Articles of Association, the Board Regulations and current legislation.

Pursuant to Article 9 of the Regulations of the Appointments, Remuneration and Corporate Social Responsibility Committee, the Appointments, Remuneration and Corporate Social Responsibility Committee must meet at least four (4) times a year. In 2019, the Enagás Committee met fifteen (15) times.

In addition, meetings shall be called by its Chairperson. The Committee may seek advice both internally and externally and request the attendance of senior management personnel of the Company and its Group, as deemed necessary in the execution of its duties. Each Committee meeting shall be reported at the first subsequent meeting of the full Board, and a copy of the minutes of the Committee proceedings shall be sent to every Director.

Pursuant to Article 8 of its Regulations, the basic objectives of the Committee are to select Directors, Senior Management and positions on the Board of Directors, to ensure the appropriate composition of the Board, to examine and organise the succession of the Chairman of the Board and the Chief Executive Officer, to evaluate the Board and its Committees, to propose and monitor the remuneration policy, the contractual conditions of the Directors and senior management and to ensure the application of good practices in the area of corporate social responsibility and good corporate governance.

The duties of the Appointments, Remuneration and Corporate Social Responsibility Committee are set out in Article 45 of the Consolidated Text of the Articles of Association and expanded in Article 25 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors and Article 8 of the Regulations of the Appointments, Remuneration and Corporate Social Responsibility Committee. For more information see Appendix I ("Explanatory notes") to this Report

C.2.2 Complete the following table on the number of female directors on the various board committees at the closure of the past four years:

	Number of female Directors							
	2019		2018		2017		2016	
	Number	%	Number	%	Number	%	Number	%
AUDIT AND COMPLIANCE COMMITTEE	2	40.00	2	40.00	2	40.00	1	20,00
APPOINTMENTS, REMUNERATION AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE	2	33.33	1	16.67	1	16.67	2	33.33

C.2.3 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. In addition, indicate whether on a voluntary basis any of the board committees has produced an activity report:

The Regulations of the Audit and Compliance Committee are available for consultation at the registered office of Enagás and on its website at (www.enagas.es or www.enagas.com). The latest modification to the aforementioned regulations was approved by the Board of Directors of Enagás, S.A. at its meeting on December 16, 2019 in order to adapt it to Technical Guide 3/2017 on Audit Committees at public-interest entities and the recommendations of the Good Governance Code. The Appointments, Remuneration and CSR Committee prepared a report on the Audit and Compliance Committee's activities in 2019, which will be published on the website sufficiently in advance of the General Shareholders' Meeting and is included in this Report in Appendix II.

The Regulations of the Appointments, Remuneration and Corporate Social Responsibility Committee are available for consultation at the registered office of Enagás and on its website at (www.enagas.es or www.enagas.com). The Regulations were approved by the Board of Directors of Enagás, S.A. at its meeting on December 16, 2019. The Appointments, Remuneration and Corporate Responsibility Committee prepared a report on the activities of the Appointments, Remuneration and Corporate Responsibility Committee in 2019, which will be published on the website sufficiently in advance of the General Shareholders' Meeting.

D. Related-Party And Intragroup Transactions

D.1. Explain, if applicable, the procedures and authorized bodies for approving related party or intragroup transactions:

Pursuant to Article 14 bis of the Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagás S.A.:

1.- It will be the responsibility of the Board of Directors to identify and approve, pursuant to a report from the Audit and Compliance Committee, transactions carried out by the Company or the companies in its Group with Directors under the terms set forth in Articles 229 and 230 of the Corporate Enterprises Act, or with shareholders who, individually or in conjunction with others, hold a significant stake, including shareholders represented on the Company's Board of Directors or the boards of other companies belonging to the Group or with persons associated with them. The affected Directors or those who represent or are related to the affected shareholders must refrain from participating in deliberating and voting on the resolution in question.
The aforementioned transactions shall be assessed from the point of view of equal treatment and on an arm's length basis, and shall be disclosed in the annual corporate governance report and in the company's regular public reporting as provided in applicable laws and regulations.

2.- The approval provided in the previous paragraph shall not be required, however, for transactions that simultaneously comply with the following three conditions:
(a) that are governed by standard form contracts applied on an across-the-board basis to a large number of customers;
(b) they go through at market prices, generally set by the person supplying the goods or services; and
(c) their amount does not exceed 1% of the Company's annual revenue.

3.- If the conditions provided in the paragraph above are met, the affected parties shall not be under a duty to report said transactions.

4.- In the event of duly documented urgent reasons, related party transactions may be authorised, as applicable, by delegated bodies and persons, who must be ratified at the first meeting of the Board of Directors held after the decision is adopted.

D.2. List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's significant shareholders:

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 of euros)
BANK OF AMERICA CORPORATION	ENAGAS, SA.	Corporate	Dividends and other benefits paid	13,442
BLACKROCK INC	ENAGAS, SA.	Corporate	Dividends and other benefits paid	12,587
STATE STREET CORPORATION	ENAGAS, SA.	Corporate	Dividends and other benefits paid	11,187
NORGES BANK	ENAGAS, SA.	Corporate	Dividends and other benefits paid	10,741

D.3. DList any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's managers or directors:

Name or corporate name of manager or director	Name or corporate name of related party	Relationship	Type of transaction	Amount (in thousands of euros)
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	ENAGAS, SA.	Director	Dividends and other benefits paid	18,597

D.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.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens:

Corporate name of the group entity	Brief description of the transaction	Amount (in thousands of euros)
Gasoducto de Morelos, S.A.P.I de C.V.	Financial revenue on the loan	1,376
Estación de Compresión Soto de la Marina, S.A.P.I. de C.V.	Financial revenue on the loan	2,559
TRANS ADRIATIC PIPELINE AG	Financial revenue on the loan	19
PLANTA DE REGASIFICACIÓN DE SAGUNTO, S.A. (SAGGAS)	Financial revenue on the loan	271
GASODUCTO DE MORELOS SAPI DE CV	Guarantees and sureties extended	8,909
Estación de Compresión Soto de la Marina, S.A.P.I. de C.V.	Guarantees and sureties extended	8,013
TRANS ADRIATIC PIPELINE AG	Guarantees and sureties extended	522,952
TRANS ADRIATIC PIPELINE AG	Investment commitments acquired	20,924
GAS TO MOVE TRANSPORT SOLUTIONS, S.L.	Financial revenue on the loan	17
TALLGRASS ENERGY LP	Investment commitments acquired	745,050

D.5. State any significant transactions carried out between the company or entities of its group and with other related parties that have not been reported in previous sections:

Corporate name of related party	Brief description of the transaction	Amount (in thousands of euros)
No data		N.A

D.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:

Article 13 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors states that Directors shall perform their positions with the loyalty of a reliable representative, acting in good faith and in the best interest of the Company. In particular, the duty of loyalty requires that Directors:

[...]

c) Refrain from participating in deliberating and voting on resolutions or decisions in which they or a related person have a direct or indirect conflict of interests. Resolutions or decisions that affect them in their capacity as Director, such as their appointment to or removal from posts on the governing body or others of a similar nature, will be excluded from the preceding obligation.
d) Perform their functions according to the principle of personal responsibility with freedom of judgement or judgement and independence relating to instructions from and links with third parties.
e) Adopt the measures required to avoid becoming involved in situations in which their interests, either for their own personal reasons or those of another party, may conflict with the Company's interest or with their duties with the Company.

In particular, the obligation to avoid conflicts of interest referred to in the preceding paragraph requires that Directors refrain from:
a) Conducting transactions with the Company, except for routine transactions carried out under standard conditions for the customers and having little import, which are understood to be those that are not required to be reported in order to express a true and fair view of the equity, the financial position and results of the entity.
b) Using the name of the Company or invoking their position as director to improperly influence the conducting of private transactions.
c) Using the corporate assets, including the company's confidential information, for private purposes.
d) Taking advantage of the company's business opportunities.
e) Obtaining benefits and remunerations from third parties other than the Company and its Group associated with the performance of their duties, except for acts of mere courtesy.
f) Conducting activities for themselves or for another party that, actually or potentially, entail effective competition with the company or that, in any other manner, place them in permanent conflict with the Company's interests.

The above provisions will also be applicable if the beneficiary of prohibited acts or activities is a person related to the Director.

In any event, Directors must inform the other Directors and the Board of Directors of any direct or indirect situation of conflict that they or persons related to them may have with the company's interests. Direct and indirect conflicts of interest affecting Directors shall be disclosed in the Annual Report.

In addition, concerning transactions 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 in a draft form to the Board of Directors for authorisation prior to their execution, following the relevant report from the Appointments, Remuneration and CSR Committee, and assess whether they satisfy market criteria.

With regard to possible conflicts of interest, all those described as being subject to this Internal Code of Conduct must:
- Notify the Board of Directors, through the Secretary, of any possible conflicts of interest to which they may be subject due to family relationships, their personal assets and liabilities or any other reason. Communications must be made within fifteen (15) days 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 Company.

The Audit and Compliance Committee is the body responsible for regulating and resolving any conflicts of interest that may arise and, pursuant to Article 26 of the Board Regulations, 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 Internal Code of Conduct regarding the securities market.
b) To report to the Board of Directors on any related party transactions before authorisation thereof. Under no circumstances shall the Board of Directors authorise any transaction which has not been issued a favourable report from the Appointments, Remuneration and CSR Committee as outlined in Article 14 bis of the Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagás, S.A., except for those transactions which meet the three conditions stipulated in Article 14 bis.
c) To report to the Board of Directors on measures to be taken in the event of breach of these regulations of the Internal Code of Conduct on matters relating to the securities markets on the part of Directors or other persons subject to those regulations. In performing this duty, the Appointments, Remuneration and CSR Committee shall work in coordination with the Audit and Compliance Committee wherever appropriate.

D.7. Is more than one Group company listed in Spain?

Yes ☐ **No** ☒

E. Risk Control And Management Systems

E.1. Describe the scope of the Company's Risk Control and Management system, including fiscal:

The Enagás Group has established a risk control and management model aimed at ensuring the continuity of the business and the achievement of the objectives of the company in a predictable manner and with a medium-low profile for all of its risks.

This model allows you to adapt to the complexity of your business activity in a competitive environment globalised, in a complex economic context, where the materialization of risks is faster and with a contagious effect evident.

The model is based on the following aspects:

- The establishment of a risk appetite framework that is consistent with the stated business targets and the market context within which the company carries out its activities (see details in section E.4);
- the consideration of standard risk typologies to which the company is exposed (see details in section E.3);
- the existence of governance bodies with responsibilities for overseeing the company's level of risk (see section E.2);
- separation and independence of risk control and management functions articulated by the Company in three lines of "defence";
- the transparency of information supplied to third parties, to guarantee its reliability and accuracy.

The risk control and management function is articulated around three lines of defence, with differentiated roles and responsibilities, as follows. These lines are the following:

- First line of defence: made up from the organisational units which assume the risks in the ordinary course of their activities. They own and are responsible for identifying the risks.
- Second line of defence: the Sustainability and Risk Department, in charge mainly of ensuring that the risk control and management system works correctly, defining the regulatory framework and approach, and performing periodic monitoring and overall control of the company's risks.
- Third line of defence: the Internal Audit Department, in charge of supervising the efficiency of the risk controls in place.

The integral analysis of all risks permits the appropriate control and management thereof, an understanding of the relationships between them and facilitates their joint assessment. This is accomplished by taking into account, inter alia, the differences of each type of risk in terms of its nature, handling capacity and risk measurement tools.

Enagás has established a risk regulatory framework through the "Risk Control and Management Policy" and the "General Risk Control and Management Regulations" setting out the basic principles governing the risk function and identifying the roles of the various decision-making bodies and the constituent parts of the risk management system.

According to the nature of the events and the triggers, monitored risks are classified as: strategic and business risks, operational and technological risks, credit and counterparty risks, financial and fiscal risks, criminal liability risks, reputational risks and compliance and model risks.

E.2. Identify the bodies responsible for preparing and implementing the risk control and management system, including fiscal:

The main bodies responsible for the Risk Management System and their main functions are:

Board of Directors

The Enagás Group Board of Directors is responsible for approving the risk control and management policy. Other responsibilities with respect to risks are delegated in the Audit and Compliance Committee.

Audit and Compliance Committee

The mission of this Committee is to assist the Board of Directors in all matters related to the company's risks. Its functions related to risk control and management are:

- Overseeing the effectiveness of risk control and management systems in order to adequately mitigate risks with the framework of the Company's internal policy. Submitting recommendations or proposals to the Board of Directors to improve these systems along with the corresponding deadline for dealing with them.
- Assessing the company's risks and examining the analyses of risks that affect the business, the types of which are set out in the internal risk policies. This periodic information is prepared in accordance with internal rules, including the identification, measurement and establishment of management measures for the key risks affecting the company.
- Reporting to the Board of Directors on any risks uncovered, with an assessment thereof, and any key issues concerning risks.

Risks Committee

The Enagás Group's Risk Committee is an executive governance body that assists the Management Committee on all matters related to the company's risks. It coordinates the set of strategic and operational activities to maximise the profitability of the business with certain degrees of uncertainty. Part of the duties of this committee are:

- Overseeing compliance with risk regulations, proposing the actions it considers necessary in the event of any breach. Establishing the risk principles and overall strategy, promoting the integration of the risk management function at all levels and areas of Enagás' business through a common risk culture aligned with the company's objectives.
- Approving risk-measurement approaches, ensuring consistent metrics in order to consolidate the overall risk level.
- Approving the company's overall risk limits and/or thresholds, and, where appropriate, those of the business units and/or corporate departments.
- Supervising that risk remains within levels that the company is willing to accept and that are aligned with its strategy and objectives.
- Regularly reviewing the level of exposure to risk: i) analyse overall risk exposure and exposure of the various businesses and departments, and verify, by risk typology, that the level of risk exposure is below the level of acceptable risk; ii) review the corrective actions proposed by the business units and/or corporate departments to address potential breaches of the established limits.
- Reporting to and advising the Management Committee on matters related to the company's risks.

Sustainability and Risk Department

The corporate Sustainability and Risk Department is in charge of the overall management of all regulations related to risk, supervising that risk management is applied correctly, disclosed, monitored and improved continuously so that it is aligned with the business needs at all times. Part of their duties are:

- Ensuring that the risk control and management systems are functioning correctly. Defining the framework of rules and methodologies for the identification, measurement and management of the main risks affecting the company.
- Participating actively in the preparation of risk strategies and in key decisions about their management. Analysing, from a risk perspective, the main risks and participating in the decisions that affect them.
- Supervising that the risk control and management actions proposed by the business units are mitigating risks effectively in the frame of the policy and the strategy drawn up.
- Proposing to the Risk Committee the company's risk appetite and tolerance, and the structure of the related limits.
- Monitoring and controlling all the company's risks, validating the measurements made by the business units and/or departments.
- Advising the company's departments in risk assessment.
- Proposing a global and consistent view of the company's risk through an internal information and control system.
- Disclosing the Group's risks and reporting on the key matters relating to risks to the Senior Management and Governing Bodies.

Business and corporate units

These are the various business and corporate units that assume risk in the ordinary course of their activities. Part of their duties are:

- Identifying risks in their activity on a regular and systematic basis through the year.
- Assessing and measuring risks following the established identification and assessment methodologies.
- Defining risk-management and risk-mitigation and impact control actions in accordance with the defined strategy and the nature of the risks.
- Passing down risk limits and thresholds to lower levels.

E.3. Indicate the main risks, including fiscal risks and, to the extent that they are significant, those derived from corruption (the latter being interpreted under the scope of Royal Decree-Law 18/2017), which may affect the achievement of business objectives:

The main risks affecting the Enagás Group in the development of its business can be classified as follows:

Strategic and business risks

These are risks which are inherent to the gas sector and are linked to potential losses of value or results derived from external factors, strategic uncertainties, economic cycles, changes to the environment, changes to patterns of demand, competition and market structure or changes to the regulatory framework, as well as those derived from taking the incorrect decisions in relation to business plans and company strategies.

The Enagás Group's activities are mainly exposed to the following risks:

- Changes in the regulatory framework.
- Evolution of demand, with short-, medium- and long-term effects, associated with weather conditions, the competitiveness of natural gas with other energy sources, evolution of the economy, etc.
- Permits and administrative approvals.
- Delays and cost overruns in the execution of infrastructure projects.
- Impairment of fixed assets associated with projects.
- Commercial risk
- Others

Operational and technological risks

During the operation of the infrastructures of the Enagás group, losses of value or deterioration of results can occur due to the inadequacy, failures of physical equipment and computer systems, errors of human resources or derived from certain external factors.

The main operational and technological risks to which the Enagás Group is exposed are:

- Industrial risks (conditioned by the nature of the fluid being handled), those related to incidents during the operation of transmission infrastructures, regasification plants and underground storage facilities, which may involve large-scale damage.
- Internal and/or external fraud.
- Cybersecurity (economic fraud, espionage, activism and terrorism).

Financial and Fiscal Risks

The Enagás Group is subject to the risks deriving from the volatility of interest and exchange rates, as well as movements in other financial variables that could negatively affect the company's liquidity.

Interest rate fluctuations affect the fair value of assets and liabilities that accrue interest at fixed rates, and the future cash flows from assets and liabilities that accrue interest at floating rates.

Exchange rate fluctuations may affect positions held with regard to debt denominated in foreign currency, certain payments for services and the purchase of capital goods in foreign currency, income and expenses relating to companies whose functional currency is not the euro and the effect of converting the financial statements of those companies whose currency is not the euro during the consolidation process. This risk affects the Enagás Group, both owing to its international operations and intragroup loans in currencies other than the euro, mainly the US dollar.

The Enagás Group maintains a liquidity policy that is consistent in terms of contracting credit facilities that are unconditionally available and temporary financial investments in an amount sufficient to cover the projected needs over a given period of time.

As regards the execution of projects, the Enagás Group is exposed to uncertainties owing to the effective procurement of finance in conditions similar to those forecast in its business plans. On certain occasions this financial risk may be associated with other risks arising from the agreement terms that set out the conditions of service (which may even lead to the cancellation of the concession agreement).

It is also exposed to potential changes in legal frameworks for taxation and uncertainty arising from the possible different interpretations of prevailing tax laws, which could have a negative impact on results.

Credit and Counterparty Risks

Credit risk relates to the possible losses arising from the non-payment of monetary or quantifiable obligations of a counterparty to which the Enagás Group has granted net credit which is pending settlement or collection. The counterparty risk includes the potential breach of obligations acquired by a counterparty in commercial agreements that are generally established in the long-term.

Reputational Risks

Reputational risk refers to any action, event or circumstance that could have a harmful effect on the company's reputation among its stakeholders.

Criminal Liability Risks

The amendments made to the Criminal Code in 2010 and 2015 establish criminal liability on the part of legal entities. In this regard, Enagás could be held liable in Spain for certain crimes committed by its directors, managers and or in the interest of the company. To prevent this risk from materialising, the Enagás Group has approved a Crime Prevention Model and has implemented the measures needed to prevent corporate crime and to avoid liability for the company.

Likewise, as a result of the company's international activity, the Model has been broadened to cover the requirements of Mexican criminal law and US anti- corruption measures.

Compliance Risks and Model

The Enagás Group is exposed to compliance risks, which comprises the costs associated with possible sanctions owing to infringement of laws or sanctions derived from the materialisation of operational events, conducting of improper business practices, non-compliance with internal policies and procedures and/or the incorrect use of modelst.

E.4. Identify if the company has a risk tolerance level, including fiscal:

The Enagás Group Risk Control and Management Model defines the risk appetite framework, which corresponds to the maximum level of risk the company is willing to take on in order to meet its objectives, and which is expressed by means of risk limits. The level of risk tolerance is the result of the deviation in the level of risk the company takes on at a specific moment in relation to the defined risk appetite.

The Enagás Group has defined a set of limits for the main types of risk that the company may present (strategic risks and business, operational, technological, financial and tax-related, credit and counterparty, and criminal liability risks), with the establishment of the maximum acceptable level of risk, which is updated yearly by the Risk Committee. These limits are specified by a set of indicators that are regularly monitored throughout the year.

E.5. Identify any risks, including fiscal, which have occurred during the year:

The company had a medium risk profile over the course of 2019, partly due to the existence of corporate risk control and management systems. This allowed certain risks to be eliminated from the company's inventory, without their having any negative impact.

In Spain, there has been an impairment of current assets associated with projects that have been halted. In addition, remuneration for supply continuity in transmission activities was lower than expected, due to adjustments made by the regulator in 2018 demand for rebilling services to other companies, with effect in 2019.

It should also be noted that the regulatory cut approved by the CNMC for natural gas transmission and regasification activities has been significantly lower than its initial proposal, in part due to the risk management measures taken by the company. The effect of the cut will not be reflected until the new remuneration period comes into effect in 2021.

Internationally, with little significant impact on the company's consolidation, some commercial agreements in one of the affiliates have not been renewed. Minor operational risks materialised at two other affiliates: a cyberattack and an internal fraud case, without any significant financial loss.

E.6. Explain the response and supervision plans for the main risks of the entity, including fiscal risks, as well as the procedures followed by the company to ensure that the board of directors responds to the new challenges that arise:

A series of control activities defined by each of the business units and corporate departments are associated with the main risks identified by the company to ensure that it can respond adequately and in a timely manner. The Audit and Compliance Committee and the Risk Committee oversee the implementation of these control activities and monitor the action plans.

The type of controls in place vary considerably depending on the nature of the risk.

For instance:

- Regarding regulatory risks, controls and mitigating actions include, inter alia, active participation in regulatory development through the elaboration of proposals, ongoing cooperation with (domestic and European) regulators and public administrations.
- Regarding infrastructure operation (e.g. damage, incidents), risks are mitigated through the design of maintenance and continuous improvement plans, the definition and monitoring of quality indicators, and control systems and alerts, which ensure service continuity and quality, among others. Likewise, there is an insurance schedule in place for transferring these risks to a third party.
- Regarding strategic and business risks related to international asset management, controls include monthly monitoring of planning for international assets and returns on investments, among others.
- Credit and counterparty risks are mitigated via establishment of guarantee mechanisms, in accordance with specific regulatory requirements, such as continuous monitoring of the main counterparties' credit profiles.
- To prevent criminal liability risk from materialising, the Enagás Group has approved a Crime Prevention Model (reviewed in 2016) and has implemented the measures needed to prevent corporate crime and to avoid liability for the company.

F. Internal Risk Control and Management Systems in Relation to the Process of Issuing Financial Information (ICFR)

Describe the mechanisms which comprise the internal control over financial reporting (ICFR) risk control and management systems at the entity.

F.1.The entity's control environment.

Specify at least the following components with a description of their main characteristics:

F.1.1 The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring:

As part of the ICFR responsibilities at Enagás, S.A. and Subsidiaries (hereinafter the "Group"), the following bodies and/or functions develop, maintain and monitor the preparation of Group financial information:

Board of Directors

Pursuant to Article 5 b) of the Rules and Regulations of the Organisation and Functioning of the Board of Directors, the Board is responsible for "the determination of the company's tax strategy and of its risk control and management policy, including tax risks, and the oversight of its internal information and control systems", and is ultimately responsible for guaranteeing an internal control environment conducive to complete, reliable and timely, financial reporting.

Pursuant to Article 26 of the said regulations, the Audit and Compliance Committee has been delegated the duty of overseeing the internal information and control systems.

Audit and Compliance Committee

The Audit and Compliance Committee is responsible for "overseeing the preparation and presentation of financial information on the Company and the Group, checking compliance with regulatory requirements, the due definition of the scope of consolidation and the correct application of accounting principles and in particular to know, understand and monitor the efficiency of the internal control over financial reporting system (ICFR). It must also report to the Board of Directors on recommendations or comments it deems necessary on the application of accounting criteria, internal control systems and any other relevant matter, and in particular, to present recommendations or proposals to the Board of Directors to safeguard the integrity of such financial information", according to Article 8, sections 2 i) a) and 2 i) c), of the Regulations of the Audit and Compliance Committee of Enagás, S.A.

Likewise, article 44 of the Consolidated Text of the Articles of Association states that the Audit and Compliance Committee is responsible for seeing to the proper operation of the Company and its Group internal control, internal audit function, and risk management systems. In addition to discussing any significant weaknesses in the internal control system detected in the course of audit with the auditors without impinging on its independence.

To carry out its duty of oversight of the effectiveness of internal control, the Audit and Compliance Committee has the support of an Internal Audit Department, as established in the General Internal Audit Regulations.

Finance Department

The Finance Department is responsible for designing, implementing and ensuring there is a suitable and efficient ICFR system. The Internal Control over Financial Reporting Unit assists it in these duties. This function is key to managing ICFR and has the following tasks:

- Guaranteeing the integrity and internal coherence of the ICFR.
- Monitoring of 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).
- Overseeing the updating and maintenance of the ICFR management tools.
- Managing the self-assessment of the ICFR system and monitoring the results.
- Coordinating the financial information risk assessment and periodically updating the risk map.
- Carrying 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 information.
- Drawing up and updating the Enagás Group Internal Control over Financial Reporting System Manual ("Enagás Group ICFR Manual").
- Updating and disseminating applicable ICFR system regulations, both internal and external.
- Identifying 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 Training Programme).
- Monitoring and updating the model for defining scopes.
- Collaborating with the Internal Audit Department, ensuring independence at all times.
- Collaborating in classifying any deficiencies detected during reviews of the ICFR system (material weaknesses, significant deficiencies, insignificant deficiencies).
- Collaborating in implementing corrective measures detected in the reviews of the ICFR.

Internal Audit Department

The Internal Audit Department reports to the Audit and Compliance Committee as per the General Internal Audit Regulation. It is responsible for "assessing and improving the efficiency of risk management processes, internal control and corporate governance".

Its main ICFR duties, which are coordinated by, overseen and supervised by the Audit and Compliance Committee, include:

- Performing tests and assessments of the design, implementation and operational effectiveness of the ICFR system.
- Conducting a series of limited checks on the documentation of cycles and sub-cycles to achieve a preliminary understanding of whether the documentation prepared by Enagás is up to date and to detect which potential control activities should be designed.
- Conducting a series of limited checks to gain a preliminary understanding of the degree of compliance and formalisation of the (manual and automated) controls established by Enagás.
- Verifying the correct implementation of corrective actions concerning the ICFR system in accordance with the Internal Annual Audit Plan.

Departments and units involved in preparing financial information

The people in charge of the sub-cycles/processes involved in the preparation of financial information and whose main duties are:

- Supervising the actions and evaluations carried out for each of the processes for the cycles in the Areas, for which they are responsible, with the possibility of eventually carrying out tests to confirm the results of specific controls.
- Establishing, monitoring and evaluating the effectiveness of the control activities within the cycles/ sub-cycles, mainly concerning communication, allocating responsibilities, delegating competences, segregating duties and managing access to information and other critical resources, developing and modifying the processes (both operational and control) and support systems.
- Coordinating the design, documentation and implementation of ICFR system processes, ensuring objectives are met in order to manage each process.
- Ensuring that all documentation concerning the process is kept up to date (who, what, how, rules, proof, etc.) as well as that concerning the ICFR system control and risk objectives.
- In the case of amendments or updates to regulations, procedures, instructions etc., the owner of the process shall notify the ICFR Unit.
- Reporting, formally and periodically on the outcome of the self-assessments carried out.
- Collaborating in identifying qualitative factors which may affect the inclusion of this process in the general ICFR model.
- Implementing and promoting the implementation of corrective actions in the area of ICFR.

The allocation of ICFR responsibilities is reflected in the positions within the Group's organisational structure, and included in the job analysis and description sheets containing the description of the assigned tasks. Any changes in the allocation of responsibilities are made to the organisational structure and these sheets, as set forth in the company's "Organisational Development and Processes" procedure.

F.1.2 Theeexistence or otherwise of the following components, especially in connection with the financial reporting process:

Departments and/or mechanisms in charge of: (i) design and review of the organisational structure; (ii) clear definition of lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity:

The design and review of the organisational structure, as well as the definition of the lines of responsibility, falls to the Board of Directors, through the Appointments, Remuneration and Corporate Social Responsibility Committee. As stipulated in the Regulations of the Appointments, Remuneration and Corporate Social Responsibility Committee of Enagás S.A., Article 8 2 (ii) e): "To submit proposals regarding the organisational structure of the Company and the creation of Senior Management positions that it considers necessary for a better and more efficient management of the Company to the Board of Directors, and also guidelines regarding the appointment, selection, career, promotion and dismissal of Senior Managers, in order to ensure that the Company has, at all times, the highly qualified personnel suitable for the management of its activities."

Likewise, the Corporate Resources and People Department is responsible for designing, implementing and updating the organisational structure within the Group. The internal mechanisms used by this department, to clearly define the lines of responsibility, are enumerated in:

- "Job Analysis and Description Sheets"
- The "Human Resources Development Procedure"
- The "Organisational Development and Processes Procedure"

which, among other matters, establishes and develops the overall management model for processes and job descriptions, in accordance with the company's strategy and business and operating needs, the organisational structure of the Departments/Unit.

The particular features of the ICFR lines of responsibility and authority are regulated by the "Enagás Group ICFR Manual" as well as various rules and regulations concerning the key governing bodies and Senior Management. Meanwhile, specific ICFR-related responsibilities are considered in the design of the model, aligned with those defined in the "Job Analysis and Description Sheets". Versions of the ICFR model are generated periodically to reflect the changes over time in job responsibility.

Also worth noting is the "Powers of Attorney and Electronic Signature Certificates Management" procedure, which sets out the actions to ensure that responsibilities are given appropriately.

The organisational structure is available to all employees on the Intranet in the form of an organisational chart and is regularly updated. In addition, the specific rules and procedures detailing the related responsibilities are published on the Intranet, as stipulated in the "General Regulations for Rules and Process Management".

Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary actions:

The following documents are available to all employees as part of the Group's Policy on Sustainability and Good Governance and other corporate policies:

Enagás Internal Code of Conduct in matters relating to Securities Markets

As stipulated in Article 5 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagás, S.A., the company has an Internal Code of Conduct in matters relating to Securities Markets which was drawn up and approved by the Board. These regulations aim to protect the interests of investors in the company's securities and its Group and to prevent and avoid any situation of abuse by establishing the rules for:

- The management and control of Privileged Information and the handling of such information;
- The trading of Affected Securities of Enagás or companies in its business Group;
- The performance of treasury share transactions;
- The obligations of publication and dissemination of privileged information to the market;
- Generally, compliance with securities market regulations.

Persons subject to the obligations established in the Internal Code of Conduct will receive a copy of the regulations and must sign a statement acknowledging receipt and declaring that they are aware of their obligations.

The Audit and Compliance Committee is responsible for ensuring compliance with the regulations and for making suggestions, as necessary, to improve them (Article 8 of the Regulations of the Audit and Compliance Committee of Enagás, S.A.). The Head of Compliance, in coordination with the General Secretariat, will ensure precise and true compliance with the obligations contained therein, with the requirement to regularly report to the Audit and Compliance Committee on the degree of compliance and any incidents detected in relation to it application for evaluation by the Committee, as stipulated by Article 19.2 of the regulations.

Enagás Group Code of Ethics

The "Enagás Group Code of Ethics" approved in 2008 and reviewed in 2012 and 2014, this review being approved by the Board of Directors at its meeting on December 16, 2019. It is available on the external website and Intranet, and aims to formalise " […] the Enagás' model of ethics and compliance and is developed through policies, standards, processes and controls […]". "The Code of Ethics reflects Enagás' ethical culture and sets out the guidelines that determine the behaviour of its employees, managers and directors and of third parties that have connections with the group.

" […] The Code will be reviewed as often as necessary to ensure that its content is aligned with applicable law and best practices, and to guarantee the effectiveness of the ethics and compliance model. All Enagás professionals must understand and comply with the Code of Ethics and the rules that develop it. When so required by Enagás, they must accept knowledge of the Code and confirm compliance with it […]".

Its values address issues related to financial reporting:

- **Transparency and reliability of information:** "With regard to the recording, collation and review of financial and non-financial information, we ensure its reliability and rigour, and apply the accounting policies, control systems and supervisory mechanisms defined by Enagás".

- **Fight against fraud, corruption and bribery "** […] We must not offer or accept, either directly or indirectly, gifts or hospitality from third parties, including public representatives, which go beyond the purely symbolic or which could be interpreted as an attempt to influence our will or to obtain undue advantage […]". In this regard, in 2013 the "Procedures for Managing the Offering and Acceptance of Gifts" was approved and in 2015 the "Anti-Fraud, Corruption and Bribery Policy" was approved; it was reviewed in 2019.

- **Information confidentiality:** " […] The information that we handle in our professional activity, except when its disclosure is expressly authorised, must be considered confidential and treated as such. We are all responsible for protecting the confidentiality of information, whether it relates to Enagás or to third parties, such as customers, suppliers or business partners, potential job applicants or any third party with whom we have a relationship in the course of our business. […]"

The Code states that " […] the Board of Directors is the body with ultimate responsibility for ensuring Enagás' ethical culture and the effectiveness of the ethics and compliance model. The Ethical Compliance Committee, which reports to the Audit and Compliance Committee, assumes the competences related to the ethics and compliance model. For its part, the Audit and Compliance Committee is responsible for supervising the implementation of the ethics and compliance model and for ensuring that the Ethical Compliance Committee has sufficient resources, autonomy and independence […]".

In addition, there is also a Compliance Policy to oversee the commitment to: " […] uphold conduct that complies with both regulations and ethical standards. […]" and " […] promote a culture of integrity and respect for the law and ethical standards that takes into consideration not only the interests of Enagás but also the needs and expectations of its stakeholders […]". This policy is reinforced by the General Compliance Standard.

Code of Conduct of the Technical Manager of the Spanish Gas System

The Code of Conduct for the Technical Manager of the Spanish Gas System approved at the Board of Directors meeting of December 15, 2014, available on the external website and Intranet, aims to " [...] ensure that the functions of the Technical Management of the Spanish Gas System are carried out independently from the rest of the Enagás Group's activities, in compliance with the criteria legally established in Hydrocarbons Sector Law 34/1998, of October 7 [...]".

As set out in the Code: "It is the obligation of Enagás GTS to keep the list of the individuals subject to this Code of Conduct updated at all times and to send each of these a copy of the Code, requiring them to furnish a letter in which they confirm they have received the Code and declare that they know and accept compliance with the obligations they are subject to".

It also provides that: " […] The Ethical Compliance Committee is entrusted with ensuring compliance with this Code of Conduct and the effectiveness hereof. It will therefore periodically report to the Audit and Compliance Committee of the Board of Directors of Enagás, S.A. on the results of its assessment and on any deficiencies detected. However, the Managing Director of the Technical Manager of the System will address any queries that may be raised by the employees of Enagás GTS regarding the Code of Conduct […]".

The Ethical Compliance Committee, pursuant to Article 63.4 d) of the Hydrocarbons Sector Law, shall prepare a report containing the following information:
- The measures adopted to guarantee the segregation of activities.
- The conflicts of interest reported and the measures adopted to resolve them […]."

Internal Audit Code of Ethics

The Internal Audit Code of Ethics, available on the corporate Intranet, was approved in 2017, establishing the ethical culture in the function of Internal Audit as an independent activity. It includes:

1. Principles relevant for the profession and practice of the internal audit:
   - Integrity
   - Objectivity and independence
   - Confidentiality
   - Competition

2. The Rules of Conduct which describe the behaviour expected from all internal auditors. These rules serve to assist with the interpretation of the Principles in their practical application. Their aim is to guide the ethical conduct of internal auditors.

Once a year all internal auditors must sign a declaration stating that they are cognisant of, understand and uphold these rules. In turn, professionals who work with the Internal Audit Department must also sign this declaration, when they start to provide their services.

Whistleblowing channel, for reporting any irregularities of a financial or accounting nature to the audit committee, 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 a whistleblowing channel, the "Ethics Channel", for consultation and reporting of irregularities or breaches of the Enagás Group Code of Ethics and the Code of Conduct of the Technical Manager of the Spanish Gas System.

The processing of such queries and notifications is the responsibility of the Ethical Compliance Committee, which functionally reports and is accountable for its performance to the Audit and Compliance Committee. This Committee shall respond to all reports and periodically prepare a report to be submitted to the Audit and Compliance Committee. However, according to the "Procedure for the management of consultations and reporting regarding irregularities or breaches of the Code of Ethics", if the consultation or notification is of a financial or accounting nature or concerns internal control or fraud, it shall be forwarded directly to the Audit and Compliance Committee.

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 Talent Management Department, which reports to the Human & Corporate Resources Department, has a "Training School" which manages and plans all the training programmes and other instruction initiatives for all employees included in the Training Plan and in the Training Programme.
In coordination with the Finance Department and the Internal Audit Department, Talent Management identifies and analyses the specific training needs of all personnel involved in preparing and reviewing financial reporting, including issues concerning accounting, internal control and risk management.

In 2019, the Finance Department and the Internal Audit Department took part in various training programmes, including: Programme for Certification of Internal Control COSO, Internal Control of the tax function, Model of corruption prevention, Cybersecurity: basic concepts and good practices, among others.

In addition, since this year the Enagás Group, together with other relevant companies, participates in a collaborative space on the ICFR to share experiences, knowledge and best practices in this area.

F.2. Risk assessment in financial reporting.

Report at least:

F.2.1 The main characteristics of the risk identification process, including risks of error or fraud, stating whether:

The process exists and is documented:

Identifying risk is one of the core fundamentals in risk analysis with regards to the preparation of financial information. The process follows the COSO 2013 (Committee of Sponsoring Organisations of the Treadway Commission) framework. One of the objects is to help ensure that transactions are recorded faithfully in accordance with the related accounting framework so it can provide reasonable assurance regarding the prevention or detection of errors that could have a material impact on the information contained in the consolidated annual accounts.

The "Enagás Risk Control and Management Policy" provides 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 Group, which include reliable financial reporting.

The principles and criteria included in the policy were issued by the Enagás Risk Committee. This Committee is charged with defining, approving and updating the basic criteria and principles guiding actions in relation to risk, as set out in the "Functioning of the Enagás Risk Committee" procedure.

The principles set out in the "Enagás Risk Control and Management Policy" are articulated in the "General Regulations for Risk Control and Management", providing an organisational and methodological framework that ensures the risk control and management process is implemented appropriately and effectively.

Specific risks related to the company's Internal Control over Financial Reporting System are classified in this framework under the Group's operational risk category. The identification and measurement of these risks are performed as set out in the Internal Control over Financial Reporting System Manual.

If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency:

Pursuant to the "Enagás Group ICFR Manual", the risk identification process covers all financial reporting objectives to ensure the accuracy and completeness of the same. In this regard, the manual describes the risks related to the financial reporting process as follows:

- Completeness: the risk that not all transactions, and other circumstances and events are recorded.
- Rights and obligations: the risk that not all financial information at any given date does reflect the rights and obligations through the corresponding assets and liabilities in accordance with applicable standards.
- Existence and occurrence: the risk that not all transactions, circumstances and events exist or not all are recorded at the appropriate time.
- Valuation: the risk that not all transactions, circumstances and events are recorded and valued in conformity with applicable standards.
- Delivery, breakdown and comparability: the risk that not all transactions, circumstances and events are classified, presented and disclosed in the financial information in accordance with applicable standards.
- Internal fraud: includes the risk of manipulation of files, software and information, and the risk of unauthorised activities (involving employees) leading to intentional financial statement misstatements and misappropriation of funds and assets due to inappropriate use of corporate assets.

Periodically, the ICFR Unit fully evaluates all control processes and corresponding specific risks mitigation measures in place, and at the same time, assesses whether new risks need to be added.

A specific process is in place to define the consolidation scope, taking into account, inter alia, the possible existence of complex corporate structures or special purpose vehicles:

The Finance Department operates a management and updating process to identify those companies which should be included in the consolidation scope. This process is detailed in the "Period-End Procedures for Consolidated Financial Statements and Annual Accounts".

In compliance with article 8 of the Regulations of the Audit and Compliance Committee, the Committee's duties and competencies include "Overseeing the preparation and presentation of financial information on the company and the Group, checking compliance with regulatory requirements, the due definition of the scope of consolidation and the correct application of accounting principles and, in particular, to know, understand and monitor the efficiency of the internal control over financial reporting system (ICFR)."

In determining the companies covered by the ICFR scope, the Group considers those in which it has direct or indirect control, and so for all other consolidated companies, the Group includes controls to ensure consistency, validity and reliability of the financial information provided for inclusion in the consolidated financial statements.

The process addresses other types of risk (operational, technological, financial, legal, fiscal, reputational, environmental, etc.) insofar as they may affect the financial statements:

The process of identifying risks associated with achieving the financial reporting objectives takes into account the possible effects derived from the materialisation of other types of risks contained in the risk control and management model described in section e) of this document. These effects would arise, as the case may be, through strategic and business risks, operational and technological risks, credit and counterparty risks, financial and fiscal risks, criminal liability risks, reputational risks and compliance and model risks.

Which of the entity's governing body oversees the process:

The Audit and Compliance Committee is responsible for overseeing " […] the effectiveness of risk control and management systems in order to mitigate risks adequately, in the framework of the Company's internal policy." Also, and according to Article 8.2, section (v) a) of the Regulations of the Audit and Compliance Committee of Enagás S.A., it is responsible for submitting " […]recommendations or proposals to the Board of Directors to improve these systems along with the corresponding deadline to dealing with them […]".

F.3. Control activities.

Indicate the existence of at least the following components, and specify their main characteristics:

F.3.1 Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the securities markets, stating who is responsible in each case and 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:

Procedures for reviewing and authorising financial information to be disclosed to the markets

The organisation has the following documents to ensure the reliability of the financial information to be disclosed to the securities markets:

- The "Manual of Accounting Policies (PGC)" and the "Manual of Accounting Policies (IFRS)", which establish and provide clear information on the accounting policies required for performing accounting estimates and preparing the Company's Individual and Consolidated Financial Statements and Annual Accounts, to ensure that these provide a true and fair view of its equity, financial position, results of operations, changes in net equity and changes in cash flows.

- "Period-end procedures for the Individual Financial Statements and Annual Accounts" and "Period-end procedures for the Consolidated Financial Statements and Annual Accounts" approved by the Financial General Manager establishing the process of preparing, processing, reviewing and authorising the financial information at the closing of accounts by the persons in charge. These also establish the controls of judgements, estimates and evaluations which may materially affect the financial statements.

- "Procedure on the provision of Regular Reports to Securities Market Regulators" which establishes the process to be followed when preparing periodic financial information to be disclosed to the regulated markets regarding interim financial reports, interim management reports and, if applicable, quarterly financial reports, and defines the persons responsible of approval of said financial information.

With regard to the preparation and subsequent disclosure of financial reporting, 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 at the various levels within the Organisation in the validation and approval of all financial information.

Description of ICFR: Control and Activities

The Group's ICFR control structure is based on the five components of the COSO Model included in the Internal Control-Integrated Framework report (2013):

1. Control environment
2. Risk assessment
3. Control activities
4. Information and communication
5. Monitoring of the system.

Likewise, the recommendations of the report on "Internal Control over Financial Reporting at Listed Companies" prepared by the CNMV's Internal Control Working Group (ICWG) (2010) are taken into consideration.

In this regard, the ICFR model states a number of key control objectives which, if fully implemented, allow reliability and transparency in preparing financial reporting. Implementation of these objectives is intrinsically tied to the effectiveness of "Control activities" at each stage of their execution.

In this context, the control structure defined is based on two classes of control:
- General control
- Process controls

General controls

The General Controls form the basis of the ICFR model. These are interlinked controls that directly affect the organisational structure and procedures. These are known as the "control environment" in the CNMV and COSO recommendations.

At the end of 2019, there were 46 ICFR general controls in operation. Senior Management is responsible for overseeing these controls, which are split between the following departments:
- Secretary to the Board of Directors
- General Secretariat
- Gas System Technical Management Department
- Finance Department
- Human & Corporate Resources Department
- Investor Relations Department
- Communication and Public Affairs Office

These controls are assessed once a year to incorporate any updates and to identify new control components.

Process controls

Process Controls (control activities) are controls over an organisation's operating processes that are more specific than general controls. These are part of each of the main cycles and sub-cycles comprising the ICFR procedures, guaranteeing the reliability and transparency of Enagás financial reporting. These are factors which mitigate the risks inherent in the financial reporting procedure mentioned above to ensure the established control objectives are met.

These control activities are used throughout all the ICFR model and the eight Areas which affect financial reporting:
- Acquisitions
- Fixed assets
- Inventories
- Revenue
- Payroll and personnel
- Financial management
- Support services
- Financial reporting

These Areas in turn affect a further 28 cycles and 60 subcycles and are formally documented in a corporate IT tool.

These process controls can be classified with the following different characteristic attributes:
- According to their nature:
  - Preventive: Preventing errors or any irregularities which may affect the information, i.e. preventing the impact of financial risks.
  - Detective: Identifying errors or irregularities which may affect the financial information, i.e. identifying errors when they arise.
  - Corrective: Correcting errors or irregularities which may affect the financial information, i.e. rectifying errors when they arise.

- According to level of automation:
  - Manual: control mechanisms directly executed by people.
  - Semi-automated: control mechanisms executed by people and validated by "IT support" or vice-versa.
  - Automated: control mechanisms with "IT support".

The quarterly self-assessment process carried out by the ICFR unit allows the organisation to confirm the validity of the description of these controls by the people responsible, identifying any updates (new process controls, elimination, automation, etc.).

At year-end 2019, there were 208 ICFR process controls, approximately 26% of which were automated.

Operating activities

In addition to the controls we have mentioned above, when designing the ICFR subcycles a series of operating activities are defined to establish a flow chart showing how these impact financial reporting. Likewise, these activities are included in a corporate IT tool which establishes the models for the ICFR subcycles.

At year-end 2019, there were 736 operating activities, approximately 16% of which were automated.

F.3.2 Internal control policies and procedures for Information Technology (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 and are configured to support the preparation, processing and extraction of the financial information to be disclosed. This is why they are included in the ICFR actions and configuration.

All actions concerning information systems are regulated in the Cybersecurity Policy which defines the principles to effectively manage information security in the IT systems, as well as the assets involved in the processes.

Based on the principles of this policy, Enagás has designed the "General Rules for Management of IT Systems" establishing the responsibilities and the relationship between the requesting units and the Information Systems Department.

We also have General Computer Controls ("GCCs"). These provide a control framework designed to offer 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. At year-end there were 46 General Computer Controls included in the "IT INFORMATION TECHNOLOGY" area, broken down into the following cycles:

- Logical and physical security cycle.
- Application development and maintenance cycle.
- Operating and support of networks, databases and operating systems cycle.
- Management and planning of information systems cycle.
- Fraud prevention and detection cycle.

Here we would note that within the operation and support of networks, databases and operating systems cycle is the GCC relating to the Business Continuity and Disaster Recovery Plan.

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, business continuity, information storage and recovery, operations monitoring, etc.

Integral to the objectives of control of IT systems is the need to establish an appropriate segregation of duties, which is a prerequisite for an ICFR system to function efficiently and effectively. It is therefore 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 and in terms of positions and functions, is critical to the success of the process.

F.3.3 Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

Enagás is particularly vigilant about any activities carried out by third parties which may significantly impact the financial statements to ensure maximum control over key procedures that may be outsourced, and that the activities are carried out to the standard that the Group demands.

The internal rules regulating this can be found in the "Identification and Treatment Procedures for Service Organisations".

The Group also has the following regulations and internal procedures regulating the contracting process and ensuring quality control of third parties:

- The "General Regulations for Management of Awarding and Contracting"
- The "Purchase Management Procedure"
- The "Supplier Approval Procedure"
- The "Procedure for Ensuring Supplier Reliability"

When the Organisation engages the services of independent experts for appraisal, calculation or valuation services, we request that they certify they are reputable firms in their field and are independent. This helps ensure that the Group's management is able to supervise and take the ultimate decisions on the estimate processes which may impact accounting records.

F.4. Information and comunication.

Indicate the existence of at least the following components, and specify their main characteristics:

F.4.1 A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the company's operating units:

The Accounting and Accounting Policies Units, which reports to the Accounting Department is responsible for keeping all accounting policies regularly updated and communicating these to all personnel involved in the financial reporting process.

It has therefore drawn up the "Accounting Policy Manual (PGC)" and the "Accounting Policy Manual (IFRS)", internal documents which outline all procedures and the accounting policies required for performing accounting estimates and preparing the Company's Individual and Consolidated Financial

Statements and Annual Accounts, to ensure that these provide a true and fair view of its equity, financial position, results of operations, changes in net equity and changes in cash flows. Those employees involved in the process are informed of any updates to the policies via the Intranet.

F.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.

The preparation, review and approval of all financial information in standard format is regulated by the "Period-end procedures for the Individual Financial Statements and Annual Accounts" and the "Period-end procedures for the Consolidated Financial Statements and Annual Accounts", as well as the "Accounting Policy Manual (PGC)" and the "Accounting Policy Manual (IFRS)", which serve as guides to carrying out these tasks.

Furthermore there is a specific mechanism for the process of preparing the annual accounts and accompanying notes, where the Audit and Compliance Committee, as a Board Committee, takes on a special relevance, overseeing this process (e.g. monitoring the supervision work of the Internal Audit unit, being cognisant of the internal control over financial reporting system (ICFR) as well monitoring the work performed by the external auditor) before the annual accounts are certified by the Board of Directors. The functions of the Audit and Compliance Committee in this regard are detailed in article 8 of the "Regulations of the Audit and Compliance Committee of Enagás, S.A.".

The Group has an IT tool to record and treat all financial information which satisfies the needs of both individual and consolidated reporting.

F.5. Monitoring of the system.

Indicate the existence of at least the following components, describing their main characteristics:

F.5.1 The ICFR monitoring activities undertaken by the audit committee and an internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information:

In this context, one of Enagás' top priorities is to take a proactive, and thereby preventive role during a phase of constantly overseeing the model, to ensure that the model is updated and aligned with both the business and the best regulatory practices.

Constant analysis of and follow up of ICFR, detecting possible flaws and making sure the corresponding improvements and adjustments are achieved by taking the following measures:

- A regular evaluation of the design and effectiveness of current anti-fraud programmes and 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 the Internal Audit Department, through the supervision functions attributed by the ICFR model through the "General Internal Audit Regulations", the "Enagás Group ICFR Manual" and the "Regulations of the Audit and Compliance Committee of Enagás, S.A.".
- 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.
- Reporting on weaknesses 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 "Enagás Group ICFR Manual".
- Finally, 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.

Key throughout this oversight process is the function of Internal Audit which, as set out in the "General Internal Audit Regulations", is responsible for:

- Collaborating with the Audit and Compliance Committee in fulfilling its duties, particularly with regard to the supervision of the internal control system and the risk control and management process, to relations with the external auditor and to supervision of the financial information preparation process. Regarding relations with the external auditor, there is an Accounts Auditor Contracting and Relationship Procedure, which will be monitored for the maintenance of an objective, professional and continuous relationship with the auditor of the Company, respecting at all times its independence.
- Participating in the review of the Internal Control over Financial Reporting (ICFR) system established by the company for its subsequent certification.

In order to ensure that these objectives are met, there is an "Internal Audit Annual Plan", which is overseen and approved by the Audit and Compliance Committee, and includes a review of the ICFR system.

In this regard, the Group's management conducted an internal assessment of the ICFR system and concluded that the system in place for Enagás, S.A. and Subsidiaries at December 31, 2019 is effective and contains no significant deficiencies.

F.5.2 If a discussion procedure is in place, whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the annual accounts or other assignments, to the company's senior management and its audit committee or board of directors. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

Article 8 of the Regulations of the Audit and Compliance Committee of Enagás, S.A. details the objectives and functions of the Committee, including " […] liaise with the external auditors to obtain information on any issues that could compromise the latter's independence. Specifically, the discrepancies that may arise between the auditor of accounts and Company management, for review by the Committee, and any other discrepancies relating to the audit process, as well as the possible safeguard measures to be adopted, discussing the significant weaknesses detected in internal control with the auditor of accounts, and never jeopardising the independence of the audit, concluding on the level of confidence and reliability of the system […]".

The Committee is also in charge of supervising compliance with the "Internal Code of Conduct in matters relating to Enagás' Securities Markets". The reports on the activities of the Audit and Compliance Committee contain important information about communication procedures and the conclusions reached at the end of each year.

F.6. Other relevant information.

There is no other relevant information regarding ICFR at the Group to add to that which we have provided above.

F.7 External auditor report.

State whether:

F.7.1 The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review:

The Group has voluntarily subjected its ICFR to review since 2008. All reviews have been carried out by the accounts auditor of Enagás, S.A. and Subsidiaries.

The report for 2019 is attached.

G. Degree of Implementation of Corporate Governance Recommendations

Indicate the degree of the company's compliance with the recommendations of the good governance code of listed companies.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behaviour. General explanations are not acceptable

1. The Articles of Association 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:

Compliant ☐ **Explain** ☒

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

"No natural or legal person may hold, directly or indirectly, an interest in the parent company (ENAGÁS, S.A.) representing more than 5% of share capital or exercise more than 3% of its voting rights. Under no circumstances may such shareholdings be syndicated. Any party operating within the gas sector, including natural or legal persons that directly or indirectly own equity holdings in the former of more than 5%, may not exercise voting rights over 1%. These restrictions do 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 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 July 28, on the Securities Market, stakes shall be attributed to one and the same natural or legal person when they are owned by:

a) Those parties who act in their own name but on behalf of that natural or legal person in a concerted fashion or forming a decision-making unit with them. Unless proven otherwise, the members of a governing body shall be presumed to act on account of or in concert with that legal person.
b) Partners with those with which one of them exercises control over a dominant company in accordance with article 4 of Securities Market Act 24/1988, of July 28.

In any event, regard shall be had to the proprietary ownership of the shares and other securities and the voting rights attached to each.
Non-compliance with the limit on interests in the share 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 Law. Responsibility shall lie with the natural or legal persons found to be the owners of the securities or whoever the excess interest in the share 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.

Enagás, S.A. may not transfer the shares of the subsidiaries carrying out regulated activities to third parties."

Meanwhile, section 3 of Additional Provision 31 of this law states that:

"The restrictions of shareholding percentages and non-transfer of the shares referred to in this provision are not applicable to other subsidiaries that ENAGÁS, S.A. may constitute for business activities other than transmission, regulated by Article 66 of Law 34/1998, of October 7, on the Hydrocarbons Sector, management of the transmission network and technical management of the Spanish gas system".

Meanwhile, article 6 bis of the company's Articles of Association ("Limitations on holdings in share capital") establishes that:

"No natural or legal person 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 or legal persons that directly or indirectly possess equity holdings in the former of more than 5%, may not exercise voting rights in the company of over 1%. These restrictions do 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 calculating the stake in that shareholding structure, the Hydrocarbons Industry Act shall apply.
Enagás may not transfer to third parties shares of the subsidiaries included in its Group that undertake transmission and technical management of the system, which are regulated businesses under Hydrocarbons legislation."

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

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

Compliant ☐ **Partially compliant** ☐ **Explain** ☐ **Not applicable** ☒

3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

a) Changes taking place since the previous annual general meeting.
b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

Compliant ☒ **Partially compliant** ☐ **Explain** ☐

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisers that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation:

Compliant ☒ **Partially compliant** ☐ **Explain** ☐

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When the Board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation:

Compliant ☒ **Partially compliant** ☐ **Explain** ☐

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the ordinary general meeting, even if their distribution is not obligatory:

a) Report on auditor independence.
b) Reports of the operation of the audit committee and the appointments and remuneration committee.
c) ´Report of the audit committee on related party transactions.
d) Report on corporate social responsibility policy.

Compliant ☒ **Partially compliant** ☐ **Explain** ☐

7. The company should broadcast its general meetings live on the corporate website.

Compliant ☒ **Explain** ☐

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content:

Compliant ☒ **Partially compliant** ☐ **Explain** ☐

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non- discriminatory manner.

Compliant ☒ **Partially compliant** ☐ **Explain** ☐

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

a) Immediately circulate the supplementary items and new proposals.
b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.
c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the Board of Directors, with particular regard to presumptions or deductions about the direction of votes.
d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Compliant ☒ **Partially compliant** ☐ **Explain** ☐ **Not applicable** ☐

11. In the event that a company plans to pay for attendance at the general meeting, it should establish a general, long-term policy in this respect.

Compliant ☐ **Partially compliant** ☐ **Explain** ☐ **Not applicable** ☒

12. The board of directors should perform its duties with unity of purpose and independent judgement, affording the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interests, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, customers and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Compliant ☒ **Partially compliant** ☐ **Explain** ☐

13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members:

Compliant ☒ **Explain** ☐

14. The board of directors should approve a director selection policy that:

a) Is concrete and verifiable.
b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs.
c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the appointments committee's explanatory report, to be published when the general shareholders' meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by female directors before the year 2020.

The appointments committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Compliant ☒ **Partially compliant** ☐ **Explain** ☐

15. Proprietary and independent directors should constitute an ample majority on the board of directors, 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.

Compliant ☒ **Partially compliant** ☐ **Explain** ☐

16. The percentage of proprietary directors out of all non-executive directors should not be greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:
a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Compliant ☒ **Explain** ☐

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30% of capital, independent directors should occupy, at least, a third of Board places

Compliant ☒ **Explain** ☐

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

a) Background and professional experience.
b)Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
c) Statement of the Director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.
d) Dates of their first appointment as a board member and subsequent re-elections.
e) Shares held in the company, and any options on the same.

Compliant [X] **Partially compliant** [ ] **Explain** [ ]

19. The annual corporate governance report, with prior verification by the appointments, committee is to provide an explanation for the reasons proprietary directors were appointed at the behest of shareholders whose stake in the company is less than 3% of share capital, and reasons given for the 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.

Compliant [ ] **Partially compliant** [ ] **Explain** [ ] **Not applicable** [X]

20. Proprietary directors are to submit their resignation when the shareholder whom they represent fully disposes of their stake. They shall also do so, in the appropriate number, when that shareholder reduces their stake to a level requiring a reduction in the number of its proprietary directors.

Compliant [X] **Partially compliant** [ ] **Explain** [ ] **Not applicable** [ ]

21. 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 report from the appointments and remuneration committee. In particular, it shall be understood that there is just cause when the director takes on new offices or assumes new obligations that prevent him from devoting the time necessary to perform the duties of the office of director, breaches the duties inherent to his position or is affected by one of the circumstances that cause him to lose his independent status in accordance with the provisions of applicable law.

The removal of independent directors may also be proposed as a consequence of offers for the takeover, merger or similar corporate actions affecting the company that may involve a change in the company's capital structure, whenever such changes in the board of directors arise under application of the proportionality criterion pointed out in Recommendation 16:

Compliant [X] **Explain** [ ]

22. Companies are to stipulate rules obliging directors to inform of and, as the case may be, resign in situations that may harm the credit and reputation of the company. In particular, they are to inform the Board of Directors of any criminal cases for which they are under indictment, and of their subsequent legal proceedings.

If a director is indicted or tried for any of the crimes stated in the corporate legislation, the board shall examine the matter and, in view of the particular circumstances, decide whether or not the director shall be called on to resign. The board of directors is to provide a reasoned account of such events in the annual corporate governance report.

Compliant [X] **Partially compliant** [ ] **Explain** [ ]

23. All directors are to clearly express their opposition when they consider than any proposal subject to the decision of the board of directors may be detrimental to corporate interests. The independent directors and other directors who are not affected by the potential conflict of interest are to voice their opposition in a special manner whenever such decisions may be of detriment to shareholders not represented on the board of directors.

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.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Compliant [ ] **Partially compliant** [ ] **Explain** [ ] **Not applicable** [X]

24. 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. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Compliant [X] **Partially compliant** [ ] **Explain** [ ] **Not applicable** [ ]

25. The appointments committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of directors regulations should lay down the maximum number of company boards on which directors can serve.

Compliant [X] **Partially compliant** [ ] **Explain** [ ]

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each Director may propose the addition of initially unscheduled items:

Compliant [X] **Partially compliant** [ ] **Explain** [ ]

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Compliant ☒ **Partially compliant** ☐ **Explain** ☐

28. 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, they should be recorded in the minute book if the person expressing them so requests.

Compliant ☒ **Partially compliant** ☐ **Explain** ☐ **Not applicable** ☐

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Compliant ☒ **Partially compliant** ☐ **Explain** ☐

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Compliant ☒ **Explain** ☐ **Not applicable** ☐

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly reported/recorded in the minutes, of the majority of directors present.

Compliant ☒ **Partially compliant** ☐ **Explain** ☐

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Compliant ☒ **Partially compliant** ☐ **Explain** ☐

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's articles of association, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise:

Compliant ☒ **Partially compliant** ☐ **Explain** ☐

34. When an independent leading director has been appointed, the articles of association or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairman give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those that have to do with the company's corporate governance; and coordinate the chairman's succession plan.

Compliant ☒ **Partially compliant** ☐ **Explain** ☐ **Not applicable** ☐

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the good governance code of relevance to the company.

Compliant ☒ **Explain** ☐

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:
a) The quality and efficiency of the board's operation.
b) The performance and membership of its committees.
c) The diversity of board membership and competences.
d) The performance of the chairman of the board of directors and the company's chief executive.
e) The performance and contribution of individual directors, with particular attention to the chairman of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the appointments committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the appointments committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Compliant ☒ **Partially compliant** ☐ **Explain** ☐

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

Compliant ☐ **Partially compliant** ☐ **Explain** ☐ **Not applicable** ☒

38. 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:

Compliant ☐ **Partially compliant** ☐ **Explain** ☐ **Not applicable** ☒

39. All members of the audit committee, particularly its chairperson, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Compliant ☒ **Partially compliant** ☐ **Explain** ☐

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Compliant ☒ **Partially compliant** ☐ **Explain** ☐

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform directly of any incidents arising during its implementation and submit an activities report at the end of each year:

Compliant ☒ **Partially compliant** ☐ **Explain** ☐ **Not applicable** ☐

42. The audit committee should have the following functions over and above those legally assigned:

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) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management is acting on the findings and recommendations of its reports.
   c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:
   a) In the event of resignation of any external auditor, the committee should investigate the issues giving rise to the resignation.
   b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.
   c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
   d) Ensure that the external auditor has a yearly meeting with the board in full to inform them of the work undertaken and developments in the company's risk and accounting positions.
   e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Compliant ☒ **Partially compliant** ☐ **Explain** ☐

43. 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.

Compliant ☒ **Partially compliant** ☐ **Explain** ☐

44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Compliant ☒ **Partially compliant** ☐ **Explain** ☐ **Not applicable** ☐

45. The risk control and management policy should identify at least:

a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, legal, social, environmental, political and reputational risks), 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) The 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.

Compliant ☒ **Partially compliant** ☐ **Explain** ☐

46. That under the direct supervision of the audit committee or, as the case may be, of a specialized committee of the board of directors, there is an internal function of risk control and management exercised by a unit or internal department of the company that has been assigned expressly the following functions:

a) Ensure the proper functioning of the risk control and management systems and, in particular, that all important risks affecting the company are identified, managed and quantified adequately.
b) Participating actively in the preparation of risk strategies and in key decisions about their management.
c) Ensure that risk control and management systems mitigate risks adequately within the framework of the policy defined by the board of directors.

Compliant ☒ **Partially compliant** ☐ **Explain** ☐

47. Members of the appointments and remuneration committee - or of the appointments committee and remuneration committee, if separately constituted - should have the right balance of knowledge, skills and experience for the functions they are called on to perform. The majority of their members should be independent directors.

Compliant ☒ **Partially compliant** ☐ **Explain** ☐

48. Large cap companies should operate separately constituted appointments committees and remuneration committees.

Compliant ☐ **Explain** ☒ **Not applicable** ☐

The amendments to the Articles of Association proposed by the Board of Directors for the 2015 General Shareholders' Meeting included the amendment to article 45 to allow the split of the Appointments, Remuneration and CSR Committee into two separate committees.

The Board of Directors will study the opportunity to separate the Appointments, Remuneration and CSR Committee into two separate committees.

49. The appointments committee should consult with the board's chairman and chief executive officer, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the appointments committee to propose candidates that it might consider suitable.

Compliant [X] **Partially compliant** [ ] **Explain** [ ]

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

a) Propose to the board the standard conditions for senior managers contracts.
b) Monitor compliance with the remuneration policy set by the company.
c) Periodically review the remuneration policy for directors and senior managers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior managers in the company.
d) Ensure that possible conflicts of interest do not undermine the independence of any external advice offered to the committee.
e) Verify the information on remuneration of directors and senior management contained in the various corporate documents, including the annual report on directors' remuneration.

Compliant [X] **Partially compliant** [ ] **Explain** [ ]

51. The remuneration committee should consult with the chairman and chief executive, especially on matters relating to executive directors and senior managers.

Compliant [X] **Partially compliant** [ ] **Explain** [ ]

52. The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

a) Committees should be formed exclusively by non-executive directors, with a majority of independents.
b) Committees should be chaired by an independent director.
c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report backs on their activities and work at the first board plenary following each committee meeting.
d) They may engage external advice, when they feel it necessary for the discharge of their functions.
e) Meeting proceedings should be recorded/notified in the minutes and a copy made available to all board members

Compliant [X] **Partially compliant** [ ] **Explain** [ ] **Not applicable** [ ]

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the appointments committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the BOARD under its powers of self-organisation, with at the least the following functions:

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.
b Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.
e) Monitor corporate social responsibility strategy and practices and assess their degree of compliance.
f) Monitor and assess the processes of liaising with different stakeholders.
g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Compliant [X] **Partially compliant** [ ] **Explain** [ ]

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
b) The corporate strategy with regard to sustainability, the environment and social issues.
c) Specific practices in matters related to: shareholders, employees, customers, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
e) The mechanisms for supervising non-financial risk, ethics and business conduct.
f) Channels for stakeholder communication, participation and dialogue.
g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Compliant [X] **Partially compliant** [ ] **Explain** [ ]

55. The company should report on corporate social responsibility developments in its Directors' report or in a separate document, using an internationally accepted methodology.

Compliant ☒ Partially compliant ☐ Explain ☐

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Compliant ☒ Explain ☐

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Compliant ☒ Partially compliant ☐ Explain ☐

58. In the case of variable awards, remuneration policies should include limits and 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, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.

b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.

c) Be focused on achieving a balance between the delivery of short-, medium- and long-term objectives, such that performance- related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Compliant ☐ Partially compliant ☒ Explain ☐ Not applicable ☐

The General Shareholders' Meeting held on March 29, 2019 passed a three-year long-term incentive plan (2019-2021), to be paid in 2021, based on the fulfilment of the objectives and metrics established in the plan. For executive directors, this incentive may result, at most, in the delivery of shares representing 150% of their annual remuneration (50% per year). This is the second long-term incentive provided by the company in years and is for a limited amount. When other plans are adopted, the limit proposed in this recommendation (of not transferring shares equivalent to twice their annual fixed remuneration) will be considered.

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that said director has met the predetermined performance criteria:

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

H. Other Information of Interest

1. If you consider that there is any material aspect or principle relating to corporate governance practices followed by your company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.

2. 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 from that required by this report.

3. Also state whether the company voluntarily subscribes to other international, sectoral or other ethical principles or standard practices. If applicable identify the Code and date of adoption. In particular, it will mention whether or not it has adhered to the Code of Good Tax Practices, of July 20, 2010:

The Board of Directors of Enagás, S.A., unanimously agreed to the Company signing up to the Code of Good Tax Practices, promoted by the Large Companies Forum and the AEAT. The company joined on April 21, 2017 and the Company complies with its contents.

This report includes the following Appendices in an attached document.
APPENDIX I. - Explanatory notes.
APPENDIX II.- Report on the Activities of the Audit and Compliance Committee, 2019.
APPENDIX III.- Audit opinion on Internal Control over Financial Reporting ("ICFR"), 2019.
APPENDIX IV.- Audit opinion on the Annual Corporate Governance Report, 2019.
APPENDIX V.- Annual Corporate Governance Report, 2019 (English version).

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

17/02/2020

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

Yes ☐ **No** ☒

Appendix I. Explanatory Notes

Explanatory Note on Section A.2

The list of direct and indirect holders of significant stakes set out in section A.2 of this Report includes those significant shareholders who on December 31, 2019 qualified as such in the relevant Official Register of the CNMV. The foregoing is independent of the question of whether or not the issuer received timely notice from any relevant shareholder in pursuance of Article 23 of Royal Decree 1362/2007, of October 19.

Explanatory Note on Section A.3

The table for this section uses information published in the Official Registers of the CNMV, in accordance with the communication filed by the Company's Directors.

Explanatory Note on Section A.5

Regarding dividends paid by Enagás to the significant shareholders referred to in section A.5 of this Report, note:

On July 3, 2019, Enagás paid **BANK OF AMERICA CORPORATION** a final dividend for 2018 of 7,920 thousands of euros, as approved by the General Shareholders' Meeting. Additionally, in December 2019, a 5,522 thousands of euros interim dividend against 2019 earnings was paid. Therefore, the total dividend paid stands at 13,442 thousands of euros.

On July 3, 2019, Enagás paid **SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES ("SEPI")** a final dividend for 2018 of 10,958 thousands of euros, as approved by the General Shareholders' Meeting. Additionally, in December 2019, a 7,639 thousands of euros interim dividend against 2019 earnings was paid. Therefore, the total dividend paid stands at 18,598 thousands of euros.

On July 3, 2019, Enagás paid **BLACKROCK INC** a final dividend for 2018 of 7,416 thousands of euros, as approved by the General Shareholders' Meeting. Additionally, in December 2019, a 5,171 thousands of euros interim dividend against 2019 earnings was paid. Therefore, the total dividend paid stands at 12,587 thousands of euros.

On July 3, 2019, Enagás paid **NORGES BANK**. a final dividend for 2018 of 6,329 thousands of euros, as approved by the General Shareholders' Meeting. Additionally, in December 2019, a 4,412 thousands of euros interim dividend against 2019 earnings was paid. Therefore, the total dividend paid stands at 10,741 thousands of euros.

On July 3, 2019, Enagás paid **STATE STREET CORPORATION** a final dividend for 2018 of 6,592 thousands of euros, as approved by the General Shareholders' Meeting. Additionally, in December 2019, a 4,595 thousands of euros interim dividend against 2019 earnings was paid. Therefore, the total dividend paid stands at 11,187 thousands of euros.

Explanatory Note on Section A.6

This refers to Mr Bartolomé Lora Toro as the natural person representative of the Director of the Sociedad Estatal de Participaciones Industriales (SEPI).

Explanatory Note on Section A.8

At the date of preparation of this report, the SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI), in addition to having a seat on the Board, also had a significant holding (5%) in the share capital of Enagás, S.A.

SEPI cannot exercise control over Enagás, S.A. as it is not in any of the circumstances set out in Article 4 of the Spanish Securities Market Act 24/1988, of July 28 (hereinafter, "LMV").

Accordingly, no natural or legal person exercises or could exercise control over Enagás, S.A in accordance with Article 4 of the LMV.

Explanatory Note on Section A.9

On March 27, 2015, the General Shareholders' Meeting authorised the Board of Directors to buy its own shares for a maximum of 5 years.

On March 29, 2019, the General Shareholders' Meeting approved a long-term incentive plan for 2019-2021 ("ILP 2019-2021") which included the delivery of shares to the Executive Directors, the members of the Management Committee and senior management of the Company and its group of companies, and April 23, 2019, the Board of Directors approved the Long-Term Incentive Regulations which established the standards for the application of the aforementioned plan.

Pursuant to the foregoing and in accordance with the company's treasury share policy approved by the Board of Directors on April 18, 2016, the Board approved a programme to buy back own shares on April 23, 2019, allowing the purchase of a maximum of 405,084 shares under the programme. The repurchase was entrusted to a financial intermediary of recognised competence to do so on behalf of the company, independently and without its influence.

In execution of the above, the company proceeded to repurchase the maximum number permitted under the repurchase plan approved on April 23, 2019, which, added to the remaining shares (96,862) resulting from the settlement of the previous ILP 2016-2018, giving a current figure of 501,946 own shares.

Explanatory Note on Section A.12

Further text of section 2 of the 31 additional provision of the Hydrocarbons Sector Law 34/1998, of October 7 (hereinafter, also called "LSH"):

(...) "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, of July 28, on the Securities Market, stakes shall be attributed to one and the same natural or legal person when they are owned by:

a) Those parties who act in their own name but on behalf of that natural or legal person in a concerted fashion or forming a decision-making unit with them. Unless proven otherwise, the members of a governing body shall be presumed to act on account of or in concert with that legal person.
b) To partners with whom it exercises control over a dominant company in accordance with Article 4 of the LMV".

In any event, regard shall be had to the proprietary ownership of the shares and other securities and the voting rights attached to each.

Non-compliance with the limit on interests in the share 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 Law. Responsibility shall lie with the natural or legal persons found to be the owners of the securities or whoever the excess interest in the share 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.

Enagás, S.A. may not transfer the shares of the subsidiaries carrying out regulated activities to third parties".

Meanwhile, section 3 of Additional Provision 31 of this law states that:

"The restrictions of shareholding percentages and non-transfer of the shares referred to in this provision are not applicable to other subsidiaries that ENAGÁS, S.A. may constitute for business activities other than transmission, regulated by Article 66 of Law 34/1998, of October 7, on the Hydrocarbons Sector, management of the transmission network and technical management of the national gas system".

Restrictions under the Company's Articles of Association:

In accordance with the aforementioned legal provision, Article 6 bis of Enagás' Articles of Association ("Limitations on holdings in share capital") establishes that:

"No natural or legal person 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 or legal persons that directly or indirectly possess equity holdings in the former of more than 5%, may not exercise voting rights in the Company of over 1%. These restrictions do 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 calculating the stake in that shareholding structure, the Hydrocarbons Industry Act shall apply.

Enagás may not transfer to third parties shares of the subsidiaries included in its Group that undertake transmission and technical management of the system, which are regulated businesses under Hydrocarbons legislation".

Explanatory Note on Section C.1.3

In the table relating to External Proprietary Directors, in the SEPI profile, it lists its natural person representative as Mr Bartolomé Lora Toro.

Explanatory Note on Section C.1.9

The Chief Executive Officer, Mr Marcelino Oreja Arburúa, has been delegated the following powers:

A) Jointly and severally

1. Collect whatever is payable to him for any reason, in bills, cheques, promissory notes, or by deposit in a bank account, by public or private bodies in the European Union, other international organisations, by central, regional, provincial, local government authorities, executive agencies, government depositaries and, in general, by any private natural or legal person in the public or private sectors; establish and settle balances, determine the form of payment of amounts owed to the Company, grant extensions of deadlines, set payment terms and conditions; cash orders of payment from the central, regional or local government tax authorities, including receiving from central government tax offices or other agencies money in cash or any means that represents it and accept the refund of amounts paid in tax.

2. Represent the Company in dealings with third parties, whether natural or legal, public or private, and before all kinds of authorities, public officials, boards and collegiate bodies, chambers, committees, associations, public property registers, companies registers, or public registers of any other kind, trade unions, mutual insurance companies, executive or non-executive agencies, whether autonomous or otherwise, directorates, regional offices of any kind of central, regional, provincial or local government authorities and any other public entities of any level or jurisdiction, whether Spanish or otherwise, whatever their name or nature; exercise any rights, remedies, claims and defences relating to the Company; formulate petitions and in connection with all types of proceedings, file claims and appeals of any kind, including motions for reconsideration and appeals for review, in which the Company has an interest, either in proceedings initiated by the Company or in those of others that directly or indirectly affect the Company; file them, take part in the processing of them; formulate and respond to representations, propose and examine evidence; apply for stays and adjournments; discontinue and abandon or in any other way withdraw from them, at any stage of the proceedings; execute and enforce agreements, detachments and return of documents; request and respond to certificates and summonses, be they governmental, notarial or of any other nature; request certificates, depositions and authentic copies; take delivery from public authorities, including post and telegraph offices and customs officers, of all kinds of papers, objects, goods and consignments in general addressed to the company, executing any notarial instruments or documents under hand required for such withdrawal or dispatch.

3. Make formal appearances in representation of the Company before courts and tribunals of any branch or level, whether in the civil, criminal, administrative, social or labour or any other jurisdiction, and before any arbitrator or arbitration body, of all levels, both domestic and foreign, whatever their territorial scope, and before any other authority, justice system, prosecutor's office, boards, centres, offices, departments, panels, bodies and officers belonging to the judiciary and the administration of justice, of any branch and level, and before them make sworn or ordinary statements and respond to interrogatories in court under non-determinative oath; initiate, pursue and complete as principal, defendant, partner in joinder of parties, coadjutor or in any other capacity, all types of judicial proceedings before any jurisdiction; file, pursue and waive appeals of any kind, including governmental and administrative appeals, and motions for reconsideration, rehearing, appeals for review to the same or a higher court, applications to the Supreme Court on the ground of manifest injustice of a previous decision, appeals against refusal of leave to appeal, actions to have decisions declared void, appeals on the ground on lack of jurisdiction, actions for enforcement of rights or any other legally permitted ordinary or extraordinary appeals, and the abandonment, discontinuance or any other form of withdrawal from proceedings in which the Company has an interest, as well as all kinds of proceedings, including conciliation proceedings, with or without a pre-trial settlement, proceedings of voluntary jurisdiction, governmental, notarial, mortgage and tax proceedings and, accordingly, to bring, respond to and pursue through all their formalities and levels until their conclusion all kinds of actions, claims, complaints, criminal actions, accusations, pleas and defences, and exercise any other causes of action, ratifying them whenever personal ratification is required; choose venues and submit implicitly or explicitly to jurisdictions; give evidence as a legal representative at any of the aforementioned proceedings, petition for stays of proceedings; make, request, receive and comply with summonses, notifications, citations and service of process; apply for joinders, attachments, cancellations, enforcements, dispossessions, filings, auctions of assets, statements and assessments of costs; raise issues of jurisdiction and preliminary issues; challenge witnesses; furnish and challenge evidence, waive evidence and the transfer of proceedings to another court; agree to favourable rulings; provide and withdraw payment bonds and deposits as and when required by the court; provide sureties, make judicial deposits and, in both cases, request they be refunded as and when appropriate, and execute and enforce court rulings.

4. Attend, speak and vote at meetings that are held in bankruptcy proceedings, whether fault-based or otherwise, and in temporary receivership proceedings and arrangements with creditors while they remain in force, approve and challenge creditors' claims and their ranking, appoint and accept appointments as receivers and administrators, appoint representatives; accept and reject debtors' proposals and appoint members of conciliation bodies.

5. Confer powers on court representatives and counsel, freely chosen by him, with general powers for litigation and special powers freely established in each case, including those of responding to interrogatories in court, reaffirming positions, withdrawing and abandoning actions, signing such public or private documents as may be necessary for the exercise of such powers.

6. Enter into contracts of any kind with central, regional, provincial and local government authorities and executive agencies and, in general, with any natural or legal person in the public or private sectors, including contracts for works, supplies and services (excluding regasification, gas transmission and storage, and gas supply contracts); arrange auctions, calls for bids, competitive tendering, direct procurement or any other legal form of procurement; sign proposals and procurement specifications, award contracts and accept contract awards, sign the related contracts and any public and private documents that may be required for their formalisation, fulfilment or performance and discharge.

7. Take the necessary steps to establish arrangements with central, regional, provincial and local government authorities and their agencies concerning all kinds of public prices, levies, whether they be charges, taxes or rates, that affect the Company, agree to such arrangements and for this purpose approve, agree to and sign any covenant, contract or accord referring thereto.

8. Buy, sell, lease, purchase under a preferential right, assign, subrogate, contribute, encumber, exchange unconditionally or subject to conditions, at a declared price, deferred or paid in cash, all kinds of goods and real estate; establish, accept, modify, acquire, dispose of, defer, terminate and cancel, fully or partially, payment bonds, pledges and other security interests in favour of third parties.

9. Lease property as the lessor or lessee thereof.

10. Enter into finance lease agreements, subject to such terms and conditions as he may freely determine.

11. Buy, sell, lease, purchase under a preferential right, assign, subrogate, contribute, encumber, exchange unconditionally or subject to conditions, at a declared price, deferred or paid in cash, all kinds of real estate; establish, accept, modify, acquire, dispose of, defer, terminate and cancel mortgages, easements and other rights in rem over real estate, whether of common law or foral law, and also prohibitions, conditions and all kinds of restrictions on real estate; provide real estate collateral guarantees in favour of third parties.

12. File declarations of construction and cultivation, definition and demarcation of boundaries, grouping together, aggregation, segregation and division of property, and organise buildings under condominium arrangements.

13. Apply for official franchises and authorisations, permits and licences, and complete all the formalities to obtain them, and to renew, amend or cancel them as may be necessary or appropriate.

14. Negotiate and establish with owners affected by future gas installations, whether or not there are compulsory purchase proceedings pending, the imposition of rights of way for pipelines and ancillary components and the purchase of land on which to install gas distribution and regulation chambers or other components that depend on or belong to the networks of the Company granting the power of attorney, arranging for this purpose such mutually agreed transactions, clauses and prices that he considers to be fair, and signing public and private documents of any kind, regardless of the amount involved, and cancel rights of way fully or partially.

15. Initiate any proceedings for compulsory purchase in which the Company has an interest, make formal appearances thereat and make the representations that he considers appropriate, request and conduct expert appraisals, request and receive compensation and, in general, participate in such proceedings in all formalities and appeals related thereto without limitation, executing and signing for the purpose public or private documents of any kind.

16. With regard to proceedings for compulsory purchase, imposition of rights of way and temporary occupation governed by the Law and Regulations on Compulsory Purchase that are instituted by the Company granting power of attorney for the construction of gas pipelines, networks and branches and ancillary installations, they may:
   a) Formulate requests and petitions, request and respond to certificates and summonses of all kinds, request affidavits, certificates and certified copies in which the Company has an interest, in dealings with natural and legal entities in the public or private sectors, without any exception.
   b) Make and withdraw deposits of any kind, including cash, at public entity depositaries of any kind and those held by natural or legal persons, at any of their offices and agencies.
   c) Attend the drawing up of official records of facts and events prior to and after the completion of compulsory purchase actions.
   d) Group together, aggregate, segregate and divide real estate, making the filings relating thereto with the relevant Property Registers.
   e) Arrange for the imposition of rights of way and title restrictions and for the acquisition and occupation by mutual agreement of property and rights affected by the laying of gas pipelines, their networks and branches and ancillary installations, fixing prices and conditions.
   f) Discharge or redeem any charges or liens affecting the properties, fixing the price and conditions of such redemption.
   g) Authorise, and as appropriate, empower by granting power of attorney to such persons as he considers appropriate to represent the Company at the official recording of facts and events prior to and at the time of the occupation of properties affected by compulsory purchase proceedings.

17. Enter into contracts with any natural or legal persons in the public or private sectors for the long-term provision of services of regasification, transmission and storage, procurement of points of entry to the Company's gas system, gas supply and any other contract for the provision of services connected with the gas business and ancillary activities.

18. Enter into contracts with any natural or legal persons in the public or private sectors for the short-term provision of services of regasification, transmission and storage, procurement of points of entry to the Company's gas system, gas supply, connection to installations and any other contract for the provision of services connected with the gas business and ancillary activities.

19. Set up, merge, change the corporate form, dissolve and wind up, take part in the enlargement or modification, of any kind of companies, partnerships, Economic Interest Groupings, European Economic Interest Groupings and joint ventures, represent the Company in them, attend or take part in all kinds of meetings, holding office and appointing officers and representatives as he considers appropriate; contribute to commercial companies all kinds of assets, receiving in payment the relevant shares, equity interests, scrip certificates, convertible or non-convertible debentures, option rights or shares and, in the case of dissolution, the relevant assets. Establish share syndication agreements.

20. Apply for entries to be made at the Property and Companies Registers; send, receive and respond to summonses and notifications and request notarial certificates of all kinds, signing certificates of attendance and any other formality connected with them.

21. Apply for the registration of trademarks and trade names, patents of invention and introduction, utility models and other modalities of industrial property, or challenge and denounce any attempted or effective misappropriation of the name, trademarks and countersigns of Company products and counterfeits of them, initiating and pursuing the appropriate proceedings and making formal appearances in proceedings initiated by others, making statements, providing proof and petitioning as appropriate.

22. Acquire and dispose of intellectual and industrial property rights.

23. Organise, direct and inspect all of the Company's services and installations and verify audits of Company funds.

24. Hire and dismiss personnel employed by the Company, of whatever kind and category, appoint and remove them from their duties, stipulating their pay, duties and tasks, and the remuneration payable for extraordinary services.

25. Grant loans and credits to Company staff and agree subsequent renewals, alterations, subrogations and cancellations thereof.

26. Grant payment bonds and personal and in rem guarantees to Company staff as surety for the fulfilment of personal and mortgage loan contracts granted to Enagás personnel.

27. Negotiate and sign on behalf of the Company any kind of general or partial collective agreements and any other type of pact, agreement or arrangement with the Company staff, trade unions or administrative or judicial authorities that are competent in matters of labour and social security.

28. Issue any kind of certificates, identity cards and other documents with the details of Company staff that are contained in the company record books and files.

29. Sign all documentation to do with social security, accidents at work insurance, enrolments and dis- enrolments, filings and changes; initiate and pursue claims before the Spanish National Institute of Social Security and offices thereof, mutual insurance companies, benefit societies and insurance companies.

30. Make formal appearances and represent the Company in dealings with the regional traffic department and offices thereof, in order to register, transfer and scrap any type of vehicle belonging to the Company and to register and de-register them as appropriate.

31. Take delivery of letters, certificates, dispatches, parcels, postal orders and declared value items from communications offices, and of goods and property shipped from shipping companies, customs and agencies. Receive, open, answer and sign any kind of correspondence and keep the Company's books in accordance with the law.

32. Sign any public or private documents that may be necessary in order to jointly and severally exercise the powers granted hereunder as effectively as possible.

33. Request and obtain electronic signature certificates from authorised providers of certification services and use the electronic signature whenever he considers it appropriate in accordance, at all times, with the applicable rules on electronic signatures.

34. Grant such powers of attorney as he considers necessary, being able to confer each and every one of the aforementioned powers granted hereunder or part of them on such person or persons as he considers appropriate. He may also revoke the powers granted by the Board of Directors, by himself or by other Company bodies.

The powers included in this section must be exercised by Group B as legal representative, together with any of the authorised legal representatives in accordance with the following deeds executed before the Madrid Notary Public Mr Pedro de la Herrán Matorras: (i) deed dated June 13, 2012 number 1,291 of the filing system, registered on Company sheet M-6113, entry 728; (ii) deed dated June 27, 2013, number 1,493 of the filing system, registered on Company Sheet M-6113, entry 752;-(iii) deed dated September 10, 2013, number 2,023 of the filing system registered on Company Sheet M-6113, entry 763; (iv) deed dated September 13, 2017, number 1,915 of the filing system, registered on Company Sheet M-6113, entry 816. The terms of these powers of attorney are as follows:

Jointly with another authorised signee from Group B or from I Group A, up to a limit of 30,000.000 C, except for power of attorney 12, which can be jointly executed for any amount with another I authorised signee from Group B or from Group C.

Jointly with another authorised signee from Group C up to a limit of 20,000,000 euros".

The aforementioned powers (be they joint and several, joint) cannot be exercised in one or more of the following circumstances exist, which are considered LIMITATIONS on the powers delegated here:

I. Making investments or transactions of any type that, due to their high amount or special characteristics, represent a strategic or special fiscal risk for the Company.

II. Creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a similar type that, by their nature, might impair the transparency of the Company or the Group.

III. Performing transactions that the Company or the companies perform with the members of the Board of Directors under the terms set forth in Articles 229 and 230 of the Corporate Enterprise Act, or with shareholders who, individually or jointly with others, hold a significant stake, including shareholders represented on the Company's Board of Directors or the boards of other companies belonging to the same group or with persons associated with them.

However, this limitation will not be applicable in one of the following two cases:

A) When, in the opinion of the legal representative, there are urgent circumstances that require the transaction or make it advisable; or

B) When the transactions simultaneously meet the following three characteristics:

1st They are governed by standard form contracts applied on an across-the-board basis to a large number of customers.

2nd They go through at market. generally set by the person supplying the goods or services.

3rd Their amount does not exceed 1% of the Company's annual revenue.

IV. Carry out any action that, in accordance with the Corporate Enterprises Act, is a non-delegable power either of the Board of the Company or of the Board of Directors of the Company.

B) Jointly

1. Enter into all types of banking arrangements including: factoring, leasing, lease financing, reverse factoring and any other similar banking arrangements with any Spanish or foreign bank, including the Bank of Spain and the branches thereof, the European Investment Bank, the Spanish Official Credit Institute, registered savings banks, savings banks, post office savings banks, the Confederation of Spanish Savings Banks, the General Deposit Fund or any other similar Spanish or foreign trading, transfer, exchange or credit institution.

2. Open, monitor, cancel or drawn down from ordinary current accounts or credit, sight or fixed-term deposit accounts, secured through a security interest, personal guarantee, pledged securities or trade notes, with or without a guarantee.

3. With regard to ordinary current accounts or credit, sight or fixed-term deposit accounts opened on behalf of the Company, write personal cheques, issue bank drafts, issue bank cheques, perform bank transfers or use any other accepted payment system or mechanism; pay in or withdraw voluntary or required amounts and deposits of cash or securities, signing any documentation required to perform such transactions.

4. Issue, cash, accept, endorse, receive, sign, intervene, challenge, pay and negotiate any type of bills of exchange, letters of credit, non-credit or credit facilities, promissory notes, cheques and other bank bills, commercial bills, bank giros or bills of exchange.

5. Obtain and award loans or credits, with or without collateral or personal guarantees, including the pledging of securities, and arrange subsequent renewals, amendments and subrogations. Acquire and extend credits.

6. Request, cancel and withdrawn personal and collateral-backed sureties, guarantees and payment bonds.

7. Enter into discounting arrangements for promissory notes issued by the company with banks and financial institutions authorised to perform discounting, and enter into loan or other financing arrangements represented by promissory notes with these entities; contract agency services to facilitate such financing arrangements.

8. Buy and sell shares, debentures, bonds, stakes and any other type of security or instrument, and collect any yield from these.

9. Pay in bearer cheques paid to the Company, signing the reverse, for the sole purpose of paying them into the current accounts held with the Bank of Spain, and other banks, credit institutions and savings banks.

10. Arrange transfers between current and credit accounts or loan accounts set up in the Company's name through bank transfers, bank cheques or any other accepted payment system or mechanism

in all types of banks, including the Bank of Spain, savings banks and other credit institutions, both Spanish and foreign.

11. Award and accept loans to/from subsidiaries and affiliates and the parent company.

12. Make payments to settle invoices for gas purchases and settle taxes by personal cheque, bank giro or transfer, bank cheque or any other accepted payment system or mechanism from ordinary current accounts and credit, sight or fixed-term deposit accounts opened by the Company, to which end any type of document may be signed.

13. Sign any public or private documents that may be necessary in order to jointly exercise the powers granted hereunder as effectively as possible.

Explanatory Note on Section C.1.10

The Director Mr Marcelino Oreja Arburúa also holds the position of Director of MIBGAS Derivatives, S.A., a company that is not part of the Enagás Group and in which Enagás S.A. holds a 19.4% stake.

The Director Mr Marcelino Oreja Arburúa also holds the position of Director of Tallgrass Energy G.P., a company that is not part of the Enagás Group and in which Enagás S.A. holds a 12.62% indirect stake.

Explanatory Note on Section C.1.11

SEPI has representation on the Board of Directors of the listed company EBRO FOODS, S.A. through ALYCESA (a 91.96%-owned subsidiary of SEPI).

Explanatory Note on Section C.1.13

The increases in the remuneration accrued during the year in favour of the Board of Directors, compared to that reported in the previous year, are mainly due to the settlement of the Long-Term Incentive Plan (2016-2018) which took place in April 2019.

Explanatory Note on Section C.1.14

During financial year 2019, the total remuneration of the Senior Management of the Company amounted to 8,013 thousands of euros. This includes the remuneration received by the Director of Internal Audit (Ms Rosa Sánchez Bravo).

The increases in the remuneration accrued during the year in favour of Senior Management, compared to that reported in the previous year, are mainly due to the settlement of the Long-Term Incentive Plan (2016-2018) which took place in April 2019.

Explanatory Note on Section C.1.16

Duration in charge and co-option:

Article 10 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors stipulates that Directors may hold office for a period of four years, and may be re-elected for similar periods. Directors appointed by co-option will perform their duties until the date of the first General Meeting, or until the date of the following meeting, if the vacancy arises after the General Meeting has been convened and before it is held.

Re-election of Directors:

Article 11 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors stipulates that the Appointments, Remuneration and CSR 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 the information required to assess proposals for re-election of non-Independent Directors presented by the Board of Directors to the General Meeting and proposals for the re-election of Independent Directors.

Proposals for re-election shall always be accompanied by a report from the Board justifying the competencies, experience and merits of the candidate. This report shall be attached to the minutes of the General Meeting or of the Board.

As a general rule, appropriate rotation of Independent Directors should be ensured. 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.

Removal:

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 Rules and Regulations of the Organisation and Functioning of the Board of Directors).

The Board of Directors shall not propose the removal of any Independent Director prior to the end of the period mandated by the Articles of Association for which they have been appointed, unless there are due grounds acknowledged by the Board following a report from the Appointments, Remuneration and Corporate Social Responsibility Committee. In particular, it shall be understood that there is just cause when the Director takes on new offices or assumes new obligations that prevent them from devoting the time necessary to perform the duties of the office of Director, breaches the duties inherent to their position or is affected by one of the circumstances that cause them to lose their independent status in accordance with the provisions of applicable legislation (Art. 12.3 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors).

Explanatory Note on Section C.1.32

As disclosed in note 4.6 c) to the Annual Accounts, Law 22/2015 on the Audit of Accounts establishes that non-audit services provided by the auditor must be less than 70% of the average fees paid for audit services for four consecutive years. The amount of non-audit services rendered by the auditor of accounts (Ernst & Young, S.L.) amounts to 34% of the audit service fees invoiced during 2019 (23% for the Group).

Explanatory Note on Section C.1.39

In accordance with Article 529 octodecies of Corporate Enterprises Act, the Board is informed of the main terms and conditions of Director's contracts in the Remuneration Policy and Remuneration Report that is submitted to the Board every year.

Explanatory Note on Section C.2.1

Audit and Compliance Committee *(Continued):*

The duties and responsibilities of the Audit and Compliance Committee are:

(i) With regards to the financial statements and other accounting information

a) Overseeing the preparation and presentation of financial information on the Company and the Group, and checking compliance with regulatory requirements, the due definition of the scope of consolidation and the correct application of accounting standards and, in particular, knowing, understanding and monitoring the efficiency of the Internal Control over Financial Reporting (ICFR) system.
b) Examining the information on activities and results of the Company which is prepared and published periodically in accordance with the prevailing regulations relating to the securities markets, seeking to ensure transparency and exactness in the information.
c) Reporting to the Board of Directors on recommendations or comments it deems necessary on the application of accounting criteria, internal control systems and any other relevant matter, and in particular, to present recommendations or proposals to the Board of Directors to safeguard the integrity of such financial information.
d) Informing the Board of Directors on the Annual Accounts prior to their preparation, as well as on financial information which the Company must periodically disclose publicly.
e) Ensure that the Board of Directors can present the accounts to the General Shareholders' Meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the Chairman of the Committee and the auditors should give a clear account to shareholders of their scope and content.

f) The Board of Directors must properly explain any departure from the Audit and Compliance Committee's prior Report in the Annual Accounts finally authorised for issue.
g) Assessing any proposals made by senior managers regarding changes in accounting practices.

(ii) Competencies relating to legality

a) Reporting to the Board of Directors prior to it approving the creation or acquisition of shares in special purpose vehicles and/or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a similar nature that, by their nature, might impair the transparency of the company or the Group.
b) Reporting to the Board of Directors prior to transactions with related parties, pursuant to Article 14 Bis of the Regulations of the Board.
c) Preparing a report on related-party transactions, for posting on the Company's website, sufficiently in advance of the Ordinary Shareholders' Meeting.
d) Receiving and analysing information on the fiscal criteria applied by the Company during the year, particularly with regard to the degree of compliance with corporate tax policy, prior to the preparation of the Annual Accounts.

(iii) Competencies with regard to the Internal Audit unit

a) Seeing to the proper operation of the internal audit as well as ensuring the independence of the unit that performs internal audit functions, which reports functionally to the Chairman of the Committee. It also ensures the smooth running of internal control and information systems submitting recommendations and proposals to the Board of Directors, with related monitoring periods, as it deems appropriate.
The head of the unit responsible for the internal audit function shall present an annual work programme to the Committee, and report on any incidents arising during its implementation, and shall submit an activity report at the end of each year.
b) Ensuring the unit has sufficient resources and suitably qualified personnel for optimum performance of the function.
c) Approving the Internal Audit Plan and related work plans, and proposing the annual budget for this, ensuring that activity focuses mainly on the most significant risks facing the Company.
d) Supervising the Company's Internal Audit services, receiving regular information on its activities and verifying that senior management takes its conclusions and recommendations into account.
e) Making proposals to the Board of Directors on the selection, appointment, re-election and removal of the head of Internal Audit.
f) Assessing annually the functioning of the internal audit unit and the performance of their duties by its head, for which purpose the opinion of the executive management will be sought.

(iv) Competencies relating to the relationship with the external auditor

- With regards to the **appointment, re-election and replacement of the accounts auditor:**

a) Taking responsibility for the selection process, pursuant to applicable legislation, and, for this purpose it shall:
1º. define the procedure for selecting the auditor; and
2º. issue a reasoned proposal containing at least two alternatives for the selection of the auditor, except in the case of re-election of the auditor.
b) Report on the remuneration of the external auditors and other contract conditions.
c) Propose the selection, appointment, re-election or replacement of the external auditors of the Enagás Group to the Board of Directors for presentation at the General Shareholders' meeting.
d) As applicable, ensure that the Company notifies any change of external auditors to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

- With regard to the **independence of the external auditors and absence of causes for prohibition and incompatibility:**

a) Regularly gather information from the external auditors on the auditing plan and its implementation, in addition to preserving their independence in the exercise of their duties.
b) Liaise with the external auditors to obtain information on any issues that could compromise the latter's independence. Specifically, the discrepancies that may arise between the auditor of accounts and Company management for review by the Committee, and any other discrepancies relating to the audit process, as well as the possible safeguard measures to be adopted, discussing the significant weaknesses detected in internal control with the auditor of accounts, and never jeopardising the independence of the audit in order to be able to conclude on the level of confidence and reliability of the system.
c) Receive those other communications provided for in audit legislation and audit standards.
d) Proceed with the authorisation of services other than those prohibited, in accordance with prevailing regulations.
e) Ensure that the Company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and, in general, other requirements concerning auditor independence.
f) Ensure that the fees of the external auditor do not threaten their quality and independence, and are not based on any form of contingency, as well as establish an indicative limit on the fees that the auditor may receive annually for non-audit services.
g) In the event of resignation of the Accounts Auditor, the Committee should investigate the issues giving rise to the resignation.
h) Receive the annual statement from the external auditors on their independence with respect to the Enagás Group (included in the delivery of the supplementary report) or entities directly or indirectly related to it, in addition to detailed and individual information on additional services of any kind rendered to these entities by the external auditor or by persons or entities related to it, in conformity with audit regulations.
i) Issue an annual report, prior to the issue of the audit report, giving an opinion on whether the independence of the auditors is compromised. This report shall in all cases include a reasoned assessment of each additional service rendered, as referred to in the previous section, that could comprise the independence of the Accounts Auditor, considered separately and in their totality, other than statutory audits and how they relate to the requirement of independence or to the audit regulations and shall be published on the website of the Company sufficiently in advance of the date of the Ordinary General Shareholders' Meeting.
j) Establish a maximum term of auditor engagement, ensuring a gradual rotation with the main audit partners.

- With regard to **audit reports:**

a) Review the content of audits, limited review reports of interim financial statements and other required reports of statutory auditors prior to their issue in order to prevent qualifications.
b) Supervise the responses of senior management to its recommendations, mediating and arbitrating in the event of any disagreement with regard to the principles and criteria applicable to the preparation of the financial statements.
c) Foster and ensure that the external auditor who audits the individual and/or consolidated Annual Accounts takes full responsibility for the audit report issued, even when the annual accounts of affiliates are audited by other external auditors.
d) Report to the General Shareholders' Meeting on the audit results, explaining that this process contributes to the reliability of the financial information, and on the role performed by the Committee in this process.
e) Ensure that the external auditors have a yearly meeting with the Board of Directors in full to inform them of the work undertaken and developments in the Company's risk and accounting positions.
f) Make a final assessment of the external auditors' performance and how they have contributed to the quality of the audit and the integrity of the financial reporting.

(v) Competencies relating to the Company's risk control and management function

a) Overseeing the effectiveness of risk control and management systems in order to mitigate risks adequately, in the framework of the Company's internal policy. Submitting recommendations or proposals to the Board of Directors to improve these systems along with the corresponding deadline for dealing with them.
b) Overseeing the risk control and management unit, which shall, among other functions, ensure the proper functioning of the risk control and management systems and, in particular, identify, manage and adequately quantify all material risks affecting the company; actively participate in the development of the risk strategy and major decisions on its management; and ensure that the risk control and management systems adequately mitigate risk under the policy defined by the Board of Directors.
c) Assessing the Company's risks and examine the analyses of risks that affect the business, which are set out in the internal risk policies. This periodic information is prepared in accordance with internal rules, including the identification, measurement and establishment of management measures for the key risks affecting the Company.
d) Reporting to the Board of Directors on any risks uncovered, with an assessment thereof, and any key issues concerning risks. In particular, reassessing, at least annually, the list of the most significant financial and non-financial risks and assess their tolerance level, proposing their adjustment to the Board, if necessary.
e) Holding at least one meeting annually with the senior managers of the business units in which they explain business trends and the related risks.

(vi) With regards to Corporate Governance

a) Reporting in advance to the Board of Directors on structural and corporate changes that the Company plans to carry out, their economic conditions and their accounting impact and, in particular, where appropriate, the proposed exchange ratio.
b) Overseeing compliance with the Internal Codes of Conduct and, in particular, with the Internal Code of Conduct in matters relating to the Securities Markets in force at any given time and with these Regulations, and to make the necessary proposals for their improvement. In fulfilling this duty, the Audit and Compliance Committee liaises with the Appointments, Remuneration and CSR Committee in considering Company Directors' and managers' compliance with the Code.
c) Assessing all matters relating to the non-financial risks of the Company, including operational, technological, legal, social, environmental, political and reputational.
d) Coordinating the process for reporting non-financial and diversity information, in accordance with applicable regulations and international benchmark standards.
e) Supervising a mechanism whereby staff can report, confidentially and anonymously any potentially significant incidents they identify in the Company, receiving regular information on its operation and being able to propose appropriate actions for its improvement and the reduction of the risk of irregularities in the future, particularly with regard to financial and accounting issues, whilst respecting in all cases personal data protection regulations and the basic rights of the parties involved.
f) Preparing an Annual Activity Report of the Audit and Compliance Committee, which will form part of the corporate governance report, and which will be published on the Company's website sufficiently in advance of the Ordinary General Meeting.
g) Assisting with drafting the Annual Corporate Governance Report, especially in areas concerning information transparency and conflicts of interests.

(vii) Competencies relating to the Compliance function

a) Ensuring the independence of the compliance unit.
b) Ensuring that the compliance unit performs its mission and competences with regard to regulatory compliance and the prevention and correction of behaviour that is illegal or fraudulent or otherwise breaches the Enagás Group Code of Ethics.
c) Ensuring that the compliance unit has the human and material resources needed for optimum performance of its functions.
d) Providing information and putting forward proposals to the Board of Directors regarding the selection, appointment, reappointment and dismissal of the head of Compliance.

(viii) With regards to shareholders

Providing information on issues within the scope of its duties at the General Meeting.

Appointments And Remuneration Committee *(Continued):*

The duties and responsibilities of the Appointments, Remuneration and Corporate Social Responsibility Committee are:

(i) Competencies relating to the composition of the Board

a) To evaluate the competencies, knowledge and experience required on the Board of Directors. To this end, and in accordance with the Director's selection policy, it shall determine the functions and capacities required of the candidates to fill each vacancy, and evaluate the precise amount of time and degree of dedication necessary for them to effectively perform their duties, while overseeing that the Non-Executive Directors have sufficient time available to properly perform their functions. The Committee will draw up and regularly update a matrix with the necessary competences of the Board and which defines the skills and knowledge of the candidates for Directors, in particular executive and independent Directors.
b) Reviewing the structure of the Board of Directors, as well as the criteria that must be reported, the statutory renewal of Directors, the incorporation of new members, guaranteeing that their access to the Board does not affect the Company's status as transmission grid operator, in accordance with the provisions of the applicable regulations on hydrocarbons. Likewise, any other aspect related to its composition that it considers appropriate will be reviewed, making the necessary proposals to the Board of Directors.
c) Establishing a representation objective for the under-represented gender on the Board of Directors and to draw up guidelines on how to achieve this objective, also proposing to the Board of Directors the policy of diversity of directors, based on the criteria of age, disability, training, professional experience and gender, among others.
d) Reviewing periodically the category of the Directors.

(ii) Powers for the selection of Directors and Senior Managers

a) To forward to the Board of Directors proposed appointments of Independent Directors for them to be designated by co-option or subject to the decision of the General Shareholders' Meeting, as well as on proposals for their re-election or removal by the General Shareholders' Meeting.
b) To report proposed appointments of the remaining Directors for them to be designated by co-option or subject to the decision of the General Shareholders' Meeting, as well as on proposals for their re-election or removal by the General Shareholders' Meeting.
c) To verify on an annual basis compliance with the director's selection policy of the company approved by the Board of Directors.
d) To report on proposals for the appointment and removal of Senior Managers.
e) To submit proposals to the Board of Directors regarding the Company's organisational structure and the creation of Senior Management positions that it considers necessary for better and more efficient management of the Company, as well as the guidelines regarding the appointment, career selection, promotion and dismissal of Senior Management, to ensure the Company has, at all times, highly qualified personnel suitable for the management of its activities.

(iii) Competencies relating to the composition of the Board

a) To report on the appointment of the Chairman and Vice Chairman of the Board of Directors.
b) To report on the appointment and dismissal of the Secretary and Vice Secretary of the Board of Directors.
c) To propose the appointment of the Independent Leading Director.
d) To examine and organise the succession of the Company's Chairman and CEO and, if appropriate, to make proposals to the Board of Directors so that such succession takes place in an orderly and planned manner, drawing up a succession plan for this purpose.

(iv) Powers relating to the remuneration of Directors and Senior Managers

a) To propose to the Board of Directors the remuneration policy for Directors and Senior Managers, verifying that this is observed. To this end, the committee will periodically review the remuneration policy for Directors and Senior Management and ensure that their individual remuneration is proportional to that paid to the other Directors and Senior Management of the Company.
b) To propose to the Board of Directors the individual remuneration and other contractual conditions of Executive Directors, verifying that they are consistent with the remuneration policies in force.
c) To propose to the Board of Directors the basic conditions of the Senior Management contracts, verifying that they are consistent with the remuneration policies in force.
d) To verify information on remuneration of Directors and senior managers contained in the various corporate documents, including the Annual Report on Directors' Remuneration.

(v) Powers relating to the corporate governance of the Company and corporate social responsibility

a) To report to the Board on general policy concerning Corporate Social Responsibility and Corporate Governance, ensuring the adoption and effective application of best practices – both those which are compulsory and those that are in line with generally-accepted recommendations. To this end, the Committee shall be responsible for the following functions:
(i) To submit to the Board the initiatives and proposals it deems appropriate and provide information on proposals submitted to the Board and information the Company releases to shareholders annually regarding these issues.
(ii) To monitor compliance with the rules of corporate governance of the Company, periodically assessing the adequacy of the Company's system of corporate governance, in order to fulfil its mission of promoting the corporate interest, and consider, as appropriate, the legitimate interests of other stakeholders.
(iii) To monitor the communication strategy and relations with shareholders and investors, including small and medium shareholders.
(iv) To monitor the corporate social responsibility strategy and practices and assess their degree of compliance.
(v) To oversee and assess the processes of liaising with different stakeholders.
(vi) To review the corporate responsibility policy of the Company, ensuring that it is aimed at creating value.
In particular, the Committee shall ensure that the policy of corporate responsibility identifies at least:
- The goals of its corporate social responsibility policy and the support instruments to be deployed.
- The corporate strategy with regard to sustainability, the environment and social issues.
- Concrete practices in matters relative to: shareholders, employees, customers, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
- The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
- Mechanisms for oversight of non-financial risk, ethics and business conduct.
- Channels for stakeholder communication, participation and dialogue.
- Responsible communication practices that prevent the manipulation of information and protect the Company's honour and integrity.

The report which, if any, may be issued by the Committee on the Company's general policy of Corporate Social Responsibility, shall be developed using any of the internationally accepted methodologies, and shall be published on the website of the Company sufficiently in advance of the Ordinary General Shareholders' Meeting.

b) To report to the Board of Directors on measures to be taken in the event of breach of these Board 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 Appointments, Remuneration and Corporate Social Responsibility Committee shall work in conjunction with the Audit and Compliance Committee wherever appropriate.

c) To prepare an Annual Report on the activities of the Appointments, Remuneration and Corporate Social Responsibility Committee, which will be published on the Company's website sufficiently in advance of the Ordinary General Meeting.

d) To ensure that any conflicts of interest do not impair the independence of external advisers to the Committee in connection with the performance of its duties.

(vi) Other competences

a) To spearhead, where appropriate, together with the Independent Leading Director, the annual evaluation of the performance of the Board and its Committees, and to provide the Board with the results of its assessment together with a proposal for an action plan or with recommendations to correct possible deficiencies detected or to improve performance.
b) To design and organise periodic programmes to update Directors' knowledge.

Explanatory Note on Section D.2

Regarding dividends paid by Enagás to significant shareholders, excluding Directors, referred to in section D.2 of this Report, note:

On July 3, 2019, Enagás paid **BANK OF AMERICA CORPORATION** a final dividend for 2018 of 7,920 thousands of euros, as approved by the General Shareholders' Meeting. Additionally, in December 2019, a 5,522 thousands of euros interim dividend against 2019 earnings was paid. Therefore, the total dividend paid stands at 13,442 thousands of euros.

On July 3, 2019, Enagás paid **SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES ("SEPI")** a final dividend for 2018 of 10,958 thousands of euros, as approved by the General Shareholders' Meeting. Additionally, in December 2019, a 7,639 thousands of euros interim dividend against 2019 earnings was paid. Therefore, the total dividend paid stands at 18,598 thousands of euros.

On July 3, 2019, Enagás paid **BLACKROCK INC** a final dividend for 2018 of 7,416 thousands of euros, as approved by the General Shareholders' Meeting. Additionally, in December 2019, a 5,171 thousands of euros interim dividend against 2019 earnings was paid. Therefore, the total dividend paid stands at 12,587 thousands of euros.

On July 3, 2019, Enagás paid **NORGES BANK**. a final dividend for 2018 of 6,329 thousands of euros, as approved by the General Shareholders' Meeting. Additionally, in December 2019, a 4,412 thousands of euros interim dividend against 2019 earnings was paid. Therefore, the total dividend paid stands at 10,741 thousands of euros.

On July 3, 2019, Enagás paid **STATE STREET CORPORATION** a final dividend for 2018 of 6,592 thousands of euros, as approved by the General Shareholders' Meeting. Additionally, in December 2019, a 4,595 thousands of euros interim dividend against 2019 earnings was paid. Therefore, the total dividend paid stands at 11,187 thousands of euros.

Explanatory Note on Section D.3

Regarding dividends paid by Enagás to Directors who are significant shareholders, as referred to in section D.3 of this Report, note:

On July 3, 2019, Enagás paid **SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES ("SEPI")** a final dividend for 2018 of 10,958 thousands of euros, as approved by the General Shareholders' Meeting. Additionally, in December 2019, a 7,639 thousands of euros interim dividend against 2019 earnings was paid. Therefore, the total dividend paid stands at 18,598 thousands of euros.

Explanatory Note on Section D.4

The criteria used by Enagás for reporting information on significant operations carried out by the Company with other entities in the same group is as follows:

1. Significant operations with other entities in the Group shall be reported provided that they are not eliminated in the consolidation process.

2. Of the operations that are not eliminated in the consolidation process, a report shall be made of those that do not simultaneously meet the following three conditions:
    a. Their amount does not exceed 1% of the company's annual revenues.
    b. They are part of the company's ordinary traffic, with ordinary traffic understood to mean those activities related to transmission, storage and regasification.
    c. They are carried out at prices or rated under normal market conditions.

Explanatory Note on Section D.5

The amount from related party transactions is obtained from the following breakdown:

Group entity	Related party	Category	Amount (€ thousand)
Enagás S.A.	Banco Santander, S.A.	Finance cost	6,938
Enagás Internacional, S.L.U.	Banco Santander, S.A.	Finance cost	4,732
Total finance cost, other related parties			**11,670**

Group entity	Related party	Category	Amount (€ thousand)
Enagás Internacional, S.L.U.	Banco Santander, S.A.	Financial income	11
Total finance revenue, other related parties			**11**

Group entity	Related party	Category	Amount (€ thousand)
Enagás S.A.	Banco Santander, S.A.	Guarantees	23,333
Total guarantees, related parties			**23,333**

Group entity	Related party	Category	Amount (€ thousand)
Enagás S.A.	Banco Santander, S.A.	Agent Services	15
Enagás S.A.	Banco Santander, S.A.	Vehicle rental	62
Enagás S.A.	Club Español de la Energía	Services received	51
Enagás S.A.	C.E.O.E.	Services received	36
Enagás S.A.	Fundación Aspen Institute España	Services received	2
Enagás S.A.	(SEPI)	Services received	17
Enagás S.A.	Thyssen-Bornemisza Collection Foundation	Services received	6
Enagás G.T.S., S.A.	Club Español de la Energía	Services received	3
Enagás Transporte S.A.U.	Banco Santander, S.A.	Vehicle rental	114
Enagás Transporte S.A.U.	Club Español de la Energía	Services received	1
Total services received, other related parties			**304**

Total transactions with other related parties	**35,318**

Transactions with BANCO SANTANDER, S.A

Financial expenses In 2019, financial expenses payable to Banco Santander, S.A. amounted to **11,670 thousands of euros,** of which 6,938 thousands of euros is payable by Enagás S.A. and 4,732 thousands of euros is payable by Enagás Internacional, S.L.U.

Financial income: In 2019, Enagás Internacional, S.L.U. received financial income from Banco Santander, S.A. amounting to **11 thousands of euros.**

Guarantees and sureties received: Guarantees extended by Banco Santander, S.A. in 2018 amounted to **23,333 thousands of euros,** all of which were granted to Enagás, S.A.

Services received: Enagás, S.A. incurred expenses of **77 thousands of euros,** as follows:

Services received from Banco Santander

Category	Amount	Price policy	Payment terms	Guarantees
Vehicle hire	62	-	-	-
Agency commission	15	-	-	-

Services received: Enagás Transporte, S.A.U. incurred expenses of **114 thousands of euros,** broken down as follows:

Services received from Banco Santander

Payment terms	Guarantees	Política de precios	Plazos de pago	Garantías
Vehicle hire	114	-	-	-

Transactions with Club Español de la Energía

Services received: Enagás, S.A. incurred expenses of **51 thousands of euros,** as follows:

Services received from Club Español de la Energía

Category	Amount	Price policy	Payment terms	Guarantees
Various services	51			

Services received: EnagásTransporte, S.A.U. incurred expenses of **1 thousands of euros**, broken down as follows:

Services received from Club Español de la Energía

Category	Amount	Price policy	Payment terms	Guarantees
Various services	1	-	-	-

Services received: Enagás G.T.S., S.A.U. incurred expenses of **3 thousands of euros**, broken down as follows:

Services received from Club Español de la Energía

Category	Amount	Price policy	Payment terms	Guarantees
Various services	3	-	-	-

Transactions with C.E.O.E.

Services received: Enagás, S.A. incurred expenses of **36 thousands of euros**, as follows:

Services received from CEOE

Category	Amount	Price policy	Payment terms	Guarantees
Various services	36			

Transactions with Fundación Aspen Institute España

Services received: Enagás, S.A. incurred expenses of **2 thousands of euros**, as follows:

Services received from Fundación Aspen Institute España

Category	Amount	Price policy	Payment terms	Guarantees
Various services	2			

Transactions with Thyssen-Bornemisza Collection Foundation

Services received: Enagás, S.A. incurred expenses of **6 thousands of euros,** as follows:

Services received from Thyssen-Bornemisza Collection Foundation

Category	Amount	Price policy	Payment terms	Guarantees
Various services	6			

Transactions with SEPI

Services received: Enagás, S.A. incurred expenses of **17 thousands of euros,** as follows:

Services received from SEPI

Category	Amount	Price policy	Payment terms	Guarantees
Various services	17			

Appendix II
Annual Activity Report of the Audit and Compliance Committee

AUDIT AND COMPLIANCE COMMITTEE

17/02/2020

1. Composition, attendance and operation

On December 31, 2019, the composition of the Audit and Compliance Committee was as follows:

Chairwoman
Ms. Isabel Tocino Biscarolasaga
Independent

Member
Sociedad Estatal de Participaciones Industriales (SEPI), represented by its Vice President Mr Bartolomé Lora Toro
Proprietary

Member
Ms. Rosa Rodríguez Díaz
Independent

Member
Mr. Luis García del Río
Independent

Member
Mr. Martí Parellada Sabata
External

Secretary
Mr. Rafael Piqueras Bautista

In 2019, there were no changes in the composition of the Committee.

The Board of Directors has appointed the members of the Audit and Compliance Committee taking into account their knowledge, skills, as well as their experience in accounting, internal control auditing and risks. The composition of the Committee is therefore in accordance with the best practices of good corporate governance.

All the information on the Directors, including their work experience, is available on the Enagás corporate website. https://www.enagas.es/enagas/es/QuienesSomos/ConsejoAdministracion

Attendance

Pursuant to the provisions of the Audit and Compliance Committee Regulations, the Committee holds its meetings in accordance with an annual calendar, which includes at least four ordinary sessions.

Eight meetings were held during 2019: five regular committees and three preparatory ones.

All members of the Audit and Compliance Committee attended these meetings.

Committee operation

The Committee conducted its activity in 2019 in accordance with the best practices of corporate governance and the standard procedures set out in Technical Guide 3/2017 on Audit Committees at public-interest entities.

In accordance with the provisions of the corporate texts, the Audit and Compliance Committee was assisted by the Internal Audit Director, Ms Rosa Sánchez Bravo, in her duties as adviser to the Committee.

In addition, during 2019, at the invitation of the Chairwoman of the Committee, the Committee requested the presence of certain Company executives to discuss matters within their competence in accordance with the agenda. Specifically, it was attended by the Chief Executive Officer, Mr Marcelino Oreja Arburúa and the Financial General Manager of Enagás, Mr Borja García-Alarcón Altamirano. The Sustainability and Risk Director and the Compliance Director also attended meetings of the Committee when the latter addressed issues related to their functions.

Likewise, the representatives of the external auditor, Ernst & Young, S.L., attended the ordinary meetings of the Committee.

The documentation relative to each meeting, such as the agenda and the minutes from the previous meeting, were given to Committee members sufficiently in advance.

Ordinarily, after each Audit and Compliance Committee meeting the Chairwoman of the Committee reported to the Board of Directors in a meeting held the same day, with regard to the actions taken and matters addressed in each Committee meeting.

2. Regulation of the Audit and Compliance Committee

The Audit and Compliance Committee is governed by the provisions of applicable laws and regulations, the provisions contained in the Articles of Association, the Rules and Regulations for the Organisation and Functioning of the Board of Directors of Enagás, S.A., as well its Regulations of the Audit and Compliance Committee, dated on December 16, 2019.

These documents are available on the website.

The main duties of the Audit and Compliance Committee are summarised under the following basic categories:

2.1. Annual Accounts and other financial reports:

i. Overseeing the preparation and presentation of any financial information on the Company and its Group, and checking compliance with regulatory requirements, the due definition of the consolidation scope and correct application of accounting principles, and, especially, to understand and monitor the efficiency of the Internal Control over Financial Reporting system (ICFR).

ii. Examining the information on activities and results of the Company which is prepared and published periodically in accordance with the prevailing regulations relating to the securities markets, seeking to ensure transparency and exactness in the information.

iii. Reporting to the Board of Directors on recommendations or comments it deems necessary on the application of accounting criteria, internal control systems and any other relevant matter, and in particular, to present recommendations or proposals to the Board of Directors aimed at safeguarding the integrity of the financial information.

iv. Reporting to the Board of Directors with regard to the annual accounts and any other information that must be regularly disclosed, prior to their being drawn up.

2.2. External auditor

With regard to the appointment, re- election or replacement of the external auditor:

i. Taking responsibility for the selection process, in accordance with the applicable regulations, and to this end must: define the procedure for selecting the auditor; and issue a reasoned proposal containing at least two alternatives for the selection of the auditor, except in the case of re-election.

ii. Reporting on the remuneration of external auditors and other contract conditions.

iii. Proposing the appointment, re-election or replacement of the accounts auditor of the Enagás Group to the Board of Directors for presentation to the General Shareholders' meeting.

With regard to their independence:

i. Establishing appropriate relations with the external auditor to receive information on any matters that may threaten its independence, in particular any discrepancies that may arise between the accounts auditor and Company management, for consideration by the Committee, and any others related to the process of implementation of the accounts audit, as well as any possible safeguards to be adopted.

ii. Proceeding to authorisation of the services other than those prohibited, in accordance with applicable regulations, ensuring that the Company and the external auditor respect the rules in force and the existing internal procedures.

iii. Ensuring that the fees of the external auditor do not threaten their quality and independence, and are not based on any form of contingency, and establish an indicative limit on the fees that the auditor may receive annually for non-audit services.

iv. Receiving the annual statement from the external auditor on their independence with respect to the Enagás Group or entities directly or indirectly related to it, in addition to detailed and individual information on additional services of any kind rendered to these entities, and the corresponding fees received, by the external auditor or by persons or entities related to it. All of this is in accordance with the provisions of the regulations governing the accounts auditing activity.

v. Issuing an annual report, prior to the issue of the audit report, giving an opinion on whether the independence of the accounts auditors is compromised. This report shall in all cases include a reasoned assessment of each additional service rendered, as referred to in the previous section, that could comprise the independence of the accounts auditor, considered separately and in their totality, other than statutory audits.

In relation to the audit process and other limited reviews of interim financial statements:

i. Reviewing the contents of audit reports, reports on limited review of interim financial statements and other statutory reports required of the auditors of accounts prior to their issuance, in order to prevent qualifications.

ii. Supervising the responses of senior management to its recommendations, and mediating and arbitrating in the event of any disagreement with regard to the principles and criteria applicable to the preparation of the financial statements.

iii. Fostering and ensuring that the accounts auditor who audits the individual and/or consolidated annual accounts takes full responsibility for the audit report issued, even when the annual accounts of affiliates are audited by other accounts auditors.

iv. Reporting to the General Shareholders' Meeting on the audit results, explaining that this process contributes to the reliability of the financial information, and on the role performed by the Committee in this process.

v. Ensuring that the external auditor hold two meetings per year, half-yearly and at the end of the accounting period, with the Board of Directors in order to inform them of the work undertaken of the evolution of accounting positions and risks to the Company.

vi. Conducting an annual evaluation of the auditor's performance and how it has contributed to the quality of the audit and the integrity of the financial reporting.

2.3. Internal Audit

i. Overseeing the proper operation of internal audit and ensuring the independence of the Company's internal audit function, ensuring the provision of sufficient resources and suitably qualified personnel for the optimum performance of its duties.

ii. Approving the Internal Audit Plan, their related work plans and the annual budget for this, ensuring that the activity focuses mainly on the most significant risks facing the Group.

iii. Supervising the internal audit services, receiving regular information on their activities and verifying that senior management takes their conclusions and recommendations into consideration.

iv. Yearly assessment of the internal audit function and the performance of the responsible person.

.

2.4. Risk control and management

i. Overseeing the effectiveness of risk control and management systems in order to adequately mitigate risks with the framework of the Company's internal policy. Submitting recommendations or proposals to the Board of Directors to improve these systems along with the corresponding deadline for dealing with them.

ii. Overseeing the risk control and management unit, which shall, among other functions, ensure the proper functioning of the risk control and management systems and, in particular, identify, manage and adequately quantify all material risks affecting the company.

iii. Evaluating the Company's risks and examining the analyses of risks that affect the activities of the Company.

iv. Reporting to the Board of Directors on any risks uncovered, with an assessment thereof, and any key issues concerning risks. In particular, it shall reassess, at least every year, the list of the most significant financial and non-financial risks and assess their tolerance level, proposing an adjustment of these to the Board, if necessary.

2.5. Competencies relating to legality

i. Reporting to the Board of Directors prior to approval of the creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a similar nature that, by their nature, might impair transparency.

ii. Reporting to the Board of Directors prior to transactions with related parties, pursuant to article 14 bis of the Board Regulations.

iii. Preparing a report on related-party transactions, for posting on the Company's website, sufficiently in advance of the Ordinary Shareholders' Meeting.

iv. Receiving and analysing information on the tax-related criteria applied by the Company during the year, particularly with regard to the degree of compliance with corporate tax policy, prior to the preparation of the Annual Accounts.

2.6. Corporate governance and non- financial reporting

i. Reporting in advance to the Board of Directors on operations involving structural and corporate modifications planned by the Company.

ii. Supervising compliance with the Internal Code of Conduct on matters relating to the securities markets in force at any given time, and with these Regulations.

iii. In fulfilling this duty, the Audit and Compliance Committee liaises with the Appointments, Remuneration and Corporate Social Responsibility Committee in relation to Directors' and Executives' compliance with the Code.

iv. Assessing all matters relating to the non-financial risks of the Company, including operational, technological, legal, social, environmental, political and reputational.

v. Coordinating the process of reporting of non-financial information and diversity, in accordance with applicable legislation and international benchmarks.

vi. Supervising a whistle-blowing mechanism enabling employees to report, confidentially and anonymously, any potentially significant incidents they identify in the Company, particularly with regard to financial and accounting issues, while observing the personal data protection laws and the basic rights of the parties involved.

vii. Preparing this Annual Activity Report of the Audit and Compliance Committee that will form a part of the Annual Corporate Governance Report.

viii. Assisting with drafting the Annual Corporate Governance Report, especially in areas concerning information transparency and conflicts of interest.

2.7. Compliance

i. Ensuring the independence of the compliance function.

ii. Ensuring that the compliance function performs its mission and competences with regard to regulatory compliance and the prevention and correction of behaviour that is illegal or fraudulent or otherwise breaches the Enagás Code of Ethics.

iii. Ensuring that the compliance function is provided with the necessary staff and material resources needed for the optimum performance of its duties.

3. Activities of the Audit and Compliance Committee during 2019

During 2019, the Audit and Compliance Committee effectively executed its schedule of actions, in accordance with the recommendations of the Technical Guide and the Good Governance Code of Listed Companies.

The most relevant activities conducted by the Audit and Compliance Committee in 2019 are summarised below.

With regard to Financial and Non- Financial Reporting

Information to the Board on the annual accounts of Enagás for 2018

In its meeting held on February 22, 2019, the Committee analysed and debated the 2018 annual accounts, reporting favourably on them to the Board of Directors, which proceeded to prepare the annual accounts for the year ending December 31, 2018 under the terms set out by the Committee.

The Committee also verified that the Non-Financial Information Statement, which is included in the Management Report of the Consolidated Annual Accounts, included all the reporting required by Law 11/2018, of December 28 on non-financial information and diversity, reporting in this regard to the Board of Directors.

Finally, the consolidated accounts for 2018, together with the Management Report, were approved by the General Shareholders' Meeting on March 29, 2019.

Oversight of Interim Financial Statements

Throughout 2019, in accordance with the recommendations on good governance, the Committee has reviewed the interim financial statements on the occasion of the quarterly and half-yearly closing, based on the reports provided by the Financial General Manager and the external auditor.

The Committee understands that this activity is of vital importance in maintaining strict control of the Company's accounts and to facilitate the issuance of an unqualified audit report at year-end.

As a result of its work, the Committee presented at its meetings in April and October 2019 reports to the Board of Directors regarding the interim economic and financial information of Enagás and the economic and financial information for the first quarter of 2019.

With regard to the new accounting standards the Finance Department regularly reported to the Audit and Compliance Committee on the process of implementing the new accounting standards: IFRS 16 on Leases, in force since January 1, 2019, and the main impacts of its application at that date.

Fiscal transparency report

On October 21, 2019, in compliance with the Code of Good Tax Practices, to which Enagás adheres, the Committee was informed by the Financial General Manager of the Annual Report on Tax Transparency, which describes mainly: the tax strategy, the main business lines, the corporate structure, the dividend policy, the financial situation of the Group, as well as other issues of special tax significance that occurred during the year.

This report was approved by the Board and submitted to the tax authorities (AEAT) on October 25, 2019.

Internal Control over Financial Reporting System ("ICFR")

During 2019, the Committee monitored, through the information provided by the external auditor, internal auditor and the Finance Department, the effectiveness of the Internal Control System on Financial Reporting. Specifically, at the beginning of 2019, the external auditor reported favourably on the Internal Control over Financial Reporting System (hereinafter "ICFR"), that the Company applies under the COSO 2013 guidelines and no significant weaknesses were detected.

During 2019, the Finance Department and the Internal Audit Department reported on the implementation of minor improvement recommendations detected in the 2018 ICFR certification.

Finally, on February 17, 2020, the accounts auditor informed the Audit and Compliance Committee that, in their opinion, the Group had an effective ICFR system in place in 2019. The Committee subsequently informed the Board of Directors of this certification, and of the non-existence of relevant recommendations.

Formulation and approval of the Enagás annual accounts for 2019

With regard to the approval of the 2019 annual accounts, the accounts auditor gave a favourable report to the Audit and Compliance Committee on February 17, 2020, leading to their subsequent preparation by the Board of Directors.

With regard to the consolidated Non- Financial Information Statement included in the Management Report of the Enagás Group for the 2019 financial year and the Diagnostic Report on the Internal Control System for Non-Financial Information, the Committee reported favourably to the Board on February 17, 2020.

The 2019 consolidated accounts together with the management report will be presented to the General Shareholders' Meeting, which is expected to be held on April 2020.

Finally, the Committee verified that the published financial and non-financial information for 2019 was in line with the approved information.

3.1. With regard to the external auditor

External auditor re-election

On February 22, 2019, the Committee unanimously agreed to submit to the Board a proposal for the re-election of Ernst & Young, S.L., as accounts auditor of Enagás, S.A. and its consolidated group for a three-year period (2019-2021), which was finally ratified by the General Shareholders' Meeting on March 29, 2019.

The Committee also agreed to define a transition plan during 2020 in order to give an orderly exit to the partner currently signing the Group's accounts, which will rotate after the end of its fifth year in accordance with the Law 22/2015 on Auditing.

Account auditing

In accordance with the established agenda, the external auditor participated in the five ordinary meetings held by the Committee, and in the three meetings held in 2019 to prepare for the end of the accounting period, which has allowed the Committee to adequately perform its duty to serve as a communication channel between the Board of Directors and the external auditor. In addition, the external auditors reported to the Board of Directors in its meetings on two occasions: February 22, 2019 and July 29, 2019.

At the meetings held by the Committee in 2019, the external auditor provided detailed information on the planning and progress of their work.

On March 29, 2019 the Chairwoman of the Committee informed the General Shareholders' Meeting of the audit results, explaining that this process contributes to the reliability of the financial information, and on the role performed by the Committee in this process.

Analysis of the independence of the Accounts Auditor by the Audit and Compliance Committee

During the meetings held in 2019 the Committee reviewed and approved all the services provided by the external auditor, to check that they complied with the requirements established in the Regulations of the Audit and Compliance Committee, the Law 22/2015, on Auditing and in the procedure for the contracting and relations with external auditors.

At the meeting held on February 17, 2020, the external auditor delivered to the Audit and Compliance Committee their Accounts Auditor Independence Statement certifying fulfilment of the independence requisites set out in the applicable laws.

On February 17, 2020, the Audit and Compliance Committee issued the Accounts Auditor Independence Report in which a favourable opinion was expressed as to the independence of the external auditor. This report is available on the Internet.

By December 31, 2019, non-audit services accounted for 23% of total auditor fees.

3.2. With regard to the internal auditor

It supervised the Company's Internal Audit services, ensuring their independence and effectiveness throughout 2019.

At its meeting on January 21, 2019, the Committee evaluated and approved the Annual Internal Audit Plan and Budget for 2019, verifying how the plan covered the Company's most relevant risks and ensuring that the function had sufficient and adequate resources to carry out its duties.

Likewise, it carried out an evaluation of the performance of the duties and responsibilities assumed by both the Internal Audit Director and the internal audit function as a whole. The evaluation questionnaire assesses aspects such as the strategic positioning of the function, good governance and auditor independence, as well as performance in the execution of its duties through the year.

Finally, as of February 21, 2019, it was informed of the Annual Report on internal audit activity conducted in 2018.

At all meetings held during 2019, the Committee received regular information on the internal audit activity, allowing it to have exhaustive control over the recommendations obtained in its Audit Reports and verifying the degree of progress of the Annual Plan and the degree of implementation of its recommendations by the areas.

The Committee informed the Board of Directors after each Audit and Compliance Committee meeting.

3.3. With regard to risk control and management

The Audit and Compliance Committee monitored the effectiveness of the risk control and management systems.

The Chief Executive Officer and the Sustainability and Risk Director informed the Committee about the status of the Company's risk control and management, as well as the level of compliance with the defined risk limits, at four of its five ordinary meetings.

Specifically, on February 21, 2019, the Risk Department submitted the results of the annual risk monitoring and measurement process, and set out certain improvements introduced in the risk control and management model in relation to the monitoring of risk appetite, incorporating certain risk indicators, KRIs, in relation to the operation: availability of the company's main industrial systems and cybersecurity.

Ongoing monitoring of the evolution of risks was conducted at the subsequent meetings held by the Committee.

The Committee informed the Board of Directors after each Audit and Compliance Committee meeting.

3.4. With regard to corporate governance

Annual Corporate Governance Report

The Committee reported favourably to the Board of Directors on the Annual Corporate Governance Report (ACGR) for 2018, dated February 22, 2019, and on the ACGR for 2019, dated February 17, 2020.

Related-party transactions

With regard to 2018, in accordance with the recommendations of the Good Governance Code of listed companies, the Audit and Compliance Committee prepared a report, dated February 21, 2019, on related-party transactions that was made available to shareholders at the time notice was given of the General Shareholders' Meeting to be held on March 29, 2019.

In this report, the Committee confirmed the company's compliance with securities market regulations on transactions with related parties. It also verified that all related-party transactions carried out during 2018 belonged to the company's ordinary business or traffic, were carried out under arm's length conditions and were approved by the company's Board of Directors.

In 2019, a related-party transaction that required approval by the Board of Directors, dated July 29, 2019, was carried out.

Finally, on February 17, 2020, the Audit and Compliance Committee prepared a Report on related-party transactions, which it will make available to shareholders at the time of the call to the General Shareholders' Meeting, which is expected to be held on April 2020.

3.5. With regard to Compliance

The Committee adopted the General Corruption Prevention Regulation on February 21, 2019, as well as the Anti- Fraud, Corruption and Bribery Policy. on April 23, 2019.

On February 21, 2019, it was informed of the actions of the Ethics Committee, the monitoring of initiatives included in the 2018 Sustainable Management Plan and the definition of initiatives in the Sustainable Management, Ethics and Compliance Plan for 2019.

Also in this report, as well as in the quarterly meetings held during 2019, the Committee was aware of the detail of the complaints received through the "Ethics Channel", although there were none of any appreciable relevance in the period.

The Committee approved the budget of the Compliance Department on February 21, 2019.

In accordance with article 20.2 of the Internal Code of Conduct, Secretary of the Board of Directors informed the Audit and Compliance Committee of the degree of compliance and incidents relating to the application of the Internal Code of Conduct (RIC) in matters of the securities market.

Finally, the Committee was informed about the Activity Report on a quarterly basis by the Director of Compliance.

3.6. With regard to the activity of the Audit and Compliance Committee

On February 22, 2019, the Committee approved the Annual Activity Report of the Committee for 2018, and reported to the Board on the same date. This report was made available to shareholders at the General Meeting.

On December 16, 2019, the Committee approved the updating of the Regulations governing the activity of the Audit and Compliance Committee, as well as the Board Regulations, in order to adapt them to the recommendations included in Technical Guide 3/2017 of the CNMV on Audit Committees of public-interest entities.

4. Evaluation of the performance of the Audit and Compliance Committee

Pursuant to the provisions of the Audit and Compliance Committee Regulations and the Technical Guide 3/2017 on Audit Committees at public-interest entities, the Board of Directors and the Audit and Compliance Committee underwent an evaluation of the quality and efficiency of the performance of their duties and competences in 2019 by an external consultant, taking as a frame of reference for its evaluation the applicable regulations and best practices in matters of corporate governance.

The result of this evaluation highlighted the fact that the Audit and Compliance Committee performs its duties in accordance with the best corporate governance practices. The results of this evaluation were approved by the Audit and Compliance Committee and the Board of Directors on February 17, 2020.

5. Progress made in 2019

In line with the recommendations contained in Technical Guide 3/2017 for Audit and Compliance Committees, the following actions were carried out in 2019:

- Updating of the Committee's Regulations, to adapt them to the recommendations on good governance and the Technical Guide 3/2017.
- An increase in the number and duration of meetings held by the Committee.

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

Rafael Piqueras Bautista

Appendix III. Audit Opinion On Internal Control Over Financial Reporting ("ICFR"), 2019

Ernst & Young, S.L.
C/ Raimundo Fernández Villaverde, 65
28003 Madrid

Tel.: 902 365 456
Fax.: 915 727 300
ey.com

INDEPENDENT ASSURANCE REPORT ON THE "INFORMATION REGARDING THE INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) SYSTEM"

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

To the shareholders of ENAGÁS S.A.:

Scope of the work

We have examined the accompanying information on the Internal Control over Financial Reporting (ICFR) system of ENAGÁS S.A. and subsidiaries (the "Group") contained in Section F of the Annual Corporate Governance Report for the year ended December 31, 2019.

The objective of this system is to contribute to the faithful representation of the transactions performed and to the provision of reasonable assurance in relation to the prevention or detection of any errors that might have a material effect of the consolidated financial statements.

The aforementioned system is based on the rules and policies defined by the Boards of Directors of ENAGÁS, S.A. in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its Internal Control-Integrated Framework (2013) report.

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 performed only in accordance with the authorizations established; (iii) provide reasonable assurance that transactions are recognized appropriately to enable the preparation of 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 unauthorized acquisition, use or sale of the company's assets that could have a material effect on the financial information. In view of the limitations inherent to any system of internal control over financial reporting, certain errors, irregularities or fraud might not be detected. Also, the projection to future periods of an evaluation of internal control is subject to risks, including the risk that internal control may be rendered inadequate as a result of future changes in the applicable conditions or that there may be a reduction in the future of the degree of compliance with the policies or procedures established.

Directors' Responsibility

The Directors of ENAGÁS, S.A. are responsible for maintaining the System of Internal Control over Financial Reporting included in the consolidated financial statements and for evaluating its effectiveness.

Domicilio Social: C/Raimundo Fernández Villaverde, 65. 28003 Madrid Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª, Madrid 9 de Marzo de 1.989. A member firm of Ernst & Young Global Limited.

Our responsibility

Our responsibility is to issue an independent assurance report on the effectiveness of the System of Internal Control over Financial Reporting (ICFR) based on the work performed by us.

Our work includes an evaluation of the effectiveness of the system of ICFR in relation to the financial information contained in the ENAGÁS' Group consolidated financial statements as at December 31, 2019, 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.

We have carried out our reasonable assurance work in accordance with the requirements established by the International Standard on Assurance Engagements (ISAE) 3000 revised, "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).

Reasonable assurance work includes comprehension of internal control over financial information contained in the financial statements; risk evaluation regarding possible material errors within them; tests and evaluations on design and daily effectiveness of the system and the use of any other procedures we considered necessary. We consider that our audit provides a reasonable basis for our opinion.

Independence and quality control

We have complied with the independence and other Code of Ethics requirements for accounting professionals issued by the International Ethics Standards Board for Accountants (IESBA), which are based on the fundamental principles of integrity, objectivity, professional competence, due care, confidentiality and professional behavior.

Our Firm applies the International Standard on Quality Control No 1 (ISQC 1) and therefore maintains a global system of quality control, which includes documented policies and procedures in relation to compliance with ethical requirements, professional standards and applicable legislation.

Conclusion

In our opinion, at December 31, 2019, the Group had, in all material respects, an effective System of Internal Control over Financial Reporting contained in its consolidated financial statements, and this internal control system is based on the rules and policies defined by the Board of Directors of ENAGÁS, S.A. in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its Internal Control-Integrated Framework (2013) report. Also, the disclosures contained in section F of the Annual Corporate Governance Report at December 31, 2019 comply, in all material respects, with the requirements established by the Corporate Enterprises Act, the ECC Order /461/2013, of March 20, Circular 7/2015, of December 22, which amends Circular 5/2013, of June 12, of the Spanish National Securities Market Commission (CNMV) and Circular 2/2018, of June 12, of the Spanish National Securities Market Commission.

A member firm of Ernst & Young Global Limited

Other matters

This report can under no circumstances be considered an audit report carried out in accordance with prevailing audit regulations in Spain.

Nevertheless, in accordance with prevailing audit regulations in Spain, we have audited the consolidated financial statements of Enagás, S.A. and subsidiaries for the year ended December 31, 2019, prepared by the directors in accordance with the International Financial Reporting Standards as adopted by the European Union, and other financial reporting framework provisions applicable to the Enagás Group in Spain and our report issued on February 21, 2020 on the consolidated financial statements expressed an unqualified opinion.

ERNST & YOUNG, S.L.

David Ruiz-Roso Moyano

February 21, 2020

Appendix IV. Audit Opinion On The Annual Corporate Governance Report, 2019

Building a better working world

Ernst & Young, S.L.
C/ Raimundo Fernández Villaverde, 65
28003 Madrid

Tel.: 902 365 456
Fax.: 915 727 300
ey.com

INDEPENDENT ASSURANCE REPORT ON THE "INFORMATION REGARDING THE ANNUAL CORPORATE GOVERNANCE REPORT"

Translation of a report and consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

To the shareholders of ENAGÁS, S.A.:

Scope of the work

We have examined with the scope of a reasonable assurance engagement the Annual Corporate Governance Report for 2019 of ENAGÁS, S.A. prepared in accordance with article 540 of the Corporate Enterprises Act, ECC order /461/2013 of March 20, Circular 7/2015, of December 22, of the Spanish National Securities Market Commission (CNMV), which amends Circular 5/2013, of June 12 and Circular 2/2018 of June 12 of the Spanish National Securities Market Commission.

Responsibility of the Board of Directors

The directors of ENAGÁS, S.A. are responsible for the preparation, content, and presentation of the accompanying Annual Corporate Governance Report. This responsibility includes designing, implementing, and maintaining the internal control deemed necessary to ensure that the Annual Corporate Governance Report is free of material misstatement due to fraud or error.

The directors of ENAGÁS, S.A., are also responsible for defining, implementing, adaptating, and maintaining management systems through which the information needed for the preparation of the Annual Corporate Governance Report is obtained.

Our responsibility

Our responsibility is to issue an independent reasonable assurance report on the Annual Corporate Governance Report based on the work performed by us.

We have carried out our reasonable assurance work in accordance with the requirements established by the International Standard on Assurance Engagements (ISAE) 3000 revised, "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).

Reasonable assurance work includes comprehension of the Annual Corporate Governance Report contained in the financial statements; risk evaluation regarding possible material errors within it; tests and evaluations on design and the use of any other procedures we considered necessary. We consider that our audit provides a reasonable basis for our opinion.

Domicilio Social: C/Raimundo Fernández Villaverde, 65. 28003 Madrid. Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª, Madrid 9 de Marzo de 1.989. A member firm of Ernst & Young Global Limited.

Building a better working world

2

For those recommendations of the Unified Good Corporate Governance Code that have not been implemented by the Company, the Directors of ENAGÁS, S.A. offer the explanations that they consider appropriate. In relation to said explanations, we have verified that the assertions contained in the Annual Corporate Governance Report do not contradict the evidence obtained from the application of the procedures described above.

Also, as regards the system of Internal Control over Financial Reporting (ICFR) (see section F of the accompanying Annual Corporate Governance Report), we verified the existence of the corresponding report issued by the Company's auditor. That report stated that the work was performed in accordance with the requirements established in International Standard on Assurance Engagements (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.

Independence and quality control

We have complied with the independence and other Code of Ethics requirements for accounting professionals issued by the International Ethics Standards Board for Accountants (IESBA), which are based on the fundamental principles of integrity, objectivity, professional competence, due care, confidentiality, and professional behavior.

Our Firm applies the International Standard on Quality Control No 1 (ISQC 1) and therefore maintains a global system of quality control, which includes documented policies and procedures in relation to compliance with ethical requirements, professional standards and applicable legislation.

Conclusion

In our opinion, the content of the accompanying Annual Corporate Governance Report for the year ended December 31, 2019 of ENAGÁS, S.A. has been prepared, in all material respects, in accordance with article 540 of the Corporate Enterprises Act, ECC order /461/2013 of March 20, Circular 7/2015, of December 22, of the Spanish National Securities Market Commission (CNMV), which amends Circular 5/2013, of June 12 and Circular 2/2018 of June 12 of the Spanish National Securities Market Commission.

Other matters

This report can under no circumstances be considered an audit report carried out in accordance with prevailing audit regulations in Spain.

ERNST & YOUNG, S.L.

David Ruiz-Roso Moyano

February 21, 2020

A member firm of Ernst & Young Global Limited

Consolidated Annual Accounts

EY
Building a better working world

Ernst & Young, S.L.
C/ Raimundo Fernández Villaverde, 65
28003 Madrid

Tel.: 902 365 456
Fax.: 915 727 300
ey.com

AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 5)

To the shareholders of Enagás, S.A.:

Audit report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Enagás, S.A. (the parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet at December 31, 2019, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of total changes in equity, the consolidated cash flow statement, and the notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at December 31, 2019 and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EY
Building a better working world

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Recovery of financial assets related to the investment in Gasoducto Sur Peruano, S.A.

Description

On January 24, 2017, the Directorate General for Hydrocarbons of the Ministry for Energy and Mines terminated the "Improvements to the National Energy Security and Development of the South Peruvian Pipeline" concession agreement and on December 4, 2017, the National Institute for the Defense of Competition and Intellectual Property published in the Official Gazette, El Peruano, that Gasoducto Sur Peruano, S.A. had filed for bankruptcy, as explained in Note 3.3.a to the accompanying consolidated financial statements.

The Group maintains a financial asset amounting to 275.3 million American dollars related to the investment in Gasoducto Sur Peruano, S.A. and receivable accounts related to executed guarantees totaling 226.8 million, interest amounting to 1.9 million American dollars, and several invoices for professional services rendered amounting to 7.6 million American dollars, which represent assets recorded as of December 31, 2019 amounting to 413 million euros (note 3.3.a to the accompanying consolidated financial statements).

As a result of termination of the concession agreement, and as explained in the aforementioned note to the consolidated financial statements, there is an ongoing controversy between the Group and the Peruvian Government regarding the recovery of the investment in Gasoducto Sur Peruano. On July 2, 2018, the Group filed a request to begin arbitration proceedings against the Peruvian Government with the International Center for Settlement of Investment Disputes (CIADI) in connection with their investment in Gasoducto Sur Peruano, S.A. The Arbitration Tribunal was formed on July 18, 2019 and on September 24, 2019, Procedural Resolution No. 1 was issued, establishing the procedural rules that will govern the proceedings until the relevant award is made. On January 20, 2020, Enagás submitted a claim memorial after which the Peruvian Government began preparing their responses to the claim.

We determined this to be a key audit matter due to the significance of the amounts related and the uncertainty surrounding the final outcome in this type of issue, which are often drawn out and complex from a legal, technical, and economic. Consequently, the estimates made by Enagás' directors, based on the opinion of their advisors, could vary in the future.

Our response:

In this regard, our audit procedures included the following:

- Evaluation of compliance with the terms of the contracts and agreements between shareholders of Gasoducto Sur Peruano, S.A.
- Reading of the correspondence between official Peruvian government bodies and the investee Gasoducto Sur Peruano, S.A., as well as the documents included in the claim filed by Enagás with the CIADI.
- Meetings with external independent experts in both Peruvian and International law engaged by the Company.

EY
Building a better working world

- Review of the related analysis reports prepared by various Peruvian and international law experts (bankruptcy, criminal and administrative law, inter alia) and Group's internal legal consultants.
- Review of the Group's accounting estimate processes used to analyze the recovery of financial assets and the report prepared by an external accounting expert, in addition to the report prepared by an independent expert to determine the net carrying amount of these assets, which has been included in the claim filed with the CIADI.
- Evaluation of the financial asset recovery analysis prepared by Group Management based on various scenarios (sensitivity analysis).
- Review of the disclosures included in the consolidated financial statements in accordance with the applicable financial reporting framework.

Regulatory framework including recognition of income and amounts receivables from the gas system

Description

The Group's principal revenue arising from regasification, storage, and transport of natural gas are regulated by the current tariff framework, which is valid until 2020. A new framework will go into effect as of January 1, 2021 and will remain in force until 2026 (details of both are provided in Appendix III of the accompanying consolidated financial statements). Consequently, the Group's activities are notably affected by local, regional, national, and supranational regulation. Any change introduced in such regulation could therefore affect the results and the value of the assets used in the Group's regulated business activities.

Moreover, new development of infrastructures are heavily contingent upon obtaining government licenses, permits, and authorizations, as well as compliance with varying types of regulation, the most salient of which are environmental regulation. The related procedures, which are explained in Note 2.4 to the consolidated financial statements, are drawn out and complex and can lead to delays or modifications of original designs, due mainly to the process of obtaining required authorizations; the steps involved in conducting environmental impact studies; public opposition in communities affected by the projects, as well as changes in the political environments of the country. All such risks can lead to increase costs and/or delay budgeted revenue.

The factors above mentioned have led us to consider these aspects as a key audit matter.

Our response

In this regard, our audit procedures included the following:

- Review of prevailing regulation and evaluation of the degree of compliance therewith.
- Analysis of the new tariff framework that will go into effect as of January 1, 2021, and its impact on future revenue, as well as on the recoverability of the value of assets to which it applies.
- Tests of revenue recognition, verifying its reasonableness in terms of each year's regulatory developments.
- Verification of the gas system's accounts payable and receivable by examining provisional and definitive settlements with the CNMC during the year.

EY
Building a better working world

- Analysis of the recoverability of current and non-current accounts receivable generated from operating the gas system in recent years (commonly referred to as "deficit accounts") in compliance with prevailing regulations
- Analysis of litigation in progress from gas infrastructure projects associated with the remuneration framework agreement together with internal and external legal advisors, where necessary, and follow-up of their current status and possible accounting effects.
- Review of the disclosures included in Notes 2.1, 2.2, 2.4 y Appendix III of the accompanying consolidated financial statements in accordance with the applicable financial reporting framework.

Significant estimates

Description

The Group makes significant estimates when valuing certain economic transactions, such as the provisional allocation of the acquisition price of the Tallgrass Energy Group ("TGE") and the definitive acquisition price allocation of Hellenic Gas Transmission System Operator, S.A. ("DESFA"), to determine the recoverability of explicit and implicit goodwill from investments accounted for by the equity method.

The Group's net assets include investments for significant amounts. Main amounts and criteria and assumptions used in the related valuation are described in Note 1.6 and 2.6 to the accompanying consolidated financial statements.

We have determined these estimates and valuations to be a key audit matter since, given the amount of the assets affected, small changes in the hypotheses could have a material impact on the Group's consolidated financial statements.

Our response

Our audit procedures primarily included:

Provisional and definitive acquisition price allocations of "TGE" and "DESFA":

- Review, in collaboration with our valuation specialists, of the reasonableness of the methodology used by Enagás Group management and the independent expert in allocating the acquisition prices based on projected cash flows of "TGE" and "DESFA," focusing particularly on the discount rate and long-term growth rate applied.
- Analysis of the financial information projected in the business plans of "TGE" and DESFA" based on historical financial and budgetary information, current market conditions, and expectations regarding the business outlook and verification that items have been correctly recorded.
- Confirmation from the independent expert on which Enagás Group Management relied.

Determination of the recovery of explicit and implicit goodwill on investments accounted for using the equity method:

- Review, in collaboration with valuation specialists, of the reasonableness of the methodology used by management for preparing the discounted cash flow statements of each cash generating unit and from investments accounted for by the equity method, focusing particularly on the discount rate and long-term growth rate applied.

- Analysis of projected financial information shown in the business plan, for each investee and each cash-generating unit, by analyzing historical financial and budgetary information, current market conditions, and our own projections of potential changes.
- In addition, we checked the adequacy of the information disclosed by the Group related to the estimates in Notes 1.6 (investments accounted for by the equity method) and 2.6 (impairment of non-financial assets) of the accompanying consolidated financial statements in accordance with current regulation.

Other information: consolidated management report

Other information refers exclusively to the 2019 consolidated management report, the preparation of which is the responsibility of the parent company's directors and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the information contained in the consolidated management report is defined in prevailing audit regulations, which distinguish two levels of responsibility:

a. A specific level applicable to the consolidated non-financial information statement, as well as certain information included in the Annual Corporate Governance Report, as defined in article 35.2 b) of Law 22/2015 on auditing, which solely requires that we verify whether said information has been included in the consolidated management report, or where appropriate, that the corresponding reference to the separate report on non-financial information has been incorporated in the form provided for in the regulations, and if not, disclose this fact.

b. A general level applicable to the remaining information included in the consolidated management report, which requires us to evaluate and report on the consistency of said information in the consolidated financial statements, based on knowledge of the Group obtained during the audit, excluding information not obtained from evidence. Moreover, we are required to evaluate and report on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided in the consolidated management report, and that the remaining the information contained therein is consistent with that provided in the 2019 consolidated financial statements and their content and presentation are in conformity with applicable regulations.

Responsibilities of the parent company´s directors and the audit committee for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the parent company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

EY
Building a better working world

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee of the parent company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee of the parent company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Additional report to the audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit committee on February 21, 2020.

Term of engagement

The ordinary general shareholders' meeting held on March 29, 2019 appointed us as auditors for three years, commencing on December 31, 2019.

ERNST & YOUNG, S.L.
(Registered in the Official Register of Auditors under No. S0530)

David Ruiz-Roso Moyano
(Registered in the Official Register of Auditors under No. 18336)

February 21, 2020

A member firm of Ernst & Young Global Limited

ENAGÁS, S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2019
(in thousands of euros)

ASSETS	Notes	12.31.2019	12.31.2018
NON-CURRENT ASSETS		**7,446,298**	**7,915,622**
Intangible assets	2.5	73,671	944,659
Goodwill		25,812	188,445
Other intangible assets		47,859	756,214
Investment properties	4.1	19,610	19,610
Property, plant, and equipment	2.4	4,634,920	5,238,215
Investments accounted for using the equity method	1.6	2,109,450	1,028,555
Other non-current financial assets	3.3.a	605,766	674,151
Deferred tax assets	4.2.f	2,881	10,432
CURRENT ASSETS		**1,397,926**	**1,610,580**
Non-current assets held for sale		5,008	-
Inventories	4.8	19,683	24,812
Trade and other receivables	2.2	254,002	388,910
Current income tax assets	4.2.a	6,761	1,799
Other current financial assets	3.3.a	7,928	12,797
Short-term accruals		5,559	10,719
Cash and cash equivalents	3.8.a	1,098,985	1,171,543
TOTAL ASSETS		**8,844,224**	**9,526,202**

EQUITY & LIABILITIES	Notes	12.31.2019	12.31.2018
EQUITY		**3,168,849**	**3,039,371**
SHAREHOLDERS' EQUITY		**3,170,142**	**2,658,758**
Subscribed capital	3.1.a	392,985	358,101
Share premium	3.1.b	465,116	-
Reserves	3.1.d	2,052,150	2,006,066
Treasury shares	3.1.c	(12,464)	(8,219)
Profit /(loss) for the year		422,618	442,626
Interim dividend	1.8.a	(152,469)	(145,917)
Other equity instruments	4.4	2,206	6,101
ADJUSTMENTS FOR CHANGES IN VALUE	**3.1.e**	**(17,177)**	**6,640**
MINORITY INTERESTS (EXTERNAL PARTNERS)	**3.2**	**15,884**	**373,973**
NON-CURRENT LIABILITIES		**5,205,162**	**5,911,074**
Non-current provisions	2.8.a	248,264	176,490
Financial debt and non-current derivatives	3.3.b	4,744,257	5,188,572
Deferred tax liabilities	4.2.f	171,887	476,765
Other non-current liabilities	2.7	40,754	69,247
CURRENT LIABILITIES		**470,213**	**575,757**
Current provisions	2.8.a	1,968	3,369
Financial debt and current derivatives	3.3.b	234,109	364,386
Trade and other payables	2.3	212,393	204,269
Current tax liabilities	4.2.a	5,230	3,733
Other current liabilities	2.7	16,513	-
TOTAL EQUITY AND LIABILITIES		**8,844,224**	**9,526,202**

The accompanying Notes 1 to 5 constitute an integral part of the Consolidated Balance Sheet at December 31, 2019.

ENAGÁS, S.A. AND SUBSIDIARIES CONSOLIDATED INCOME STATEMENT AT DECEMBER 31, 2019 (in thousands of euros)

	Notes	12.31.2019	12.31.2018
Revenue	2.1.a	1,153,103	1,294,660
Income from regulated activities		1,086,633	1,084,081
Income from non-regulated activities		66,470	210,579
Other operating income	2.1.a	29,631	47,558
Personnel expenses	2.1.b	(125,175)	(131,238)
Other operating expenses	2.1.c	(198,337)	(243,487)
Amortisation allowances	2.4 and 2.5	(274,506)	(308,809)
Impairment losses on disposal of fixed assets	2.4 and 4.1	(48,316)	(38,635)
Result of investments accounted for using the equity method	1.6	121,002	70,982
OPERATING PROFIT		**657,402**	**691,031**
Financial income and similar	3.5	16,318	65,846
Financial expenses and similar	3.5	(133,780)	(154,657)
Exchange gains (losses) (net)	3.5	(1,021)	(373)
Change in fair value of financial instruments	3.5	1,114	(15,412)
FINANCIAL RESULT		**(117,369)**	**(104,596)**
PROFIT /(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**540,033**	**586,435**
Income tax	4.2.c	(112,105)	(123,108)
PROFIT /(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**427,928**	**463,327**
Profit attributable to minority interests	3.2	(5,310)	(20,701)
PROFIT ATTRIBUTABLE TO THE PARENT COMPANY		**422,618**	**442,626**
BASIC EARNINGS PER SHARE (in euros)	**1.7**	**1.7688**	**1.8565**
DILUTED EARNINGS PER SHARE (in euros)	**1.7**	**1.7688**	**1.8546**

The accompanying Notes 1 to 5 constitute an integral part of the Consolidated Income Statement at December 31, 2019.

ENAGÁS, S.A. AND SUBSIDIARIES CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES AT DECEMBER 31, 2019 (in thousands of euros)

	Notes	12.31.2019	12.31.2018
CONSOLIDATED PROFIT FOR THE YEAR		**427,928**	**463,327**
Attributed to the parent		422,618	442,626
Attributed to minority interests		5,310	20,701
INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY		**(28,607)**	**23,829**
From companies accounted for using the full consolidation method		(32,218)	9,888
From cash flow hedges	3.1.e	(32,998)	(14,133)
From currency translation differences	3.1.e	(7,442)	20,345
Tax effect	3.1.e	8,222	3,676
From companies accounted for using the equity method		3,611	13,941
From cash flow hedges	3.1.e	(19,893)	2,410
From currency translation differences	3.1.e	20,257	12,534
Tax effect	3.1.e	3,247	(1,003)
AMOUNTS TRANSFERRED TO THE INCOME STATEMENT		**7,710**	**12,189**
From companies accounted for using the full consolidation method		7,766	1,846
From cash flow hedges	3.1.e	10,905	13,118
From currency translation differences	3.1.e	(597)	(8,292)
Tax effect	3.1.e	(2,542)	(2,980)
From companies accounted for using the equity method		(56)	10,343
From cash flow hedges	3.1.e	(65)	5,176
From currency translation differences	1.6 and 3.1.e	-	6,313
Tax effect	3.1.e	9	(1,146)
TOTAL RECOGNISED INCOME AND EXPENSES		**407,031**	**499,345**
Attributed to minority interests		8,230	36,752
From currency translation differences	3.2	2,920	16,051
From attributable to results	3.2	5,310	20,701
Attributed to the parent		398,801	462,593

The accompanying Notes 1 to 5 constitute an integral part of the Consolidated Statement of Recognised Income and Expenses at December 31, 2019.

IAS 1 requires that items to be reclassified in the Consolidated Income Statement are broken down separately from those that will not be reclassified. All of the aforementioned cases are considered susceptible to reclassification in the income statement.

ENAGÁS, S.A. AND SUBSIDIARIES CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY AT DECEMBER 31, 2019 (in thousands of euros)

	Share capital (Note 3.1.a)	Share premium and reserves (Note 3.1.b and Note 3.1.c)	Other equity instruments (Note 4.4)	Treasury shares (Note 3.1.c)	Profit /(loss) for the year	Interim dividend (Note 1.8.a)	Adjustments for changes in value (Note 3.1.e)	Minority interests (Note 3.2)	Total Equity
BALANCE AT DECEMBER 2017	**358,101**	**1,879,996**	**4,165**	**(8,219)**	**490,837**	**(139,241)**	**(13,327)**	**368,972**	**2,941,284**
Adjustments due to initial application of new accounting standards	-	2,176	-	-	-	-	-	(10,340)	(8,164)
BALANCE AT BEGINNING OF 2018	**358,101**	**1,882,172**	**4,165**	**(8,219)**	**490,837**	**(139,241)**	**(13,327)**	**358,632**	**2,933,120**
Total recognised income and expenses					**442,626**		**19,967**	**36,752**	**499,345**
Transactions with shareholders	**-**	**-**	**-**	**-**	**(208,862)**	**(145,917)**	**-**	**(21,952)**	**(376,731)**
Distribution of dividends	-	-	-	-	(208,862)	(145,917)		(21,952)	(376,731)
Other changes in equity	**-**	**123,894**	**1,936**	**-**	**(281,975)**	**139,241**	**-**	**541**	**(16,363)**
Payments based on equity instruments	-	-	1,936	-	-	-	-	-	1,936
Transfers between equity items	-	142,734	-	-	(281,975)	139,241	-	-	-
Differences due to changes in consolidation scope	-		-	-	-	-	-	541	541
Other changes	-	(18,840)	-	-	-	-		-	(18,840)
BALANCE AT DECEMBER 2018	**358,101**	**2,006,066**	**6,101**	**(8,219)**	**442,626**	**(145,917)**	**6,640**	**373,973**	**3,039,371**
Adjustments due to initial application of new accounting standards (Note 1.10)	-	(30,621)							(30,621)
BALANCE AT BEGINNING OF 2019	**358,101**	**1,975,445**	**6,101**	**(8,219)**	**442,626**	**(145,917)**	**6,640**	**373,973**	**3,008,750**
Total recognised income and expenses	**-**	**-**	**-**	**-**	**422,618**	**-**	**(23,817)**	**8,230**	**407,031**
Transactions with shareholders	**34,884**	**465,116**	**-**	**-**	**(218,697)**	**(152,469)**	**-**	**(836)**	**127,998**
Capital increases (Note 3.1.a and 3.1.b)	34,884	465,116	-	-	-	-	-	-	500,000
Distribution of dividends	-	-	-	-	(218,697)	(152,469)	-	(836)	(372,002)
Transactions with treasury shares	**-**	**-**	**-**	**(9,876)**	**-**	**-**	**-**	**-**	**(9,876)**
Other changes in equity	**-**	**76,705**	**(3,895)**	**5,631**	**(223,929)**	**145,917**	**-**	**(365,483)**	**(365,054)**
Payments based on equity instruments	-	471	(3,895)	5,631	-	-	-	-	2,207
Transfers between equity items	-	78,012	-	-	(223,929)	145,917	-	-	-
Differences due to changes in consolidation scope	-	-	-	-	-	-	-	(365,483)	(365,483)
Cost of capital increase (Notes 3.1.a and 3.1.b)	-	(1,331)	-	-	-	-	-	-	(1,331)
Other changes	-	(447)	-	-	-	-	-	-	(447)
BALANCE AT DECEMBER 31, 2019	**392,985**	**2,517,266**	**2,206**	**(12,464)**	**422,618**	**(152,469)**	**(17,177)**	**15,884**	**3,168,849**

The accompanying Notes 1 to 5 constitute an integral part of the Consolidated Statement of Total Changes in Equity at December 31, 2019.

ENAGÁS, S.A. AND SUBSIDIARIES CONSOLIDATED CASH FLOW STATEMENT AT DECEMBER 31, 2019 (in thousands of euros)

	Notes	12.31.2019	12.31.2018
CONSOLIDATED PROFIT BEFORE TAX		**540,033**	**586,435**
Adjustments to consolidated profit		**301,618**	**360,138**
Amortisation of fixed assets	2.4 and 2.5	274,506	308,809
Other adjustments to profit		27,112	51,329
Change in operating working capital		**124,963**	**78,701**
Inventories		(1,409)	(1,165)
Trade and other receivables		103,478	75,668
Other current assets and liabilities		21,323	4,293
Other non-current assets and liabilities		27,507	(673)
Trade and other payables		(25,936)	578
Other cash flows from operating activities		**(204,713)**	**(231,493)**
Payment of interest		(119,302)	(137,781)
Interest received		18,967	31,308
Income tax receipts (payments)	4.2.c	(101,665)	(124,025)
Other receipts /(payments)		(2,713)	(995)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**761,901**	**793,781**
Payments for investments		**(783,262)**	**(261,762)**
Subsidiaries and associates	1.6	(727,457)	(194,599)
Fixed assets and real estate investments	2.4 and 2.5	(44,912)	(42,173)
Other financial assets		(10,893)	(24,990)
Proceeds from sale of investments		**77,042**	**524,602**
Subsidiaries and associates		77,042	524,602
Other cash flows from investing activities		**119,404**	**89,875**
Other receipts (payments) from investing activities	1.6	119,404	89,875
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(586,816)**	**352,715**
Proceeds from and payments on equity instruments		**492,206**	**-**
Acquisition of equity instruments	3.1.c	(7,794)	-
Issue of equity instruments	3.1.a and 3.1.b	500,000	-
Proceeds from and payments on financial liabilities		**5,844**	**(237,647)**
Issues	3.8.c	5,797,128	6,856,091
Repayment and amortisation	3.8.c	(5,791,284)	(7,093,738)
Other cash flows from investing activities		**(33,518)**	**305**
Other receipts (payments) from financing activities		(33,518)	305
Dividends paid	**1.8.a**	**(371,919)**	**(376,731)**
NET CASH FLOWS FROM FINANCING ACTIVITIES		**92,613**	**(614,073)**
EFFECT OF CHANGES IN CONSOLIDATION METHOD		**(347,050)**	**377**
Effect of exchange rate fluctuations		6,794	10,879
TOTAL NET CASH FLOWS		**(72,558)**	**543,679**
Cash and cash equivalents at beginning of period		1,171,543	627,864
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**3.8.a**	**1,098,985**	**1,171,543**

The accompanying Notes 1 to 5 constitute an integral part of the Consolidated Cash Flow Statement at December 31, 2019.

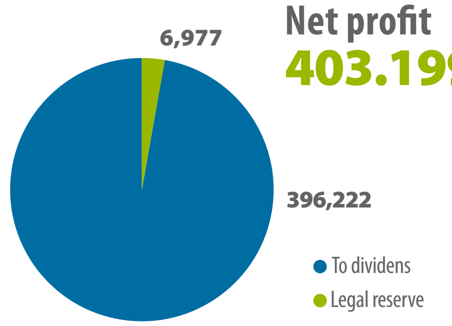
1 Group activities and presentation bases

Relevant aspects

Results

- The net profit attributed to the parent company amounted to 422,618 thousands of euros (Note 1.7).
- From February 2019, the loss of control at GNL Quintero (Note 1.5) means that its contribution to profit is included under "Result of investments accounted for using the equity method" (Note 1.6).
- Basic earnings per share and diluted earnings per share at December 31, 2019 were the same and amounted to 1.7688 euros per share. At December 31, 2018, basic earnings per share amounted to 1.8565 euros per share and diluted earnings per share amounted to 1.8546 euros per share (Note 1.7).
- The proposed dividend payment per share for 2019 amounts to 1.60 euros per share (1.53 euros per share in 2018) (Note 1.8).
- The Board of Directors has proposed the following appropriation of net profit corresponding to 2019 for the Parent, Enagás, S.A. (Note 1.8.a):

Net profit
403.199



Working capital

At December 31, 2019 the Consolidated Balance Sheet presents a positive working capital of 927,713 thousands of euros (1,034,823 thousands of euros at December 31, 2018).

Tallgrass Energy LP ("Tallgrass")

On March 11, 2019, the Enagás Group concluded an agreement to invest 590 million dollars in an indirect stake of 10.93% in Tallgrass Energy LP (hereinafter "Tallgrass"). This investment was made through various holding companies ("Prairie Group"), together with GIC and Blackstone Group (Note 1.5). On July 31, 2019, the Enagás Group increased its stake in these holding companies to 12.6% of the indirect shareholding in Tallgrass, following approval by the Committee on Foreign Investment in the United States (hereinafter "CFIUS").

In addition, on December 16, 2019, the Enagás Group, through the aforementioned holding companies, signed an agreement for the acquisition of the entire free float of Tallgrass. This agreement is subject to approval by the Tallgrass General Shareholders' Meeting, certain US regulatory authorisations and other conditions customary for this type of transaction. The closure of this operation is scheduled for 2020. This transaction will involve a payment by the Enagás Group of 836,300 thousands of dollars (745,050 thousands of euros at 2019 year-end exchange rates) (Note 1.9), and will increase the indirect interest in Tallgrass to approximately 30%.

GNL Quintero

- Since February 15, 2019, due to the loss of control in GNL Quintero, Enagás Group has accounted for this investment using the equity method (Note 1.5).

Other information

- Enagás invested a net sum of 706 million euros during 2019. The main transactions, in addition to the entry into Tallgrass described in the previous section, include the following:
  - Capital contributions in Trans Adriatic Pipeline (hereinafter TAP) amounting to 18,464 thousands of euros (Note 1.6).
  - Incorporation in May 2019 of the Company Bioengás Renovables, S.L. for the amount of 480 thousands of euros, with the Enagás Group making a contribution of 444 thousands of euros (Note 1.5).
  - Acquisition of a 12.75% stake in SEAB Power Ltd. for 225 thousands of pounds sterling (Note 1.5).
  - Investments were made in regasification, transmission and storage facilities, with the aim of expanding and improving them to adapt to future demand forecasts amounting to 42,119 thousands of euros.

1.1 Group activity

Enagás, S.A. (hereinafter the Company or the Parent Company), a company incorporated in Spain on July 13, 1972 in accordance with the Spanish Corporate Enterprises Act, is the head of a group of companies (Appendix I and II) that form the Enagás Group (hereinafter the Group or the Enagás Group) and which are engaged in the transmission, storage and regasification of natural gas, as well as the development of all functions related to the technical management of the gas system.

a) Corporate purpose

i. Regasification, basic and secondary transmission as well as storage of natural gas, via the corresponding gas infrastructure or installations, of its own or of third parties, and also the performance of auxiliary activities or others related to the aforementioned activities.

ii. Design, construction, start up, exploitation, operation, and maintenance of all types of complementary gas infrastructure and facilities, including telecommunications networks, remote control and control of any nature, and electricity networks, whether its own or of third parties.

iii. Development of all functions relating to technical management of the gas system.

iv. Transmission and storage activities for carbon dioxide, hydrogen, biogas, and other energy-related fluids, via the corresponding facilities, of its own or of third parties, as well as the design, construction, start up, exploitation, operation, and maintenance of all types of complementary infrastructure and installations necessary for said activities.

v. Activities for making use of heat, cold, and energies associated with its main activities or arising from them.

vi. Rendering of services of a diverse nature, amongst them, engineering, construction, advisory, and consultancy services in connection with the activities relating to its corporate purpose as well as participation in natural gas markets management activities to the extent they are compatible with the activities permitted for the Company by law.

The above activities can be carried out by Enagás, S.A. itself or through companies with an identical or analogous corporate purpose in which it holds interest, provided they remain within the scope and limitations established by legislation applicable to the hydrocarbons sector. In accordance with said legislation, the activities related to transmission and technical management of the system which are of a regulated nature must be carried out by two subsidiaries entirely owned by Enagás, S.A. (Enagás Transporte, S.A.U. and Enagás GTS, S.A.U., respectively). Consequently, the corporate purpose includes:

vii. Management of the corporate group comprised of the interest held in share capital of companies belonging to the group.

viii. Rendering of assistance or support services to affiliates, including the provision of appropriate guarantees and reinforcement for them.

b) Other information

Its registered address is located at Paseo de los Olmos, 19, 28005, Madrid. At its website www.enagas.es and at its registered address, its Articles of Association and other public information on the Company and its Group can be consulted.

1.2 Basis of presentation

The Consolidated Annual Accounts of the Enagás Group for 2019 were prepared based on the accounting records of the Parent Company and remaining entities comprising the Group, in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, in conformity with Regulation (EC) No. 1606/2002 of the European Parliament and Council.

The Consolidated Annual Accounts have been prepared applying all mandatory accounting principles, standards, and measurement criteria in order to give a true and fair view of the equity and financial position of the Group at December 31, 2019, as well as of the results of its operations, changes in equity, cash flows, and changes in recognised income and expenses for the year then ended.

The Consolidated Annual Accounts of the Enagás Group for 2019 were authorised for issue by the Board of Directors at their meeting held on February 17, 2020. The Consolidated Annual Accounts for 2018 were approved at the Enagás, S.A. General Shareholders' Meeting held on March 29, 2019 and duly filed at the Madrid Mercantile Registry. The Group's Consolidated Annual Accounts and those of each entity belonging to the Group, corresponding to the year 2019, are pending approval at their respective Ordinary General Shareholders' Meeting. It is expected that they will be approved without modification.

These Consolidated Annual Accounts are presented in thousands of euros (unless otherwise stated).

a) Materiality criteria

The accompanying Consolidated Annual Accounts do not include the information or disclosures which the Group did not consider of material significance or important relative to the concept of materiality as defined in the conceptual framework of IFRS, taking into account the Consolidated Annual Accounts as a whole.

b) Comparison of information

The information included in these consolidated notes relating to 2018 is presented solely and exclusively for purposes of comparison with the information relating to 2019.

On January 1, the Enagás Group applied the new IFRS 16 Leases, without restating the comparative information referring to 2018 (Note 1.10).

1.3 Consolidation principles

The Consolidated Financial Statements include the financial statements of the Parent Company, Enagás, S.A., and its subsidiaries, associates, jointly controlled operations and joint ventures at December 31, 2019.

Subsidiaries are considered to be those entities with respect to which the Enagás Group fulfils the following criteria:

- The capacity to use its interest to influence the amount of revenue to be obtained from said subsidiary.
- The Group has power over the affiliate, in so far as a company has rights which permit it to direct relevant activities, understood as those which significantly affect the revenue generated by the subsidiary.
- It maintains exposure or the right to variable revenue arising from its involvement in the subsidiary.

Subsidiaries are consolidated using the full consolidation method.

The share of minority shareholders in the equity and profit of consolidated subsidiaries of the Enagás Group is recognised in "Minority interests (External partners)" under "Equity" in the Consolidated Balance Sheet and "Profit/ (loss) attributable to minority interests" in the Consolidated Income Statement, respectively. Subsidiaries are consolidated from the date of acquisition, that is, the date the Group obtains control, and continue to be consolidated until the Group no longer retains control over them.

The financial statements of subsidiaries are prepared for the same reporting period as those of the Parent. With respect to the joint agreements, that is, those by virtue of which the Enagás Group maintains joint control with one or more other partners, a distinction is made between joint operations and joint ventures. Joint control is understood as control shared by virtue of a contractual agreement which requires unanimous consent from all involved parties for decision-making regarding relevant activities.

Thus, joint operations are considered to be those in which, based on a contractual arrangement, a company enjoys the rights to assets and assumes obligations with respect to liabilities. The interest held in joint operations is consolidated using the proportionate consolidation method.

In addition, joint ventures are considered to be those in which, based on a contractual arrangement, a company exercises rights with respect to the net assets of the joint venture. Shareholdings in joint ventures are consolidated using the equity method. In those cases in which the Enagás Group acquires control over companies previously considered as joint ventures, a new estimate is made for the fair value of the interest held previously in equity at the acquisition date, recognising income or losses in the Consolidated Income Statement for the reporting period.

Further, associates are considered to be those entities over which the Enagás Group holds significant influence, that is, the power to intervene in decision making regarding financial policies and operational matters, without attaining full control or joint control. The interest held in associates is consolidated using the equity method.

If appropriate, adjustments are made to the financial statements of subsidiaries, affiliates, joint ventures, and joint operations in order to unify their accounting policies with those of the Enagás Group.

a) Consolidation methods

Consolidation method/Company	Functional currency
Full consolidation	
Enagás Transporte, S.A.U.	Euro
Enagás GTS, S.A.U.	Euro
Enagás Internacional, S.L.U.	US dollar
Enagás Financiaciones, S.A.U.	Euro
Enagás U.S.A., L.L.C.	US dollar
Enagás Perú, S.A.C.	US dollar
Enagás México, S.A. de C.V.	US dollar
Compañía Transportista de Gas Canarias, S.A. (3)	Euro
Enagás Emprende, S.L.U.	Euro
Enagás Chile, Spa.	US dollar
Terminal de Valparaíso, S.A.	US dollar
Enagás Transporte del Norte, S.L. (1)	Euro
Infraestructuras del Gas, S.A. (1)	Euro
Enagás Holding USA, S.L.U.	US dollar
Roblasun 1 S.L.U.	Euro
Roblasun 2 S.L.U.	Euro
Roblasun 3 S.L.U.	Euro
Roblasun 4 S.L.U.	Euro
Roblasun 5 S.L.U.	Euro
Roblasun 6 S.L.U.	Euro
Cierzosun 1 S.L.U.	Euro
Cierzosun 2 S.L.U.	Euro
Cierzosun 3 S.L.U.	Euro
Cierzosun 4 S.L.U.	Euro
Windmusel 1 S.L.U.	Euro
Windmusel 2 S.L.U.	Euro
Windmusel 3 S.L.U.	Euro
Enagás Renovable, S.L.U.	Euro
Efficiency for LNG Applications, S.L. (1)	Euro
Hydrogen to Gas, S.L. (1)	Euro
Enagás Services Solutions, S.L.	Euro
Sercomgas Solutions, S.L. (1)	Euro
Bioengás Renovables, S.L. (1)	Euro
Smart Energy Assets, S.L. (1)	Euro
Scale Gas Solutions, S.L. (1)	Euro

Consolidation method/Company	Functional currency
Proportional integration (joint operations)	
Gasoducto Al- Ándalus, S.A.	Euro
Gasoducto Extremadura, S.A.	Euro
Equity method	
Morelos EPC, S.A.P.I. de C.V.,	US dollar
Gasoducto de Morelos, S.A.P.I. de C.V.	US dollar
Morelos O&M, S.A.P.I. de C.V.	US dollar
Estación de Compresión Soto La Marina, S.A.P.I. de C.V.	US dollar
Estación de Compresión Soto La Marina O&M, S.A.P.I. de C.V.	US dollar
Compañía Operadora de Gas del Amazonas, S.A.C.	Peruvian Nuevo Sol
Bahía de Bizkaia Gas, S.L.	Euro
Trans Adriatic Pipeline AG	Euro
Terminal de LNG de Altamira, S. de R.L. de C.V.	US dollar
Transportadora de Gas del Perú, S.A.	US dollar
Planta de Regasificación de Sagunto, S.A.	Euro
Iniciativas del Gas, S.L.	Euro
Mibgas	Euro
Tallgrass Energy L.P. // Prairie Group	US dollar
Gas to Move Transport Solutions, S.L.	Euro
Tecgas, Inc.	US dollar
Mibgas Derivatives, S.A.	Euro
Senfluga Energy Infraestructure	Euro
Hellenic Gas Transmission System Operator, S.A.	Euro
Seab Power Ltd.	Sterling pound
Vira Gas Imaging, S.L.	Euro
GNL Quintero, S.A. (2)	US dollar
Axent Infraestructuras de Telecomunicaciones, S.A.	Euro

(1) For these companies the Enagás Group recognizes interest corresponding to minority interests under "Minority interests (External partners)"in Equity in the Consolidated Balance Sheet at December 31, 2019.
(2) As indicated in Note 1.5, on February 15, 2019 the GNL Quintero stake was accounted for using the equity method.
(3) During 2019 the merger of this company with Enagás Transporte, S.A.U. had no effect on the consolidated financial statements of the Enagás Group.

b) Consolidation process

Consolidation of the Enagás Group was carried out in accordance with the following process:

i. Transactions between companies included in the consolidation scope. All balances, transactions, and results between companies consolidated under the full consolidation method were eliminated upon consolidation. For joint operations, the balances, transactions and results of operations with other Group companies were eliminated in the proportion at which they were consolidated. With respect to gains and losses generated through operations amongst Group companies and companies consolidated under the equity method, the percentage of interest held by the Group in the latter was eliminated.

ii. Harmonisation of criteria. For affiliates which apply different accounting and measurement criteria to those of the Group, the consolidation process included the corresponding adjustments, provided the effect was significant, with a view to presenting the Consolidated Financial Statements based on harmonised measurement standards.

iii. Translation of Financial Statements denominated in foreign currency. The translation to euros of the Financial Statements of the aforementioned companies in the Enagás Group consolidation process was carried out in accordance with the following procedures:

- Assets and liabilities of each corresponding balance sheet denominated in foreign currency are translated at the spot rate prevailing at the balance sheet date.
- Income and expenses items making up each income statement heading are translated at the average exchange rate for the year in which the related transactions are carried out.
- Exchange gains (losses) arising as a result of net assets are recognised as a separate component of equity under "Adjustments for changes in value" and in the income statement under "Translation differences."

When disposing of a company whose functional currency is not the euro; or when disposals are carried out as a result of losing control; or result from business combinations with respect to previously held interest, translation differences recognised as a component of equity relating to said investment are recognised in the Consolidated Income Statement as soon as the effect arising from said disposal is recognised.

The exchange rates with respect to the euro of the main currencies used by the Group during 2019 and 2018 were as follows:

Currency	Average exchange rate applicable to the headings of the income statement	Exchange rate applicable to the balance sheet headings (1)
2019		
US dollar	1.11963	1.12247
Peruvian Nuevo Sol	3.71821	3.67891
Sterling pound	0.87732	0.84693
2018		
US dollar	1.18128	1.14446
Peruvian Nuevo Sol	3.86882	3.85127
Swedish krona	10.25900	10.15790

(1) Equity excluded.

The effect on the main headings of the Group's Consolidated Financial Statements of applying the translation process to the net assets of companies consolidated using the full consolidation method and whose functional currency is the US dollar is as follows:

2019	Consolidated total	Contribution of companies using the euro as functional currency	Contribution of companies using the US dollar as functional currency	Amount in US dollars
Fixed assets and investment properties	4,728,201	4,726,309	1,892	2,124
Other non-current financial assets	605,766	590,037	15,729	17,655
Trade and other receivables	254,002	251,226	2,776	3,115
Other current financial assets	7,928	81	7,847	8,808
Cash and cash equivalents	1,098,985	966,596	132,389	148,602
Financial debt and non-current derivatives	4,744,257	4,158,514	585,743	657,479
Financial debt and current derivatives	234,109	214,665	19,444	21,825
Trade and other payables	212,393	206,613	5,780	6,488

iv. Elimination of dividends. Internal dividends are considered to be those a Group company recognizes as income for the year and that have been distributed by another Group company.

During the consolidation process, dividends received by subsidiaries and joint operations are eliminated by considering them to be reserves of the recipient company, which consequently recognises them under "Reserves". In the case of minority interests in companies consolidated using the full consolidation method, the amount of the dividend corresponding to said minority interests is eliminated from the consolidated equity heading "Minority interests (External partners)".

v. Equity method. The investment is initially recognised at cost and subsequently adjusted by the share corresponding to the investor of the changes in net assets of the affiliate. In addition, dividends received are accounted for as a lower amount under "Investments accounted for using the equity method".

Also, when the associate or joint venture is acquired, any difference between the cost of the investment and the share of the net fair value of the identifiable assets and liabilities of the associate or joint venture is accounted for as follows:

- The capital gain related to these companies or joint ventures is included in the carrying amount of the investment. This capital gain cannot be amortised.
- Any excess of the share of the net fair value of the identifiable assets and liabilities over the cost of the investment is included as income to determine the share of profit or loss of the associate or joint venture in the period in which the investment is acquired.

The consolidated profit for the year includes participation in the results of the affiliates under "Results of investments accounted for using the equity method" in the accompanying Consolidated Income Statement. If the participation in losses of an associate or joint venture equals or exceeds participation in said entities, the loss will no longer be recognised under additional losses. Once interest in an entity is reduced to zero, the additional losses will be maintained and a liability will only be recognised to the extent the corresponding entity incurred legal or implicit obligations or made a payment on behalf of an associate or joint venture. If the associate or joint venture subsequently reports profits, the entity will once again recognize its interest only after its participation in said profits equals its participation in unrecognised losses.

1.4 Estimates and accounting judgements used

In the Group's Consolidated Annual Accounts for 2019, estimates and judgements were occasionally made by the Senior Management of the Group and of the consolidated companies, subsequently ratified by the Directors, in order to quantify certain assets, liabilities, income, expenses, and commitments reported herein. These estimates and judgements basically relate to:

- The useful life of PP&E assets (Note 2.4).
- Provisions for decommissioning/abandonment costs, other provisions and contingent liabilities. (Note 2.8).
- The measurement of non-financial assets to determine the possible existence of impairment losses (Note 2.6).
- The recognition of investments accounted for using the equity method (Note 1.6).
- The fair value of financial instruments and financial assets (Notes 3.3 and 3.6).
- The calculation of income tax and deferred tax assets (Note 4.2).
- The fair value of equity instruments granted under the Long-Term Incentive Plan ("LTIP") (Note 3.1.c).
- Estimates applied to IFRS 16 (Note 1.10), IFRS 15 and IFRS 9.

Although these estimates were made on the basis of the best information available at December 31, 2019, future events may require these estimates to be modified prospectively in the coming years (upwards or downwards). In accordance with IAS 8, this would be done prospectively, recognising the effects of any change of estimate in the Consolidated Income Statement.

1.5 Changes in the consolidation scope

The following changes in the consolidation scope of the Enagás Group occurred during 2019:

Entity	Amount (thousands) In local currency	Amount (thousands) In euros	Stake percentage At 12.31.2019	Stake percentage Previous	Description / Type of control
GNL Quintero	-	-	45.40%	45.40%	As a result of the extension in the corporate purpose of GNL Quintero and the amendment to the shareholders' agreement of TBQ, the Enagás Group now has joint control over the affiliates and are consolidated using the equity method.
Terminal Bahía de Quintero ("TBQ")	-	-	-	51.92%	Subsequently, it was agreed to dissolve TBQ, which had no impact on the income statement.
Enagás Holding USA, S.L.U.	355,696	315,592	100%	-	Constitution of this subsidiary, in which Enagás holds a 100% interest through its subsidiary Enagás Internacional, S.L.U., thus consolidating this investment globally.
Prairie Group / / Tallgrass Energy LP [1]	794,134	704,949	28.4% // 12.6%	-	Share acquisition in this corporate structure in which the Enagás Group has significant influence, with consolidation using the equity method. Through this structure, the Enagás Group has an indirect interest in Tallgrass Energy LP of 12.6% at the end of 2019 (10.93% at the beginning).
Compañía Transportista de Gas Canarias, S.A.U. y Enagás Transporte, S.A.U.	-	-	100%	100%	Merger of both companies with no impact on the balance sheet and income statement.
E.C. Soto de La Marina CV y E.C. Soto de La Marina EPC	-	-	50%	50%	Merger of both companies with no impact on the balance sheet and income statement.
Bioengás Renovables, S.L.	444	444	92.50%	-	Incorporation of the Company and consolidation in accordance with the full consolidation method with the Group keeping control of it.
SEAB Power Ltd.	225	252	12.75%	-	Acquisition of a 12.75% stake and consolidation under the equity method, as it has significant influence over the company.
Roblasun 1, Roblasun 2, Roblasun 3, Roblasun 4, Roblasun 5 y Roblasun 6. [2]	3	3	100%	-	Constitution of these six subsidiaries, in which Enagás holds a 100% interest through its subsidiary Enagás Services Solutions, S.L.U., thus consolidating these investments globally.
Vira Gas Imaging, S.L.	259	259	40%	94%	Sale of the 54% stake of Enagás Emprende, S.L.U. in the company. Given that, based on the shareholder agreements, increased majorities are required for taking relevant decisions, both financial and operational, this represents significant influence and consolidation is carried out using the equity method, without having any significant effects on the income statement.
Enagás Renovable, S.L.U.	36	36	100%	-	Incorporation of the Company and consolidation in accordance with the full consolidation method with the Group keeping control of it.
Windmusel 1 S.L.U., Windmusel 2 S.L.U., Windmusel 3 S.L.U., Cierzosun 1, S.L.U., Cierzosun 2, S.L.U., Cierzosun 3, S.L.U., y Cierzosun 4, S.L.U, [2]	3	3	100%	-	Constitution of these seven subsidiaries, in which Enagás holds a 100% interest through its subsidiary Enagás Renovable, S.L.U., thus consolidating these investments globally.

(1) Prairie Group includes the Enagás Group's stake in the various vehicles set up with the other members of the consortium for the investment in Tallgrass Energy LP.
(2) Each of the subsidiaries was constituted with a stake and share capital of 3 thousands of euros, respectively.

Tallgrass Energy LP ("Tallgrass")

In March 11, 2019, Enagás concluded a deal with subsidiaries of Blackstone Infrastructure Partners and GIC (Sovereign Wealth of Singapore) to invest 589,770 thousands of dollars in an indirect stake of 10.93% in Tallgrass Energy LP ("TGE").

To channel this investment, in May 2019, Enagás Holding USA, S.L.U. was incorporated for an amount of 235,464 thousands of dollars (355,696 thousands of dollars at December 31, 2019). This company, which is domiciled in Spain, is wholly owned by Enagás Internacional, S.L.U. Enagás' investment is made via this holding company and Enagás USA LLC (wholly owned by Enagás Holding USA, S.L.U.), which in turn have a stake in Prairie Group, a holding company which owns 100% of the voting rights and 43.91% of the dividend rights of TGE (44.4% at December 31, 2019), whose shareholder structure comprises two types of shares, Class A and Class B, the former being listed on the New York Stock Exchange and mainly granting dividend rights to their holders, while the latter grant all the relevant voting rights. After this initial purchase, Prairie Group acquired additional Class A shares, reaching 44.4% of the economic rights to Tallgrass, as indicated above.

This holding company is composed of Blackstone, as the majority partner, GIC as the minority partner and Enagás, which holds 24.90% at the close of the initial transaction (28.42% at year-end, as described below). In this regard, due to the rights granted by the Shareholders' Agreement, the Enagás Group has significant influence over this holding company and therefore accounts for this investment using the equity method.

In addition, Enagás has increased its stake in Prairie Group by an additional 3.52% for an approximate amount of 83 million dollars, after obtaining approval from CFIUS on July 30, 2019 (which meant a change in the indirect stake in Tallgrass to 12.6%). Thus, at December 31, 2019, this holding company holds 44.4% of TGE's economic rights, which in the case of Enagás, at year-end, represents an indirect holding of 12.6%.

Furthermore, as indicated in Note 1.9.c., an agreement has been reached to invest 836,300 thousands of dollars in TGE, once the agreement with the remaining partners of Prairie Group is closed, which happened on December 16, 2019.

Seab Power Ltd.

On June 24, 2019, the acquisition of 12.75% of SEAB Power Ltd., domiciled in the United Kingdom, was concluded. The stake was acquired from Enagás Emprende, which holds significant influence, and this stake was accounted for using the equity method. This company has developed a system that transforms biological waste into green energy, water and fertilisers.

GNL Quintero Group (Terminal Bahía de Quintero and GNL Quintero)

In February of 2019 the agreements governing TBQ, were amended to adapt them to the change in the corporate purpose of GNL Quintero, S.A. This means that the stake in GNL Quintero will be accounted for using the equity method from that date, as the relevant decisions have no longer been taken unilaterally by Enagás. To this end, the Group derecognised the assets, liabilities and minority interests contributed by GNL Quintero at that date and cancelled the adjustments for accumulated changes in value in net equity at the end of February 2019, amounting to 3,344 thousands of euros.

The main impacts of the loss of control on the balance sheet at the end of February 2019 were as follows:

Assets	February 2019
NON-CURRENT ASSETS	**(1,266,230)**
Intangible assets	(874,433)
Goodwill	*(163,579)*
Other intangible assets	*(710,854)*
Property, plant, and equipment	(747,287)
Investment under the equity method	362,715
Remaining non-current assets	(7,225)
CURRENT ASSETS	**(376,008)**
Remaining non-current assets	(29,276)
Cash and cash equivalents	(346,732)
TOTAL ASSETS	**(1,642,238)**

Equity and liabilities	February 2019
EQUITY	**(364,249)**
SHAREHOLDERS' EQUITY	**3,314**
ADJUSTMENTS FOR CHANGES IN VALUE	**(2,086)**
MINORITY INTEREST	**(365,477)**
NON-CURRENT LIABILITIES	**(1,258,332)**
Financial debt and non-current derivatives	(969,449)
Deferred tax liabilities	(285,728)
Other non-current liabilities	(3,155)
CURRENT LIABILITIES	**(19,657)**
Financial debt and current derivatives	(3,736)
Remaining current liabilities	(15,921)
TOTAL EQUITY AND LIABILITIES	**(1,642,238)**

In addition, at the end of February 2019, GNL Quintero contributed 31.7 million euros in Revenue; 17.3 million euros in Operating profit; and 3.6 million euros in Profit attributable to the Parent Company (173.4 million, 88.1 million and 16.5 million, respectively, at the end of December 2018). Finally, on July 30, 2019, it was agreed to dissolve TBQ, with no impact on the consolidated balance sheet or income statement at the end of 2019.

Bioengás Renovables, S.L.

In May 2019, Bioengás Renovables, S.L. was incorporated for 480 thousands of euros. This company, domiciled in Spain, is 92.5% owned by Enagás Emprende, S.L.U., which has direct control over the company, consolidating its entire assets and liabilities and recognising the 7.5% corresponding to the company's other partners, both in the "External Partners" heading of Net Equity, and "Result attributable to external partners" of the Income Statement.

Gascán

In April 2019, the Sole Shareholders of the companies Enagás Transporte, S.A.U., (the "Absorbing Company") and Compañía Transportista de Gas Canarias, S.A.U., (the "Absorbed Company"), approved a common plan of merger in compliance with the provisions of Article 30.1 of Law 3/2009 of April 3 on structural changes in corporations ("LME"). The planned merger by absorption involved the integration of the absorbed company into the absorbing company, through the transfer in block of the assets of the former to the benefit of the latter and the extinction without liquidation of the absorbed company. The absorbing company is the sole shareholder of the absorbed company, and therefore articles 49 LME and 42 LME, amongst others, apply. The merger plan was published in the Official Gazette of the Commercial Registry of Las Palmas and Madrid on June 11, 2019 and June 19, 2019, respectively. However, on December 31, 2019 the operation was still in the process of being formalised, pending its registration in the Commercial Registry. This merger was finally formed on January 17, 2020 (Note 4.9).

This transaction had no impact on the consolidated financial statements at December 31, 2019.

Enagás Renovable, S.L.U.

In November 2019, Enagás Renovable, S.L.U. was incorporated for 36 thousands of euros. This company, which is domiciled in Spain, is wholly owned by Enagás S.A., which holds direct control over the company, the assets and liabilities of which are fully consolidated.

1.6 Investments accounted for using the equity method

Accounting policies

- The Group assesses the existence of joint agreements as well as significant influence with respect to associates taking into account the shareholder agreements which require increased majorities for taking relevant decisions.
- In order to classify the joint agreements amongst joint ventures and joint operations, the Group assesses the rights and obligations of the involved parties as well as the remaining circumstances stipulated in said agreements.

Significant estimates and judgements

- At year-end, or when there are indications of impairment, the Group analyses the recoverable amounts of investments accounted for under the equity method to determine the possibility of impairment.
- As indicated in the foregoing note (Note 1.5), the acquisition of the investment in Tallgrass was completed in 2019. As the corresponding 12-month deadline subsequent to acquisition has not yet elapsed, the accounting of this operation and the assignation of an acquisition price are currently being reviewed, though the Group expects no significant changes.

Opening balance	New acquisitions / Increases (1)	Change in consolidation method (2)	Dividends	Profit /(loss) for the year	Translation differences	Hedging transactions	Exits from the perimeter/	Other adjustments (3)	Balance at year-end
2019									
1,028,555	742,141	362,981	(125,710)	121,002	20,256	(16,701)	(11,569)	(11,505)	2,109,450
2018									
1,022,058	75,801	(208)	(91,233)	70,982	18,847	5,437	(71,573)	(1,556)	1,028,555

(1) "New acquisitions" in 2019 mainly includes the amount for the acquisition of the stake in Tallgrass Energy, through the Prairie Group, in the amount of 712,401 thousands of euros (Note 1.5). as well as capital contributions in TAP in the amount of 18,464 thousands of euros.
(2) The "Change in the consolidation method" includes the effect of the addition of the "Investment accounted for using the equity method" of GNL Quintero, amounting to 362,715 thousands of euros, since from February 2019 it will be consolidated using the equity method (Note 1.5). This amount corresponds to the fair value of the stake retained by the Enagás Group at the aforementioned date.
(3) The movement in "Other adjustments" mainly includes the effect of the first application of the new IFRS 16, due to adjustments made against reserves at BBG, Saggas and Grupo Altamira.

The dividends approved during the 2019 financial year were as follows:

	2019	2018
TgP	59,798	66,775
Saggas	25,883	-
GNL Quintero	22,436	-
BBG	12,500	3,750
Grupo Altamira	2,359	3,942
Morelos EPC	1,470	7,340
Swedegas	-	6,339
Other entities	1,264	3,087
Total	**125,710**	**91,233**

With regard to the Enagás Group stake in Tallgrass Energy LP, the company's shares are listed on the New York Stock Exchange (NYSE). As of December 31, 2019, the shares were trading at 22.12 dollars and the average price in the last quarter was 19.18 dollars.

Appendix II to these consolidated annual accounts provides disclosure on data relating to joint ventures, joint operations, and associates of the Enagás Group at December 31, 2019 and December 31, 2018.

The recoverable amount of investments in associates or business combinations is evaluated for each associate or business combination, unless the associate or business combination does not generate cash flows for continuous use which are largely independent of the cash flows arising from other Group assets.

With respect to the impairment analysis for affiliates, the discount rate applied (cost of equity) in 2019 ranged from 5-8%, depending on the country (5-9% in 2018). The sensitivity analysis of the discount rate with a +/- 0.5% variation carried out at 2019 year-end showed that the Group is not exposed to significant risk arising from reasonably possible changes. Thus, Group management considers that, within the specified ranges, there would be no changes in the impairment calculation.

1.7 Earnings per share

	2019	2018	Change
Net result of the financial year attributed to the parent company (thousands of euros)	422,618	442,626	(4.5%)
Weighted average number of shares outstanding (thousands of shares)	238,928	238,426	0.2%
Basic earnings per share (in euros)	**1.7688**	**1.8565**	**(4.7%)**
Diluted earnings per share (in euros)	**1.7688**	**1.8546**	**(4.7%)**

As there are no potential ordinary shares at December 31, 2019, the basic earnings and the diluted earnings per share are the same.

At December 31, 2018, basic and diluted earnings per share were 1.8565 euros and 1.8546 euros, respectively, as a result of the estimated degree of compliance with the Long-Term Incentive Plan approved in that year.

Calculation of the weighted average number of shares outstanding has taken in consideration both the shares delivered under the previous LTIP 2016-2018; the shares acquired in connection with the new LTIP 2019-2021; as well as the new shares outstanding issued in the capital increase explained in Note 3.1.c for the days they have actually been outstanding during 2019.

1.8 Dividends distributed and proposed

a) Proposed distribution of profit attributable to the parent

The appropriation of 2019 profit corresponding to the parent Enagás, S.A. proposed by the Board of Directors and which will be submitted for approval by the General Shareholders' Meeting is as follows (in thousands of euros):

	2019
Dividends	396,222
Legal reserve	6,977
TOTAL	**403,199**

At a meeting held on December 16, 2019, the Board of Directors of Enagás, S.A. agreed to distribute an interim dividend charged against 2019 profit, based on the necessary liquidity statement, expressed in thousands of euros, amounting to 152,469 thousands of euros (0.64 euros gross per share), in accordance with Article 277 of the Spanish Corporate Enterprises Act.

Likewise, it was agreed to set up a legal reserve amounting to 6,977 thousands of euros, to reach the 20% of share capital, in accordance with the Corporate Enterprises Act, which stipulates that 10% of profit for the year must be transferred to the legal reserve until it represents at least 20% of share capital (Note 3.1.d).

The aforementioned interim dividend was paid on December 23, 2019.

The provisional accounting records prepared by the parent of the Group, in accordance with legal requirements and which presented balances sufficient for the distribution of the interim dividend in 2019, were as follows:

Provisional accounting statement at November 30, 2019	
Net accounting result	13,488
10% legal reserve	-
Interim dividend received from Group companies	392,000
Profit "available" for distribution	**405,488**
Forecast payment on account	**(152,469)**
Forecast cash balance for the period from November 30 to December 31:	
Cash balance	28,719
Projected collection for the period considered	325,711
Credit lines and loans available from financial institutions	1,500,000
Payments projected for the period under consideration (including the payment on account)	(216,822)
Estimated available financing before dividend distribution	**1,637,608**

Together with the proposed distribution of profit for 2019, it is proposed that a dividend of 7,757 thousands of euros be paid out of voluntary reserves, bringing the total gross dividend proposed to 0.96 euros per share.

The dividend is subject to approval by the ordinary General Shareholders' Meeting and is not included as a liability in these Annual Accounts. Thus, this gross complementary dividend will total up to a maximum amount of 251,510 thousands of euros.

b) Total dividends paid

In addition to the aforementioned interim dividend for 2019, during 2019 Enagás, S.A. distributed the gross complementary dividend for 2018.

This dividend amounted to 218,697 thousands of euros (0.918 euros per share) and was paid on July 3, 2019.

1.9 Commitments and guarantees

Accounting policies

› A financial guarantee contract is a contract which requires that the issuer makes specific payments to repay the holder for losses incurred when a specific debtor does not fulfil payment obligations at maturity, in accordance with the original or modified conditions of a debt instrument. The rights and obligations associated with a financial guarantee will be considered as financial assets and financial liabilities. For subsequent valuation, a contract will be recognised as the greater amount of a) the amount resulting from standards relating to provisions (IAS 37) or b) accumulated amortisation of the initial measurement and possible accrued income.

› An investment commitment corresponds to that obligation contracted with a related party which can give rise to outflows of funds or other resources in the future. The following is included amongst these: commitments not recognised in connection with contributing funds or resources as a consequence of incorporation agreements, capital intensive projects carried out by a joint venture, commitments not recognised in connection with providing loans or other financial support to the joint venture, or commitments not recognised in connection with acquiring a stake, regardless of whether a specific future event occurs or not.

Commitments and guarantees	Group Employees, Companies or Entities (Note 4.3)	Other related parties (Note 4.3)	Third parties	Total
2019				
Guarantees for related parties debts	522,952	-	-	**522,952**
Guarantees and sureties granted - Other	29,154	23,333	379,033	**431,520**
Investment commitments	765,974	-	38,072	**804,046**
2018				
Guarantees for related parties debts	452,589	-	-	**452,589**
Guarantees and sureties granted - Other	1,468	22,895	406,706	**431,069**
Investment commitments	61,592	-	22,596	**84,188**

a) Guarantees for related parties debts

The "Guarantees on debt of related parties" heading includes the corporate guarantee granted by Enagás S.A. for financial institutions acquired in the Financing Agreement of November 30, 2018 in the company TAP, through which the following items are basically guaranteed:

- Principal and interest of the Financing Agreement provided by TAP at any time.
- Market value of the hedging instrument over the interest rate of the Financing Contract.

The corporate guarantee has been granted by each TAP shareholder jointly, so that Enagás would only be held liable, in a hypothetical case, for the amount corresponding to its participation in the capital of TAP.

At December 31, 2019 the amount guaranteed by Enagás, S.A. to the creditors of TAP amounted to 522,952 thousands of euros (452,589 thousands of euros at December 31, 2018. The increase was due to the higher degree of disposal of the TAP loan as well as the arrangement of a hedging instrument over the interest rate.

This guarantee will be released subject to the fulfilment of certain conditions agreed with TAP's creditors, mainly related to the start-up of the project.

After the start-up and until the maturity of the financing, there will also be a shareholder support mechanism for the repayment of the TAP loan by means of capital contributions (Debt Payment Undertaking), which will be activated were certain extraordinary events to happen.

Both the guarantee during the construction period and this support mechanism during the operating period are contractually limited by a cap in force throughout the life of the financing arrangement, so that the amounts claimed from Enagás may never exceed a total amount of 903,322 thousands of euros, regardless of the market value of the derivative or any other contingency.

b) Guarantees and sureties granted - Other

The following items are included:

Group employees, companies or entities

- Guarantees and sureties granted to group companies at December 31, 2019 include the financial sureties granted to third parties by Gas to Move Transport Solutions, S.L. in the amount of 877 thousands of euros, counter-guaranteed by Enagás, S.A. (1,468 thousands of euros at December 31, 2018).
- Also the inclusion of 28,277 thousands of euros relating to the guarantee provided in connection with the performance of the investment commitment in Tallgrass explained in section c) below. This amount corresponds to Enagás' share of the total 105,000 thousands of dollars guarantee contributed by partners.

Other related parties

- Technical guarantees granted by the related party Banco Santander to third parties in the amount of 6,411 thousands of euros (6,411 thousands of euros in 2018) to cover certain liabilities which may arise during the performance of the contracts comprising the activity of the Enagás Group.
- Guarantees granted before the Federal Electricity Commission ("FEC") in connection with the service contracts relating to the Gasoducto de Morelos and Estación de Compresión Soto La Marina projects in the amount of 8,909 thousands of euros and 8,013 thousands of euros, respectively (8,737 thousands of euros and 7,747 thousands of euros respectively at December 31, 2018).

Third parties

The following items, mainly, are included:

- Financial guarantees granted by financial entities to cover the loans granted by the European Investment Bank to Enagás Financiaciones, S.A.U. in the amount of 280,000 thousands of euros (323,333 thousands of euros in 2018).
- Technical guarantees granted by financial entities to third parties in the amount of 73,095 thousands of euros (60,072 thousands of euros in 2018) to cover certain responsibilities which may arise during the execution of the contracts constituting the activity of the Enagás Group.
- Guarantees of access to the electricity transmission grid, granted by Enagás Renovable, S.L.U. amounting to 24,000 thousands of euros.
- Guarantee granted by Enagás Internacional S.L.U. covering its obligations in the contract with Sound Energy Morocco for the development of a project in Morocco, amounting to 601 thousands of euros (590 thousands of euros at December 31, 2018).
- In addition, there is an insurance policy with as bid bond for the port concession in Colombia for the Buenaventura project amounting to 1,336 thousands of euros (1,311 thousands of euros at December 31, 2018).

No guarantees had been granted with respect to tender processes at December 31, 2019 and at December 31, 2018.

c) Investment commitments

The following items are included:

- The Enagás Group has investment commitments amounting to 20,924 thousands of euros relating to the TAP project, corresponding to the capital contributions expected to be disbursed as shareholder, in order to comply with the shareholders' obligation to participate in the financing of the project jointly with the financial entities with which the Financing Agreement was signed on November 30, 2018 (61,592 thousands of euros at December 31, 2018).
- The Enagás Group has firm investment commitments in Economic Interest Groupings (EIG) amounting to 38,072 thousands of euros, to be disbursed during the 2020 and 2021 financial years (22,596 thousands of euros at December 31, 2018).
- The Enagás Group has investment commitments in Prairie Group (the holding company that owns 100% of the political rights and 44.4% of the economic rights of Tallgrass Energy, L.P.). At December 31, 2019, there was a commitment of 836,300 thousands of dollars (745,050 thousands of euros at December 31, 2019 exchange rate) subject to approval by the Tallgrass General Shareholders' Meeting, certain US regulatory authorisations and other usual conditions for this type of transactions (Note 4.3).

The Directors consider that no additional significant liabilities will arise in connection with the transactions disclosed in this note other than those already recognised in the accompanying Consolidated Balance Sheet.

1.10 New accounting standards

a) Standards in force for the current financial year

The accounting policies used in the preparation of these Consolidated Annual Accounts, other than those applied in the Consolidated Annual Accounts for the year ended December 31, 2018, as they came into force on January 1, 2019 are the following:

Standards	Content	Mandatory application for periods beginning on or after:
	Approved for use in the European Union	
IFRS 16	Leases	January 1, 2019
CINIIF 23	Uncertainty over tax treatments: clarifies how to apply the recording and measurement criteria of IAS 12 when there is uncertainty about whether or not the tax authority will accept a particular tax treatment used by the entity.	January 1, 2019

The new standard that has had a significant effect on the Enagás Group is as follows:

IFRS 16: Leases

This Standard was approved in January 2016 by the IASB (International Accounting Standard Board) and its definitive application is mandatory for periods beginning on or after January 1, 2019.

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases - Incentives and SIC-27 Evaluating the substance of transactions in the legal form of a lease, and establishes principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 is based on a control model for identifying leases, distinguishing between leases of an identified asset and service contracts. The Standard distinguishes a lease and a service contract based on the customer's ability to control the use of the leased asset over a period of time in return for payment and control is deemed to exist if the customer has the right to obtain substantially all the economic benefits from the use of an identified asset and the right to direct the use of that asset.

The Standard involves very significant changes in lessee accounting, as the distinction between financial and operating leases disappears, replaced by a single lease model in which all rentals are recognised on the balance sheet (similar to the accounting for finance leases under previous IAS 17). However, this standard does not materially change the lessor's accounting in comparison with IAS 17, so the lessor will continue with a dual model distinguishing between financial and operating leases.

From the lessee's perspective, the lessee recognises, at the lease start date, a financial liability for the present value of the payments to be made over the remaining life of the lease and an asset representing the right to use the underlying asset for the term of the lease. Lessees must also recognise the interest expense arising from the lease financial liability and the right of use amortisation expense separately.

After the start date, the amount of lease liabilities is increased to reflect the accumulation of interest and is reduced by the lease payments made. Assets for rights of use are measured at cost less any accumulated depreciation and impairment losses, and are adjusted for any changes in the measurement of the associated lease liabilities. The initial cost of the rights of use includes the amount of the recognised lease liabilities, initial direct costs and lease payments made before the lease start date. Incentives received are deducted from the initial cost. Unless the Group is reasonably certain that it will obtain ownership of the leased asset at the end of the lease term, the rights of use are amortised on a straight-line basis over the shorter of the estimated useful life and the term of the lease. Rights of use are subject to impairment analysis.

Lessees are also required to remeasure the lease liability to reflect changes in lease payments and the amount of the remeasured lease liability is generally recorded as an adjustment to the right-to-use asset. For this purpose, modified lease payments shall be discounted using a modified discount rate, which shall be a rate determined at the date of the revaluation for the remainder of the lease term, if there is a change in the lease term, whether or not it results from the exercise of an option, or a change in the valuation of an option to purchase the underlying asset. If a change in future lease payments results from a change in an index or rate used to determine those payments, the lessee discounts the changed lease payments using an unchanged discount rate.

The Enagás Group mainly has operating leases in which it is the lessee and has opted not to apply the new standard early, adopting it for the first time for the year beginning January 1, 2019.

In this regard, the Group has applied IFRS 16 to leases already been identified as such in accordance with the previous standards. However, an exhaustive analysis of the royalties paid by the Enagás Group, after which it was concluded that the exclusive public domain occupation charges paid to the different Port Authorities where the Enagás Group has its LNG Regasification Plants located must be considered as a lease contract under IFRS 16. These charges have previously been recorded as royalties under the "Other operating expenses" heading in the Consolidated Income Statement.

In connection with the above, it should be noted that in March 2019, the International Financial Reporting Interpretations Committee, IFRIC, published a consultation on underground passage rights for a period of time in exchange for future periodic payments applicable to, amongst other things, gas pipelines. The initial interpretation of the IFRIC, subsequently endorsed in June 2019, is that this case covers a lease within the scope of IFRS 16. The arguments put forward by the IFRIC, which are present in the specific case of the Enagás Group, are as follows:

- the occupied subsoil space is a fraction of the land that is considered tangible, with physical substance other than the surface, and sufficiently identified provided that the exact location and dimensions of the pipeline are specified in the contract;
- the owner of the land and lessor, although it may use the land for other purposes, such as agriculture or livestock farming, has no right of substitution for the leased asset, since the lessor cannot access that underground space, cannot change the route along which the pipeline passes, and cannot make decisions about the use of that underground space during the lease term;
- the lessee has the right to obtain substantially all of the economic benefits of the asset because it has exclusive use thereof; and
- the lessee is the party with the right to direct the use of the asset, since it is the party that directs how and for what purpose the subsoil space is to be used, having also been the party that determines the layout and dimensions of the pipeline that directly influence the occupied space. The lessee is also the only party with the right to operate the asset, to carry out inspections, repairs and maintenance work (including the replacement of damaged sections when necessary); the lessor cannot change or interfere in those decisions.

Therefore, based on the considerations issued by the IFRIC in its aforementioned publications, and taking into account the above arguments, the Enagás Group considers that both the fees paid for the exclusive occupancy of the subsoil where the underground storage facilities are located and the fees paid periodically to the public authorities for the right of way of its gas pipeline network, would fall under the scope of IFRS 16, and therefore represent an additional financial liability with respect to the figures reported in the 2018 Consolidated Annual Accounts. Thus, the financial liability recorded at January 1, 2019 on the occasion of the implementation of IFRS 16 amounts to a total of 348 million euros (Note 3.4).

For transition purposes, the Enagás Group has used the modified retrospective transition method in combination, which means that the cumulative effect of the initial application is recorded as an adjustment to the opening balance of the initial accumulated profits for 2019, for the most significant existing lease contracts (fibre optic rental, fees for exclusive occupancy of regasification plants and office rentals), and the simplified method, which equates the asset for the right to use the lease liability, for the remaining contracts (exclusive occupancy fees for underground storage and gas pipelines, rental of work centres, cars, machinery, etc.). The comparative figures for the previous year have therefore not been restated.

Regarding the assumptions used for the calculation of the different magnitudes:

- The average term considered in each of the leases has been determined on the basis of both the economic substance and the contractually agreed duration as well as the assumptions on the extension/early termination of the contracts.
- Both the lease payments paid in the past, which are necessary to perform the required calculations for those contracts where the modified retroactive transition method has been chosen, and the current and future payment commitments, have been identified, taking account mainly of fixed lease payments, less incentives, and variable payments linked to an index or rate such as the CPI, which are considered to be essentially fixed payments. The Enagás Group does not have significant leases whose payments are considered to be fully variable, i.e. not dependent on an index or rate, which should be recognised as an expense in the period in which the event or condition triggering the payment occurs.
- In order to calculate the present value of the lease payments, the discount rates to be applied to each of the lease agreements were estimated, based on the Group's financing cost adapted to the remaining maturity of each of the agreements at January 1, 2019.

Furthermore, the Enagás Group has decided to avail itself of the exemptions indicated in the Standard in relation to short-term leases (maturing in less than or equal to 12 months), as well as those in which the underlying asset has a low value (having a value of less than 5 thousands of US dollars). Short-term lease and low-value asset lease payments are recognised as straight-line expenses over the term of the lease.

The Group has also applied the following practical solutions:

- As indicated above, it has applied the same discount rate to contracts with similar characteristics.
- The Company did not record components that are not leases separately from those that are for those asset classes in which the relative importance of these components is not significant in relation to the total value of the lease.
- For those leases whose original maturity was long-term, but which have less than 12 months remaining to their termination at the date of initial application of the Standard, the practical solution of considering them as exempt short-term leases at January 1, 2019 has been applied, always taking into consideration the economic substance for each case.

Accordingly, the impact of the initial application of IFRS 16 at January 1, 2019 on the Consolidated Balance Sheet is as follows:

thousands of euros	January 1, 2019
NON-CURRENT ASSETS	**317,686**
Property, plant, and equipment (Rights of use) (Note 2.4).	656,355
PP&E accumulated amortisation (Note 2.4)	(338,646)
Investments accounted for using the equity method	(7,672)
Deferred tax assets (Note 4.2)	7,649
LIABILITIES	**348,307**
Lease liabilities	348,307
EQUITY	**(30,621)**

In connection with the presentation, the Enagás Group has included the assets for rights of use under the same headings in the financial statements as would have been the case for the underlying assets if they had been owned (Note 2.4) and has included lease liabilities under the items "Long-Term and Short-Term Debt - Other Financial Liabilities" in the Consolidated Balance Sheet (Note 3.4).

	Rights of use assets (thousands of euros)							
	Land and natural assets	Buildings	Technical facilities	Machinery	Furniture	Transport equipment	Total	Lease liabilities (thousands of euros)
January 1, 2019								
Cost	217,451	66,351	368,902	249	150	3,252	656,355	(348,307)
Accumulated amortisation	(74,511)	(43,853)	(220,282)	-	-	-	(338,646)	-
Additions	20,043	678	-	83	43	13,585	34,432	(34,537)
Amortisation	(7,201)	(3,572)	(14,862)	(169)	(69)	(1,502)	(27,375)	-
Interest	-	-	-	-	-	-	-	(6,017)
Payments	-	-	-	-	-	-	-	33,512
At December 31, 2019	**155,782**	**19,604**	**133,758**	**163**	**124**	**15,335**	**324,766**	**(355,349)**

The main additions in 2019, both of assets for rights of use and of financial liabilities for leases, are explained by the following:

- In relation to the exclusive occupation fees of public domain paid to the different Port Authorities where Enagás Group has located its LNG Regasification Plants, given the progress of the requests for extension of the term of the Huelva and Cartagena plants materialised during the second half of 2019, and foreseeing the favourable resolution of the corresponding port authority, it has been considered an extension of term that has meant the registration of a financial liability of 15 million euros additional to the one registered on January 1, 2019.
- At the end of 2019, a new contract was entered into for the lease of a helicopter required for the operation and maintenance of the Gaviota underground storage facility, for a term of 5 years, which led to the recognition of a financial liability of 13 million euros in addition to that recognised at January 1, 2019.

As indicated above, the Enagás Group concluded that the exclusive occupancy fees fall under the scope of IFRS 16, instead of being included as fees under the "Other operating expenses" item in the Consolidated Income Statement, as was previously the case. This meant that the Enagás Group's Annual Accounts for previous years did not include information on future minimum lease payments under non-cancellable operating leases, in accordance with section 35 of IAS 17, as these were not considered material.

The maturities of these lease liabilities at December 31, 2019 are presented below:

Maturity	thousands of euros
Up to 3 months	9,838
Between 3 and 12 months	26,097
Between 12 months and 5 years	135,690
More than 5 years	236,303
Total (1)	**407,928**

(1) The difference with the amount of lease liabilities recorded in the Consolidated Annual Accounts at December 31, 2019 and amounting to 355,349 thousands of euros (Note 3.4) is mainly due to the effect of the financial discount.

Also, as a result of the application of IFRS 16, the main impacts recorded in the Consolidated Income Statement during 2019, compared to those recorded up to December 31, 2018, are as follows:

- Lower expenses for "Leases and Royalties" amounting to 33,513 thousands of euros, a higher amortisation expense of 27,375 thousands of euros on rights-of-use assets (Note 2.4), as well as a higher financial cost of 6,017 thousands of euros on lease liabilities; as a result, the consolidated profit for the year is not significantly affected.
- In addition, and with regard to the effect of the practical solutions adopted by the Group, mainly rental expenses on short-term leases amounting to 7,015 thousands of euros and leases of low-value assets amounting to 409 thousands of euros were recognised a December 31, 2019 under "Leases and Royalties" in the Consolidated Income Statement

b) Standards not effective for the current financial year

The Group intends to adopt the standards, interpretations, and amendments thereof issued by the IASB that are not mandatory in the European Union at the date these Consolidated Annual Accounts were prepared when they become effective, where applicable. Based on the analysis conducted to date, the Group believes that their first-time application will not have a material impact on the Consolidated Annual Accounts and highlights the following standards:

Approved for use in the European Union		
Standards	Content	Mandatory application for periods beginning on or after:
Amendments to IFRS 9, IAS 39 and IFRS 7: Reference rate reform	Amendments to IFRS 9, IAS 39 and IFRS 7 related to the ongoing reform of the benchmarks	Annual periods beginning on January 1, 2020.

Amendments to IFRS 9, IAS 39 and IFRS 7: Reference rate reform

As a result of the ongoing reform of the reference rates by the monetary authorities, on January 15, 2020 the amendment to certain requirements for hedging relationships was published in the Official Journal of the European Union so that entities can continue to apply hedge accounting on the assumption that the reference rate of interest on which the cash flows of the hedging instruments and the hedged items are based will not be affected by the uncertainties generated by the Reference Rate Reform.

In accordance with the amendment to "IFRS 7 Financial Instruments: Disclosures" in relation to the hedging relationships established by Enagás, described in Note 3.6, the Company is participating in working groups and monitoring the aforementioned reform process now in its second phase, in order to verify whether any contractual amendment should be made as a result of the reform. It is expected that the derivative financial instruments held by Enagás will continue to qualify and maintain the hedging relationship in accordance with the risk policy described in Note 3.7.

2 Operational performance of the group

Relevant aspects

Operating profit

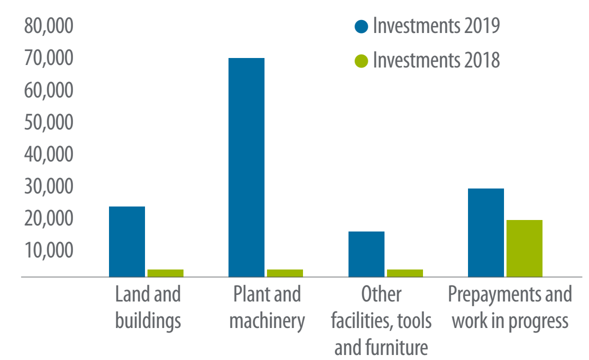
- Operating profit amounted to 657 million euros.
- As indicated in Note 1.5 and Note 1.6, the loss of control over GNL Quintero in February 2019 means that its contribution to profit is presented under "Result of investments accounted for using the equity method" from that date.

Trade receivables

- Current receivables" include the balance pending settlement corresponding to the remuneration of regulated regasification, transmission and underground storage activities for 208 million euros corresponding to financial year 2019 (313 million euros at December 31, 2018), as well as the outstanding balance corresponding to the remuneration of Technical Management for 5 million euros (6 million euros at December 31, 2018) (Note 2.2).

Property, plant, and equipment

- This heading involves, at December 31, 2019, 52% of total assets (55% of total assets at December 31, 2018) (Note 2.4). The change is mainly due to:
  - Additions amounting to 130 million euros.
  - The provision for amortisation for the period, in the amount of 257 million euros (271 million euros in 2018).
  - The derecognition of assets due to the change in the consolidation method of the company GNL Quintero, led to a decrease in this heading of 747 million euros (Notes 1.5 and 2.4).
  - The increase in assets due to the first-time application of IFRS 16 amounting to 317 million euros (Note 1.10).
  - The distribution of investments by category was the following:



Reform of gas sector regulations

- Without affecting the 2019 financial year, on December 23, 2019, Circulars 9/2019 and 8/2019 were published, establishing the new regulatory and remuneration framework for financial years from January 1, 2021, (Note 2.1 and Appendix III).

Current status of the Castor storage collection rights

› In relation to the Castor storage facility, on November 8, 2019, the Council of Ministers published an agreement ending the hibernation of the Castor underground storage facilities and agreeing to dismantle them in phases, assigning the work to Enagás Transporte and including all the operations required for the maintenance and operation of the facilities referred to in Article 3.2 of Royal Decree-Law 13/2014 until the last phase of dismantling is completed.

Following the 2018 Supreme Court rulings that annulled various precepts specifying the terms of compensation for infrastructure management obligations, Enagás filed a property liability action on December 21, 2018 with the Ministry of Ecological Transition to put in place an alternative mechanism to receive compensation for the legally mandated tasks. On October 3, 2019, the alleged decision was challenged before the National Court. Thus, the damages lawsuit consists of continuing in the jurisdiction of the claim that has already been filed by the Company to recover the amounts deducted, in accordance with the legal conclusions of the external and internal advisors. Based on the above, the account receivable for the right of Enagás Transporte, S.A.U., to be paid for the Castor underground storage administration, is maintained in the balance sheet, the conclusion being that there is no negative impact on the Group's financial statements for the financial year (Note 2.2).

Current status of the El Musel Port regasification plant (Gijón)

› Administrative authorisation, approval of the execution project and environmental impact statement continue to be processed for the El Musel regasification plant, as well as a favourable resolution on the technical and economic conditions for the provision of capacity services and for the start-up of the facilities (Note 2.4).

› Article 19 of the recent Circular 9/2019 regulates the remuneration of facilities in a special administrative situation, such as the aforementioned facility, which has already been recognised for 2020 to continue collecting financial remuneration and provisional operating and maintenance costs.

2.1 Operating profit

Accounting policies

Recognition of income

› The Enagás Group measures revenue at the fair value of the consideration received or receivable and represents balances receivable for goods delivered and services provided in the normal course of business, net of discounts and amounts received from third parties such as VAT reimbursements.

› Ordinary revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the balance sheet date, provided the result of the transaction can be estimated reliably.

› Specifically, income relating to Technical Management of the System (GTS) is regulated by a public body (Appendix III). This is calculated annually based on the accredited cost for each year and is meant to repay the obligations of Enagás GTS, S.A.U. as Technical Manager of the System, which includes coordinating the development, operation, and maintenance of the transmission network, supervising the safety of natural gas supply, carrying out plans for future development of gas infrastructure, and controlling third-party access to the network. The monthly attribution of this income to the Income Statement is carried out on a straight-line basis.

› Income arising from regasification, storage, and transmission activities in Spain is calculated based on a regulated remuneration system (Appendix III). Remuneration is comprised of a fixed portion for availability of the facility and a variable portion for supply continuity. The fixed portion for availability includes operation and maintenance costs for each year, amortisation and financial remuneration calculated by applying the annual net value of the investment and the financial remuneration rate determined for each regulatory period.

Inclusion of the variable portion with respect to remuneration for supply continuity allows for adjustment of system costs in situations of varying demand, balancing the differences between income and costs of the system, as well as transferring part of the risk relating to variable demand, which until now has been assumed by the end consumer, to the owner of the facilities.

This portion is based on the total changes in domestic consumption of natural gas excluding the supply through satellite plants in respect to prior year in the case of transmission facilities, of the variation in demand for regasified gas in all the plants operating in the system in the case of regasification facilities, and the change in usable gas held at the storage facilities, at November 1 of the corresponding year and including cushion gas mechanically extracted of the latter.

Remuneration for supply continuity is divided amongst all the facilities based on the weighting of their replacement value with respect to all facilities relating to the activity, calculating said values by applying the unit investment values prevailing for each year.

Once the regulatory useful life of the facilities has elapsed, and in those cases in which the asset remains operational, the operating and maintenance costs are established as fixed remuneration, increased by a coefficient based on the number of years by which the facility exceeds the regulatory useful life, not accruing any amounts as investment remuneration.

› Without affecting the 2019 financial year, on November 20 and on December 23, 2019, Circulars 2/2019 and 9/2019 and 8/2019 were published, establishing the new regulatory and remuneration framework for financial years from January 1, 2021. The main items of this regulatory reform are set out in Appendix III.

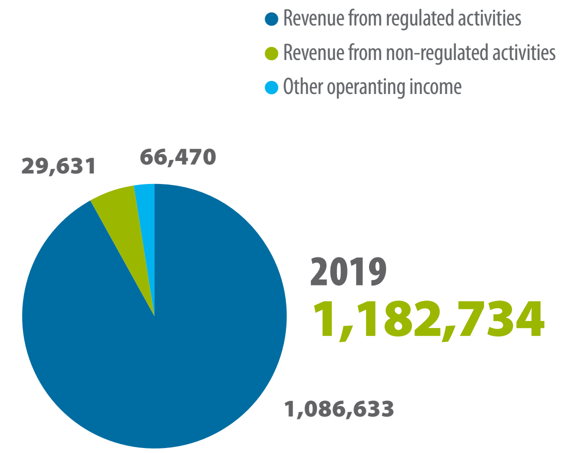
› In addition, the Group's deferred income mainly corresponds to the advanced amounts received for the natural gas transmission rights ceded to Gasoducto Al-Andalus, S.A. and Gasoducto de Extremadura, S.A., and is taken to the income statement on a straight-line basis until 2020, the year in which the transmission contract expires.

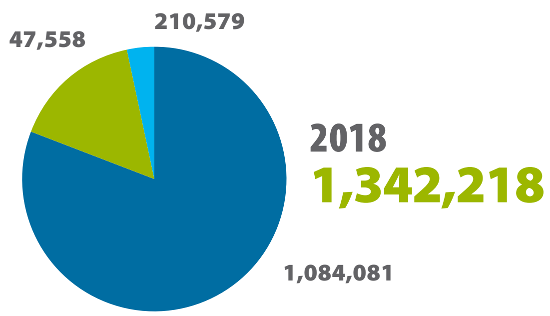
Further, this heading includes the accrual of amounts received for connecting the basic network infrastructure of Enagás Transporte, S.A.U. and Enagás Transporte del Norte, S.L. with networks of distribution companies, secondary transmission companies, gas shippers, and qualified customers. Said income is recognised based on the useful life of the assigned facilities.

Based on the types of contractual agreements supporting this type of income, it has been determined that there is an implicit financing component which, under the new regulatory requirements, must be recognised as a liability in the Consolidated Balance Sheet.

a) Revenue

The breakdown of Revenue is as follows:





Revenue	2019	2018
Regulated activities:	**1,086,633**	**1,084,081**
From contracts with customers	-	-
Other	1,086,633	1,084,081
Non-regulated activities:	**66,470**	**210,579**
From contracts with customers	31,333	36,138
Other	35,137	174,441
Total revenue	**1,153,103**	**1,294,660**

Other operating income	2019	2018
From contracts with customers	23,939	30,781
Other	5,692	16,777
Total Other operating income	**29,631**	**47,558**

The distribution of the Revenue based on the Group Companies from which it comes for 2019 and 2018 is as follows:

Revenue	2019	2018
Regulated activities:	**1,086,633**	**1,084,081**
Enagás Transporte, S.A.U.	1,033,900	1,032,069
Enagás Transporte del Norte, S.L.	28,243	28,046
Enagás GTS, S.A.U.	24,490	23,966
Non-regulated activities:	**66,470**	**210,579**
GNL Quintero	31,696	173,417
Enagás Transporte, S.A.U.	30,257	31,829
Enagás, S.A.	59	2,294
Enagás Internacional, S.L.U.	561	1,004
Enagás México	459	303
Enagás Transporte del Norte, S.L.	447	447
Enagás Perú	910	559
Remaining companies	2,081	726
Total	**1,153,103**	**1,294,660**

The details of revenues with the breakdown of revenues from customer contracts at December 31, 2019 and December 31, 2018 is as follows:

The breakdown required for the IFRS 15 application, regarding contracts with customers corresponding to 2019 and 2018 is as follows:

				Segments (Note 4.7.a)			
2019	Nature	Geographical area	Counterparty	Technical Management of the System	Infrastructures	Other activities	Total
Net revenue from customer contracts							
Connections	Rendering of services	Spain	Third parties	-	-	447	447
Other income	Rendering of services	America	Intercompany	-	-	13	13
Other income	Rendering of services	Spain	Intercompany	-	87	1,109	1,196
Other income	Rendering of services	Europe	Intercompany	-	-	154	154
Other income	Rendering of services	Spain	Third parties	-	90	-	90
Other income	Rendering of services	America	Third parties	-	-	5	5
Corporate services	Rendering of services	America	Intercompany	-	-	71	71
Corporate services	Rendering of services	Spain	Intercompany	-	-	566	566
Corporate services	Rendering of services	Europe	Intercompany	-	-	457	457
Gas transmission services	Rendering of services	Spain	Third parties	-	28,334	-	28,334
Net revenue from customer contracts					**28,511**	**2,822**	**31,333**
Other operating income from customer contracts							
Leases	Rendering of services	Spain	Third parties	-	353	258	611
Usage rights	Usage rights income	Spain	Intercompany	-	8,909	-	8,909
Maintenance	Rendering of services	Spain	Intercompany	-	3,490	-	3,490
Maintenance	Rendering of services	Africa	Third parties	-	395	-	395
Maintenance	Rendering of services	Spain	Third parties	-	232	-	232
Maintenance	Rendering of services	Europe	Third parties	-	11	-	11
Other income	Rendering of services	Spain	Intercompany	5	-	1,058	1,063
Other income	Rendering of services	Europe	Intercompany	-	-	1,010	1,010
Other income	Rendering of services	America	Third parties	-	-	30	30
Other income	Rendering of services	Spain	Third parties	-	3,591	738	4,329
Other income	Rendering of services	Europe	Third parties	-	60	295	355
Corporate services	Rendering of services	America	Intercompany	-	-	95	95
Corporate services	Rendering of services	Spain	Intercompany	-	2,001	1,053	3,054
Corporate services	Rendering of services	Spain	Third parties	-	4	-	4
Corporate services	Rendering of services	Europe	Third parties	-	-	351	351
Total Other operating income from customer contracts				**5**	**19,046**	**4,888**	**23,939**

2018	Nature	Geographical area	Counterparty	Segments (Note 4.7.a) Technical Management of the System	Infrastructures	Other activities	Total
Net revenue from customer contracts							
Connections	Rendering of services	Spain	Third parties	-	2,173	-	2,173
Other services	Rendering of services	Spain	Intercompany	-	-	353	353
Other services	Rendering of services	Spain	Third parties	-	58	-	58
Corporate services	Rendering of services	America	Intercompany	-	-	1,469	1,469
Corporate services	Rendering of services	Spain	Intercompany	-	84	1,053	1,137
Corporate services	Rendering of services	Europe	Intercompany	-	-	928	928
Gas transmission services	Rendering of services	Spain	Third parties	-	30,020	-	30,020
Net revenue from customer contracts				-	**32,335**	**3,803**	**36,138**
Other operating income from customer contracts							
Usage rights	Usage rights income	Spain	Intercompany	-	17,802	-	17,802
Maintenance	Rendering of services	Spain	Intercompany	-	2,771	-	2,771
Maintenance	Rendering of services	Spain	Third parties	-	4,802	-	4,802
Other income	Rendering of services	Spain	Intercompany	5	-	135	140
Other income	Rendering of services	Europe	Intercompany	-	-	23	23
Other income	Rendering of services	Spain	Third parties	-	1,997	370	2,367
Other income	Rendering of services	Europe	Third parties	-	-	270	270
Corporate services	Rendering of services	Spain	Intercompany	-	2,466	99	2,565
Corporate services	Rendering of services	Europe	Intercompany	-	-	41	41
Total Other operating income from customer contracts				**5**	**29,838**	**938**	**30,781**

The Management of the Enagás Group considers that there is no collection uncertainty relating to the income indicated above and therefore has not ceased to recognise any type of income for this reason.

b) Personnel expenses

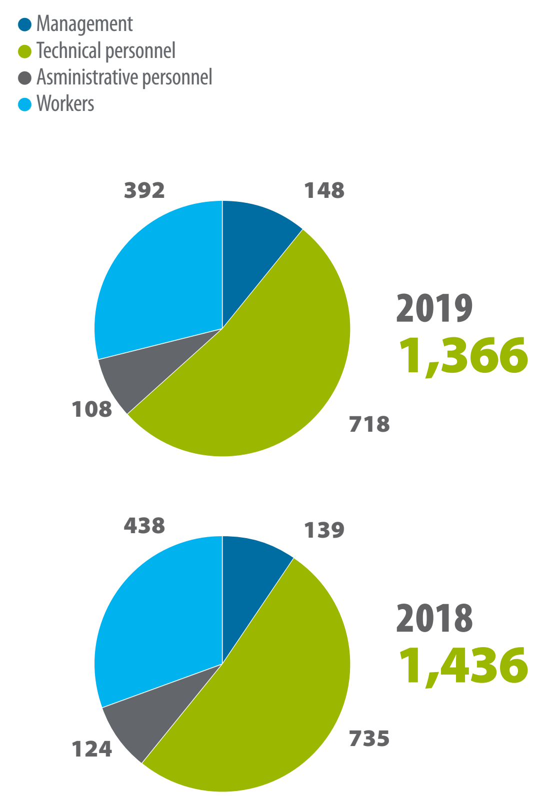
Personnel expenses	2019	2018
Wages and salaries	91,741	97,642
Termination benefits	5,807	7,338
Social Security	20,012	18,577
Other personnel expenses	10,305	9,253
Contributions to external pension funds (defined contribution plan)	2,681	2,658
Works for fixed assets (Note 2.4)	(5,371)	(4,230)
Total	**125,175**	**131,238**

In 2019, wages and salaries include the fair value of services received as consideration for equity instruments granted, in the amount of 2,207 thousands of euros at December 31, 2019 corresponding to the portion of the Long-Term Incentive Plan payable in Enagás, S.A. shares and approved on March 29, 2019 for the executive directors and senior management, thus representing a share-based transaction. At December 31, 2018, it included 1,936 thousands of euros corresponding to the portion of the Long-Term Incentive Plan payable in Enagás, S.A. shares (2016-2018) approved on March 18, 2016. Services rendered corresponding to the portion of the incentive plan payable in cash were also recognised with a credit to "Provisions" under non-current liabilities, in the amount of 710 thousands of euros at December 31, 2019, corresponding to the Long-Term Incentive Plan (2019-2021). The amount recognised at December 31, 2018 amounted to 693 thousands of euros and corresponded to the same item regarding the Long Term Incentive Plan in force at that time, i.e. for the period 2016-2018 (Note 2.8.a). In addition, the employee benefits expense arising from the bonus payable every three years for contribution to results for the 2019-2021 period and corresponding to the remaining personnel of the Group was also included in the amount of 1,898 thousands of euros. The amount of 2,026 thousands of euros was included in 2018, derived from the bonus payable every three years corresponding to the previous period, 2016-2018.

The Enagás Group contributes, in accordance with the Pension Plan signed and adapted to the Law on Pension Plans and Funds, to an "Enagás Pension Fund" defined contribution plan, managed by Gestión de Previsión y Pensiones, S.A. with Banco Bilbao Vizcaya Argentaria, S.A. as custodian, which covers the Group's commitments to the workforce in question. The aforesaid plan recognises certain vested rights for past service and undertakes to make monthly contributions averaging 4.27% of eligible salary (3.90% in 2018). It is a mixed plan covering retirement benefits, disability and death. The total number of people adhered to the plan at December 31, 2019 totalled 1,186 participants (1,201 participants at December 31, 2018). The contributions made by the Group under this heading each year are recorded in the "Personnel expenses" heading of the Consolidated Income Statement. At 2019 year-end there were no amounts pending payment with respect to this item.

In addition, the Group has outsourced its pension commitments with respect to its senior managers through a mixed group insurance policy for pension commitments, including benefits in the event of survival, death, and employment disability.

The average number of Group employees broken down by professional category is as follows:



At December 31, 2019 the Group has 1,320 employees under contract (1,449 employees at 2018), broken down by professional category and gender as follows:

Categories	2019 Women	2019 Men	2018 Women	2018 Men
Management	40	105	38	106
Technical personnel	224	475	231	509
Administrative personnel	89	13	102	21
Workers	17	357	20	422
Total	**370**	**950**	**391**	**1,058**

"Management" includes senior executive management of the Group, comprising eleven persons (nine men and two women).

The average number of staff during 2019 and 2018 employed by Group companies with disabilities greater than or equal to 33%, broken down by categories, is as follows:

Categories	2019	2018
Technical personnel	3	3
Administrative personnel	2	2
Workers	5	5
Total	**10**	**10**

c) Other operating expenses

Other operating expenses	2019	2018
External services:		
R+D expenses	484	293
Leases and royalties [1]	7,714	44,780
Repairs and conservation	48,396	48,591
Freelance professional services	27,299	32,391
Transport	24,823	31,475
Insurance premiums	6,241	9,241
Banking and similar services	331	342
Advertising, publicity and public relations	4,349	5,391
Supplies	23,114	22,462
Other services	24,575	16,958
External services	**167,326**	**211,924**
Taxes	**13,965**	**13,842**
Other current management costs	**1,668**	**300**
Other external expenses	**11,058**	**16,855**
Change in traffic provisions	**4,320**	**566**
Total	**198,337**	**243,487**

(1) The decrease in this item is due to the application of IFRS 16, which means that the cost of certain leases and fees is now recorded as a depreciation expense for rights of use. (Note 1.10).

2.2 Trade and other non-current and current receivables

Accounting policies

› Financial assets are recognised in the Consolidated Balance Sheet at the transaction date when the Group becomes party to the contractual terms of the instrument.

Financial assets measured at amortised cost

› This heading comprises financial assets arising from the sale of goods or the rendering of services in the course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives with fixed or determinable payments and are not traded in an active market.

› The said financial assets are initially recognised at fair value of the consideration paid, plus transaction costs directly attributable to the acquisition. They are subsequently measured at amortised cost and related interest accrued at the corresponding effective interest rate is recognised in the Consolidated Income Statement.

› Receivables which do not bear explicit interest are recognised at their face value whenever the effect of not discounting the related cash flows is not significant. Subsequent measurement in this instance is still carried out at face value.

› The Group derecognizes financial assets when the contractual rights to the cash flows from the financial asset expire or are transferred, which implies transferring substantially all the risks and rewards inherent in ownership of the financial asset; this is the case in firm asset sales, trade receivable factoring transactions in which the Group retains neither credit risk nor interest rate risk, sales of financial assets with an agreement to repurchase them at their fair value, and securitizations in which the Group neither retains subordinated financing, grants any form of guarantee nor assumes any other type of risk.

› In contrast, the Group does not derecognize financial assets, but rather recognizes a financial liability at an amount equal to the consideration received, in the transfer of financial assets in which it retains substantially all the risks and rewards incidental to ownership, such as discounted bills, recourse factoring, disposals of financial assets under repurchase agreements at fixed prices or at the sales price plus interest, and securitizations of financial assets in which the Group retains subordinate liability or grants other types of guarantees which would substantially absorb all possible losses.

Significant estimates and judgements

› An impairment loss on financial assets measured at amortised cost arises when there is objective evidence that the Group will not be able to recover all the corresponding amounts in accordance with the original terms established. The impairment loss is recognised as an expense in the Consolidated Income Statement and is determined as the difference between the carrying amount and the present value of future cash flows discounted at the effective interest rate.

› If, in subsequent periods, the value of the financial asset measured at amortised cost recovers, then the impairment loss is reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds the carrying amount had the impairment not been recognised. The reversal is recognised in the Consolidated Income Statement.

› From January 1, 2018, with the application of IFRS 9, the Group recognises an impairment loss for expected credit losses on financial assets.

› The Group will assess the expected credit losses of a financial instrument in a way that reflects:
a) an amount weighted based on probability and not biased, determined by evaluating a series of possible outcomes;
b) the temporal value of money; and
c) reasonable and well-founded information available on the date of information, without cost or disproportionate effort, on past events, current conditions and forecasts of future economic conditions.

Under the new standard, an entity will measure the value correction for losses of a financial instrument in an amount equal to the expected credit losses during the life of the asset, if the risk of that financial instrument has increased significantly since its initial recognition.

Conversely, that is, if the credit risk of a financial instrument has not increased significantly since the initial recognition, an entity will measure the value correction for losses at an amount equal to the expected credit losses in the next 12 months.

The gain or loss resulting from impairment of value, the amount of the expected credit losses (or reversals) by which it is required that the value adjustment for losses be adjusted on the posting date to reflect the amount to be recognised under this standard will be recorded in the profit for the period.

In the case of the Enagás Group, practically all financial assets present a low credit risk at the date of posting, and their exposure to events that generate credit losses during the next 12 months is therefore calculated.

	12.31.2019	12.31.2018
Customer receivables for sales and services rendered	6,416	24,971
Accounts receivable from customer contracts	3,774	8,128
Accounts receivable from customer contracts, group companies and associates	2,936	3,957
Subsidiaries and associates	1,045	4,142
Other receivables	216,077	319,733
Sub-total	**230,248**	**360,931**
Value added tax	23,754	27,979
Trade and other current receivables	**254,002**	**388,910**
Trade and other non-current receivables (Note 3.3.a)	**148,022**	**137,125**

"Trade and other non-current receivables", in accordance with Royal Decree-Law 8/2014 of July 4 and Law 18/2014 of October 15, mainly includes the long-term accumulated deficit corresponding to regulated activities amounting to 80,377 thousands of euros at December 31, 2019 (88,835 thousands of euros at December 31, 2018).

In the "Other receivables" heading, under current assets, the Enagás Group mainly records the outstanding balance corresponding to the remuneration of regulated regasification, transmission and underground storage activities at the end of financial years 2019 and 2018, in the amount of 208,132 thousands of euros and 312,911 thousands of euros, respectively. Within this amount, the outstanding balance for 2019 amounts to 80,955 thousands of euros (at December 31, 2018, the outstanding balance for 2018 amounted to 184,746 thousands of euros).

In addition, after the approval of the surplus of the gas system for 2018 through its publication in the final settlement of that year, which took place in December 2019, and which led to the collection by Enagás Transporte in that same month of 11,861 thousands of euros with a charge to the adjustments to the gas system for 2015, 2016 and 2017, and to the surplus with which it is estimated that the gas system will close in 2019 (which will be definitively communicated at the end of 2020); the estimated amounts relating to the aforementioned adjustments to the gas system that would be collected in a period of more than 12 months, amounting to 1,270 thousands of euros (33,847 thousands of euros at December 31, 2018), is recorded under "Trade and other non-current receivables". In this regard, once the aforementioned payment collections have been taken into account, the full amount recorded in the long term corresponds to the mismatch in the gas system in 2016. The monthly payments receivable in respect of the mismatches arising in 2015 and 2017 are included under "Other receivables" on the current assets side of the accompanying consolidated balance sheet, since they are expected to be collected in full in 2020. This amounts to 20,419 thousands of euros (10,896 thousands of euros. at December 31, 2018).

Also, "Trade and other non-current receivables" includes the balance of the mismatch in the gas system in 2016 and the amount receivable for facilities not yet recognised, which at December 31, 2019 amounted to 16,076 thousands of euros (80,169 thousands of euros at December 31, 2019), since it is estimated that they will be recovered within a period in excess of one year.

In addition, the "Other receivables" heading also includes the balance pending collection relating to remuneration for Technical Management activity, amounting to 4,854 thousands of euros (5,500 thousands of euros at December 31, 2018). The trade receivables related to regulated activities follow the settlement system established in Order ECO/2692/2002, of October 28, which regulates the settlement procedures for remuneration of regulated natural gas sector and fees for specific purposes (Appendix III).

"Accounts receivable from contracts with customers" include the following items, broken down in accordance with IFRS 15:

	12.31.2019	12.31.2018
Accounts receivable from customer contracts	1,436	5,759
Accounts receivable from customer contracts, group companies and associates	1,076	1,735
Accounts receivable invoices to be issued from contracts with customers	2,338	2,369
Accounts receivable invoices to be issued from contracts with customers, group companies associates	1,860	2,222

The Company has not registered assets under contracts at December 31, 2019 or December 31, 2018.

At December 31, 2019, the Company did not have significant impairment losses on balances receivable from contracts with customers, either registered as accounts receivable or as unissued invoices.

Situation of Castor Storage Facility

As explained in Note 8.1 of the 2014 Consolidated Annual Accounts of the Enagás Group, on October 4, 2014 the Official State Gazette published the Royal Decree-Law 13/2014 of October 3, by virtue of which urgent measures were adopted in connection with the gas system and title to the nuclear power plants, with a view to guaranteeing the security of people, goods, and the environment with respect to the Castor natural gas underground storage facility, which establishes, amongst other matters, the following:

- The termination of the operating concession for the Castor underground storage facility, granted by Royal Decree-Law 855/2008, of May 16.
- The hibernation of the facilities associated with said concession.
- The appointment of Enagás Transporte, S.A.U. for administration of said facilities, for the sole purpose of carrying out the necessary measures for maintenance and operability during the hibernation period, prioritising the objective of guaranteeing the security of the facilities for persons, goods, and the environment, while ensuring compliance with applicable regulations. Likewise, the decision included the stipulation that the maintenance and operational costs be paid to Enagás Transporte, S.A.U. with a charge to income from tolls and royalties of the gas system.
- The recognition of the investment made for the storage facility by the titleholder of the concession which was extinguished with 1,350,729 thousands of euros, and the establishment of a payment obligation for said amount by Enagás Transporte, S.A.U. to the titleholder of the extinguished concession. As a result of assuming the payment obligation, Enagás Transporte, S.A.U. enjoys the right to collect access tolls and royalties from the gas system's monthly invoicing for 30 years, for the amount paid to the titleholder of the extinguished concession plus the financial remuneration which the Royal Decree-Law expressly recognises. Likewise, this Royal Decree-Law contains the necessary measures to guarantee full effectiveness of this collection right, that said right could be freely available to Enagás Transporte, S.A.U. or its third party titleholders, and could consequently be totally or partially, ceded, transferred, discounted, pledged, or taxed in favour of any third parties, including securitization funds or other vehicles or companies with a special purpose, either domestic or international. The cession of the collection right will be effective with respect to the gas system, which will pay the new titleholder the corresponding amounts.

In light of the above, on October 4, 2014, Enagás Transporte, S.A.U. signed an agreement with various financial entities by virtue of which it ceded the collection right awarded by the aforementioned Royal Decree-Law, with said entities assuming the payment obligation imposed on Enagás Transporte, S.A.U. In this manner, on November 11, 2014, said financial entities made a payment of 1,350,729 thousands of euros to the titleholder of the extinguished concession.

Further, Enagás Transporte, S.A.U. transferred the aforementioned contractual obligations and rights inherent to ownership of the financial asset to said financial entities, thus derecognising it from the balance sheet as the Directors of the Group consider that all associated risks and benefits have been transferred.

On December 21, 2017 the Constitutional Court handed down a sentence no. 152/2017 declaring various provisions of Royal Decree-Law 13/2014 as unconstitutional and null and void due to formal errors. Specifically, (i) acknowledgement of the investment made by the renouncing concessionaire and costs accrued up to the date of said norm becoming effective, and thus the consideration in the amount of 1,350,729 thousands of euros, as well as (ii) recognition of the correlated collection right of Enagás Transporte, S.A.U. with respect to the gas system for the amount of consideration cited, considering that in both cases the reasons given for the urgency were not justified and therefore said measures should be excluded from the ordinary legislative procedure.

Notwithstanding the foregoing, the Constitutional Court did declare the following as constitutional and valid: (i) adoption of the decision to hibernate the underground storage facility; (ii) the declaration of the extinction of the concession; and (iii) the appointment of Enagás Transporte, S.A.U. for administration of the facilities to the extent the hibernation is prolonged; as well as (iv) recognition of the right to obtain remuneration for the maintenance and operability costs for Enagás Transporte, S.A.U., including any costs incurred for the administration and other related work which said Royal Decree-Law established as a requirement.

In accordance with the analysis carried out by the Company's external legal advisors, the purchase-sale contract for the collection rights signed by Enagás Transporte, S.A.U. with the financial entities represents the transfer of rights and obligations to the financial entities and in no case does it enable the buyers (or their possible transferees) the possibility of claiming reimbursement for the price received or payment of any other amounts from the seller. Thus, in no case can adverse effects arise in connection with the financing of the operation for the Company due to the sentence of the Constitutional Court, as Enagás Transporte, S.A.U. is not titleholder to the collection right which was annulled nor is it obliged to pay the titleholder of the extinguished concession.

Without prejudice to the above and in relation to this, in response to the recent summons received from the Supreme Court and in order to guarantee its legitimate rights and interests, Enagás Transporte, S.A.U., proceeded to appear as a co-defendant in the contentious-administrative appeal filed by the financial institutions against the alleged rejection by the Council of Ministers of the claim of the State legislator's liability for partial declaration of unconstitutionality of Royal Decree-Law 13/2014, without this participation being the object of any claim by these entities which, if it were to take place, would have to be dealt with via civil proceedings and not via contentious-administrative appeal.

Likewise, in accordance with the analysis carried out by the Company's legal advisors and external legal advisers, the aforementioned sentence of the Constitutional Court does not give rise to any negative effect on the right of Enagás Transporte, S.A.U. to obtain remuneration for the administration and operations necessary for maintenance and operability of the infrastructure, as the Royal Decree-Law was not affected in such a manner by the declaration of unconstitutionality. Likewise, on the basis of these same conclusions, it is not considered that there is any negative effect from the process aimed at liability, since all the risks and benefits of the financial asset have been contractually transferred to the financial institutions.

In this sense, with regard to the remuneration payable to Enagás Transporte for 2014 and annual instalments from 2015 to 2016, the Supreme Court, based on the declaration of unconstitutionality of Article 6 of Royal Decree-Law 13/2014, handed down the judgements of November 7, 12, 15 and 29, 2018 (CA Appeals Nos. 3814/2015, 4383/2015, 648/2016 and 3572/2016), nullifying the provisions that specified the terms of the remuneration to be received by Enagás Transporte, S.A.U., as of December 1, 2014 and annual instalments for 2015 and 2016, in payment of the administrative obligations imposed by Article 3 of the aforementioned Royal Decree-Law and by virtue of the latter's right recognised by the final paragraph of section 2 of the same Article, whose constitutionality was confirmed by the Constitutional Court in judgement No. 152/2017, of December 21, 2017.

With regard to these costs for 2014 and annual instalments for 2015 and 2017, in October 2018 the CNMC started an ex officio review procedure of the final approved settlements, with the purpose of recovering the definitive amounts received by Enagás Transporte as well as the corresponding legal interest calculated from the date of the instalments until the date of the return of the amounts to the settlement system. This procedure was resolved by the CNMC on July 5, 2019, declaring the nullity of the settlements from 2015 to 2017 and the obligation of Enagás Transporte to reimburse the amount of 34,553,812.10 euros, which was done on July 23, 2019.

Lastly, with regard to the costs recognised for 2017 to 2019, on February 11, 2020 one of the appeals filed against Order ETU/1977/2016 were put to the vote and a ruling was issued, which relates to the remuneration of the costs recognised for Enagás Transporte, S.A.U., for 2017 (the other has been resolved in the same way as the previous appeals), and on March 31, 2020, the two appeals against Order ETU/1283/2017, which relate to the costs recognised for 2018,. Although no judgement has yet been handed down for any of them at the date of preparation of these Annual Accounts, and despite the fact that these costs are recognised in the aforementioned Ministerial Orders and the validity of the collection right has been confirmed by the Constitutional Court, the CNMC deducted (through compensation) the amounts provisionally received in 2017 by Enagás Transporte, S.A.U., for costs recognised for 2017 (not included in the final settlement of the regulated activities of the Natural Gas Sector for 2017) and omitted the inclusion of any payment for the costs of the administration of the storage corresponding to 2018, a situation which has remained constant throughout 2019.

Notwithstanding the above, it should be noted that since 2014 Enagás Transporte, S.A.U. has been performing the functions of administrator of the Castor storage facility, which it was legally obliged to do in accordance with the provisions of sections 1 and 2 of Article 3 of Royal Decree-Law 13/2014, which imposed on it the assumption of the administration of the facilities and of the ownership of all the rights and obligations associated with them during the entire period up to the end of the hibernation period through an agreement of the Council of Ministers referred to in Article 1.2 of the aforementioned Royal Decree-Law 13/2014.

It is worth noting at this time that on November 8, 2019, the Council of Ministers published the Agreement terminating the hibernation of the Castor underground storage facilities and agreeing to dismantle them in phases, assigning the work to Enagás Transporte and including all the operations required for the maintenance and operation of the facilities referred to in Article 3.2 of Royal Decree-Law 13/2014 until the last phase of dismantling is completed.

With all of the above, in practice the aforementioned Resolution has not meant that Enagás Transporte has ceased to attend to the tasks it had been carrying out to guarantee the safety of people, property and the environment but, on the contrary, it has confirmed its obligation to continue to carry out all of the operations required for the maintenance and operation of the facilities referred to in Article 3.2 of Royal Decree-Law 13/2014 until the last phase of dismantling is completed.

And given that, due to carrying out these tasks, formerly as a storage administrator, and now as a dismantling manager, Enagás Transporte, S.A.U., has so far been assuming the costs derived from the operations maintenance and operations imposed, as well as those for the full assumption of the administration and dismantling of the storage; and given that, in addition, the right of this company to obtain remuneration for the functions entrusted by Royal Decree-Law 13/2014 and developed in relation to Castor storage remains in force, since it does not derive from Article 6, annulled by the Constitutional Court, but is expressly recognised in Article 3.2 of the former, which subsists, it is considered that the right of Enagás Transporte, S.A.U. to receive the remuneration for the costs incurred is beyond any doubt, with only the specific terms in which this right is specified remaining in doubt, since Article 6 has been annulled.

In view of the foregoing and as it is necessary to implement an alternative mechanism to receive the remuneration for the legally entrusted tasks, on December 21, 2018, Enagás Transporte, S.A.U. has filed a claim for damages with the Ministry for Ecological Transition, requesting (i) the right of Enagás Transporte, S.A.U. to obtain compensation, for the damages sustained as a result of the administration tasks of the facilities, plus the pertinent interests, (ii) payment of the amounts corresponding to the remuneration for the costs assumed by Enagás Transporte, S.A.U., up to the moment when the resolution is issued, plus the pertinent interests, and (iii) the right of Enagás Transporte, S.A.U. to obtain compensation for the damages that may be caused to it as a consequence of the tasks of administering the facilities until such time as the Council of Ministers adopts an agreement that puts an end to the storage hibernation situation.

The aforementioned claim for liability presented on December 21, 2018 was rejected by a presumptive resolution of the Ministry for Ecological Transition, which on October 3, 2019 was challenged by Enagás Transporte before the National Court and the Ministry is currently forwarding the administrative file to this judicial body, prior to the filing of the lawsuit.

According to the legal conclusions of the external and internal advisors, it is considered that this damages lawsuit is the mechanism initiated by the Group for recovering both the amounts deducted from the remuneration corresponding to financial year 2017, the amounts not paid referring to financial years 2018 and the following, and the amounts that have been refunded as a result of the review actions by the CNMC in relation to the settlements corresponding to 2014, 2015 and 2016, included in the final approved settlements of the 2015 and 2016 years, as well as their possible interests. Based on the above, the account receivable for the right of Enagás Transporte, S.A.U., to be paid for the Castor underground storage administration, is maintained in the balance sheet, the conclusion being that there is no negative impact on the Group's financial statements as a result of the judgements of the Constitutional Court or the Supreme Court referred to above.

At December 31, 2019, the amount recorded as revenues of the Company during financial years 2014 to 2019 pending recovery

2.3 Trade and other payables

Accounting policies

Trade and other payables are financial liabilities that do not accrue explicit interest and are recognised at their face value provided the effect of financial discounting is not significant.

The detail of "Trade and Other Payables" for 2019 and 2018 is as follows:

Trade and other payables	12.31.2019	12.31.2018
Debts with related companies	3,516	1,704
Rest of suppliers	160,183	144,812
Other creditors	14,782	23,056
Subtotal (Note 3.3.b)	**178,481**	**169,572**
Value added tax	148	2,121
Tax Authorities creditor for withholdings and other	33,764	32,576
Total	**212,393**	**204,269**

Information on the average payment period

The disclosures required in the second additional provision of Law 31/2014 of December 3, are as follows:

Days	2019	2018
Ratio of payments made	34	33
Ratio of pending payments	27	45
Average payment period to suppliers	34	34

Amount	2019	2018
Total payments made	474,065	442,072
Total pending payments	26,447	27,803

2.4 Property, plant, and equipment

Accounting policies

- The cost model is applied, that is, the corresponding assets are measured at acquisition or production cost less the corresponding accumulated amortisation and any impairment losses.
- Acquisition or production cost includes:
  - Finance expenses relating to the financing of infrastructure projects accrued only during the construction period, when the building work lasts for more than one year. In 2019, no financial expenses were capitalised in this connection. In 2018, financial expenses amounting to 228 thousands of euros were included as acquisition cost and the net capitalisation rate used during the year was 1.30%.
  - Personnel expenses directly related to work in progress, lowering personnel expenses in the amount of 5,371 thousands of euros at December 31, 2019 (4,230 thousands of euros at December 31, 2018). (Note 2.1.b).
  - The book value of these assets includes an estimate of the current value of the costs to the Group for the dismantling tasks, credited to the "Long-term provisions" caption (Note 2.8.a) of the accompanying Consolidated Balance Sheet. This provision is subject to periodic review, in order to monitor possible changes in any of the hypotheses used to estimate decommissioning costs, in this case assuming the corresponding change in book value, which would be made prospectively, as has been previously indicated in Note 2.8.a to the Consolidated Annual Accounts.
- Non-extractable gas required for exploitation of underground natural gas storage (cushion gas) is recognised under PP&E, depreciated over the specific prevailing useful life (20 years) or over the leasing period if less.
- Natural gas required for minimum levels in gas pipelines and minimum operating levels for regasification plants, (also called "heel gas") is recognised as PP&E that cannot be amortised given that it is not available for sale as indicated under current regulations. It is measured at the purchase price as indicated in Order ITC/3993/2006 an Order IET/2736/2015.
- The restatement of assets recognised under PP&E in accordance with Royal Decree-Law 7/1996 of June 7, on balance sheet restatements, has an effect of 3,311 thousands of euros on amortisation of fixed assets charges in 2019 (3,348 thousands of euros in 2018).
- Without affecting the 2019 financial year, on November 20 and on December 23, 2019, Circulars 2/2019 and 8/2019 and 9/2019 were published, establishing the new regulatory and remuneration framework for financial years from January 1, 2021, (Appendix III).

Grants

- The official grants relating to the assets recognised under PP&E lower the acquisition cost of said assets and are taken to the income statement over the foreseen useful lives of the corresponding assets, decreasing the related amortisation.

Significant estimates and judgements

- PP&E items are amortised using the straight-line method, applying annual amortisation rates that reflect the estimated useful lives of the corresponding assets.
- The Directors consider that the carrying amounts of the assets do not exceed the recoverable amounts which result from calculating discounted future cash flows generated by said assets based on foreseen remuneration under current regulations.
- Depreciation is carried out on a straight-line basis in accordance with the following useful lives:

	Annual rate	Useful life (years)
Buildings	2%-5%	50 – 20
Technical facilities (transmission network)	2.5%-5%	40 – 20
Tanks	5%	20
Underground Storage Facilities	5%-10%	20 – 10
Cushion gas	5%	20
Other technical facilities and machinery	2.5%-12%	40 – 8.33
Equipment and tools	30%	3.33
Furniture and fixtures	10%	10
Information technology equipment	25%	4
Transport equipment	16%	6.25

2019	Opening balance	Effect of first application of IFRS 16 [1]	Inputs or provisions [2]	Increases or decreases due to transfers	Decreases, disposals or reductions [4]	Translation differences	Perimeter variations [3]	Balance at year-end
Land and buildings	249,230	283,802	21,548	118	-	(398)	(81,262)	473,038
Technical facilities and machinery	9,681,043	368,902	65,842	9,238	(247)	6,452	(937,159)	9,194,071
Other facilities, tools, and furniture	171,130	3,651	14,997	142	(6,822)	811	(5,604)	178,305
Prepayments and work in progress	576,027	-	28,622	(9,498)	(39,292)	(221)	(8,464)	547,174
Capital grants	(600,502)	-	(568)	-	-	-	-	(601,070)
Total cost	**10,076,928**	**656,355**	**130,441**	**-**	**(46,361)**	**6,644**	**(1,032,489)**	**9,791,518**
Land and buildings	(98,840)	(118,364)	(15,265)	-	-	(77)	24,622	(207,924)
Technical facilities and machinery	(4,988,463)	(220,282)	(247,153)	-	-	(1,010)	256,253	(5,200,655)
Other facilities, tools, and furniture	(72,272)	-	(5,385)	-	6,822	(750)	3,810	(67,775)
Capital grants	419,220	-	10,786	-	-	-	-	430,006
Total amortisation	**(4,740,355)**	**(338,646)**	**(257,017)**	**-**	**6,822**	**(1,837)**	**284,685**	**(5,046,348)**
Technical facilities and machinery	(13,719)	-	-	-	-	-	-	(13,719)
Prepayments and work in progress [4]	(84,639)	-	(43,997)	-	32,105	-	-	(96,531)
Total impairment	**(98,358)**	**-**	**(43,997)**	**-**	**32,105**	**-**	**-**	**(110,250)**
Land and buildings	150,390	165,438	6,283	118	-	(475)	(56,640)	265,114
Technical facilities and machinery	4,678,861	148,620	(181,311)	9,238	(247)	5,442	(680,906)	3,979,697
Other facilities, tools, and furniture	98,858	3,651	9,612	142	-	61	(1,794)	110,530
Prepayments and work in progress	491,388	-	(15,375)	(9,498)	(7,187)	(221)	(8,464)	450,643
Capital grants	(181,282)	-	10,218	-	-	-	-	(171,064)
Net carrying amount of property, plant, and equipment	**5,238,215**	**317,709**	**(170,573)**	**-**	**(7,434)**	**4,807**	**(747,804)**	**4,634,920**

(1) The "Effect of the First-time Application of IFRS 16" includes the effects of applying this standard at January 1, 2019, with impacts on the cost of fixed assets and accumulated depreciation (Note 1.10).
(2) The additions of fixed assets resulting from the application of IFRS 16 recognised in 2019 amounted to 34,432 thousands of euros. In addition, the depreciation charge for the year includes an impact of 27,375 thousands of euros relating to the depreciation of assets arising from the application of IFRS 16 (Note 1.10).
(3) "Changes in the Scope of Consolidation" includes the effect of including the ownership interest in GNL Quintero using the equity method, amounting to 747,287 thousands of euros, as a result of the loss of control over the company in February 2019 (Note 1.5).
(4) The impairment charge for Prepayments and work in progress relates mainly to the investment and materials relating to the STEP project, the likelihood of which is no longer probable in view of the European regulatory framework and the uncertainty associated with the processing and viability of the project. For this reason, the assets associated with their recoverable value were recognised, and an impairment loss of 40,433 thousands of euros was recognised.

2018	Opening balance	Inputs or provisions	Increases or decreases due to transfers	Decreases, disposals or reductions	Translation differences	Balance at year-end
Land and buildings	247,883	1,649	2,377	(6,022)	3,343	249,230
Technical facilities and machinery	9,710,631	3,749	(68,904)	(2,992)	38,559	9,681,043
Other facilities, tools, and furniture	93,295	1,560	76,255	(69)	89	171,130
Prepayments and work in progress	567,789	17,976	(9,728)	(285)	275	576,027
Capital grants	(600,387)	(552)	-	437	-	(600,502)
Total cost	**10,019,211**	**24,382**	**-**	**(8,931)**	**42,266**	**10,076,928**
Land and buildings	(91,101)	(6,771)	-	-	(968)	(98,840)
Technical facilities and machinery	(4,707,095)	(270,892)	(426)	20	(10,070)	(4,988,463)
Other facilities, tools, and furniture	(67,798)	(4,890)	426	66	(76)	(72,272)
Capital grants	408,060	11,160	-	-	-	419,220
Total amortisation	**(4,457,934)**	**(271,393)**	**-**	**86**	**(11,114)**	**(4,740,355)**
Technical facilities and machinery (1)	(13,719)	-	-	-	-	(13,719)
Prepayments and work in progress (1)	(46,207)	(38,432)	-	-	-	(84,639)
Total impairment	**(59,926)**	**(38,432)**	**-**	**-**	**-**	**(98,358)**
Land and buildings	156,782	(5,122)	2,377	(6,022)	2,375	150,390
Technical facilities and machinery	4,989,817	(267,143)	(69,330)	(2,972)	28,489	4,678,861
Other facilities, tools, and furniture	25,497	(3,330)	76,681	(3)	13	98,858
Prepayments and work in progress	521,582	(20,456)	(9,728)	(285)	275	491,388
Capital grants	(192,327)	10,608	-	437	-	(181,282)
Net carrying amount of property, plant, and equipment	**5,501,351**	**(285,443)**	**-**	**(8,845)**	**31,152**	**5,238,215**

(1) During the financial year 2018, the Enagás Group proceeded to carry out an analysis of both projects and inventories of materials stored in warehouses. After said analysis, the Group recognised impairment losses on both materials considered obsolete, as well as on those investments made that are most likely not going to be executed, amounting to 38,432 thousands of euros.

The increases for the year under "Plant and Machinery" were due mainly to updates to the provisions s for plant dismantling (39,205 thousands of euros) and for the dismantling of underground storage facilities (24,922 thousands of euros) (Note 2.8).

The increases in "Prepayments and work in progress" were due mainly to the installation of a new compressor to manage the boil-off (3,415 thousands of euros), the adaptation of the jetties at the Huelva and Cartagena plants for Small Scale (2,876 thousands of euros), the installation of a regenerator for the dehydration of natural gas before its injection into the network in the Serrablo underground storage facility (1,794 thousands of euros), the migration of the access network (1,667 thousands of euros) and the construction in progress of a workshop building at the Barcelona plant (1,260 thousands of euros).

The most noteworthy disposals were those relating to "Other fixtures, tools and furniture", which were due mainly to the sale of computer equipment (6,695 thousands of euros) that had been almost fully depreciated, and to "Prepayments and work in progress", which were due mainly to the derecognition of certain infrastructure projects, the performance of which is considered to be remote and which, in any case, would not be possible in view of their characteristics and current configuration. Therefore, the assets related to these projects were derecognised for a cumulative amount of 28,451 thousands of euros, with a cumulative impairment loss of 24,576 thousands of euros, and a loss was therefore recognised under "Impairment and losses" in the Consolidated Income Statement.

Also included under "Prepayments and work in progress" is the derecognition related to the agreement for the sale of certain Company assets. The gross value of these assets amounted to 8,835 thousands of euros, with an associated accumulated impairment loss of 7,068 thousands of euros. Thus, it was recognised at the lower of its carrying amount and fair value less sale costs. Therefore, the remaining amount is recognised under "Non-current assets held for sale" in the accompanying Balance Sheet, amounting to 1,767 thousands of euros.

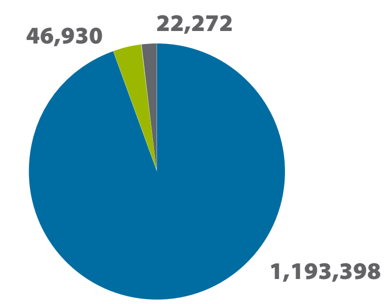
There are no mortgages or encumbrances of any type on assets recorded as property, plant, and equipment.

The Group's policy is to provide sufficient insurance coverage for its assets so as to avoid any significant losses. In addition, the Group has contracted the corresponding insurance policies to cover third party civil liabilities.

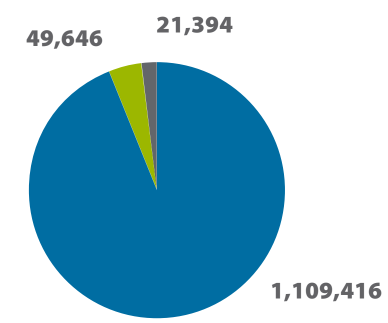
Fully amortised PP&E items recognised by the Enagás Group and still in use at 2019 and 2018 year-end are broken down as follows:

- Technical facilities and machinery
- Other facilities, tools and furniture
- Buildings

2019
1,262,600



2018
1,180,456



a) Grants

Accumulated capital grants received at year-end which correspond to investments in gas infrastructure are broken down as follows:

	Grants received	Released to income	Balance at year-end
Regasification plants	79,843	(75,252)	4,591
Gas transmission infrastructure	503,719	(337,246)	166,473
Underground storage facilities	17,508	(17,508)	-
2019	**601,070**	**(430,006)**	**171,064**
Regasification plants	79,216	(73,931)	5,285
Gas transmission infrastructure	503,778	(327,781)	175,997
Underground storage facilities	17,508	(17,508)	-
2018	**600,502**	**(419,220)**	**181,282**

The breakdown at year-end of said capital grants by public body which grants them is as follows:

	Grants received	Released to income	Balance at year-end
Structural funds of the European Union	435,317	(295,698)	139,619
Official bodies of the Spanish Autonomous Regions	51,905	(33,124)	18,781
Spanish Government	113,848	(101,184)	12,664
2019	**601,070**	**(430,006)**	**171,064**
Structural funds of the European Union	434,750	(286,962)	147,788
Official bodies of the Spanish Autonomous Regions	51,905	(32,014)	19,891
Spanish Government	113,847	(100,244)	13,603
2018	**600,502**	**(419,220)**	**181,282**

The breakdown by timing criteria of the balance pending application at December 31, 2019 is the following:

	years		
	<1	2 to 5	>5
Government grants	940	3,760	7,963
Autonomous Regions grants	1,101	4,379	13,303
FEDER grants	8,513	29,332	101,773
Total grants	**10,554**	**37,471**	**123,039**

Regasification plant - Port of El Musel (Gijón)

In relation to the situation of the regasification plant of the Port of El Musel (Gijón), no significant changes have occurred with respect to what was described at the end of 2018. On March 1, 2016, Enagás Transporte received notification of the ruling handed down by the Supreme Court on February 29, 2016, dismissing the appeal filed by the General State Administration and said company against the sentence of July 31, 2013 passed by the Madrid High Court which upheld the appeal filed by the Green Party of Asturias against the Directorate General of Energy Policy and Mining resolution of December 29, 2008 granting Enagás the prior administrative authorisation for construction of the regasification plant for liquefied natural gas in El Musel (Gijón), thereby nullifying said administrative authorisation.

The Group understands that the Supreme Court ruling does not entail any changes to the technical or economic situation of the facility, as (i) the location and technical characteristics of the facility are perfectly in line with prevailing legislation in light of the replacement of the regulation relating to annoying, unhealthy, harmful or hazardous activities with Law 34/2007, of November 15, on air quality and protection of the atmosphere and the facility; and (ii) the facility has received the necessary commissioning certification for the sole purposes indicated in the Third Transitional Provision of Royal Decree-Law 13/2012, and thus the remuneration recognized and received by the Company is justified on the basis of said Royal Decree and not the nullified authorization.

The Ministry for Energy, Tourism, and Digital Agenda pronounced itself similarly when it informed the High Court of Madrid in connection with the execution of the sentence requested by the Green Party of Asturias that "[…] it considers, at any rate, that the sentence has already been executed as the nullification does not involve or require the dismantling of the facility or the suspension of remuneration currently being received". This request for the enforcement of a judgement, as well as that requested by the Llanes Neighbours and Friends Association, the Vega Collective Association for the Defence of the Rural Environment and the Association Group for the Recovery and Study of Natural Spaces, has already been resolved in a final manner by the High Court of Justice of Madrid through two Orders, of October 16, 2017 and April 11, 2018, which have considered the judgement of the court already executed in its entirety following the declaration of invalidity of the authorisation of the regasification plant and its hibernation, without the need for any further action on it.

On the other hand, Royal Decree 335/2018, of May 25, has been published and has come into force, restoring the processing of the facilities affected by section 2 of the third transitory provision of Royal Decree-Law 13/2012, of March 30. This includes the El Musel regasification plant, determining the procedure and conditions thereof, with Enagás Transporte having requested, on August 6, 2018, in accordance with the provisions of the regulation and the LSH, a new administrative authorisation, approval of the implementation project and environmental impact statement of the LNG regasification plant project. Enagás Transporte also requested a favourable resolution of the technical and economic conditions for the provision of capacity services and for the commissioning of the facilities. To date, these requests are in the process of environmental evaluation to obtain the Environmental Impact Statement ("EIS").

At December 31, 2019 and 2018 the carrying amount of said investment totalled 378,887 thousands of euros.

Likewise, during 2019 and 2018 and in accordance with Royal Decree-Law 13/2012, said regasification plant received both financial remuneration as well as remuneration for operating and maintenance costs in connection with the actions carried out by the Company to maintain the plant ready for service. Both remunerations have been recognised annually by successive Ministerial Orders on remuneration and tolls and are also included in the recently approved Resolution of December 18, 2019, of the National Commission on Markets and Competition, which establishes the remuneration for 2020 of the companies that carry out the regulated activities of liquefied natural gas plants, transmission and distribution. In addition, Article 19 of Circular 9/2019 of December 12 of the National Commission for Markets and Competition, which establishes the methodology for determining the remuneration of natural gas transmission facilities and liquefied natural gas plants, continues to explicitly contemplate the remuneration methodology applicable to the El Musel plant for the 2021-2026 regulatory period.

Thus, the Directors of the Group, based on the legal opinions of internal and external advisors, do not consider it necessary to recognise any measurement adjustments.

Regasification plant - Granadilla (Tenerife)

No significant changes arose with respect to 2018 in connection with the construction project of a regasification plant at the Granadilla port. Thus, on March 16, 2015, the Madrid Supreme Court of Administrative Appeals handed down a sentence annulling the Resolution passed by the Directorate General of Energy Policy and Mining on May 4, 2012, which granted Gascan the prior administrative authorisation for construction of a plant for receiving, storing, and regasifying liquefied natural gas in Granadilla (Tenerife), as well as the EIS for said project, considered favourably in the Resolution passed on June 8, 2007 by the General Secretariat for the Prevention of Pollution and Climate Change.

Both Gascan and the Public Prosecutor filed an appeal against the aforementioned ruling, which was resolved by a Supreme Court ruling dated March 5, 2018 confirming the annulment of the aforementioned administrative authorisation and EIS.

At December 31, 2019, the value of the non-current assets associated with this project amounted to 23,277 thousands of euros, due mainly to 14,980 thousands of euros of non-current assets in the course of construction associated with the project and 8,291 thousands of euros of goodwill.

Note, however, that on June 22, 2015, Gascan proceeded to request a new administrative authorisation for the LNG Regasification Plant project, in accordance with the energy plan approved by the Council of Ministers and also in accordance with a series of amendments of a technical nature that had been applied to it, with the result that, to date, an Environmental Impact Statement has already been formulated by the Ministry of Environment in favour of the amended facilities project, dated July 15, 2016 (BOE No. 176 of July 22), previous step along with the report of the National Commission on Markets and Competition ("CNMC") in order to obtain the new administrative authorisation.

Thus, the Directors of the Enagás Group, based on the legal opinions of internal advisors, do not consider it necessary to recognise any provision.

2.5 Intangible assets

Accounting policies

Goodwill and business combinations

› The acquisition of control of a subsidiary by the parent constitutes a business combination, which is recognised using the acquisition method.

› Goodwill or negative goodwill arising on the combination is calculated as the difference between the fair value of the assets acquired and liabilities assumed which meet the relevant recognition criteria and the cost of the business combination, all measured at the acquisition date.

› Goodwill that arises upon acquisition of companies whose functional currency is not the euro is recognised in the functional currency of the acquired company, translating to euros at the exchange rate prevailing at the balance sheet date.

› Goodwill is not amortised and is subsequently measured at cost less any impairment losses. Goodwill impairment losses are not reversed in subsequent periods.

Other intangible assets

› The cost model is applied, that is, the corresponding assets are measured at acquisition or production cost less the corresponding accumulated amortisation and any impairment losses.

› Development costs are capitalised and depreciated on a straight-line basis over their useful life, provided that they are specifically individualised by project, the amount can be clearly established and there are good reasons to trust in the technical success and economic-commercial profitability of the project. The Group recognises all research expenses in the Consolidated Income Statement, including those development costs for which technical and commercial viability cannot be established. The amount recognised in the accompanying Consolidated Income Statement in connection with research expenses totals 484 thousands of euros in 2019 (293 thousands of euros in 2018).

› Concessions can only be included under assets when acquired for consideration separately by the Company and corresponding to concessions that can be transferred, or in the amount of expenses incurred to acquire them directly from the corresponding State or Public Authority. Should circumstances involving non-compliance with stipulated conditions arise which lead to the loss of rights related to a concession, the corresponding carrying amount for the concession will be written down in order to cancel the net carrying amount. These concessions are amortised on the basis of their useful lives.

› Acquisition and development costs incurred with respect to basic IT systems used for management are recognised with a charge to "Intangible assets" in the Consolidated Balance Sheet. Maintenance costs of IT systems are recognised in the Consolidated Income Statement for the year in which they are incurred. They are measured at the amount disbursed for ownership or right-of-use of the IT programs, as well as their production cost if they are developed by the Group.

Significant estimates and judgements

› Amortisation of intangible assets is carried out on a straight-line basis in accordance with the following useful lives:

	Annual rate	Useful life (years)
IT applications	10%-25%	10-4
Development costs	5%-50%	20 – 2
Port concessions	1.28%-7.6%	78 – 13

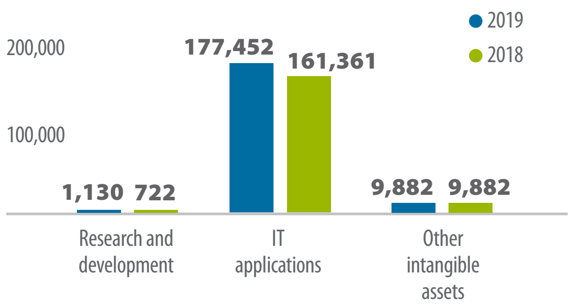
2019	Opening balance	Additions or allocations (2)	Increases or decreases due to transfers	Decreases, disposals or reductions	Translation differences	Perimeter variations (3)	Balance at year-end
Goodwill (1)	188,445	-	-	-	946	(163,579)	25,812
Other intangible assets							
Development	8,101	329	-	-	-	-	8,430
Concessions	773,561	-	-	-	4,465	(772,155)	5,871
IT applications	224,134	15,493	800	(26)	21	(3,743)	236,679
Other intangible assets	21,964	256	(800)	-	54	(9,329)	12,145
Total cost	**1,216,205**	**16,078**	**-**	**(26)**	**5,486**	**(948,806)**	**288,937**
Other intangible assets							-
Development	(4,125)	(810)	-	-	-	-	(4,935)
Concessions	(68,108)	(3,859)	-	-	(365)	68,270	(4,062)
IT applications	(189,041)	(12,743)	-	19	(19)	3,336	(198,448)
Other intangible assets	(10,272)	(77)	-	11	(14)	2,531	(7,821)
Total amortisation	**(271,546)**	**(17,489)**	**-**	**30**	**(398)**	**74,137**	**(215,266)**
Total Goodwill	188,445	-	-	-	946	(163,579)	25,812
Total Other intangible fixed assets	756,214	(1,411)	-	4	4,142	(711,090)	47,859
Net carrying amount of intangible assets	**944,659**	**(1,411)**	**-**	**4**	**5,088**	**(874,669)**	**73,671**

(1) Includes the amounts relating to goodwill arising on the acquisition of ETN (17,521 thousands of euros) and that arising on the acquisition of control of Gascán (8,291 thousands of euros).
(2) The main additions in the year included IT applications for the implementation of Gas Access and Balance Circulars, as well as software related to the optimisation of the measurement process.
(3) "Changes in the Scope of Consolidation" includes the effect of including the ownership interest in GNL Quintero using the equity method, amounting to 874,433 thousands of euros, as a result of the loss of control over the company on February 15, 2019 (Note 1.5).

2018	Opening balance	Increases due to changes in consolidation scope	Additions or provisions	Increases or decreases due to transfers	Decreases, disposals or reductions	Translation differences	Balance at year-end
Goodwill (1)	181,704	-	-	-	-	6,741	188,445
Other intangible assets							
Development	8,125	-	-	-	(24)	-	8,101
Concessions	741,506	244	-	-	-	31,811	773,561
IT applications	212,944	1	11,937	(874)	(26)	152	224,134
Other intangible assets	17,082	-	3,624	874	-	384	21,964
Total cost	**1,161,361**	**245**	**15,561**	**-**	**(50)**	**39,088**	**1,216,205**
Other intangible assets							
Development	(3,370)	-	(755)	-	-	-	(4,125)
Concessions	(43,666)	-	(22,019)	-	-	(2,423)	(68,108)
IT applications	(174,569)	-	(14,337)	-	-	(135)	(189,041)
Other intangible assets	(9,867)	-	(305)	-	-	(100)	(10,272)
Total amortisation	**(231,472)**	**-**	**(37,416)**	**-**	**-**	**(2,658)**	**(271,546)**
Total Goodwill	181,704	-	-	-	-	6,741	188,445
Total Other intangible fixed assets	748,185	245	(21,855)	-	(50)	29,689	756,214
Net carrying amount of intangible assets	**929,889**	**245**	**(21,855)**	**-**	**(50)**	**36,430**	**944,659**

(1) It includes the amounts corresponding to the goodwill arising from the acquisition of ETN (17,521 thousands of euros), from the acquisition of control of Gascán (8,291 thousands of euros), and goodwill from the assignment of the purchase price of GNL Quintero (184,950 thousands of euros), as a result of the acquisition of control over the company at January 1, 2017.

Fully amortised elements



2.6 Impairment of non-financial assets

Accounting policies

› With respect to goodwill, at the closing of each year, or more frequently if certain circumstances or changes arise which indicate that the net carrying amount of said goodwill may not be entirely recoverable, and when there are indications of impairment losses on the remaining non-current assets, the Company analyses the corresponding recoverable amounts to determine the possibility of impairment.

› The potential impairment loss is determined by assessing the recoverable amount of the cash generating unit (or group of cash-generating units) to which the goodwill relates when originated.

› The period used by the Enagás Group to determine the projected cash flows of the cash-generating units corresponds to the period in which the asset accrues revenue associated with the investment (Appendix III). At the closing of this period, the Enagás Group considers residual values based on the cash flows of the last period with a growth rate equal to zero.

Significant estimates and judgements

Determination of impairment losses on non-current assets other than financial assets is based on fulfilment of a series of hypotheses which are described below in this note and are revised annually. The Group identifies its operating segments based on internal reports relating to the companies comprising the Group which are regularly reviewed, discussed, and evaluated in the decision-making process, as indicated in Note 4.7.

To the extent that assets grouped within a segment are at the lowest level at which independent cash flows can be identified, the segment is identified as a cash generating unit (CGU).

The CGUs identified by the Enagás Group in 2019 are shown below:

› Infrastructure activity in Spain (includes transmission, regasification, and storage).

› Technical Management of the System.

To estimate value in use, the Enagás Group prepares forecasts regarding future cash flows after taxes based on the most recent budget approved by the Directors. The best estimates available for income, costs, and investments relating to CGUs are used for said forecast, making use of past experience, sector forecasts, and future expectations, in accordance with the prevailing regulatory framework and corresponding contracts.

With respect to infrastructure activity, once the regulatory useful life of the facilities has elapsed, and in those cases in which the asset remains operational, the operating and maintenance costs and remuneration for the extension of useful life, (REVU) are established as fixed remuneration, calculated on the basis of the fixed operation and maintenance costs increased by a coefficient, which takes an initial value of 0.3, which is subsequently increased based on the number of years by which the facility exceeds the regulatory useful life, not accruing any amounts as investment remuneration, amortisation, or financial remuneration. In addition to said fixed remuneration, the Remuneration for Supply Continuity (RSC) will be maintained as it is independent of the regulatory useful life of the asset in question.

Thus, when determining residual value, the following is taken into consideration:

› The projection for the last estimated cash flow corresponding to Remuneration for Supply Continuity ("RSC"), calculated in accordance with the regulatory parameters established and described in Appendix III.

› The remuneration for operating and maintenance costs for the last financial year and for the extension of useful life, (REVU), projected, applying the regulatory framework and the coefficients for fully amortised elements described in Appendix III.

› Financial remuneration or remuneration related to amortisation was not taken into account as said remuneration will end when the regulatory useful life of the facilities elapses.

The last period considered for projections is the one corresponding to the year in which the regulatory useful life ends, based on the age of the facilities at the time.

With respect to the activities corresponding to Technical Management of the System, residual values were calculated based on the cash flows of the last period, using a zero growth rate and no normalization adjustments. This is due to the fact that, as indicated in Appendix III, revenue corresponding to this activity is meant to settle the obligations of Enagás GTS, S.A.U. as Technical Manager of the System, which is the same as that calculated annually based on the accredited costs for each year. For the last period, the same criteria were applied as those used for infrastructure activity, under the understanding that while the gas infrastructure is operational and there is demand for gas, technical management of the gas system will continue.

As mentioned in Note 2.1 and developed in Appendix III, without affecting 2019, on November 20 and on December 23, 2019 CNMC Circulars 2/2019 and 9/2019 and 8/2019 were published, establishing the new regulatory and remuneration framework for financial years from January 1, 2021.

The modifications in the remuneration model incorporated in these have been taken into account in the calculation of the projected flows from January 1, 2021.

The Directors consider that their projections are reliable and that past experience, taken together with the nature of the business, make it possible to predict cash flows for the periods under consideration.

The most representative hypotheses used in the projections, based on business forecasts and past experience, are the following:

› Regulated remuneration was estimated in accordance with the remuneration approved by law for the years in which it is available while the same mechanisms for updating said remuneration as established in legislation were used for subsequent years.

› Investment: the best available information on investment plans in assets and maintenance of infrastructures and systems has been used, based on the one hand on the history of investment in maintenance and systems and, on the other, in new projects that are highly likely to be executed in accordance with the work in progress being developed with the Ministry and the CNMC.

› Operating and maintenance costs were estimated considering the prevailing maintenance contracts, as well as remaining estimated costs based on the knowledge of the sector and past experience. The projections made were consistent with the growth expected as a result of the investment plan.

› Other costs were projected based on sector knowledge, past experience, consistent with the growth expected as a result of the investment plan.

› In order to calculate present value, projected future cash flows are discounted at an after-tax rate which reflects the weighted average cost of capital (WACC) corresponding to the business and the geographical area in which the business is carried out. For its calculation, the time value of money is taken into consideration together with the risk-free rate and risk premiums generally used by analysts of the business and geographic area in question. The risk-free rate corresponds to the sovereign bonds issued by each country in the corresponding market, with sufficient depth and solvency. However, associated country risk is also taken into consideration for each geographical area. The risk premium of the asset corresponds to the risks specific to the asset, calculated taking into consideration the estimated betas in accordance with the selection of comparable businesses dedicating themselves to a similar main activity.

› The after-tax discount rate for regulated activities in Spain is between 2.95% and 3.95%, and the pre-tax rate is between 4% and 6.3% (in 2018 the after-tax rate was between 3.44% and 3.94% and the pre-tax discount rate was between 5.60% and 6.60%).

2.7 Other current and non-current liabilities

"Other current liabilities" and "Other non-current liabilities" include mainly liabilities under contracts with customers, in accordance with IFRS 15, the breakdown and changes in which are shown below:

Other current liabilities and Other non-current liabilities	Royalties Gasoducto de Extremadura, S.A. [1]	Royalties Gasoducto Al-Ándalus, S.A. [1]	Connections to basic network	Other	Total
Balance at December 31, 2017	**2,851**	**6,466**	**33,022**	**-**	**42,339**
Additions	-	-	1,837	745	2,582
Effect of first application of IFRS 15	13,370	18,637	5,625	-	37,632
Taken to profit and loss	(6,272)	(10,090)	(2,532)	-	(18,894)
Effect of financial restatement IFRS 15	1,323	2,634	1,631	-	5,588
Balance at December 31, 2018	**11,272**	**17,647**	**39,583**	**745**	**69,247**
Of which: Liabilities from long-term customer contracts	11,272	17,647	39,583	-	68,502
Other non-current liabilities	-	-	-	745	745
Additions	-	-	586	747	1,333
Taken to profit and loss	(6,392)	(10,330)	(1,221)	-	(17,943)
Effect of financial restatement IFRS 15	1,443	2,873	314	-	4,630
Balance at December 31, 2019	**6,323**	**10,190**	**39,262**	**1,492**	**57,267**
Of which: Liabilities for short-term customer contracts	6,323	10,190	-	-	16,513
Liabilities from long-term customer contracts	-	-	39,262	-	39,262
Other non-current liabilities	-	-	-	1,492	1,492

(1) The amounts recognised for royalties relating to Gasoducto de Extremadura, S.A. and Gasoducto Al-Ándalus, S.A. correspond to the balances pending application with respect to the contracts signed with said companies for "gas transmission rights," which are consolidated under the proportionate consolidation method applying the percentage of ownership interest held by Enagás Transporte, S.A.U. in said companies. This income is allocated and recognised on a straight-line basis up to 2020, the year in which the transmission contract terminates.

At December 31, 2019, the heading "Customer contract liabilities" includes performance obligations pending execution with an estimated term of more than one year, amounting to 2,609 thousands of euros (2,023 thousands of euros at December 31, 2018).

It has been determined that the amounts received for the implementation of connections as well as those received for the gas transmission contract have an associated significant financing component, which the Enagás Group recognised in the financial result of the Consolidated Income Statement for 2019 for the amount of 4,630 thousands of euros (5,588 thousands of euros in 2018).

At December 31, 2019, the Enagás Group had no refund or reimbursement rights associated with contracts with customers.

2.8 Provisions and contingent liabilities

Significant estimates and judgements

- The Consolidated Annual Accounts include all significant provisions when the Group considers that it will more likely than not have to settle the related obligations. Contingent liabilities are not recognised in the Consolidated Annual Accounts, but rather are disclosed, unless the possibility of an outflow of resources embodying economic benefits is considered remote.

- Provisions, which are quantified taking into consideration the best available evidence on implications of obligating events and that are re-estimated at each balance sheet date, are used to cover the specific obligations for which they were originally recognised and are partially or fully reversed when said obligations decrease or cease to exist.

- The compensation to be received from a third party when an obligation is settled is recognised as an asset, provided it is certain that reimbursement will be received, unless there is a legal relationship whereby a portion of risk has been externalised as a result of which the Group is not liable, in which case, reimbursement will be taken into consideration in estimating the amount of any provisions. The policy followed with respect to the recognition of provisions for risks and expenses is to recognise the estimated amount required to settle probable or certain liabilities arising from litigation underway, pending indemnities or liabilities, sureties and similar guarantees. They are recognised upon emergence of the liability or obligation determining the indemnity or payment.

- At year-end 2019 and 2018, several legal proceedings were underway against business groups in connection with matters relating to the normal course of their activities. The Group's legal advisors and Directors consider that the final outcome of these proceedings and claims will not have a significant effect on its future Consolidated Annual Accounts.

- Decommissioning provisions are subject to periodic review, in order to monitor possible changes in any of the assumptions used, assuming in that case the corresponding change in book value, applied prospectively.

a) Provisions

The movements during the period under the heading "Non-current provisions" and "Current provisions" were as follows:

Current and non-current provisions	Opening balance	Additions and provisions	Updates	Reclassification	Amounts used	Balance at year-end
Personnel remuneration	-	2,583	-	-	-	2,583
Other long-term provisions	905	258	(5)	-	-	1,158
Decommissioning	175,585	64,127	4,811	-	-	244,523
Total non-current provisions	**176,490**	**66,968**	**4,806**	**-**	**-**	**248,264**
Other short-term provisions	3,369	1,968	-	(73)	(3,296)	1,968
Total current provisions	**3,369**	**1,968**	**-**	**(73)**	**(3,296)**	**1,968**
Total current and non-current provisions	**179,859**	**68,936**	**4,806**	**(73)**	**(3,296)**	**250,232**

The decommissioning provisions correspond to the underground storage facilities of Gaviota, Yela, and Serrablo, as well as the regasification plants of Barcelona, Cartagena, Huelva, and El Musel (Gijón) in accordance with the prevailing regulatory framework (Note 2.4 and Appendix III).

Decommissioning provisions are subject to periodic review, in order to monitor possible changes in any of the assumptions used, assuming in that case the corresponding change in book value, applied prospectively.

Within this framework of periodic review, and taking into consideration the degree of maturity of the procedures for the corresponding requests for extension of the concession period at December 31, 2019, the estimated end dates of the concession were re-estimated, resulting in an increase of both the dismantling asset and the associated provision amounting to 64,127 thousands of euros (Note 2.4).

Additionally, this provision has been updated in the periods following its incorporation, applying a discount rate before taxes that reflects the current assessments that the market is making of the temporal value of money, and those specific risks related to the actual obligation subject provision. The discount rate used ranges from 1.09% to 1.90% depending on the remaining time period in which the dismantling work is expected to be carried out.

As a result of the effect of this restatement, at December 31, 2019 an increase of 4,811 thousands of euros was registered in the decommissioning provision.

Lastly, the Group has proceeded to perform the corresponding sensitivity analyses, showing that a change in the discount rate of 5 basis points and a variation in estimated decommissioning provisions of 2.5%, would result in a change in the amount recognised for the provision of 3.40%/-3.45%.

"Personnel remuneration" includes the cash portion of the Long-Term Incentive Plan ("LTIP") for the executive directors and senior management (Note 4.4), as well as the bonus payable every three years for contribution to results aimed at the remaining personnel of the Group.

The Directors of the Company consider that the provisions recognised in the accompanying Consolidated Balance Sheet for litigation and arbitration risk as well as other risks described in this note are adequate and, in this respect, they do not expect any additional liabilities to arise other than those already recorded. Given the nature of the risks covered by these provisions, it is not possible to determine a reasonably reliable schedule of payment dates, if any.

b) Contingent liabilities

At December 31, 2019, no circumstances had arisen in the Enagás Group that may give rise to contingent liabilities.

3 Capital structure, financing and financial result

Relevant aspects

Financial leverage

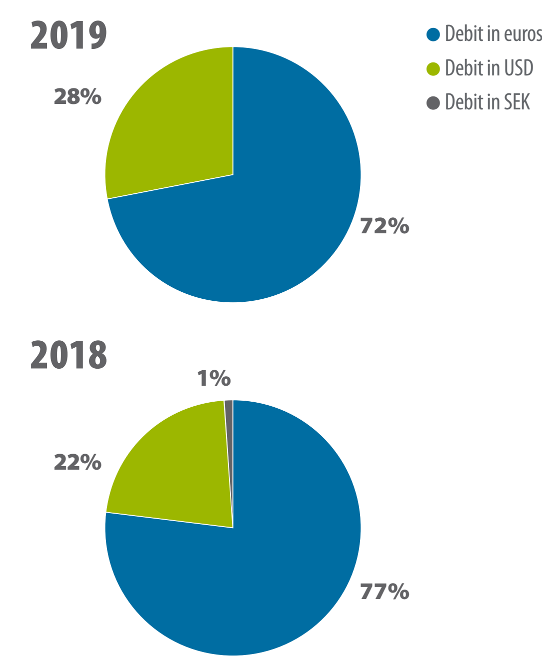
- Financial leverage at December 31, 2019 amounted to 54.2% (61.7% in 2018) (Note 3.7).
- On November 28, 2019, the credit rating agency Standard & Poor's reaffirmed Enagás' credit rating (BBB+) and improved the outlook from "negative" to "stable". On January 9, 2020, the credit rating agency Fitch Ratings placed Enagás' credit rating at BBB+ with a "stable" outlook (Note 3.7).

Equity

- At December 31, 2019, net equity has increased by 4% compared to the previous year-end, to a total of 3,169 million euros.
- On December 19, 2019, a capital increase was carried out through the issue and circulation of 23,255,814 ordinary shares of the Company, each with a face value of 1.50 euros, and a share premium of 465,116 thousands of euros. (Note 3.1.a).
- The last closing price of Enagás, S.A. shares recognised at December 31, 2019 amounted to 22.74 euros per share.
- No individual or legal entity can invest directly or indirectly in a proportion in excess of 5% of the share capital of Enagás, S.A., nor exercise political rights in this company above 3% (1% for those subjects who, directly or indirectly, perform activities in the gas sector). These restrictions are not applicable to direct or indirect holdings corresponding to the public business sector (Note 3.1.a).

Net financial debt

- Net financial debt is the main indicator used by Management to measure the Group's debt level. At December 31, 2019 net financial debt amounted to 3,755 million euros (4,275 million euros in 2018) (Note 3.4.a).
- The average annual interest rate during 2019 for the Group's gross financial debt amounted to 2.2% (2.4% in 2018). (Note 3.4.a).
- More than 80% of net financial debt accrued fixed interest rates at December 31, 2019 and 2018, while the average maturity period at December 31, 2019 amounted to 5.2 years (6.1 years at December 31, 2018) (Note 3.4.a).



Available funds

› The Group has available funds in the amount of 2,717 million euros at December 31, 2019 (2,809 million euros in 2018) (Note 3.8.b).

Financial result

› Financial and similar expenses went from 155 million euros in 2018 to 134 million euros in 2019. This decrease is due to lower debt interest expense as a result of the lower cost and the lower level of financial debt (Note 3.5).

› Finance income and similar income went from 66 million euros in 2018 to 16 million euros in 2019. This decrease is mainly due to the fact that during 2018 GNL Quintero was accounted for using the method of full consolidation and was then consolidated using the equity method on February 28, 2019 (Note 3.5).

Derivative financial instruments

› During 2019, the Group has arranged cash-flow hedges, fair value hedges, and net investment hedges. In 2019, the fair value hedge related to the AFLAC bonus was cancelled.

› At December 31, 2019, the net fair value of the Group's derivatives, including assets and liabilities derivatives, was 85 million euros of liabilities (43 million euros of liabilities at December 31, 2018) (Note 3.6).

Gasoducto Sur Peruano, S.A. ("GSP")

› In relation to the situation of the investment in GSP, as a result of the termination of the concession contract on January 24, 2017, the dispute between the Peruvian State and Enagás regarding the application of the investment recovery mechanism established in the GSP Concession contract continues. In this regard, an international arbitration was initiated in 2018 under the Agreement for the Promotion and Reciprocal Protection of Investments (hereinafter, APPRI) Spain-Peru, as detailed in Note 3.3.a submitted to the International Centre for Settlement of Investment Disputes (hereinafter ICSID). On January 20, 2020, Enagás filed its statement of claim with the ICSID, and the Peruvian State began the phase of response.

› At December 31, 2019, the total amount to be recovered by GSP amounted to 413,154 thousands of euros (408,285 thousands of euros at December 31, 2018) relating to both the recovery of the financial investment in this company and the credit rights associated with the recovery of the guarantees executed against the Enagás Group as a result of the termination of the concession contract in GSP (Note 3.3.a).

3.1 Equity

a) Share capital

On December 19, 2019 and in exercise of the delegation granted by the Ordinary General Meeting of Shareholders held on March 31, 2017, a capital increase was carried out by means of an accelerated private placement of shares, excluding the pre-emptive subscription right of the Company's shareholders. This capital increase with a charge to monetary contributions was carried out for a nominal amount of 34,883,721 euros by issuing and putting into circulation 23,255,814 ordinary shares of Enagás, S.A., each with a face value of 1.50 euros, of the same class and series as the existing shares in circulation at that date.

Consequently, the share capital of Enagás S.A. at December 31, 2019 amounted to 392,985 thousands of euros, represented by 261,990,074 shares with an individual face value of 1.5 euros, all of which were fully subscribed and paid up.

All shares of the parent company Enagás, S.A. are listed on the four official Spanish Stock Exchanges and are traded on the continuous market. At the closing of December 31, 2019 the quoted share price was 22.74 euros, having reached a maximum of 27.08 euros per share on March 21.

It is worth noting that, subsequent to publication of Additional Provision 31 of Hydrocarbon Sector Law 34/1998, in force since enactment of Law 12/2011, of May 27,"no natural or legal person can participate directly or indirectly in the shareholder structure of Enagás, S.A with a stake exceeding 5% of share capital, nor exercise political rights in said parent company exceeding 3%. These shares cannot be syndicated under any circumstances." Furthermore, "any party operating within the gas sector, including natural persons or legal entities that directly or indirectly own equity holdings in the former of more than 5%, may not exercise voting rights over 1%. Said limitations shall not be applicable to direct or indirect interest held by the public corporate sector."

At December 31, 2019 and 2018 the most significant shareholdings in the share capital of Enagás, S.A. were as follows (from the information published by the National Securities Market Commission (CNMV in Spanish) [(1)] at December 31, 2019):

	Investment in share capital (%)	
Company	12.31.2019	12.31.2018
Sociedad Estatal de Participaciones Industriales	5.000	5.000
Partler 2006 S.L.	5.000	-
Bank of America Corporation	3.614	3.614
BlackRock Inc.	3.383	3.383
State Street Corporation	3.008	3.008
Retail Oeics Aggregate [(2)]	-	1.010

(1) The information obtained from the CNMV was based on the last notification that each entity thus obliged must send to said body, in connection with the stipulations of Royal Decree 1362/2007, of October 19 and Circular 2/2007, of December 19.

(2) At December 31, 2019 Retail Oeics Aggregate does not hold a significant interest in the share capital of Enagás, S.A.

b) Issue Premium

The total effective amount of the capital increase described above amounted to 500,000 thousands of euros, comprising both the face value of the shares and a share premium of 465,116 thousands of euros. The Consolidated Text of the Corporate Enterprises Act expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

c) Treasury shares

In April 2019, the treasury shares of the Long-Term Incentive Plan (ILP) and the 2016-2018 Remuneration Policy were settled. This settlement involved the disposal of treasury shares amounting to 5,631 thousands of euros.

Also, on June 26, 2019, Enagás, S.A. finalised the process for acquiring treasury shares, which amounted to 501,946 shares, representing 0.21% of the Group's total shares, for a total of 9,876 thousands of euros (including associated expenses of 10 thousands of euros). This acquisition took place within the framework of the "Temporary Treasury Shares Buy-Back Scheme", whose exclusive aim was to meet the obligations of delivering shares to the Executive Directors and members of the Enagás Group management team under the current remuneration scheme according to the terms and conditions of the 2019–2021 Long-Term Incentive Plan ("LTIP") and Remuneration Policy approved at the General Shareholders' Meeting on March 29, 2019. The shares were purchased in compliance with the conditions set out in Article 5 of Regulation EC/2273/2003 and subject to the terms authorised at the General Shareholders' Meeting held on March 29, 2019. Management of the Temporary Treasury Share Buy-Back Scheme was entrusted to Banco Bilbao Vizcaya Argentaria (BBVA), which carried out the transaction on behalf of Enagás, S.A. independently and without exercising influence on the process (Note 4.2).

The movement in treasury shares in 2019 was as follows:

Company	No. of shares acquired	No. of ILP shares implemented 2016-2018	Total No. of shares
January 1, 2019			**307,643**
Treasury shares for remuneration systems	405,084	(210,781)	194,303
December 31, 2019			**501,946**

d) Reserves

The Corporate Enterprises Act stipulates that 10% of profit for the year must be transferred to the legal reserve until it represents at least 20% of share capital. At 2019 and 2018 year-end, the legal reserve was fully allocated and totalled 71,620 thousands of euros. As a result of the capital increase described in this Note, the legal reserve will continue to be provided until it is fully constituted (Note 1.8).

The legal reserve can be used to increase capital by the amount exceeding 10% of the new capital after the increase. Except for this purpose, until the legal reserve exceeds the limit of 20% of capital, it can only be used to compensate losses provided there are no other reserves available.

Also, the expenses arising from the share capital increase carried out by the Parent Company amounting to 1,331 thousands of euros were recognised as a reduction in reserves.

In 2019, a negative reserve was recognised amounting to 30,621 thousands of euros (positive in the amount of 2,176 thousands of euros at December 31, 2018) as a consequence of the initial application of new accounting standards (Note 1.10).

e) Income and expenses recognised directly in equity

	Opening balance	Change in value	Taken to profit and loss	Changes in consolidation scope [1]	Balance at year-end
2019					
Cash flow hedges	23,491	(32,998)	10,905	-	1,398
Tax recognised in equity	(5,920)	8,222	(2,542)	-	(240)
Translation differences	(128,553)	(7,442)	(597)	21,086	(115,506)
Companies consolidated using the full consolidation method	**(110,982)**	**(32,218)**	**7,766**	**21,086**	**(114,348)**
Cash flow hedges	5,287	(19,893)	(65)	-	(14,671)
Tax recognised in equity	(896)	3,247	9	-	2,360
Translation differences	89,225	20,257	-	-	109,482
Companies accounted for using the equity method	**93,616**	**3,611**	**(56)**	**-**	**97,171**
Total	**(17,366)**	**(28,607)**	**7,710**	**21,086**	**(17,177)**
Total attributable to the parent	**6,640**	**(31,527)**	**7,710**	**-**	**(17,177)**
Total attributable to minority interests	**(24,006)**	**2,920**	**-**	**21,086**	**-**
2018					
Cash flow hedges	24,506	(14,133)	13,118	-	23,491
Tax recognised in equity	(6,616)	3,676	(2,980)	-	(5,920)
Translation differences	(140,606)	20,345	(8,292)	-	(128,553)
Companies consolidated using the full consolidation method	**(122,716)**	**9,888**	**1,846**	**-**	**(110,982)**
Cash flow hedges	(2,299)	2,410	5,176	-	5,287
Tax recognised in equity	1,253	(1,003)	(1,146)	-	(896)
Translation differences	70,378	12,534	6,313	-	89,225
Companies accounted for using the equity method	**69,332**	**13,941**	**10,343**	**-**	**93,616**
Total	**(53,384)**	**23,829**	**12,189**	**-**	**(17,366)**
Total attributable to the parent	**(13,327)**	**7,778**	**12,189**	**-**	**6,640**
Total attributable to minority interests	**(40,057)**	**16,051**	**-**	**-**	**(24,006)**

3.2 Result and variation in minority interests

Accounting policies

- Minority interests are those that can be attributed to shareholders who have no control over the subsidiary.
- They are recognised under equity as a line item separate from the net equity attributable to the parent.
- In business combinations, minority interests are measured at fair value or the proportional part of net assets acquired.
- The amount corresponding to minority interests relating to the change in equity of the subsidiary is attributed based on the percentage of interest held in the subsidiary.
- Changes in the percentage of ownership interest held by the parent in the subsidiary which do not represent a loss of control are recognised as equity transactions.
- The amount corresponding to minority interests is calculated for the whole Enagás Group based on the carrying amounts of the companies in which minority interests is held.

	Minority interests holding	Opening balance	Perimeter variations [1]	Dividends distributed	Translation differences	Other adjustments [2]	Distribution of results	Balance at year-end
2019								
ETN, S.L.	10.0%	15,221	-	(836)	-	-	1,097	15,482
GNL Quintero, S.A.	54.6%-0%	358,211	(365,477)	-	2,920	-	4,346	-
Remaining companies		541	(6)	-	-	-	(133)	402
Total 2019		**373,973**	**(365,483)**	**(836)**	**2,920**	**-**	**5,310**	**15,884**
2018								
ETN, S.L.	10%	14,978		(786)		(62)	1,091	15,221
GNL Quintero, S.A.	54.6%	353,808		(21,166)	16,051	(10,278)	19,822	358,211
Remaining companies		186	541			26	(212)	541
Total 2018		**368,972**	**541**	**(21,952)**	**16,051**	**(10,314)**	**20,701**	**373,973**

(1) "Changes in the Scope of Consolidation" mainly includes the effect of the change in the consolidation method of GNL Quintero, which in February 2019 was accounted for using the equity method and the profit was recorded up to that time (Note 1.6).
(2) "Other adjustments" mainly includes the amounts recorded in the Reserves of the companies due to the effect of the application of IFRS 9 and IFRS 15 at January 1, 2018.

The summarised financial information of these subsidiaries is shown below. This information is based on the amounts recognised before eliminations amongst Group companies:

	2019	2018	
Condensed income statement	ETN, S.L.	ETN, S.L.	GNL Quintero, S.A.
Ordinary revenue	28,703	28,500	173,506
Cost of sales	(7,615)	(7,537)	(46,647)
Administrative expenses	(4,216)	(4,331)	(16,774)
Financial expenses	(2,928)	(3,197)	(60,553)
Profit /(loss) before tax	**13,944**	**13,435**	**49,532**
Income tax expense	(2,975)	(2,521)	(13,228)
Profit /(loss) for the year from continuing operations	**10,969**	**10,914**	**36,304**
Total results	**10,969**	**10,914**	**36,304**
Attributable to minority interests	1,097	1,091	19,822
Dividends paid to minority interests	836	786	21,166

	12.31.2019	12.31.2018	
Condensed balance sheet	ETN, S.L.	ETN, S.L.	GNL Quintero, S.A. [1]
Inventories, treasury, and current accounts (current)	19,048	10,242	370,980
PP&E and other non-current assets (non-current)	242,902	254,101	762,974
Suppliers and payables (current)	13,074	6,167	33,256
Loans, credits, and deferred tax liabilities (non-current)	94,009	105,986	1,063,801
Total equity	**154,867**	**152,190**	**36,897**
Attributable to:			
Shareholders of the Parent	139,385	136,969	16,751
Minority interest	15,482	15,221	20,146

(1) The calculation of equity attributable to the parent and the minority interests of GNL Quintero does not include the amount corresponding to the assignation of the acquisition price.

	2019	2018	
Cash flow statement	ETN, S.L.	ETN, S.L.	GNL Quintero, S.A.
Operating income	27,060	14,991	101,898
Investment	(386)	(493)	(8,947)
Financing	(21,362)	(17,864)	(42,611)
Effect of exchange rate fluctuations	-	-	1,620
Total net cash flows	**5,312**	**(3,366)**	**51,960**

3.3 Financial assets and liabilities

Accounting policies

Financial assets

› Financial assets are recognised in the Consolidated Balance Sheet at the transaction date when the Group becomes party to the contractual terms of the instrument.

› Financial assets are classified under "Financial assets measured at amortised cost" except for the investments accounted for using the equity method (Note 1.6) and derivative financial instruments (Note 3.6).

Financial assets measured at amortised cost

› Items recognised under this heading are initially recognised at fair value of the consideration paid, plus transaction costs directly attributable to the acquisition. Subsequently, they are measured at amortised cost.

› Receivables which do not bear explicit interest are recognised at their face value whenever the effect of not discounting the related cash flows is not significant. Subsequent measurement in this instance is still carried out at face value.

Fair value measurement

› In accordance with IFRS 13, for purposes of financial disclosure, the measurement of fair value is classified as Level 1, 2, or 3, based on the degree that the inputs applied are observable and their importance in measuring fair value in its totality, as described below:

› Level 1 – Inputs are based on quoted prices (unadjusted) for instruments of an identical nature traded in active markets.

› Level 2 – Inputs are based on valuation models for which all significant inputs are observable in the market or can be corroborated by observable market data.

› Level 3 – Inputs are not generally observable and generally reflect estimates regarding market movements for determining the price of the asset or liability.

Trade and other payables

› Trade and other payables that do not accrue explicit interest are measured at their face value when the effect of financial discounting is not significant.

Significant estimates and judgements

› In accordance with the requirements established under IFRS 9, the Group regularly calculates the effect of the expected loss on financial assets. This has had an effect on the Consolidated Income Statement for the current year of 38 thousands of euros (400 thousands of euros at December 31, 2018), with the cumulative effect on the Consolidated Balance Sheet of 438 thousands of euros at December 31, 2019 (400 thousands of euros at December 31, 2018).

a) Financial assets

						Class
		Amortised cost		Fair Value with changes in the income statement (*)		Total
Categories	**12.31.2019**	**12.31.2018**	**12.31.2019**	**12.31.2018**	**12.31.2019**	**12.31.2018**
Credits	36,191	96,753	-	-	36,191	96,753
Trade and other receivables (Note 2.2)	148,022	137,125	-	-	148,022	137,125
Derivatives (Note 3.6)	-	-	3,413	22,928	3,413	22,928
Other	418,140	417,345	-	-	418,140	417,345
Total non-current financial assets	**602,353**	**651,223**	**3,413**	**22,928**	**605,766**	**674,151**
Credits	11	9,160	-	-	11	9,160
Other	7,917	3,637	-	-	7,917	3,637
Total current financial assets	**7,928**	**12,797**	**-**	**-**	**7,928**	**12,797**
Total financial assets	**610,281**	**664,020**	**3,413**	**22,928**	**613,694**	**686,948**

(*) In the specific case of those derivatives to which cash flow hedges or net investment are attributed, the accumulated amounts in equity are transferred to the Consolidated Income Statement in the periods when the covered items affect the Consolidated Income Statement.

The Directors estimate that the fair value of the financial assets at December 31, 2019 does not differ significantly with respect to their book value.

Credits

This heading mainly includes loans granted to group companies consolidated using the equity method and therefore not eliminated in the consolidation process. The change with respect to 2018 is due, mainly, to the fact that in 2019 collections of 69,384 thousands of euros were received in repayment of both principal and interest, mainly from Estación de Compresión Soto La Marina S.A.P.I. de CV, amounting to 59,567 thousands of euros, and Gasoducto de Morelos, S.A.P.I. de C.V., amounting to 7,024 thousands of euros.

The detail of current and non-current loans to Group companies is detailed in Note 4.3.

Other

"Other non-current financial assets" include an amount of 2,834 thousands of euros (7,822 thousands of euros at December 31, 2018) corresponding to the investment made by the Group in Economic Interest Groups (EIG) whose activity is the leasing of assets managed by another entity unrelated to the Group and which retains both the majority of profits as well as the risks related to the activities, with the Group only availing itself of the regulated tax incentives in Spanish legislation. The Company attributes the tax loss carry forwards generated by these EIGs against shares and taking into account the debt registered with the tax authorities, recognising the corresponding financial income. The main change with respect to 2018 is due to the disbursement of pending contributions by Enagás Financiaciones during 2019.

This heading also includes the accounts receivable for both the corporate guarantee granted in connection with GSP financial debt as well as the guarantee for full compliance with respect to the concession agreement, executed to the Enagás Group as a consequence of the GSP concession agreement being terminated. At December 31, 2019, the total amount to be recovered by GSP amounted to 413,154 thousands of euros (408,285 thousands of euros at December 31, 2018) relating to both the recovery of the financial investment in this company and the credit rights associated with the recovery of the guarantees executed against the Enagás Group as a result of the termination of the concession contract in GSP, both amounts are updated and are expected to be recovered by December 31, 2022.

Gasoducto Sur Peruano ("GSP")

In relation to the investment in Gasoducto Sur Peruano, S.A. (hereinafter "GSP") on January 24, 2017, the Directorate General of Hydrocarbons of the Peruvian Government's Ministry of Energy and Mines (hereinafter the "State of Peru") sent an official letter to GSP stating "the termination of the concession agreement owing to causes attributable to the concession holder", in accordance with the terms of Clause 6.7 of the "Improvements to the Energy Security of the Country and the Development of the Gasoducto Sur Peruano" (hereinafter "the Project") concession agreement, because the financial close had not been evidenced within the period established in the agreement (January 23, 2017), and proceeded to the immediate enforcement of the totality of the guarantee for full compliance given by GSP (262.5 million dollars), to ensure fulfilment of the obligations relating to the concession, which in the case of Enagás generated a payment of 65.6 million dollars. Also in January 2017, they paid bank financing sureties (regarding GSP) to Enagás amounting to 162 million dollars, including both principal and interest pending payment. In December 2017, the process for delivering the Concession Assets held by GSP was substantially completed with the Peruvian State assuming control over them.

As a result of the termination of the concession contract, the Peruvian State had the obligation to apply clause 20 of the Concession Contract, calculating the Net Carrying Amount (hereinafter NCA) of the Concession Assets, calling a maximum of three auctions to award the Concession, with the auction result being to pay GSP the NCA, based on the opinion of the external and internal legal advisors of Enagás. With the amount that GSP would have received for the NCA of the Concession Assets, it would have been able to settle its obligations to third parties and, if possible, reimburse the capital contributions made by its shareholders, as explained in the Consolidated Annual Accounts of the Enagás Group for 2016 and 2017.

As a result of inaction by the State of Peru in relation to the aforementioned procedure, on December 19, 2017, Enagás notified the Peruvian State about the existence of a dispute relating to the investment in GSP with a view to reaching an amicable agreement on the terms of Article 9.1 of the Agreement for the Reciprocal Promotion and Protection of APPRI in Spanish signed by the Republic of Peru and the Kingdom of Spain. This notification represented the beginning of the six-month period for direct contact prior to initiating international arbitration in which the APPRI acts as the mechanism for recovering the investment in GSP. Once the required six months of direct contact between Enagás and the Peruvian State had elapsed without reaching an amicable settlement of this dispute, on July 2, 2018, an application for the initiation of arbitration against the Peruvian State regarding its investment in GSP was filed by Enagás with the ICSID.

Through this arbitration procedure, it is expected that the Peruvian State will reimburse Enagás for its investment in GSP, this being the mechanism by which the financial assets recorded in the balance sheet would be recovered. Thus, it is expected that the Arbitration Court that hears the arbitration procedure in the ICSID will uphold the arguments of Enagás, issuing an award recognising that the Peruvian State has not protected Enagás' investment under the APPRI and, therefore, it must compensate it by paying it the value of that investment.

With respect to this ICSID arbitration procedure, the arbitration tribunal was constituted on July 18, 2019, and on September 24, 2019 Resolution No. 1 was issued, establishing the procedural rules that will govern the arbitration procedure until the award is handed down. At present, the procedure is in the phase of preparation of written and oral proceedings before said tribunal, and Enagás' statement of claim was presented on January 20, 2020, at which time the phase of response by the State of Peru has begun, being the maximum deadline for completion of this phase of response by the end of May 2020.

In addition, also with the ICSID, it should be noted that on January 21, 2020, Odebrecht filed the arbitration claim against Peru for the cancellation of the contract for the Gasoducto Sur Peruano.

Regarding the Enagás' statement of claim, the main argument maintained by Enagás is that, if the Peruvian State had complied with its obligation under the Concession Contract, it would have calculated the NCA and organised the three auctions, which it was obliged to do, to award the Concession, and the proceeds of the auction would have been delivered to GSP, which would have applied the amount delivered to pay its creditors and return the capital to its shareholders. The claim by Enagás is based on the collection of the 100% of the NCA from the Peruvian government, as on January 24, 2018 a year had transpired since the termination of the concession agreement without any announcement of auctions. The absence of an auction means that the legal advisors of Enagás believe that it should be considered that GSP would have received 100% of the NCA because it was deprived of the possibility of receiving it when at least one of the auctions were not convened. Therefore, starting from the NCA considered, a certain payments waterfall would have been applied.

Enagás considers that, taking into account the NCA of the Concession Assets determined by an independent expert, and also taking into account the payment waterfall as per the terms of the insolvency legislation, as well as the contracts between Enagás and the members and creditors of GSP relating to subordination and credit agreements, if the State had fulfilled their obligations, and thus paid GSP the amount collected in the auction, Enagás would have recovered its investment.

There have been no changes in the amount of the NCA and the valuation made at December 31, 2019 by a firm of independent experts hired by Enagás, which its NCA total value amounts to 1,980 million dollars.

Taking into account this updated NCA, if the payment waterfall were to be applied to it as per the terms of the insolvency laws, the subordination and the assignment of credit agreements entered into by Enagás and its partners in GSP, Enagás would recover the total value of its investment claim with the ICSID in the amount of 511 million dollars.

In relation to the aforementioned contracts of subordination of rights and assignment of claims, their effectiveness and form of application has been successively questioned by Enagás' partners in GSP through different arbitration proceedings. The arbitration proceedings filed by Graña y Montero questioning the legitimacy of Enagás to claim its claims against GSP are still pending. Likewise, the INDECOPI authority has recognised the full effectiveness of the aforementioned agreements in GSP's bankruptcy process. In relation to this arbitration procedure, the company's Peruvian legal advisors consider that the possibility that such arbitration procedure will conclude with a negative result for Enagás is remote, considering such agreements to be fully valid and applicable.

As regards the arbitration proceedings against the State of Peru, based on the conclusions determined by the external and internal legal advisers of Enagás, the recoverability of the totality of the Enagás investment in GSP, consisting of receivables in relation to the aforementioned enforced guarantees to the total of 226.8 million dollars, interests of 1.8 million dollars, various invoices for professional services provided to the amount of 7.6 million dollars and the share capital contributed to GSP for the amount of 275.3 million dollars, is considered likely.

With regard to the recovery periods, assessing the time taken to resolve a dispute of this complexity in an international arbitration as well as the periods considered in the aforementioned ICSID Resolution No. 1, December 31, 2022 is maintained as the estimated date for obtaining an award favourable to Enagás' interests.

Based on this, the amounts outlined in the preceding paragraph are recorded at their updated value in the Consolidated Balance Sheet dated December 31, 2019 for a total amount of 413,154 thousands of euros (408,285 thousands of euros at December 31, 2018).

Other related matters

On March 12, 2018, Law no. 30737 was published "guaranteeing immediate payment to the Peruvian government to repair civil damage caused by corruption and related crimes". On May 9, 2018, Supreme Decree 096-2018-EF was published, enacting the regulations of the aforementioned Law.

In accordance with Article 9 of Law No. 30737, legal persons and legal entities in the form of partnerships, consortiums and joint ventures who may have benefited from the awarding of contracts, or subsequent to it, jointly with persons who have been convicted or who may have acknowledged having committed crimes against the public administration, asset laundering or related crimes, or their equivalents against the State of Peru, in Peru or abroad are classified as Category 2, and therefore fall within its scope of application.

In June 2019, the Peruvian Judiciary approved the Effective Partnership Agreement reached between the Odebrecht Group and the Peruvian Public Prosecutor's Office, and the GSP project was not included as one of the projects affected by corruption-related events. Subsequently, on October 15, 2019, Enagás Internacional received notification from the Peruvian Public Prosecutor's Office informing it of the existence of an extension of this effective partnership agreement with Odebrecht, in which it would be acknowledging that it had made illegal payments - according to the Public Prosecutor's Office - with respect to the GSP project, although there are still no facts known or consistent or proven links between GSP and corruption.

Notwithstanding the above comments on the extension of the initial Effective Collaboration Agreement signed by Odebrecht and the Public Prosecutor of Peru, regarding the actions of the Office of the Prosecutor of the Nation of Peru on the investigation of Odebrecht's activities in Peru and other Investigations carried out by various bodies of the Peruvian Prosecutor's Office for alleged crimes that could somehow be related to the award of the project "Improvements to the country's energy security and development of the Southern Peru Gas Pipeline", there have been no developments to date. In this regard, two investigations are known to be in progress:

- The first one signed with Folder 321-2014, related to aggravated collusion between a former Odebrecht employee and a public official, whose control and clean-up phase has been resumed on June 28, 2019, after the Supreme Court rejected the request of the Ad Hoc Attorney's Office of Peru to include one of Odebrecht's subsidiaries as a civil third party. At this stage it is expected that a decision on the opening of the oral proceedings will be taken.
- Based on the opinions of Enagás external legal advisors for the Peruvian criminal code, the possibility of sentencing Odebrecht's former employee is considered to be remote. In this same case, the preparatory investigative court has declared the incorporation of GSP as a liable third party as wrongful.
- The second investigation opened is in the preliminary stage at the public prosecutor's office, signed with Folder 12-2017, with an Enagás employee amongst those being investigated, as well as on July 17, 2019 the communication of the inclusion of Enagás Internacional, S.L.U. as being under investigation was received. Based on the opinion of our external legal advisors in Peruvian criminal law, it is maintained that to date there is no indication that the investigations could be detrimental to Enagás.

Even without evidence of a criminal conviction or a confession of the commission of crimes, as required under Article 9 of Law No. 30737, on June 28, 2018, the State of Peru classified Enagás Internacional on the "List of Contracts and Subjects of Category 2 indicating the legal person or legal entity included under Section II of Law No. 30737" in relation to the concession contract awarded to GSP. The application of the mentioned standard involves different measures such as setting up an escrow account, reporting information, the limitation of transfers to other countries or the preparation of a compliance programme.

The total amount of the Trust, estimated at 50% of the total average net equity, corresponding to its participation in GSP, confirmed with the Ministry of Justice, amounts to 65.5 million dollars. At present, once the trust agreement with the banks has been executed, it is submitted to the Ministry of Justice of Peru in accordance with the established terms, pending its approval.

Moreover, Law no. 30737 also imposes a ban on companies included on the list from making transfers outside of Peru, which, based on the conclusions of the external and internal legal advisers, would only be applicable to investment in GSP, notwithstanding a restriction on dividends to pay for the COGA and TGP societies, also considering that investment in the latter is protected by the Legal Stability Agreement in Peru.

In light of the above, the Enagás Group believes that these regulations do not have a negative effect on the recovery of accounts receivable through the international arbitration process indicated above.

Based on all of the above, the directors of Enagás, in line with the opinion of their external and internal legal advisers, and of an independent expert and independent expert accountant, consider these facts to have no bearing on the estimation for recovery of the investment in the stake in GSP and the previously mentioned receivables to the amount of 413,154 thousands of euros (408,285 thousands of euros at December 31, 2018).

Impairment losses on assets

During financial year 2019, the group recorded, in accordance with the provisions of IFRS 9, the impact resulting from analysis of the expected loss due to loans granted to group companies consolidated using the equity method and that are not, therefore, eliminated in the consolidation process. At December 31, 2019 this amount was 301 thousands of euros (124 thousands of euros. at December 31, 2018).

Furthermore, and except for the recording of the expected loss, as per IFRS 9, during the first twelve months of 2019, there were no additional movements with respect to the provisions which cover impairment losses of assets held by the Group.

b) Financial liabilities

The current and non-current detail of "Financial Liabilities", of the Enagás Group as of December 31, 2019 and December 31, 2018 is as follows:

	Class							
	Fair Value with changes in Profit and Loss		Amortised cost		Derivatives designated as hedging instruments		Total	
Categories	2019	2018	2019	2018	2019	2018	2019	2018
Debts with credit institutions (Note 3.4)	-	-	1,407,698	1,082,769	-	-	1,407,698	1,082,769
Debt settlement costs and accrued interest payable	-	-	(6,745)	(5,261)	-	-	(6,745)	(5,261)
Debentures and other marketable securities (Note 3.4)	-	162,099	3,010,000	3,956,568	-	-	3,010,000	4,118,667
Debt settlement costs and accrued interest payable	-	(76)	(80,168)	(79,679)	-	-	(80,168)	(79,755)
Derivatives (Note 3.6)	-	-	-	-	74,449	51,158	74,449	51,158
Trade payables	-	-	322	40	-	-	322	40
Other financial liabilities (Note 3.4)	15,600	15,600	323,101	5,354	-	-	338,701	20,954
Total non-current financial liabilities	**15,600**	**177,623**	**4,654,208**	**4,959,791**	**74,449**	**51,158**	**4,744,257**	**5,188,572**
Debts with credit institutions (Note 3.4)	-	-	124,433	284,571	-	-	124,433	284,571
Debt settlement costs and accrued interest payable	-	-	8,714	956	-	-	8,714	956
Debentures and other marketable securities (Note 3.4)	-	-	-	-	-	-	-	-
Debt settlement costs and accrued interest payable	-	-	31,294	50,618	-	-	31,294	50,618
Derivatives (Note 3.6)	-	-	-	-	13,879	14,392	13,879	14,392
Trade payables (*) (Note 2.3)	-	-	178,481	169,572	-	-	178,481	169,572
Other financial liabilities (Note 3.4)	-	-	55,789	13,849	-	-	55,789	13,849
Total current financial liabilities	-	-	**398,711**	**519,566**	**13,879**	**14,392**	**412,590**	**533,958**
Total financial liabilities	**15,600**	**177,623**	**5,052,919**	**5,479,357**	**88,328**	**65,550**	**5,156,847**	**5,722,530**

(*) The amount of "Trade payables" does not include the balance with the Public Administrations as it is not a financial liability.

The detail by maturity of non-current financial debt for 2019 and 2018 is as follows:

	2021	2022	2023	2024 and later years	Total
Debentures and other marketable securities	10,000	750,000	400,000	1,850,000	3,010,000
Debts with credit institutions	121,742	111,742	76,742	1,097,472	1,407,698
Total	**131,742**	**861,742**	**476,742**	**2,947,472**	**4,417,698**

	2020	2021	2022	2023 and later years	Total
Debentures and other marketable securities	-	66,516	863,031	3,189,120	4,118,667
Debts with credit institutions	321,707	121,742	111,742	527,578	1,082,769
Total	**321,707**	**188,258**	**974,773**	**3,716,698**	**5,201,436**

The amounts and characteristics of the main instruments included under the headings "Debentures and other marketable securities" and "Debts with credit institutions" at December 31, 2019 are detailed below:

	Instrument	Nominal Interest	Currency of issue	Maturity	Nominal outstanding (thousands of euros)
Institutional debt (EIB and ICO)	Loan	EURIBOR + Margin	EUR	2031	280,000
	Loan	Fixed rate	EUR	2031	150,000
	Loan	EURIBOR + Margin	EUR	2027	47,273
	Loan	Fixed rate	EUR	2030	110,000
	Loan	EURIBOR + Margin	EUR	2022	50,000
	Loan	EURIBOR + Margin	EUR	2023	175,000
Banking debt	Credit line	LIBOR + Margin	USD	2020	2,690
	Loan	LIBOR + Margin	USD	2024	409,811
	Credit line	LIBOR + Margin	USD	2024	204,905
	Credit line	LIBOR + Margin	USD	2024	102,452
				Nominal outstanding	**1,532,131**
				Debt settlement expenses	(6,850)
				Accrued interest payable	8,819
				Total financial debts with credit institutions	**1,534,100**

	Instrument	Coupon	Currency of issue	Maturity	Nominal outstanding (thousands of euros)
Bond issue and Private Placements	EMTN bonus	4.23%	EUR	2021	10,000
	EMTN bonus	2.50%	EUR	2022	750,000
	EMTN bonus	1.25%	EUR	2025	600,000
	EMTN bonus	1.00%	EUR	2023	400,000
	EMTN bonus	1.38%	EUR	2028	750,000
	EMTN bonus	0.75%	EUR	2026	500,000
				Nominal outstanding	**3,010,000**
				IFRS 9 and others	(80,163)
				Accrued interest payable	31,289
				Total debentures and other marketable securities	**2,961,126**

The amounts and characteristics of the main instruments included under the headings "Debentures and other marketable securities" and "Debts with credit institutions" at December 31, 2018 are detailed below:

	Instrument	Nominal Interest	Currency of issue	Maturity	Nominal outstanding (thousands of euros)
Institutional debt (EIB and ICO)	Loan	EURIBOR + Margin	EUR	2019	20,000
	Loan	EURIBOR + Margin	EUR	2031	303,333
	Loan	Fixed rate	EUR	2031	162,500
	Loan	EURIBOR + Margin	EUR	2027	53,182
	Loan	Fixed rate	EUR	2030	110,000
	Loan	EURIBOR + Margin	EUR	2019	10,000
	Loan	EURIBOR + Margin	EUR	2022	70,000
	Loan	EURIBOR + Margin	EUR	2023	225,000
Banking debt	Loan	Fixed rate	SEK	2023	70,536
	Credit line	LIBOR + Margin	USD	2019	142,827
	Credit line	LIBOR + Margin	USD	2020	199,962
				Nominal outstanding	**1,367,340**
				Debt settlement expenses	(5,390)
				Accrued interest payable	1,085
				Total financial debts with credit institutions	**1,363,035**

	Instrument	Coupon	Currency of issue	Maturity	Nominal outstanding (thousands of euros)
Bond issue and Private Placements	AFLAC bonus	3.23%	JPY	2039	147,514
	EMTN bonus	4.23%	EUR	2021	10,000
	EMTN bonus	2.50%	EUR	2022	750,000
	EMTN bonus	1.25%	EUR	2025	600,000
	EMTN bonus	1.00%	EUR	2023	400,000
	EMTN bonus	1.38%	EUR	2028	750,000
	EMTN bonus	0.75%	EUR	2026	500,000
	144A bonus	4.63%	USD	2029	961,153
				Nominal outstanding	**4,118,667**
				IFRS 9 and others	(94,339)
				Fair value AFLAC bonus	14,584
				Accrued interest payable	50,618
				Total debentures and other marketable securities	**4,089,530**

3.4 Financial debts

Accounting policies

- Financial liabilities are initially measured at the fair value of the consideration received less directly attributable transaction costs.
- Subsequently, financial liabilities are recognised at amortised cost, except for derivative financial instruments and the yen bond which are recognised at fair value.
- Financial liabilities are derecognised when the related contractual obligations are cancelled or expired.
- Options on interest held by minority shareholders are accounted for by recognising the minority interests arising in a business combination and recognising a financial liability against equity. The changes in fair value of the financial liability are accounted for in the Consolidated Income Statement.

	2019	2018
Debentures and other marketable securities	2,961,126	4,089,530
Debts with credit institutions	1,534,100	1,363,035
Other receivables	394,490	34,803
Total financial debts	**4,889,716**	**5,487,368**
Non-current financial debts (Note 3.3)	**4,669,486**	**5,137,374**
Current financial debts (Note 3.3)	**220,230**	**349,994**

The fair value of debts owed to credit entities as well as debentures and other marketable securities at December 31, 2019 and 2018 is the following:

	2019	2018
Debts with credit institutions	1,550,985	1,371,792
Debentures and other marketable securities	3,161,936	4,065,207
Fair value total	**4,712,921**	**5,436,999**
Carrying amount total	**4,495,226**	**5,452,565**

a) Net financial debt

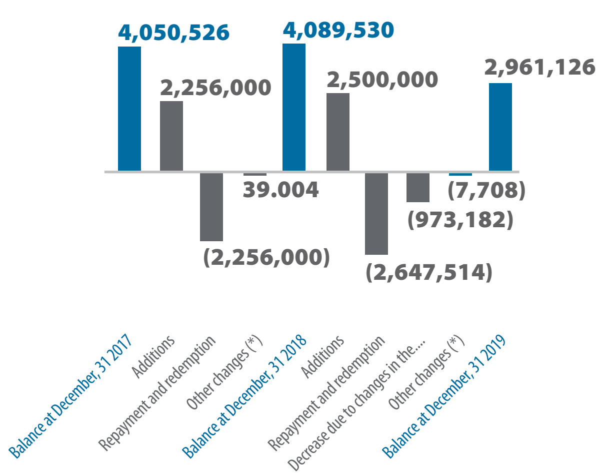
Net financial debt is the main indicator used by Management to measure the Group's debt level. It is comprised of gross debt less cash in hand:

	2019	2018
Debts with credit institutions (Note 3.3)	1,534,100	1,363,035
Debentures and other marketable securities (Note 3.3)	2,961,126	4,089,530
Adjustment for amortised cost of Bonds (*)	-	(10.300)
Loans from the General Secretariat of Industry, General Secretariat of Energy and Oman Oil	3,379	3,931
Finance leases (IFRS 16) (Note 1.10)	355,349	-
Gross financial debt	**4,853,954**	**5,446,196**
Cash and other cash equivalents (Note 3.8)	(1,098,985)	(1,171,543)
Net financial debt	**3,754,969**	**4,274,653**

(*) At December 31, 2018 the adjustment to record the yen bond of the Enagás Group at amortised cost was included, as well as the adjustment made on the GNL Quintero bond to show its fair value at the date of the business combination (January 1, 2017). As of the date of said business combination, the GNL Quintero bond is recorded at amortised cost.

The gross financial cost during 2019 for the Group's net financial debt amounted to 2.2% (2.4% in 2018). The percentage of net financial debt at fixed interest rate at December 31, 2019 amounted to more than 80%, while the average maturity period at that date amounted to 5.2 years (6.1 years at December 31, 2018). The gross financial costs are determined by dividing gross financial expenses by the average gross debt multiplied by the number of effective days in the year (360 days) divided by the natural days of the period (365 days), where gross financial expenses correspond to interest on financial debt and hedges. Further, average gross debt is calculated as the daily average of nominal amounts of financial debt.

b) Debentures and other marketable securities

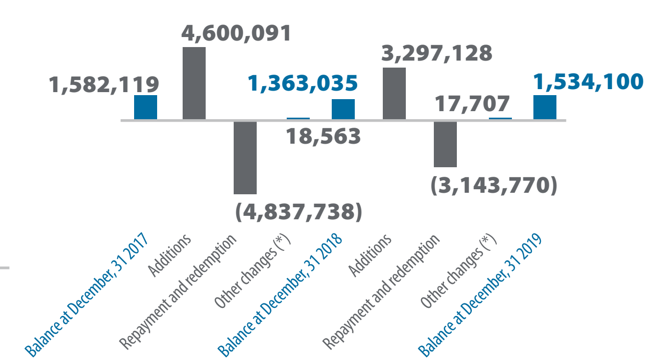


(*) Includes payment of interest, accrued interest, valuations, and other.

The following are amongst the most significant events of financial year 2019:

- On May 17, 2019, Enagás Financiaciones, S.A.U. renewed the Euro Medium Term Note (EMTN) programme for a maximum amount of 4,000 million euros, registered in the Luxembourg Stock Exchange in 2012, with Enagás, S.A. as guarantor.
- On May 20, 2019, Enagás Financiaciones, S.A.U. renewed the Euro Commercial Paper (ECP) programme for a maximum amount of 1,000 million euros, registered in the Irish Stock Exchange on May 4, 2017, with Enagás, S.A. as guarantor.
- On September 17, 2019, both the Yen bond (JPY) arranged by the company in 2009 and the derivative instrument arranged to hedge the change in the fair value of this bond (Note 3.6.b) were cancelled early. Said cancellation had an amount of 147,514 thousands of euros.

c) Debts with credit institutions



(*) Includes payment of interest, accrued interest, valuations, and other.

The following are amongst the most significant events of financial year 2019:

- On February 28, 2019, Enagás USA, LLC closed the corporate financing deal for 460 million dollars guaranteed by Enagás, S.A., related to the acquisition of Tallgrass Energy LP.
- Early repayment on April 15, 2019 by Enagás Internacional, S.L.U. of its debt in Swedish kronas amounting to 898,800 thousands of Swedish kronas.
- On July 27, 2019, Enagás Internacional S.L.U. modified the maximum limit of its current dollar policy with Banco Santander and its maturity date to 60 million dollars, and July 27, 2020, respectively. As of December 31, 2019 this policy is not utilised.
- On July 30, 2019, Enagás Internacional S.L.U. arranged a five-year credit facility in US dollars with Banco Santander for 180 million dollars. At December 31, 2019, this policy was drawn down for an amount of 115 million dollars.
- On July 30, 2019, Enagás S.A. modified the maximum limit of its current dollar policy with Banco Santander and its maturity date to 10 million dollars and July 30, 2020, respectively. As of December 31, 2019, this policy is drawn down for an amount of 3.02 million dollars.
- In addition, on the same date, Enagás S.A. arranged a five-year credit facility in US dollars with Banco Santander for 230 million dollars. At December 31, 2019, this policy is fully drawn down.
- On December 17, 2019, Enagás S.A. signed the extension of the Club Deal multi-currency credit policy for an amount of 1,500 million euros, with the new maturity date being December 17, 2024. As of December 31, 2019, this policy is not drawn down.

At December 31, 2019, the Group had access to credit lines in the amount of 1,927,628 thousands of euros (1,980,576 thousands of euros in 2018), of which 1,617,580 thousands of euros had not been drawn down (1,637,786 thousands of euros in 2018) (Note 3.8).

In the opinion of the Directors of the Company, this situation allows for sufficient funding to meet possible liquidity requirements in the short-term considering its current obligations.

d) Other financial debts

	2019	2018
Loans from the General Secretariat of Industry, General Secretariat of Energy and Oman Oil	3,379	3,931
Fair value of sales option on interest held by EVE	15,600	15,600
Finance leases (IFRS 16)	355,349	-
Other	20,162	15,272
Total other financial debts	**394,490**	**34,803**

At December 31, 2019, "Other debts" mainly includes the financial liability associated with IFRS 16 on leases (Note 1.10).

3.5 Net financial result

	2019	2018
Income from associates	4,242	11,292
Finance revenue from third parties	10,076	24,587
Income in cash and other cash equivalents	1,881	5,508
Other [(1)]	119	24,459
Financial income	**16,318**	**65,846**
Financial expenses and similar	(6,147)	(9,458)
Loan interest	(122,377)	(141,030)
Capitalised interest	(19)	209
Other	(5,237)	(4,378)
Financial expenses	**(133,780)**	**(154,657)**
Gains (losses) on hedging instruments	**1,114**	**(15,412)**
Exchange gains (losses)	**(1,021)**	**(373)**
Net financial gain (loss)	**(117,369)**	**(104,596)**

(1) At December 31, 2018, the financial income from the sale of the Swedegas Group in November 2018 was included.

3.6 Derivative financial instruments

Accounting policies

› The Enagás Group contracts derivative financial instruments to cover its exposure to financial risk arising from fluctuations of interest rates and/or exchange rates, and does not use derivative financial instruments for speculative purposes. All derivative financial instruments are measured, both initially and subsequently, at fair value. The differences in fair value are recognised in the Consolidated Income Statement except in the case of specific treatment under hedge accounting.

› The measurement and recognition criteria for derivative financial instruments in keeping with the different types of hedge accounting are as follows:

a) Fair value hedge
These instruments hedge against changes in the fair value of an asset or liability recognised, or a specific portion of said asset or liability, which can be attributed to a particular risk and can affect profit for the period.
Changes in the fair value of a hedging instrument and changes in the fair value of hedged items attributable to the hedged risk, are recognised in the Consolidated Income Statement.

b) Cash flow hedges
Hedges for exposure to changes in cash flows that: (i) are attributed to a specific risk associated with an asset or liability recognised for accounting purposes, with a highly likely expected transaction or with a firm commitment if the hedged risk is an exchange rate and (ii) may affect profit for the period.
The effective portion of the changes in fair value of the hedging instrument are recognised under Equity, and the gains and losses relating to the ineffective portion are recognised in the Consolidated Income Statement. The accumulated amounts under Equity are transferred to the Consolidated Income Statement in the periods in which the hedged items affect the Consolidated Income Statement.

c) Net investment hedge in a foreign operation
These instruments hedge the foreign currency risk arising from net investments in foreign operations.
The hedges for net investments in transactions carried out abroad are accounted for in a similar manner to cash flow hedges, though the valuation changes in these transactions are accounted for as translation differences under "Adjustments for changes in value" in the accompanying Consolidated Balance Sheet.
These translation differences are taken to the Consolidated Income Statement when the gain or loss on disposal of the hedged item occurs.

› In order for these derivative financial instruments to be classified as hedges they are initially designated as such, and the relationship between the hedging instrument and the hedged items is documented, together with the risk management objective and the hedge strategy for the various hedged transactions. In addition, the Group verifies initially and then periodically throughout the life of the hedge (and at least at the end of each reporting period) that the hedging relationship is effective, i.e., that it is prospectively foreseeable that the changes in fair value or in the cash flows from the hedged item (attributable to hedged risk) are almost entirely offset by those of hedging instrument.

Any remaining loss or gain from the hedging instrument will represent an ineffectiveness of the hedge to be recognised in income of the period.

› Hedge accounting is discontinued when the hedging instrument expires, or when it is sold, or exercised, or when it no longer qualifies for hedge accounting (after taking into account any rebalancing of the hedging relationship, if applicable). At that time, any accumulated gain or loss on the hedging instrument recognised in equity is retained in equity until the hedged transaction occurs.

› In accordance with IFRS 13, for purposes of presenting financial information, the measurements of fair value are classified as Level 1, 2, or 3, as indicated in Note 3.3.

Significant estimates

› The Group determined that the majority of inputs employed for determining the fair value of derivative financial instruments are classified as Level 2; however, the adjustments to credit risk use inputs corresponding to Level 3 for assessing credit based on credit ratings or comparable companies for evaluating the probability of a company or counterparties to the company going bankrupt. The Group evaluated the relevancy of the inputs and recognised the corresponding adjustments to credit risk for the evaluation of the derivative financial instrument, which were not significant.

› Thus, the entire portfolio of derivative financial instruments is classified under Level 2 of the hierarchy.

					Income and expenses recognised directly in equity		Amounts transferred to the income statement			
Category	Type	Maturity	Notional contracted	Fair value 12.31.2018	Hedging transactions	Translation differences	Changes in results	Counterparty risks and other	Other changes (*)	Fair value 12.31.2019
Cash flow hedges										
Interest rate swap	Floating to fixed	Dec-19	150,000	(696)	(63)	-	757	-	2	-
Interest rate swap	Floating to fixed	Jan-20	150,000	(412)	(31)	-	348	-	13	(82)
Interest rate swap	Floating to fixed	Mar-20	65,000	(479)	(42)	-	336	-	(1)	(186)
Fair value hedge										
Cross Currency Swap	Fixed to floating	Sep-39 (**)	147,514	10,736	-	-	(3,821)	(27)	(6,888)	-
Net investment coverage										
Cross Currency Swap	Fixed to fixed	Apr-22	400,291	(59,712)	(24,036)	(9,322)	9,250	(130)	-	(83,950)
Cross Currency Swap	Fixed to fixed	May-28	237,499	7,941	(8,826)	(4,227)	4,415	-	-	(697)
Total			**1,150,304**	**(42,622)**	**(32,998)**	**(13,549)**	**11,285**	**(157)**	**(6,874)**	**(84,915)**

(*) Includes interest accrued and not paid, other commissions relating to derivative financial instruments, as well as changes in the fair value of the hedging derivative.
(**) See Note 3.6 b.

The breakdown by maturity is as follows:

2019	2020	2021	2022	2023	2024 and later years	Total
Derivatives	(13,879)	(12,500)	(70,227)	(3,937)	15,628	**(84,915)**

2018	2019	2020	2021	2022	2023 and later years	Total
Derivatives	(14,392)	(12,028)	(11,243)	(39,226)	34,267	**(42,622)**

a) Cash flow hedges

With respect to cash flow hedges, the breakdown by period in which the related cash flows will arise is as follows:

Contracted amount (thousands of euros)	Total	2020	2021	2022 and later years
65,000	(186)	(186)	-	-
150,000	(82)	(82)	-	-
215,000	**(268)**	**(268)**	**-**	**-**

b) Fair value hedge

During 2009, the Enagás Group contracted a cross currency swap (CCS) to cover changes in the fair value of a yen-denominated bond arising from euro-yen exchange rate risk and the related interest rate risk. The fixed yen (JPY) component of this CCS covers changes in the value of the bond with respect to the specified risks. Said bond was recognised under "Non-current financial liabilities" in the Consolidated Balance Sheet.

At the initiation date of the CCS, the principal exchange was carried out so that Enagás received 147,514 thousands of euros and paid 20,000 million JPY, with the Group recognising said item at fair value through profit and loss in the Consolidated Income Statement.

On July 25, 2019, the counterparty to the financial instrument and the Company notified the exercise of their early cancellation rights at par for the derivative and the associated bond, respectively, both of which were recognised contractually. Finally, on September 17, 2019, the two instruments were cancelled early through an exchange of nominal values, which resulted in an outflow of cash of 147,514 thousands of euros and the recognition of income in the Consolidated Income Statement for the unhedged difference in the fair value of the two instruments amounting to 3,821 thousands of euros.

The investments considered as hedged items in the aforementioned hedging relationships are the following:

Project	Investments hedged in USD
GNL Quintero, S.A.	179,989
Subgroup Altamira LNG, C.V.	52,423
TgP	587,588
Total	**820,000**

As explained in Note 3.7 below, the Enagás Group directly finances part of the foreign investments with foreign currency, which is then designated as a net foreign investment.

By this means, the Enagás Group tries to designate exchange rate hedges to cover fluctuations in the exchange rates of its investments in foreign currency. As required by IFRS 9, an eligible hedged item and hedging instrument have to be designated. By this means, the exchange fluctuations of the investment in foreign currency are associated with the fluctuations due to the debt obtained to finance the acquisition, which is also in that currency (Note 3.7), in such a way that there is no impact on the income statement.

c) Net investment hedge in foreign operations

The main characteristics of the two derivative financial instruments contracted as net investments hedges are the following:

Category	Contracted amount in Euros	Contracted amount in USD	Type	Maturity
Cross Currency Swap	400,291	550,000	Fixed to fixed	April 2022
Cross Currency Swap	237,499	270,000	Fixed to fixed	May 2028
Total	**637,790**	**820,000**		

3.7 Financial and capital risk management

The Enagás Group is exposed to certain risks which it manages with a risk control and management model which is directed towards guaranteeing achievement of the Company's objectives in a predictable manner with a medium-low risk profile. This model allows to adapt to the complexity of the business activity in a competitive environment globalised, in a complex economic context, where the materialization of risks is faster and with an evident contagion effect.

The model is based on the following:

- The consideration of some standard types of risk to which the Company is exposed.
- Separation and independence of risk control and management functions articulated in three lines of "defence".
- The existence of Governing Bodies responsible for matters relating to risk exposure.
- Establishing a risk-prone framework which defines the risk levels considered acceptable and that are in line with established business objectives and the market environment in which the Group carries out its activities.
- The transparency of information supplied to third parties, to guarantee its reliability and accuracy.

The integral analysis of all risks allows the appropriate control and management thereof, an understanding of the relationships between them and facilitates their joint assessment. Enagás has established a regulatory framework through its "Risk control and management policy" and "General risk control and management standard," which define the basic principles to be applied and identify the responsibilities of the different departments of the Company.

The risk control and management function is articulated around three lines of defence, each presenting different responsibilities:

- First line of defence: organizational units which assume risks in the normal course of their activities. The organisational units are responsible for identifying and measuring their respective risk exposure.
- Second line of defence: the Sustainability and Risk Department, in charge mainly of ensuring that the risk control and management system works correctly, defining the regulatory framework and approach, and performing periodic monitoring and overall control of the company's risks.
- Third line of defence: the Internal Audit Department, responsible for supervising the efficiency of the established risk controls.

The Governing Bodies responsible for risk control and management are the following:

- The Board of Directors is responsible for approving the risk control and management policy. Other responsibilities with respect to risks are delegated in the Audit and Compliance Committee.
- Audit and Compliance Committee: the main function is to supervise the efficacy of the risk control and management systems as well as evaluating Group risk exposure (identification, measurement, and establishment of management measures).
- Risk Committee: the main functions include establishment of global risk strategies, establishing the global risk limits, revising the level of risk exposure, and acting to correct any instances of non-compliance.

The main risks of a financial and tax nature to which the Group is exposed are as follows:

Credit risk

Credit risk relates to the possible losses arising from the non-payment of monetary or quantifiable obligations of a counterparty to which the Enagás Group has granted net credit which is pending settlement or collection.

Credit risk in connection with trade receivables arising from its commercial activity is historically very limited as the Group operates in a regulated environment (Note 1.1). However, regulations have been developed establishing standards for managing guarantees in the Spanish gas system and which oblige gas shippers to provide guarantees for: (i) contracting capacity in infrastructure with regulated third-party access and international connections, (ii) settlement of imbalances; and (iii) participation in the organised gas market.

The Enagás Group is also exposed to the risk of its counterparties not complying with obligations in connection with financial derivatives and placement of surplus cash balances. In order to mitigate this risk, these transactions are carried out in a diversified manner with highly solvent entities.

Interest rate risk

Interest rate fluctuations affect the fair value of those assets and liabilities that accrue interest at fixed rates, and the future cash flows from assets and liabilities that accrue interest at floating rates.

The objective of interest rate risk management is to create a balanced debt structure that minimizes financial costs over a multi-year period while also reducing volatility in the Consolidated Income Statement.

Based on the Enagás Group's estimates and debt structure targets, hedges are put in place using derivatives that reduce these risks (Note 3.6).

Exchange rate risk

Exchange rate fluctuations may affect positions held with regard to debt denominated in foreign currency, certain payments for services and the purchase of capital goods in foreign currency, income and expenses relating to companies whose functional currency is not the euro and the effect of converting the financial statements of those companies whose currency is not the euro during the consolidation process. With a view to mitigating said risk, the Group can avail itself of financing obtained in US dollars, as well as contracting derivative financial instruments which are subsequently designated as hedging instruments (Note 3.6). In addition, the Enagás Group tries to balance the cash flows of assets and liabilities denominated in foreign currency in each of its companies.

Liquidity risk

Liquidity risk arises as a consequence of differences in the amounts or payment and collection dates relating to the different assets and liabilities held by the Group.

The liquidity policy followed by the Enagás Group is oriented towards ensuring that all short-term payment commitments acquired are fully met without having to secure funds under burdensome terms. For this purpose, different management measures are taken such as maintenance of credit facilities ensuring flexibility, sufficient amounts and sufficient maturities, diversified sourcing for financing needs via access to different markets and geographical areas, as well as the diversification of maturities in debt issued.

The financial debt of the Group at December 31, 2019 has an average maturity of 5.2 years (6.1 years at December 31, 2018 (Note 3.4).

Tax risk

The Enagás Group is exposed to possible modifications in tax regulatory frameworks and uncertainty relating to different possible interpretations of prevailing tax legislation, potentially leading to negative effects on results.

The Enagás Group has a Board-approved tax strategy, which includes the policies governing compliance with its tax obligations, attempting to avoid risks and tax inefficiencies

Other risks

Given the dynamic nature of the business and its risks, and despite having a risk control and management system that responds to the best international recommendations and practices, it is not possible to guarantee that some risk may exist that is not identified in the risk inventory of the Enagás Group.

In addition, the internationalization process carried out by the Enagás Group in recent years means that a part of its operations are carried out by companies over which it does not exercise control and which perform their activities within different regulatory frameworks and with different business dynamics, so that potential risks may arise relating to financial investment.

a) Quantitative information

Interest rate risk

The percentage of net debt at fixed interest rates at December 31, 2019 and December 31, 2018, amounted to more than 80%.

Taking into account these percentages of net financial debt at fixed rates, and after performing a sensitivity analysis using a range of +1/-1% changes in market interest rates, the Group considers that, according to its estimates, the impact on results of such variations on financial costs relating to variable rate debt could be as follows:

	Interest rate change			
	2019		2018	
	25 bps	-10 bps	25 bps	-10 bps
Change in financial costs	2,680	(1,072)	2,328	(931)

In addition, the aforementioned changes would not produce any significant changes in the Company's equity position in connection with contracted derivatives.

Exchange rate risk

The Enagás Group obtains financing fundamentally in euros, although it maintains certain financing in US dollars. The currency that generates the greatest exposure to exchange rate changes is the US dollar.

The exposure of the Group to changes in the US dollar/euro exchange rate is mainly determined by the effect of translating the financial statements of the companies whose functional currency is the US dollar. In addition, there are Group companies whose functional currency is the Peruvian nuevo sol and pound sterling.

Further, the Group also holds loans denominated in US dollars granted by Enagás Internacional, S.L.U. to companies in which it does not control a majority stake.

The sensitivity of profit/ (loss) for the year and equity to exchange rate risk, via appreciation or depreciation of exchange rates and based on the financial instruments held by the Group at December 31, 2019, is shown below:

thousands of euros

	Appreciation / (Depreciation) of the euro against the dollar			
	2019		2018	
	5.00%	-5.00%	5.00%	-5.00%
Effect on net profit	2,644	(2,644)	3,347	(3,347)
Effect on equity	6,957	(6,957)	25,005	(25,005)

b) Capital management

The Company carries out capital management at corporate level and its objectives are to ensure financial stability and obtain sufficient financing for investments, optimising the cost of capital in order to maximize the value created for the shareholder while maintaining its commitment to solvency.

The Enagás Group uses its leverage ratio as an indicator for monitoring its financial situation and capital management. The ratio is defined as the result of dividing consolidated net financial debt by net consolidated assets (understood as the sum of net financial debt and consolidated Shareholders' Equity).

The Group's financial leverage, calculated as the ratio of net financial debt and total financial debt plus Shareholders' Equity at December 31, 2019 and 2018, is as follows:

	2019	2018
Net financial debt (Note 3.4)	3,754,969	4,274,653
Shareholders' equity	3,170,142	2,658,758
Financial leverage	**54.2%**	**61.7%**

Also, on November 28, 2019, the credit rating agency Standard & Poor's reaffirmed Enagás' credit rating (BBB+) and improved the outlook from "negative" to "stable". On January 9, 2020, the credit rating agency Fitch Ratings placed Enagás' credit rating at BBB+ with a "stable" outlook.

3.8 Cash flows

Accounting policies

› Under the Cash and other cash equivalents heading of the Consolidated Balance Sheet the Group recognizes cash in hand, sight deposits, and other highly liquid short-term investments that can be readily converted into cash and are not exposed to the risk of changes in value.

a) Cash and cash equivalents

	12.31.2019	12.31.2018
Treasury	1,004,472	1,171,543
Other cash and cash equivalents	94,513	-
Total	**1,098,985**	**1,171,543**

"Other liquid assets" includes those deposits that have a maturity of less than three months.

Generally, the banked cash accrues interest at rates similar to daily market rates. The deposits maturing in the short-term are easily convertible into cash, and accrue interest at the going market rates. There are no significant restrictions on the availability of cash.

b) Available funds

In order to guarantee liquidity, the Enagás Group has arranged loans and credit lines which it has not drawn down. Thus, liquidity available to the Enagás Group is broken down as follows:

Available funds	12.31.2019	12.31.2018
Cash and cash equivalents	1,098,985	1,171,543
Other available funds (Note 3.4)	1,617,580	1,637,786
Total available funds	**2,716,565**	**2,809,329**

In the opinion of the Directors of the Company, this situation allows for sufficient funding to meet possible liquidity requirements in the short-term considering its current obligations.

c) Reconciliation of movements in liabilities arising from financing activities and cash flows

		Debts with credit institutions	Debentures and marketable securities	Total
	31.12.2018	1,363,035	4,089,530	**5,452,565**
Cash flows	Issues	3,297,128	2,500,000	**5,797,128**
	Repayment and redemption	(3,143,770)	(2,647,514)	**(5,791,284)**
	Payment of interest	(21,055)	(46,774)	**(67,829)**
Without an impact on cash flows	Perimeter variations	-	(1,005,117)	**(1,005,117)**
	Interest expense	19,226	70,414	**89,640**
	Changes due to exchange rates and others	19,536	587	**20,123**
	12.31.2019	**1,534,100**	**2,961,126**	**4,495,226**

The information for the 2018 year is detailed below:

		Debts with credit institutions	Debentures and marketable securities	Total
	31.12.2017	1,582,119	4,050,526	**5,632,645**
Cash flows	Issues	4,600,091	2,256,000	**6,856,091**
	Repayment and redemption	(4,837,738)	(2,256,000)	**(7,093,738)**
	Payment of interest	(18,779)	(91,340)	**(110,119)**
Without an impact on cash flows	Perimeter variations	-	-	**-**
	Interest expense	20,044	107,220	**127,264**
	Changes due to exchange rates and others	17,298	23,124	**40,422**
	12.31.2018	**1,363,035**	**4,089,530**	**5,452,565**

4 Other information

Relevant aspects

Remuneration for Board of Directors and Senior Management

- Remuneration to the Board of Directors, without taking into account the insurance premiums, amounted to 4,588 thousands of euros (4,615 thousands of euros in 2018) (Note 4.4).
- Remuneration to the Senior Executives, without taking account of pension plans and insurance premiums, amounted to 4,267 thousands of euros (3,873 thousands of euros in 2018) (Note 4.4).

4.1 Investment properties

Accounting policies

Investment properties

- The cost model is applied for measuring investment property, that is, the corresponding assets are measured at acquisition cost less the corresponding accumulated amortisation and any impairment losses. However, as one plot of land is not currently in use, it was measured at its recoverable amount, calculated as the fair value less the necessary costs for its sale.
- The market appraisal was performed by the independent expert in accordance with the Governing Rules of the Royal Institution of Chartered Surveyors (RICS), set out in the so-called "Red Book" - RICS Valuation - Professional Standards, January 2014. Said market valuations defined by RICS are internationally recognised by advisors and accountants providing services for investors and corporations that own investment properties, as well as by The European Group of Valuers (TEGoVA) and The International Valuation Standards Committee (IVSC).

	Balance at December 31, 2017	Impairment allowances 2018	Balance at December 31, 2018	Impairment allowances 2019	Balance at December 31, 2019
Cost (1)	47,211	-	47,211	-	47,211
Impairment	(27,601)	-	(27,601)	-	(27,601)
Carrying amount	**19,610**	**-**	**19,610**	**-**	**19,610**

(1) Corresponds entirely to a plot of land located at km 18 of the A-6 motorway in Las Rozas (Madrid). The independent company Jones Lang LaSalle España, S.A. issued a valuation report dated December 31, 2019, which concluded that the recoverable amount of the plot at that date amounted to 19,610 thousands of euros (19,610 thousands of euros at December 31, 2018). It is worth noting that the aforementioned independent expert's report did not include any scope limitations with respect to the conclusions reached. There are no mortgages or encumbrances of any type on said property. In addition, the Group has contracted the corresponding insurance policies to cover third party civil liabilities.

4.2 Tax situation

Accounting policies

- Income tax expense for the year is calculated as the sum of current tax, resulting from applying the corresponding tax rate to taxable income for the year (after applying any possible deductions) and any changes in deferred tax assets and liabilities.
- Corporate income tax is recognised in the Consolidated Income Statement or in equity accounts in the Consolidated Balance Sheet depending on where the related profits or losses were recognised.
- Deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include the temporary differences, identified as those amounts expected to be payable or recoverable, arising from the difference between the book value of assets and liabilities and their tax bases, as well as any unused tax credits. These amounts are measured by applying the tax rate to the corresponding temporary differences or tax credits at which they are expected to be realised or settled.
- Deferred tax assets are only recognised when the Group expects sufficient future taxable profits to recover the deductible temporary differences. Deferred tax liabilities are recognised for all taxable temporary differences except for those arising from the initial recognition of goodwill.
- Recognised deferred tax assets are reassessed at the end of each reporting period and the appropriate adjustments are made when there are doubts as to their future recoverability.
- The Group offsets deferred tax assets and deferred tax liabilities corresponding to one and the same tax authority, as established in IAS 12.74.

Significant estimates

- In accordance with prevailing legislation in Spain, tax returns cannot be considered final until they have been inspected by the tax authorities or until the four-year inspection period has elapsed. However, the four-year period can vary in the case of Group companies subject to other fiscal regulations. The Directors of the Company consider that all applicable taxes open to inspection described in this note have been duly paid so that even in the event of discrepancies in the interpretation of prevailing tax legislation with respect to the treatment applied, the resulting potential tax liabilities, if any, would not have a material impact on the accompanying Consolidated Annual Accounts.
- The deferred tax assets were recognised in the balance sheet as the Directors believe, based on the best estimate of future profits and reversals of deductible temporary differences, that it is probable that these assets will be recovered.

a) Balances with Tax Authorities

	2019	2018
Debit balances		
Deferred tax assets (Note 4.2.f)	**96,738**	**100,360**
Income tax and other taxes (1)	6,761	1,799
Value added tax	23,754	27,979
Total	**30,515**	**29,978**
Credit balances		
Deferred tax liabilities (Note 4.2.f)	**265,744**	**566,693**
Income tax	5,230	3,733
Value added tax	148	2,121
Tax Authorities creditor for withholdings and other	33,764	32,576
Total	**39,142**	**38,430**

(1) Corresponds to companies in the 2019 tax group, amounting to 6,761 thousands of euros of balances receivable (1,394 thousands of euros at December 31, 2018).

b) Tax returns

Enagás S.A. has been the parent company of the Tax Consolidation Group 493/12 for Corporate Income tax from January 1, 2013, comprised of the following subsidiaries at December 31, 2019:

- Enagás Transporte, S.A.U.
- Enagás GTS, S.A.U.
- Enagás Internacional, S.L.U.
- Enagás Financiaciones, S.A.U.
- Enagás Emprende S.L.U.
- Infraestructuras del Gas, S.A.
- Scale Gas Solutions, S.L.
- Efficiency for LNG Applications, S.L.
- Enagás Services Solutions, S.L.
- Sercomgas Gas Solutions, S.L.
- Enagás Holding USA. S.L.U.
- Bioengás Renovables, S.L.
- Enagás Renovable, S.L.U.
- Roblasun 1, Roblasun 2, Roblasun 3, Roblasun 4, Roblasun 5 and Roblasun 6
- Windmusel 1 S.L.U., Windmusel 2 S.L.U. and Windmusel 3 S.L.U.
- Cierzosun 1, S.L.U., Cierzosun 2, S.L.U., Cierzosun 3, S.L.U. and Cierzosun 4, S.L.U.

The Group's remaining companies file individual income tax returns in conformity with the applicable tax laws.

c) Corporate income tax

	2019	2018
Before-tax consolidated accounting results	540,033	586,435
Permanent differences and consolidation adjustments (1)	(88,581)	(96,816)
Consolidated tax base	**451,452**	**489,619**
Tax rate	**25%**	**25%**
Adjusted result by tax rate (2)	(112,863)	(122,405)
Effect of applying different rates to tax base	236	(943)
Tax base	**(112,627)**	**(123,348)**
Effect of deductions	1,751	2,527
Other adjustments to corporate income tax	(1,229)	(2,287)
Corporate income tax for the period	**(112,105)**	**(123,108)**
Current income tax (3)	(97,782)	(109,056)
Deferred income tax	9,291	7,047
Adjustments to income tax rate	(23,614)	(21,099)

(1) The permanent differences mainly correspond to the elimination of the results of companies consolidated under the equity method, as well as other consolidation adjustments relating to the reconciliation of local regulations and IFRS, amongst others.

(2) In order to determine income tax, a 25% rate was applied to all Spanish companies, except for those that file tax returns under the special regime of Vizcaya (Enagás Transporte del Norte, S.L) where a 24% rate is applied (26% during 2018). For 2018 and 2019, the tax rates applicable to the foreign companies Enagás Perú, S.A.C.; Enagás Chile and S.P.A. GNL Quintero and Enagás México, S.A. de C.V. and Enagás USA, L.L.C. were 29.5%, 27%, 30% and 24.7%, respectively.

(3) In 2019, 97,967.83 thousands of euros were paid (105,987.81 thousands of euros in 2018) in connection with the amount to be disbursed for settling 2019 corporate income tax, of which 92,807 thousands of euros correspond to the Tax Consolidation Group (99,819 thousands of euros in 2018).

d) Tax recognised in equity

	2019			2018		
	Increases	Decreases	Total	Increases	Decreases	Total
Income and expenses recognised directly in equity						
Tax effect on cash flow hedges	11,851	(382)	**11,469**	3,880	(1,207)	**2,673**
Amounts transferred to the income statement						
Tax effect on cash flow hedges	1,157	(3,690)	**(2,533)**	338	(4,464)	**(4,126)**
Total income tax recognised in equity	**13,008**	**(4,072)**	**8,936**	**4,218**	**(5,671)**	**(1,453)**

e) Years open to tax verification and inspections

In accordance with prevailing legislation in Spain, tax returns cannot be considered final until they have been inspected by the tax authorities or until the four-year inspection period has elapsed. However, the four-year period can vary in the case of Group companies subject to other fiscal regulations.

In March 2017, a tax inspection was initiated by the Spanish Tax Authorities for general verification of Enagás, S.A., Enagás Transporte, S.A.U., and the Tax Consolidation Group 493/12. The years and taxes subject to this process correspond to the corporate income tax for the years 2012 to 2015, VAT for the years 2013 to 2015, withholdings/ payments on account with respect to tax on income from professional work, property taxes, and taxes levied on non-residents for the years 2013 to 2015.

During the 2019 financial year, these actions ended with reports duly signed off as accepted or contested. These deeds did not involve significant amounts for the Enagás Group. Lastly, with regard to the contested reports, an economic-administrative complaint was filed with the Central Economic-Administrative Tribunal in relation to the income tax settlement agreements for the years 2012 to 2015, which was pending resolution by the Tribunal at 2019 year-end. However, it is not expected that any liabilities will arise that will significantly affect the Group's equity situation.

Additionally, in January 2018, Enagás Transporte S.A.U. was notified by the Spanish Tax Agency that a general tax inspection was being initiated with respect to the special tax on hydrocarbons corresponding to 2015 and 2016. Also, notification was also received regarding the initiation of a partial verification with respect to VAT on imports and inspection of importation rights corresponding to 2016.

At 2019 year-end the verification and inspection processes were still ongoing. In any case, it is not expected that any liabilities will arise that will significantly affect the Group's equity situation.

Likewise, at 2019 year-end, the inspections for 2016 to 2019 are pending with respect to applicable taxes.

f) Deferred tax assets and liabilities

	Initial measurement	Recognised on profit and loss	Recognised in equity	Impact 1st application of new IFRS (Note 1.10)	Translation differences	Changes in consolidation scope [4]	Final value
Deductible temporary differences							
Capital grants and others	1,186	(102)	-	-	-	-	1,084
Amortisation deduction limit R.D.L. 16/2012 [1]	25,429	(4,348)	-	-	-	-	21,082
Provisions for personnel remuneration	5,073	(592)	-	-	-	-	4,481
Fixed assets provision	27,684	6,398	-	-	-	-	34,082
Provisions for litigation and other	22,083	(2,941)	-	7,650	-	-	26,792
Derivatives	362	(326)	-	-	-	-	36
Deferred expenses	6,063	(1,083)	-	-	35	(5,014)	-
Tax loss carry forwards	**7,389**	**(496)**	**-**	**-**	**13**	**(1,947)**	**4,960**
Deductions pending and other [2]	**5,090**	**(868)**	**-**	**-**	**-**	**-**	**4,221**
Total deferred tax assets	**100,360**	**(4,358)**	**-**	**7,650**	**48**	**(6,961)**	**96,738**
Accelerated amortisation [3]	(254,761)	13,414		-	-	-	(241,347)
Derivatives	(6,668)	-	4,637	-	-	-	(2,031)
Amortisation of fixed assets	(284,638)	566	-	-	(1,655)	285,728	-
Deferred expenses	(10,994)	1,918	-	-	-	-	(9,076)
Other	(9,631)	(3,659)	-	-	-	-	(13,290)
Total deferred tax liabilities	**(566,693)**	**12,239**	**4,637**	**-**	**(1,655)**	**285,728**	**(265,743)**
Carrying amount	**(466,333)**	**7,881**	**4,637**	**7,650**	**(1,607)**	**278,767**	**(169,005)**

(1) Arises from the limitation to tax deductible amortisation with respect to the corporate income tax for the years 2013 and 2014. Said amortisation is recoverable from a tax point of view from 2015 on a straight line basis over 10 years.
(2) In addition, it includes the deduction to be applied from 2015 in accordance with the thirty-seventh transitory provision of Law 27/2014, by virtue of which those contributors for whom limited amortisation was applicable in 2013 and 2014 will have the right to a 5% deduction of the tax base with respect to the amounts included in the taxable income for the corresponding period.
(3) Arising from application of accelerated amortisation of certain assets for tax purposes during the period 2009-2014.
(4) Corresponds to the impacts of deconsolidation of LNG Quintero detailed in Note 1.5.

The Enagás Group offset deferred tax assets in the amount of 93,857 thousands of euros from the Consolidated Tax Group in Spain (89,928 thousands of euros in 2017) against deferred tax liabilities in its consolidated statement of financial position in accordance with IAS 12.

	Final value of assets and deferred tax liabilities by nature	Offset of deferred tax assets and liabilities - Tax Group	Final value
Deferred tax assets	100,360	(89,928)	10,432
Deferred tax liabilities	(566,693)	89,928	(476,765)
Net value 2018	**(466,333)**	**-**	**(466,333)**
Deferred tax assets	96,738	(93,857)	2,881
Deferred tax liabilities	(265,744)	93,857	(171,887)
Net value 2019	**(169,006)**	**-**	**(169,006)**

The Enagás Group has unregistered deferred tax assets and liabilities amounting to 21,774 thousands of euros and 12,615 thousands of euros, respectively, at the end of 2019 (14,066 thousands of euros and 15,167 thousands of euros, respectively, at the end of 2018). These correspond mainly to taxable temporary differences associated with investments in companies that are accounted for using the equity method and that meet the requirements established in IFRS to apply the registration exception.

4.3 Related party transactions and balances

Accounting policies

- In addition to subsidiaries, associates, and jointly controlled entities, the Group's "related parties" are considered to include "key management personnel" (members of the Board of Directors and executives, along with their close relatives), as well as the entities over which key management personnel may exercise significant influence or control as established by Order EHA/3050/2004, of September 15, and Circular 1/2008 of January 30 of the CNMV.
- The terms of transactions with related parties are equivalent to those made on an arm's length basis and the corresponding remuneration in kind has been recorded.

Income and expenses	Directors and executives	Group employees, companies or entities	Other related parties	Total [1]
2019				
Expenses:				
Financial expenses	-	-	11,670	**11,670**
Services received	-	41,085	307	**41,392**
Other expenses	9,026	-	-	**9,026**
Total Expenses	**9,026**	**41,085**	**11,977**	**62,088**
Income:				
Financial income [2]	-	4,242	11	**4,253**
Rendering of services	-	9,528	-	**9,528**
Gains on the sale or derecognition of assets	-	31	-	**31**
Other income	-	3,106	-	**3,106**
Total income	**-**	**16,907**	**11**	**16,918**
2018				
Expenses:				
Financial expenses	-	-	10,775	**10,775**
Services received	-	48,541	838	**49,379**
Other expenses	8,618	-	-	**8,618**
Total Expenses	**8,618**	**48,541**	**11,613**	**68,772**
Income:				
Financial income [2]	-	11,291	34	**11,325**
Rendering of services	-	8,844	-	**8,844**
Other income	-	3,106	-	**3,106**
Total income	**-**	**23,241**	**34**	**23,275**

(1) No transactions were carried out during 2019 and 2018 with significant shareholders.
(2) The effective collection of debt interest on subordinated debt amounted to 3,945 thousands of euros in 2019 (12,474 thousands of euros in 2018).

Other transactions	Significant shareholders	Group employees, companies or entities	Other related parties	Total
2019				
Guarantees for related party debts (Note 1.9)	-	522,952	-	**522,952**
Guarantees and sureties granted - Other (Note 1.9)	-	29,154	23,333	**52,487**
Investment commitments (Note 1.9)	-	765,974	-	**765,974**
Dividends and other earnings distributed	66,554			**66,554**
2018				
Guarantees for related party debts (Note 1.9)	-	452,589	-	**452,589**
Guarantees and sureties granted - Other (Note 1.9)	-	1,468	22,895	**24,363**
Investment commitments (Note 1.9)	-	61,592	-	**61,592**
Dividends and other earnings distributed	56,892	-	-	**56,892**

The detail of current and non-current loans to related parties is as follows:

	Interest rate	Maturity	12.31.2019	12.31.2018
Non-current credits to related parties (*)			**36,492**	**96,877**
Trans Adriatic Pipeline AG	FTA + spread	July-2043	-	1,322
Estación de Compresión Soto La Marina S.A.P.I. de C.V.	5.03%	December-2032	-	52,329
Gasoducto de Morelos, S.A.P.I. de C.V.	7.50%	September-2033	10,617	16,091
Planta de Regasificación de Sagunto, S.A.	Eur6m + Spread	June-2025	25,185	26,785
Gas to Move Transport Solutions, S.L.	1.80%	Nov.-2021	690	350
Current loans to related parties			**11**	**9,160**
Trans Adriatic Pipeline AG	FTA + Spread	July-2043	-	6,405
Estación de Compresión Soto La Marina S.A.P.I. de C.V.	5.03%	December-2032	-	2,743
Planta de Regasificación de Sagunto, S.A.	Eur6m + Spread	June-2025	11	12
Total			**36,503**	**106,037**

(*) Unaffected by the expected loss.

The Banco Santander Group qualified as a related party for the years 2019 and 2018.

In this regard, of the transactions disclosed in the above table, 11,670 thousands of euros of financial expenses correspond to this entity during 2019 (11,238 thousands of euros during 2018), including financial expenses arising out of the interest rate hedging contracts, and 14,424 thousands of euros in guarantees and sureties granted at December 31, 2019 (14,158 thousands of euros at December 31, 2018).

In addition, this banking entity carried out the following transactions with the Enagás Group:

- On July 27, 2019, Enagás Internacional S.L.U. modified the maximum limit of its current dollar policy and its maturity date to 60 million dollars, and July 27, 2020, respectively. As of December 31, 2019 this policy is not utilised.
- In addition, on July 30, 2019, Enagás Internacional S.L.U. arranged a five-year credit facility in US dollars for an amount of 180 million dollars. At December 31, 2019, this policy was drawn down for an amount of 115 million dollars.
- On July 30, 2019, Enagás S.A. modified the maximum limit of its current dollar policy with Banco Santander and its maturity date to 10 million dollars and July 30, 2020, respectively. As of December 31, 2019, this policy is drawn down for an amount of 3.02 million dollars.
- In addition, on the same date, Enagás S.A. arranged a five-year credit facility in US dollars for an amount of 230 million dollars. At December 31, 2019, this policy is fully drawn down.
- On December 17, 2019, Enagás S.A. signed the extension of the Club Deal multi-currency credit policy, in which the related party represents 9.63% of all banks participating, for an amount of 1,500 million euros, with the new maturity date being December 17, 2024. As of December 31, 2019, this policy is not drawn down.
- At December 31, 2019, the balance drawn down in the company's current accounts amounted to 422,652 thousands of euros.
- The Directors consider that no additional significant liabilities will arise in connection with the transactions disclosed in this note other than those already recognised in the accompanying consolidated balance sheet.

4.4 Remuneration to the members of the Board of Directors and Senior Management

Accounting policies

Share-based payments

› The Group classifies its share-based settlement plan for executive directors and senior management according to the manner of settling the transaction:

› With Company shares: Personnel expense is determined based on the fair value of the shares to be delivered at the grant date, taking into account the degree to which the objectives relating to said plan have been fulfilled. This expense is recognised over the stipulated period during which employee services are rendered with a credit to "Other equity instruments" in the accompanying balance sheet.

› In cash: Personnel expenses is determined based on the fair value of the liability at the date recognition requirements are met. Personnel expenses are recorded as services provided in the stipulated period (Note 2.8) with a credit to "Long-term provisions", until their settlement is estimated at less than one year, when the associated provision is reclassified to the Personnel line under "Trade and other payables" of the liability of the accompanying Balance Sheet. The liability is subsequently measured at fair value at each balance sheet date, up to and including the settlement date, with changes in fair value recognised in the Income Statement.

› The Enagás Group used the Monte-Carlo model to evaluate this program. The fair value of the equity instruments at the granting date is adjusted to include the market conditions relating to this plan. Likewise, the Company takes into account the fact that the dividends accrued during the plan period are not paid to the beneficiaries as they do not become shareholders of the Company until the plan has effectively been settled.

Significant estimates and judgements

› The Enagás Group estimates fair value of the equity instruments granted on an accrual basis over the corresponding plan period (from January 1, 2019 to December 31, 2021) plus the loyalty period of approximately four months for full disbursement.

› As for that part of the plan payable in shares, the Enagás Group estimates the fair value of the amount payable in cash on an accrual basis over the plan period (January 1, 2019 to December 31, 2021) plus the loyalty period of approximately four months for full disbursement.

› At December 31, 2019, the estimate is made assuming that all the objectives relating to the plan have been fully achieved.

Remuneration received	Salaries	Per diems	Other items	Pension plans	Insurance premiums
2019					
Board of Directors	2,346	2,064	178	-	58
Senior Management	4,092	-	175	72	41
Total	**6,438**	**2,064**	**353**	**72**	**99**
2018					
Board of Directors	2,366	2,054	195	-	47
Senior Management	3,709	-	164	72	37
Total	**6,075**	**2,054**	**359**	**72**	**84**

The remuneration of the members of the Board of Directors for their membership of the Board and those corresponding to the Chairman and the Chief Executive Officer for the exercise of their executive functions during the year 2019 have been approved in detail by the General Shareholders' Meeting held on March 29, 2019 as part of the "Directors' Remuneration Policy for the 2019, 2020 and 2021 financial years", approved as Item 7 of the Agenda.

The two Executive Directors were beneficiaries of the 2016-2018 Long-Term Incentive Plan approved by the General Shareholders' Meeting on March 18, 2016 under agenda Item number 8. During the first half of financial year 2019, the aforementioned incentive was paid out under the terms established by the General Shareholders' Meeting. As a result of this settlement, a total of 76,428 gross shares were delivered to the two executive directors, which they will not be able to sell within two years.

The Group has outsourced its pension commitments with respect to its executives through a mixed group insurance policy for pension commitments, including benefits in the event of survival, death, and employment disability. The Executive Chairman and the Chief Executive Officer are part of the group covered by this policy and of the total premium paid for this during the year, 406 thousands of euros corresponded to them.

Members of Senior Management (members of the Management Committee) are equally beneficiaries of the 2016-2018 long-term incentive plan. In the terms approved by the General Meeting, in the settlement of this incentive in the first half of 2019, 77,979 gross shares and a cash incentive amount of 708 thousands of euros.

The members of the Senior Management also form part of the group insured under the mixed group insurance policy for pension commitments. The total premium paid for the same during the financial year amounts to 750 thousands of euros.

The two executive directors are beneficiaries of the 2019-2021 long-term incentive plan approved by the General Shareholders' Meeting on March 29, 2019 under agenda Item number 8. In said meeting, a total of 118,635 rights relating to shares were assigned. Said rights do not constitute acquisition of shares until the program finalizes, the final bonus depending on the degree to which the program objectives have been met.

Members of Senior Management (members of the Management Committee) are equally beneficiaries of the 2019-2021 long-term incentive plan. As approved by the General Shareholders' Meeting, the Board has assigned them a total of 160,236 rights relating to shares as well as an incentive in cash amounting to 950 thousands of euros. Said rights do not constitute acquisition of shares or collection of any amounts until the programme has finalised, the final bonus depending on the degree to which the programme objectives have been met.

The aforementioned remuneration, broken down for each member of the Board of Directors, without taking into account insurance premiums, is as follows:

	2019	2018
Mr Antonio Llardén Carratalá, (Executive Director) (1)	1,847	1,896
Mr Marcelino Oreja Arburúa (Chief Executive Officer) (2)	937	925
Sociedad Estatal de Participaciones Industriales (Proprietary Director) (4)	160	155
Mr Luis García del Río (Independent Director) (4)	160	160
Mr Martí Parellada Sabata (External Director) (4)	160	160
Mr Luis Javier Navarro Vigil (External Director) (3) (4)	44	160
Mr Jesús Máximo Pedrosa Ortega (Proprietary Director) (3)	-	123
Ms Rosa Rodríguez Diaz (Independent Director) (4)	160	160
Ms Ana Palacio Vallelersundi (Independent Leading Director) (4)	190	190
Ms Isabel Tocino Biscarolasaga (Independent Director) (4)	175	172
Mr Antonio Hernández Mancha (Independent Director) (4)	160	157
Mr Luis Valero Artola (Independent Director) (3)	-	44
Mr Gonzalo Solana González (Independent Director) (4)	160	160
Mr Ignacio Grangel Vicente (Independent Director) (3)	160	116
Mr Santiago Ferrer i Costa (Proprietary Director) (3)	160	37
Ms Patricia Urbez Sanz (Independent Director) (3) (4)	115	-
Total	**4,588**	**4,615**

(1) The remuneration for the Executive Chairman in 2019 was approved in detail by the General Shareholders' Meeting on March 29, 2019 as part of the "Directors' Remuneration Policy for the 2019, 2020 and 2021 financial years". During 2019, the Executive Chairman received fixed remuneration in the amount of 1,000 thousands of euros and variable remuneration in the amount of 564 thousands of euros; he also received 130 thousands of euros for Board membership and other remuneration in kind amounting to 153 thousands of euros (the changes in remuneration in kind with respect to previous years is exclusively a result of measurement differences without there having been any additional items included in the remuneration). Thus, the combined amounts totalled 1,847 thousands of euros. In addition, he was also the beneficiary of a life insurance policy with a premium of 57 thousands of euros for the year. The Group has outsourced its pension commitments with respect to its executives through a mixed group insurance policy for pension commitments, including benefits in the event of survival, death, and employment disability. The Executive Chairman is one of the beneficiaries covered by this policy, and of the total premium paid during the year, 246 thousands of euros correspond to the Executive Chairman. The Executive Chairman is a beneficiary of the 2019-2021 Long-Term Incentive Plan approved at the General Shareholders' Meeting held on March 29, 2019. Item 8 of its Agenda states that the meeting assigned him a total of 79,090 performance shares. These shares do not entail an acquisition of the shares until the end and settlement of the programme and the final remuneration depends on the level of achievement of the goals of the programme.
As a result of settlement of the Long Term Incentive 2016-2018, approved by the General Meeting of Shareholders held on March 18, 2016, as item 8 on the Agenda, in 2019 the Executive Chairman received 54,669 gross shares in Enagás S.A. The Executive Chairman is subject to the obligation to maintain the shares received for a period of two years from handover. Once that period has elapsed, the shares will be freely available.

(2) The remuneration for the Chief Executive Officer in 2019 was approved in detail by the General Shareholders' Meeting on March 29, 2019 as part of the "Directors' Remuneration Policy for the 2019, 2020 and 2021 financial years". During 2019, the CEO received fixed remuneration in the amount of 500 thousands of euros and variable remuneration in the amount of 282 thousands of euros; he also received 130 thousands of euros for Board membership and other remuneration in kind amounting to 25 thousands of euros (the changes in remuneration in kind with respect to previous years is exclusively a result of measurement differences without there having been any additional items included in the remuneration). Thus, the combined amounts totalled 937 thousands of euros. In addition, he was also the beneficiary of a life insurance policy with a premium of 0.7 thousands of euros for the year. The Chief Executive Officer is also beneficiary of the mixed group insurance policy for pension commitments, and the share of the premium corresponding to the Chief Executive Officer for this policy amounted to 160 thousands of euros for the year. The Chief Executive Officer is a beneficiary of the 2019-2021 Long-Term Incentive Plan approved at the General Shareholders' Meeting held on March 29, 2019. Item 8 of its Agenda states that the meeting assigned him a total of 39,545 performance shares. Said rights do not constitute acquisition of shares until the program finalizes, the final bonus depending on the degree to which the program objectives have been met.
As a result of settlement of the Long Term Incentive 2016-2018, approved by the General Meeting of Shareholders held on March 18, 2016, as item 8 on the Agenda, in 2019 the Chief Executive Officer received 21,759 gross shares in Enagás S.A. The Chief Executive Officer is subject to the obligation to maintain the shares received for a period of two years from handover. Once that period has elapsed, the shares will be freely available.

(3) On March 22, 2018 Mr Luis Valero Artola resigned as Director and Mr Ignacio Grangel Vicente occupied his position.
On October 15, 2018 Mr Jesús Máximo Pedrosa Ortega resigned as Director and Mr Santiago Ferrer i Costa occupied his position.
On March 29, 2019 Mr Luis Javier Navarro Vigil resigned as Director and Ms Patricia Urbez Sanz occupied his position.

(4) The remuneration for these Directors relating to Board and Committee membership was approved in detail by the General Shareholders' Meeting on March 29, 2019 as part of the "Directors' Remuneration Policy for the 2019, 2020 and 2021 financial years".

Share-based payments

On March 29, 2019, the Enagás, S.A. General Shareholders' Meeting approved the second cycle of the Long-Term Incentive Plan aimed at executive directors and senior management of the Company and its Group. The objective of the Plan is to (i) encourage the sustainable achievement of the objectives of the Company's Strategic Plan, (ii) give the opportunity to share the creation of value with participants, (iii) foster a sense of belonging to the Company and shared destiny, (iv) be competitive, and (v) align with the requirements of institutional investors, proxy advisors, and best Corporate Governance practices and, especially, those resulting from the recommendations of the CNMV's new Good Governance Code.

The plan consists in an extraordinary mixed multi-year incentive which will permit the beneficiaries to receive, after a certain period of time, a bonus payable in (i) Enagás, S.A. shares and (ii) cash, provided that certain strategic objectives of the Enagás Group are met.

With respect to the portion payable in shares, a maximum of 501,946 shares are deliverable, all of which will come from the Enagás S.A.'s treasury shares. Furthermore, the beneficiaries of the plan are not guaranteed any minimum value for the assigned shares. The cash part of the plan is limited to an estimated payment of approximately 3.5 million euros should all the objectives be fully met.

This plan is aimed at persons who, due to their level of responsibility on their position in the Enagás Group, contribute decisively to achieving the Company's objectives. The Plan initially designated 48 beneficiaries, notwithstanding the possibility that new recruitments due to mobility or professional level changes may include new beneficiaries during the measurement period.

The objectives set for the evaluation of the achievement of the Plan consist of:

- Accumulated results corresponding to the Funds for Operations ("FFO") of the Enagás Group. This metric shows the financial soundness and net profit growth, which are the cornerstones of the Enagás Group Strategic Plan. This takes into account both the EBITDA of the regulated business and the dividends received from the subsidiaries that are not controlled by Enagás. It is a benchmark indicator for investors. Fulfilling this objective will satisfy the Company forecasts for the distribution of Group, investment and debt amortisation dividends. It accounts for 25% of the total objectives.

- Accumulated cash flows received from affiliates ("Dividend"). This shows the focus on international growth and a realistic and profitable investment plan as the cornerstones of the Strategic Plan. It measures the profitability of the international business compared with the annual remuneration objective which measures the year's international investment volume. It accounts for 35% of the total objectives.

- Total shareholder return ("TSR"). To ensure appropriate, competitive shareholder remuneration. It takes into account share performance and the dividend policy. This objective comprises two components, each with a relative importance of 15% of the total objectives:

  a) The absolute TSR is measured as the acquisition of a target share price at the end of 2021. The target price has been established by investing estimated share dividends and is based on profitability and market parameters.

  b) Relative TSR: relative TSR shall be understood as the difference (expressed as a percentage) between the final value of an investment in ordinary shares and the initial value of that investment, bearing in mind that the calculation of said final value will consider dividends or other similar items (i.e. script dividends) received by the shareholder for said investment during the corresponding period. This metric shall be calculated against the Comparison Group formed by fifteen companies.

- Compliance with the Sustainability Plan. It reflects the company's commitment to creating long-term value responsibly in the social and environmental context. Its weight in the objectives total will be 10%, and it will consist of three indicators:

  c) Average reduction in CO_2 emissions in the 2019–2021 period vs. 2018.

  d) Increase in the percentage of women on the Board, in the management team and in the staff.

  e) Investment associated with the increased presence of renewable gases in the energy mix.

Regarding the measurement period, although it will occur during the period from January 1, 2019 to December 31, 2021, its settlement will take place on the following dates:

a) The beneficiary will receive 50% of the incentive within thirty (30) days following approval of the 2021 annual accounts by the General Shareholders' Meeting. This 50% will apply to the assets part of the incentive as well as the cash part of the incentive.

b) The beneficiary will receive the remaining 50% of the incentive once a period of one year has elapsed from the first payment date.

In this regard, and since the Regulation establishes the obligation for the beneficiaries to continue to provide their services to the Enagás Group until the first payment date in order to receive 50% of the incentive, and until the second payment date in order to receive the remaining 50%, the Enagás Group accrues the estimated fair value of the equity instruments granted taking account both of the target measurement period (January 1, 2019 to December 31, 2021) and the service conditions established for the period required to consolidate the remuneration.

The portion of said plan to be settled in Enagás, S.A. shares is considered a share-based transaction payable in equity instruments in accordance with IFRS 2 and, in keeping with said standard, the fair value of services received, as consideration for the equity instruments granted, is included in the Consolidated Income Statement at December 31, 2019, under "Personnel expenses" in the amount of 2,207 thousands of euros and a credit to "Other equity instruments" in the consolidated balance sheet at December 31, 2019.

For the valuation of this programme, the Enagás Group used the Monte-Carlo model, widely used in financial practice for the valuation of options, in order to include the effect of market conditions in the valuation of the equity instruments granted. The fair value of the equity instruments at the granting date is adjusted to include the market conditions relating to this plan. Likewise, the Company takes into account the fact that the dividends accrued during the plan period are not paid to the beneficiaries as they do not become shareholders of the Company until the effective delivery of the Company's shares. The breakdown and fair value of the shares at the granting date of the ILP of the Enagás Group are as follows:

	ILP 2019-2021
Total shares at the concession date (1)	501,946
Fair value of the equity instruments at the granting date (EUR)	25.94
Dividend yield	4.77%
Expected volatility	16.86%
Discount rate	0.62%

(1) This number of shares reflects the maximum number of shares to be delivered under the plan, and includes both the possibility of achieving the maximum degree of fulfilment of objectives established in the plan (125%), as well as the possibility that new hiring, staff mobility within the Group, or changes in professional levels, lead to the inclusion of new beneficiaries during the measurement period.

With respect to that part of the bonus payable in cash, the Enagás Group recognised the rendering of services corresponding to this plan as personnel expenses amounting to 705 thousands of euros with a credit to "Provisions" under non-current liabilities in the consolidated balance sheet at December 31, 2019. As in the case of the share-based payment plan component, the Enagás Group accrues the estimated fair value of the cash-settled amount over the term of the plan (January 1, 2019 to December 31, 2021) and the service conditions established for the period of time required for the consolidation of the remuneration.

.

4.5 Other information concerning the Board of Directors

The information included below as required by article 229 and subsequent of the Spanish Corporate Enterprises Act was prepared considering that they are companies with similar or complementary activities to those carried out by Enagás, that is, natural gas transmission, regasification, distribution, and commercialisation activities regulated by Law 31/1198 of the Hydrocarbons Sector.

As of December 31, 2019 and 2018, the Directors have reported that they do not hold any shares in the share capital of companies with the same, similar or complementary type of activity as the Enagás Group.

Positions held or duties performed by Group directors at companies whose corporate purpose is the same, similar or complementary disclosed to Enagás, S.A. at December 31, 2019 and 2018, are as follows:

DIRECTOR	COMPANY	POSITIONS
2019		
Marcelino Oreja Arburúa	Mibgas Derivatives, S.A.	Director
Marcelino Oreja Arburúa	Enagás Emprende, S.L.U.	Joint Director
Marcelino Oreja Arburúa	Enagás Services Solutions, S.L.U	Joint Director
Marcelino Oreja Arburúa	Enagás Transporte del Norte, S.L.	Chairman
Marcelino Oreja Arburúa	Enagás Renovable, S.L.U.	Joint Director
Marcelino Oreja Arburúa	Tallgrass Energy G.P.	Director

DIRECTOR	COMPANY	POSITIONS
2018		
Luis Javier Navarro Vigil	TLA, S. de R.L. de C.V.	Director
Luis Javier Navarro Vigil	TLA Servicios, S. de R.L. de C.V.	Director
Marcelino Oreja Arburúa	Mibgas Derivatives, S.A.	Director
Marcelino Oreja Arburúa	Enagás Emprende, S.L.U.	Joint Director
Marcelino Oreja Arburúa	Enagás Services Solutions, S.L.U	Joint Director
Marcelino Oreja Arburúa	Enagás Transporte del Norte, S.L.	Chairman

There are no activities of the same, similar or complementary nature to those carried out by Enagás which are performed by its Board members, on their own behalf or on behalf of third parties, not included in the above section.

At 2019 year-end, neither the members of the Board of Directors of the Company nor any parties related to them, as defined in Article 229 of the Corporate Enterprises Act, had notified the remaining Board members of any conflicts of interest, direct or indirect, with those of the Company.

4.6 Other Information

a) Environmental information

Activities for protection of the environment and biodiversity, energy efficiency, reduction in emissions, and the responsible consumption of resources are essential elements in the Enagás Group's environmental management to mitigate the impact of its activities.

The Group has integrated protection of the environment within its policy and strategic programmes via implementation of an Environmental Management System developed and certified by LLOYD'S, in accordance with the requisites of standard UNE EN ISO 14001, which guarantees compliance with applicable environmental legislation and continuous improvement of its environmental behaviour with respect to the activities it carries out in the LNG storage and regasification plants of Barcelona, Cartagena and Huelva, the underground storage facilities of Serrablo, Gaviota, and Yela, the basic gas pipeline network facilities, the Olmos headquarters, the Zaragoza laboratory, and management of development projects for new infrastructure.

In 2019, LLOYD'S, the accreditation agency, issued the corresponding audit reports on the Environmental Management System with a positive opinion, concluding that the system has a degree of development and maturity that ensures continuous improvement in this field.

The Enagás S.A. Group goes to continual lengths to identify, classify and minimise the environmental fallout from its activities and facilities, assessing risks and promoting eco-efficiency, practising responsible waste and residue management, minimising its carbon footprint and attempting to help combat climate change.

In addition, the Group incorporates environmental criteria in its relationship with suppliers and contractors, as well as in connection with decision-making with respect to the awarding of contracts for the rendering of services and products.

During 2019, environmental actions were carried out in the amount of 7,850 thousands of euros, recognised as investments under assets in the Balance Sheet (4,009 thousands of euros in 2018). The Company also assumed environmental expenses amounting to 4,565 thousands of euros in 2019, recognised under "Other operating expenses" (2,325 thousands of euros in 2018).

The Group has arranged sufficient civil liability insurance to meet any possible contingencies, compensation and other risks of an environmental nature which it might incur.

The Group did not benefit from any tax incentives during 2019 as a consequence of activities relating to the environment.

b) Greenhouse gas emission rights

Some of the Enagás Group's facilities are included within the scope of Law 1/2005 of March 9, which regulates the commercial regime for greenhouse gas emission rights.

On November 15, 2013, the Council of Ministers approved the final assignation of free greenhouse gas emission rights to institutions subject to the greenhouse gas emission allowance trading regime for the period 2013-2020, amongst which the Enagás Transporte, S.A.U. facilities are included.

The rights assigned for 2019 and 2018 were measured at 24.98 euros/right and 7.57 euros/right, respectively, the spot price on the first working day of 2019 and 2018 of SENDECO2, Sistema Europeo de Negociación de CO_2, a company engaged in the purchase and sale of emission rights on its own account and in providing technical and administrative advice on industrial facilities subject to the Trade Directive (EU ETS). The rights consumed at the end of the year are taken to income, resulting in additions for the year of 1,249 thousands of euros and 630 thousands of euros, respectively.

In addition, in 2019 70,000 emission allowances were acquired for consideration for a total of 1,670 thousands of euros (no allowances were acquired for consideration in 2018).

The Enagás Group consumed 168,926 greenhouse gas emission rights during 2019 (163,070 rights during 2018).

The expense relating to emission allowances recognised in the income statement amounted to 1,601.5 thousands of euros, which is included under "Other Current Operating Expenses" (4 thousands of euros in 2018).

During 2019 the Enagás Group did not engage in any negotiations for future contracts relating to greenhouse gas emission rights, nor were there any contingencies relating to penalties or provisional cautionary measures in the terms established by Law 1/2005.

c) Audit fees

"Other operating expenses" includes the fees for audit and non-audit services provided by the auditor of the Group, Ernst & Young, S.L., or by a company belonging to the same network or related to the auditor, broken down as follows:

	2019		2018	
Categorías	Services rendered by the accounts auditor and related companies	Services provided by other auditors of the Group	Services rendered by the accounts auditor and related companies	Services provided by other auditors of the Group
Audit services [1]	1,051	486	1,012	169
Other assurance services [2]	353	-	347	-
Total audit and related services	**1,404**	**486**	**1,359**	**169**
Tax services	-	-	20	-
Total other professional services	**-**	**-**	**20**	**-**
Total professional services [3]	**1,404**	**486**	**1,379**	**169**

(1) Audit services: This heading includes services rendered for the performance of statutory audits of the Group's annual accounts and the limited review work performed with respect to the Interim and Quarterly Consolidated Financial Statements as well as the Certification of the Internal Control over Financial Reporting (ICFR) System.

(2) Other audit-related assurance services: This heading includes the work relating to the Annual Corporate Governance Report, the review of non-financial information included in the Annual Report, the Audit Reports for issuing Comfort letters, as well as the issuing of Agreed-Upon Procedures in relation to the regulatory costs information sent to the CNMC on June 30, 2019.

(3) Law 22/2015 on the Audit of Accounts establishes that non-audit services provided by the auditor must be less than 70% of the average fees paid for audit services for three consecutive years. The amount of non-audit services rendered by the accounts auditors (Ernst & Young, S.L.) amounts to 34% of the audit service fees invoiced (23% for the Group).

4.7 Information by segments

Accounting policies

Basis of segmentation

› Segment reporting is structured based on the Group's various business lines as described in Note 1.1.

The Group identifies its operating segments based on internal reports relating to the companies comprising the Group which are regularly reviewed, discussed, and evaluated in the decision-making process.

a) Primary business segments

Regulated activities - Infrastructure Activity

Gas transmission: Represents the main activity, consisting in the delivery of gas via its transmission network, comprised of primary transmission pipelines (with maximum design pressure equal to or greater than 60 bars) and secondary transmission pipelines (with maximum design pressure ranging from 16 to 60 bars) up to the distribution points, as owner of most of the gas transmission network in Spain.

Regasification: The gas is transported from the producing countries in methane tankers at 160ºC below zero in its liquid state (LNG) and is unloaded at the regasification plants where it is stored in cryogenic tanks. At these facilities, via a physical process which normally makes use of seawater vaporizers, the temperature of the liquefied gas is increased until it is transformed into its gaseous state. The natural gas is injected into the gas pipelines for transmission to the whole peninsula.

Storage of gas: The Enagás Group operates the following underground storage facilities: Serrablo (located between Jaca and Sabiñánigo - Huesca), Gaviota (offshore storage, located close to Bermeo - Vizcaya), and Yela (Guadalajara).

Regulated activities - Activity of the Technical Manager of the System

The Enagás Group continued carrying out its functions as Technical Manager of the System in 2018 in compliance with Royal Decree 6/2000 of June 23 and Royal Decree 949/2001 of August 3, with a view to guaranteeing supply continuity and safety, as well as the correct coordination amongst the access, storage, transportation, and distribution points.

Non-regulated activities

All non-regulated activities, as well as transactions related to investments in associates and joint ventures, except those corresponding to BBG, Saggas, MIBGAS and Iniciativas del Gas, S.L.

The above activities can be carried out by Enagás, S.A. itself or through companies with an identical or analogous corporate purpose in which it holds interest, provided they remain within the scope and limitations established by legislation applicable to the hydrocarbons sector. In accordance with said legislation, the activities related to transmission and technical management of the system which are of a regulated nature must be carried out by two subsidiaries entirely owned by Enagás, S.A. (Enagás Transporte, S.A.U. and Enagás GTS, S.A.U., respectively).

The structure of this information is designed as if each business line were an independent business, with its own resources, distributed on the basis of the assets assigned to each line in accordance with an internal system of cost allocation by percentages.

	Infrastructures		Technical Management of the System		Other activities		Adjustments (1)		Total Group	
INCOME STATEMENT	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Operating income	1,120,294	1,138,290	26,738	26,182	98,305	242,206	(62,603)	(64,460)	**1,182,734**	**1,342,218**
Third parties	1,109,773	1,128,147	24,500	23,976	34,189	177,655	-	-	**1,168,462**	**1,329,778**
Group	10,521	10,143	2,238	2,206	64,116	64,551	(62,603)	(64,460)	**14,272**	**12,440**
Provisions for amortisation of fixed assets	(248,778)	(241,497)	(6,162)	(6,696)	(19,576)	(60,844)	10	228	**(274,506)**	**(308,809)**
Operating profit	582,557	588,330	2,670	1,704	72,131	99,946	44	1,051	**657,402**	**691,031**
Financial income	409	321	76	1	454,713	512,770	(438,880)	(447,246)	**16,318**	**65,846**
Financial expenses	(25,011)	(37,231)	(164)	(178)	(115,486)	(142,435)	6,881	25,187	**(133,780)**	**(154,657)**
Income tax	(136,374)	(134,049)	(621)	(369)	24,902	11,385	(12)	(75)	**(112,105)**	**(123,108)**
Net profit	424,264	416,377	1,961	1,158	428,359	446,174	(431,966)	(421,083)	**422,618**	**442,626**

(1) "Adjustments" includes the eliminations of inter-company transactions (rendering of services and credits granted).

The breakdown of operating income by segment, with the breakdown according to IFRS 15 of income from customer contracts for 2018, is as follows:

	Infrastructures		Technical Management of the System		Other activities		Adjustments (1)		Total Group	
NIIF 15 Operating income	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Operating income	1,120,294	1,138,290	26,738	26,182	98,305	242,206	(62,603)	(64,460)	**1,182,734**	**1,342,218**
Revenue from contracts with customers	47,557	62,173	5	5	7,710	4,741	-	-	**55,272**	**66,919**
Third parties	33,070	39,050	-	-	2,124	640	-	-	**35,194**	**39,690**
Group	14,487	23,123	5	5	5,586	4,101	-	-	**20,078**	**27,229**
Other	1,072,737	1,076,117	26,733	26,177	90,595	237,465	(62,603)	(64,460)	**1,127,462**	**1,275,299**
Third parties	1,076,703	1,089,097	24,500	23,976	32,065	177,015	-	-	**1,133,268**	**1,290,088**
Group	(3,966)	(12,980)	2,233	2,201	58,530	60,450	(62,603)	(64,460)	**(5,806)**	**(14,789)**

(1) "Adjustments" includes the eliminations of inter-company transactions (rendering of services and credits granted).

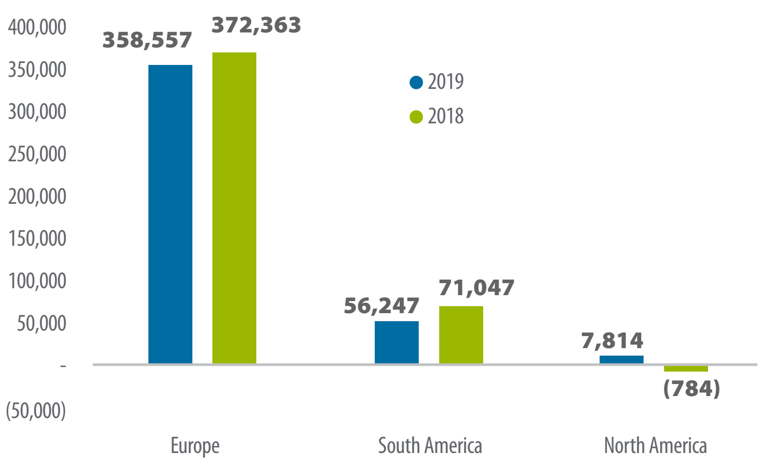
	Infrastructures		Technical Management of the System		Other activities		Adjustments (1)		Total Group	
BALANCE SHEET	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Total assets	5,517,802	5,517,489	99,114	85,567	7,505,796	8,407,901	(4,278,488)	(4,484,756)	**8,844,224**	**9,526,202**
Acquisition of fixed assets	127,791	16,799	7,514	5,000	11,214	19,070	-	(129)	**146,519**	**40,740**
Non-current liabilities (2)	461,201	439,403	(887)	(1,398)	1,050	284,955	(459)	(458)	**460,905**	**722,502**
Deferred tax liabilities	174,191	194,145	(1,097)	(1,398)	(748)	284,476	(459)	(458)	**171,887**	**476,765**
Provisions	246,256	176,011	210	-	1,798	479	-	-	**248,264**	**176,490**
Other non-current liabilities	40,754	69,247	-	-	-	-	-	-	**40,754**	**69,247**
Current liabilities (2)	300,919	496,674	85,270	64,213	53,185	73,583	(226,981)	(430,201)	**212,393**	**204,269**
Trade and other payables	300,919	496,674	85,270	64,213	53,185	73,583	(226,981)	(430,201)	**212,393**	**204,269**

(1) "Adjustments" includes the eliminations of inter-company transactions (rendering of services and credits granted) as well as the elimination of Investments-Shareholders equity.
(2) Financial liabilities are not included.

b) Segments by geographical information

The majority of companies in the Enagás Group operating outside Europe were consolidated under the equity method, with the corresponding expenses and income thus recognised under "Profit/ (loss) from investments consolidated under the equity method" in the Consolidated Income Statement. In view of this, the information relating to geographical markets is based on net revenue.

The distribution of consolidated results for 2019 and 2018, broken down by geographical markets, is as follows:



4.8 Inventories

As established in Order IET/2736/2015 of December 17: "From October 1, 2016, the quantity of working gas is zero." At December 31, 2015, the Enagás Group, as Technical Manager of the System, maintained control of approximately 755 GWh of working gas necessary for enabling operation of the gas system as established in the fifth additional provision to Order ITC/3863/2007 of December 28. This gas is not reflected in the financial statements as it is gas available for the System and therefore not owned by the Enagás Group.

4.9 Subsequent events

Subsequent to the close of the financial year, on January 9, 2020, Circular 1/2020 was published, establishing the methodology for the remuneration of the Technical Manager of the System from 2020. Also, on the same date, Circular 2/2020 was published, establishing the regulations on natural gas balance sheets.

On January 13, 2020, the conditions precedent included in the purchase-sale contract for 10% of the stake in Senfluga to other partner signed in August 2019 were fulfilled. These conditions precedent were outstanding at 2019 year-end and, therefore, the Company had classified 10% as non-current assets held for sale. Thus, the Company made the aforementioned sale in mid-January 2020, for which it collected 3,310 thousands of euros.

In April 25, 2019, the governing bodies of the Company (the "Absorbing Company") and Compañía Transportista de Gas Canaria, S.A.U., (GASCAN, the "Absorbed Company"), formulated the Plan of Merger in compliance with the provisions of Article 30.1 of Law 3/2009 of April 3 on structural changes in corporations. This Merger Project was definitively registered at the Madrid Mercantile Registry on January 14, 2020, and has no impact at a consolidated level.

On January 20, 2020, as described in Note 3.3 a, Enagás filed a statement of claim, from which point the Peruvian State's response phase began, with May 2020 being the maximum deadline for completion of this phase.

Since January 1, 2020 until the date on which these Consolidated Annual Accounts were drawn up, no events have occurred that would significantly affect the profit (loss) of the Group or its equity.

5 Explanation added for translation to English

These Consolidated Annual Accounts are a translation of financial statements originally issued in Spanish and prepared in accordance with International Financial Reporting Standards as adopted by the EU, in conformity with Regulation (EC) No. 1606/ 2002. In the event of a discrepancy, the Spanish-language version prevails.

These Consolidated Annual Accounts are presented on the basis of the regulatory financial reporting framework applicable to Enagás Group (Note 1.2). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Appendix I. Subsidiaries at December 31, 2019

Subsidiaries	Country	Activity	% stake and Voting Rights controlled by the Enagás Group	Amount of Share Capital in functional currency
Enagás Transporte, S.A.U.	Spain	Regasification, storage, and transmission of gas.	100.00%	532,089,120 euros
Enagás GTS, S.A.U.	Spain	Technical Management of the Gas System.	100.00%	5,914,451 euros
Enagás Internacional, S.L.U.	Spain	Holding	100.00%	167,088,993 dollars
Enagás Financiaciones, S.A.U.	Spain	Financial management.	100.00%	890,000 euros
Enagás Transporte del Norte S.L.	Spain	Gas transmission.	90.00%	38,501,045 euros
Enagás Chile, S.P.A.	Chile	Holding	100.00%	383,530,442 dollars
Compañía Transportista de Gas Canarias S.A.	Spain	Regasification and storage of gas	100.00%	1,825,000 euros
Enagás México, S.A.	Mexico	Holding	100.00%	3,342,486 dollars
Enagás Perú, S.A.C.	Peru	Holding	100.00%	4,173,447 dollars
Enagás USA, LLC	USA	Holding	100.00%	238,449,227 dollars
Infraestructuras de Gas, S.A.	Spain	Holding	85.00%	340,000 euros
Enagás Emprende, S.L.U.	Spain	Holding	100.00%	4,882,125 euros
Efficiency for LNG Applications, S.L.	Spain	Development of industrial projects and activities relating to LNG terminals.	92.004%	90,040 euros
Scale Gas Solutions, S.L.	Spain	Development and implementation of facilities for the supply of natural gas as fuel for vehicles, including its design, construction and maintenance.	90.004%	64,994 euros
Enagás Services Solutions, S.L.	Spain	Holding	100.00%	2,893,500 euros
Hydrogen to Gas S.L.	Spain	Development of industrial projects and activities to promote hydrogen production and transport infrastructures.	60.00%	74,750 euros
Sercomgas Gas Solutions	Spain	Provision of commercial services for the purpose of improving the daily operational management of gas shippers.	84.00%	88,536 euros
Bioengás Renovables	Spain	Development and integrated management of energy projects for the production of renewable gases from organic matter.	92.50%	144,000 euros
Enagás Renovable, S.L.	Spain	Development of projects to promote the role of renewable gases in the energy transition.	100.00%	36,000 euros
Smart Energy Assets, S.L.	Spain	Provision of improvement and efficiency services in the measurement of gas at the delivery points of the transmission network.	87.50%	135,000 euros
Roblasun 1, S.L.	Spain	Production of solar electric energy.	100.00%	3,000 euros
Roblasun 2, S.L.	Spain	Production of solar electric energy.	100.00%	3,000 euros
Roblasun 3, S.L.	Spain	Production of solar electric energy.	100.00%	3,000 euros
Roblasun 4, S.L.	Spain	Production of solar electric energy.	100.00%	3,000 euros
Roblasun 5, S.L.	Spain	Production of solar electric energy.	100.00%	3,000 euros
Roblasun 6, S.L.	Spain	Production of solar electric energy.	100.00%	3,000 euros
Cierzosun 1 S.L.U.	Spain	Production of solar electric energy	100.00%	3,000 euros
Cierzosun 2 S.L.U.	Spain	Production of solar electric energy	100.00%	3,000 euros
Cierzosun 3 S.L.U.	Spain	Production of solar electric energy	100.00%	3,000 euros
Cierzosun 4 S.L.U.	Spain	Production of solar electric energy	100.00%	3,000 euros
Windmusel 1 S.L.U.	Spain	Production of wind electric energy.	100.00%	3,000 euros
Windmusel 2 S.L.U.	Spain	Production of wind electric energy.	100.00%	3,000 euros
Windmusel 3 S.L.U.	Spain	Production of wind electric energy.	100.00%	3,000 euros
Enagás Intern. USA, S.L.U.	Spain	Holding	100.00%	35,426,143 dollars

Appendix II. Joint ventures, joint operations, and associates

Company	Country	Activity	%	% of voting rights controlled by the Enagás Group.	Thousands of euros (1): Net carrying amount	Thousands of euros (1): Dividends received	Net carrying amount in functional currency: Thousands of euros	Net carrying amount in functional currency: Thousands of dollars
Joint operations								
Gasoducto Al- Ándalus, S.A.	Spain	Gas transmission	66.96%	66.96%	6,084	14,170	6,084	-
Gasoducto de Extremadura, S.A.	Spain	Gas transmission	51.00%	51.00%	2,332	6,501	2,332	-
Joint ventures								
Bahía de Bizkaia Gas, S.L.	Spain	Storage and regasification	50.00%	50.00%	54,884	12,500	54,884	-
Subgrupo Altamira LNG, C.V. (3)	Netherlands/ Mexico	Holding/Regasification	40.00%	40.00%	46,878	3,861	-	52,423
Gasoducto de Morelos, S.A.P.I. de C.V.	Mexico	Gas transmission	50.00%	50.00%	14,576	-	-	18,284
Morelos EPC, S.A.P.I. de C.V.	Mexico	Engineering and construction	50.00%	50.00%	(616)	1,485	-	4
EC Soto La Marina SAPI de CV	Mexico	Natural gas compression	50.00%	50.00%	8,389	-	-	8,436
Compañía Operadora de Gas del Amazonas, S.A.C.	Peru	Operation and maintenance	51.00%	51.00%	20,605	1,262	-	23,995
Tecgas, Inc.	Canada	Holding	51.00%	51.00%	1,120	-	-	1,191
EC Soto la Marina O&M SAPI de CV	Mexico	Operation and maintenance	50.00%	50.00%	1	-	-	2
Morelos O&M, S.A.P.I de CV	Mexico	Operation and maintenance	50.00%	50.00%	128	-	-	139
Iniciativas de Gas, S.L. (4)	Spain	Holding	60.00%	60.00%	46,648	-	46,648	-
Planta de Regasificación de Sagunto, S.A. (4)	Spain	Storage and regasification	72.50%	72.50%	1,500	25,848	1,500	-
Gas to Move Transport Solutions, S.L.	Spain	Industrial projects and activities relating to LNG terminals	69.22%	69.22%	2,792	-	2,792	-
Senfluga Energy Infraestructure sub-group	Greece	Holding	20.00%	20.00%	33,105	-	37,951	-
Axent Inf. Tel., S.A.	Spain	Operation of Radio and TV Telecommunications Network.	49.00%	49.00%	2,408	-	2,408	-
Vira Gas Imaging, S.L.	Spain	Development and commercialisation of technological activities	40.00%	40.00%	259	-	259	-
GNL Quintero, S.A.	Chile	LNG reception, unloading, storage and regasification	45.40%	45.40%	867,658	14,649	998,128	-
Associates								
Transportadora de gas del Perú, S.A.	Peru	Gas transmission	28.94%	28.94%	487,285	59,798	-	629,276
Prairie Group	USA	Holding group with a stake in Tallgrass Energy LP (Oil & Gas transmission and extraction)	28.42%	28.42%	712,401	-	-	802,070
Trans Adriatic Pipeline, A.G. (2 and 3)	Switzerland	Gas transmission	16.00%	16.00%	206,014	-	237,562	-
Seab Power Ltd.	United Kingdom	Development and commercialisation of systems to transform waste into energy	12.75%	12.75%	252	-	252	-
Mibgas Derivatives, S.A.	Spain	Operation of the (organised) gas market	28.34%	28.34%	142	-	142	-
Mibgas, S.A.	Spain	Operation of the (organised) gas market	13.34%	13.34%	417	-	417	-

1) For those companies whose local currency is different to that of the Group, the euro (Note 1.3), the "net carrying amount" of the financial investment is shown in historic euros and includes the capitalised acquisition costs. The euros corresponding to "dividends received" are translated at the exchange rate corresponding to the transaction date.

(2) This company has three permanent establishments in Greece, Italy, and Albania.

(3) Both companies are owned together with other international industrial partners. Their activity consists in the development and operation of infrastructure projects, such as the regasification plant already operational in Altamira and the TAP project (declared Project of Common Interest by the European Union).

(4) Iniciativas de Gas, S.L. and Infraestructuras de Gas, S.L. each hold a 50% stake in Planta de Regasificación de Sagunto Gas, S.A. Both companies are in turn affiliates of the Enagás Group, which holds a 60% stake and an 85% stake in them, respectively. Thus, the indirect interest held by the Enagás Group in Planta de Regasificación de Sagunto Gas, S.A. amounts to 72.5%. The dividend distribution is carried out by Planta de Regasificación de Sagunto Gas, S.A.

Balance sheet figures 2019

Figures for affiliate (1)(2)

Company (Thousands of euros)	Assets: Long-term	Assets: Short-term: Cash and cash equivalents	Assets: Short-term: Remaining short-term assets	Equity: Other results	Equity: Remaining equity	Liabilities: Long-term: Financial liabilities	Liabilities: Long-term: Remaining liabilities	Liabilities: Short-term: Financial liabilities	Liabilities: Short-term: Remaining liabilities
Gasoducto Al-Ándalus, S.A.	7,922	13,281	2,474	-	20,323	-	-	-	3,354
Gasoducto de Extremadura, S.A.	3,698	7,439	2,653	-	11,384	-	-	-	2,406
Bahía de Bizkaia Gas, S.L.	210,219	38,892	9,168	(5,644)	74,614	138,147	25,816	14,833	10,513
Subgrupo Altamira LNG, C.V.	305,240	11,058	7,483	(29)	188,180	50,890	57,337	17,619	9,783
Gasoducto de Morelos, S.A.P.I. de C.V.	250,177	10,733	12,984	(4,079)	34,846	127,113	28,219	7,816	79,980
Morelos EPC, S.A.P.I. de C.V.	-	318	18	-	173	-	-	-	163
GNL Quintero, S.A.	1,690,547	412,678	21,904	(41,455)	842,005	983,545	281,107	18,922	41,006
EC Soto La Marina SAPI de CV	76,577	3,029	3,295	-	23,940	-	2,053	56,155	754
Transportadora de gas del Perú, S.A.	2,403,726	100,432	77,257	-	1,216,300	785,394	495,012	16,507	68,201
Trans Adriatic Pipeline, A.G.	4,295,271	29,250	50,744	(89,713)	1,118,562	2,891,118	244,071	-	211,227
Compañía Operadora de Gas del Amazonas, S.A.C.	54,415	11,304	20,564	-	28,229	-	7,279	-	50,775
Tecgas, Inc.	-	40	-	-	40	-	-	-	-
EC Soto la Marina O&M SAPI de CV	2,220	418	30	-	276	2,180	-	-	212
Morelos O&M, S.A.P.I de CV	42	394	183	-	416	-	-	-	202
Iniciativas de Gas, S.L.	976	525	-	-	1,495	-	-	-	6
Planta de Regasificación de Sagunto, S.A.	388,300	40,700	16,614	(4,221)	163,913	204,414	52,878	24,142	4,489
Mibgas, S.A.	776	1,732	33,613	-	3,347	-	-	31,715	1,059
Gas to Move Transport Solutions, S.L.	3,621	(213)	1,830	-	1,311	787	690	-	2,450
Axent Inf. Tel., S.A.	5,069	295	1,446	-	2,637	1,828	-	1,083	1,262
Prairie Group	2,887,200	291,432	4,519	-	2,205,231	965,157	-	-	12,763
Tallgrass Group	8,955,269	8,369	343,753	-	5,809,277	3,065,582	22,494	-	410,037
SEAB Power Ltd.	2,259	-	331	-	2,151	130	-	309	-

(1) Data provided as though companies were 100% invested, in accordance with IFRS.

(2) For those companies whose local currency is different to the Group's functional currency, the euro (Note 1.3), the balance sheet figures were translated at the exchange rate prevailing at the closing date.

Income Statement figures 2019

Company (Thousands of euros)	Figures for affiliate [1][2] – Income statement: Revenue	Amortisation	Interest income	Interest expense	Income tax	Other expenses and income	Net profit /(loss)
Gasoducto Al- Ándalus, S.A.	35,790	(7,251)	-	(0)	(5,245)	(7,559)	15,734
Gasoducto de Extremadura, S.A.	24,255	(3,185)	-	(0)	(3,764)	(6,022)	11,285
Bahía de Bizkaia Gas, S.L.	62,176	(15,399)	151	(7,923)	(10,055)	(17,285)	11,666
Subgrupo Altamira LNG, C.V.	66,970	(15,417)	3,792	(4,840)	(11,834)	(12,939)	25,733
Gasoducto de Morelos, S.A.P.I. de C.V.	38,204	(13,148)	-	(11,607)	(4,023)	(2,497)	6,929
Morelos EPC, S.A.P.I. de C.V.	-	-	-	-	-	(5,022)	(5,022)
EC Soto La Marina S.A.P.I. de C.V.	12,163	(4,724)	59	(2,786)	618	(2,775)	2,555
EC Soto La Marina EPC S.A.P.I. de C.V.	-	-	-	-	-	-	-
Transportadora de gas del Perú, S.A.	622,742	(156,662)	2,367	(61,409)	(72,828)	(182,027)	152,184
Trans Adriatic Pipeline, A.G.	-	(984)	475	(1,313)	(45)	(37,414)	(39,281)
Compañía Operadora de Gas del Amazonas, S.A.C.	145,067	(680)	54	(27)	(1,122)	(140,529)	2,764
Tecgas, Inc.	-	-	-	-	-	N.D.	N.D.
EC Soto la Marina O&M S.A.P.I. de C.V.	2,060	-	0	(0)	(46)	(1,962)	52
Morelos O&M, S.A.P.I de C.V.	1,732	(15)	-	-	(28)	(1,624)	66
GNL Quintero	188,658	(56,714)	8,096	(46,607)	(12,178)	(48,270)	32,985
Senfluga Energy Infraestructure subgroup	838,547	139,468	80,786	(4,829)	492,584	422,382	44,025
Prairie Group	-	-	2,909	(60,541)	-	(238)	(57,870)
Tallgrass Energy LP	598,282	(188,226)	-	(108,907)	24,589	21,360	347,099
Iniciativas de Gas, S.L.	-	-	-	-	-	(72)	(72)
Planta de Regasificación de Sagunto, S.A.	74,880	(29,453)	376	(10,139)	(4,986)	(15,733)	14,946
Mibgas, S.A.	4,113	(45)	-	-	(117)	(3,801)	150
Gas to Move Transport Solutions, S.L.	4,457	(161)	-	(38)	582	(6,586)	(1,746)
Vira Gas Imaging	431	-	-	-	11	(475)	(34)
Axent Inf. Tel., S.A.	786	(173)	2	(79)	-	(1,494)	(959)
SEAB Power Ltd.	241	-	-	-	-	(230)	11

(1) Data provided as though companies were 100% invested, in accordance with IFRS.
(2) For those companies whose local currency is different to the Group's functional currency, the euro (Note 1.3), the income statement figures were translated at the average exchange rate for the reporting period.

Balance sheet figures 2018

Figures for affiliate [1][2]

Company (Thousands of euros)	Assets: Long-term	Assets: Short-term: Cash and cash equivalents	Assets: Short-term: Remaining short-term assets	Equity: Other results	Equity: Remaining equity	Liabilities: Long-term: Financial liabilities	Liabilities: Long-term: Remaining liabilities	Liabilities: Short-term: Financial liabilities	Liabilities: Short-term: Remaining liabilities
Gasoducto Al- Ándalus, S.A.	15,390	27,873	2,131	-	32,539	-	-	8,160	4,695
Gasoducto de Extremadura, S.A.	6,978	14,111	837	-	15,846	-	-	3,600	2,480
Bahía de Bizkaia Gas, S.L.	237,117	36,438	11,612	(4,435)	91,686	150,395	26,963	15,036	5,522
Subgrupo Altamira LNG, C.V.	301,747	6,365	8,294	389	174,402	44,597	64,001	25,605	7,412
Gasoducto de Morelos, S.A.P.I. de C.V.	260,085	15,486	15,247	(718)	29,484	132,061	40,432	2,689	86,871
Morelos EPC, S.A.P.I. de C.V.	519	7,470	926	-	8,130	-	-	-	785
EC Soto La Marina SAPI de CV	75,105	2,971	3,232	-	23,480	-	2,013	55,076	739
EC Soto La Marina EPC SAPI de CV	-	190	1,085	-	1,270	-	-	-	6
Transportadora de gas del Perú, S.A.	2,471,162	146,381	76,361	-	1,246,011	898,857	455,684	8,594	84,757
Trans Adriatic Pipeline, A.G.	3,790,726	43,509	64,855	623	997,551	2,537,397	106,164	48,300	209,055
Compañía Operadora de Gas del Amazonas, S.A.C.	35,494	10,882	19,805	-	28,885	-	7,615	-	29,681
Tecgas, Inc.	-	43	-	-	43	-	-	-	-
EC Soto la Marina O&M SAPI de CV	2,728	3	388	-	219	2,707	-	-	193
Morelos O&M, S.A.P.I de CV	101	316	138	-	322	-	-	-	234
Iniciativas de Gas, S.L.	986	606	-	-	1,585	-	-	-	7
Planta de Regasificación de Sagunto, S.A.	423,775	45,932	32,757	(5,323)	184,685	229,919	58,206	24,577	10,399
Mibgas, S.A.	776	1,732	33,613	-	3,347	-	-	31,714	1,060
Gas to Move Transport Solutions, S.L.	347	22	286	-	(42)	350	-	-	347
Senfluga Energy Infraestructure sub-group	851,382	225,408	101,719	-	505,811	452,695	44,022	96,546	79,436
Axent Inf. Tel., S.A.	1,584	2,447	366	-	2,165	1,559	-	19	654

(1) Data provided as though companies were 100% invested, in accordance with IFRS.
(2) For those companies whose local currency is different to the Group's functional currency, the euro (Note 1.3), the income statement figures were translated at the average exchange rate for the reporting period.

Income Statement figures 2018

Company (Thousands of euros)	Revenue	Amortisation	Interest income	Interest expense	Income tax	Other expenses and income	Net profit /(loss)
	Figures for affiliate [1][2]						
	Income statement						
Gasoducto Al- Ándalus, S.A.	39,052	(7,251)	-	(11)	(6,810)	(4,652)	20,328
Gasoducto de Extremadura, S.A.	25,993	(3,185)	-	(9)	(4,218)	(6,019)	12,562
Bahía de Bizkaia Gas, S.L.	55,627	(15,399)	153	(8,725)	(3,402)	(16,685)	11,570
Subgrupo Altamira LNG, C.V.	64,345	(12,783)	-	(4,530)	(11,921)	(11,273)	23,838
Gasoducto de Morelos, S.A.P.I. de C.V.	35,553	(12,608)	-	1,574	3,853	(24,911)	3,461
Morelos EPC, S.A.P.I. de C.V.	8,961	-	-	-	(689)	(7,583)	688
EC Soto La Marina S.A.P.I. de C.V.	11,054	(4,249)	47	(2,902)	906	836	5,693
EC Soto La Marina EPC S.A.P.I. de C.V.	53	-	-	(13)	-	3,400	3,440
Transportadora de gas del Perú, S.A.	585,172	(143,645)	2,505	(58,281)	(67,545)	(170,604)	147,602
Trans Adriatic Pipeline, A.G.	-	556	302	(840)	(890)	18,797	17,925
Compañía Operadora de Gas del Amazonas, S.A.C.	110,712	(2,119)	37	(27)	(887)	(106,458)	1,258
Tecgas, Inc.	-	-	-	-	-	N.D.	N.D.
EC Soto la Marina O&M S.A.P.I. de C.V.	1,822	-	-	(8)	(30)	(1,727)	56
Morelos O&M, S.A.P.I de C.V.	1,801	(13)	-	-	(24)	(1,676)	89
Iniciativas de Gas, S.L.	-	-	-	-	-	(26)	(26)
Planta de Regasificación de Sagunto, S.A.	69,943	(30,705)	424	(11,545)	(3,025)	(16,623)	8,469
Mibgas, S.A.	4,113	(45)	-	-	(117)	(3,801)	150
Gas to Move Transport Solutions, S.L.	224	(2)	-	-	146	(805)	(437)
Senfluga Energy Infraestructure sub-group	-	-	-	-	-	(6,652)	(6,652)
Axent Inf. Tel., S.A.	282	(29)	-	(50)	-	(538)	(335)

(1) Data provided as though companies were 100% invested, in accordance with IFRS.
(2) For those companies whose local currency is different to the Group's functional currency, the euro (Note 1.3), the income statement figures were translated at the average exchange rate for the reporting period.

Appendix III. Regulatory framework

a) Economic sustainability of the gas system and remuneration framework for the first regulatory period (2014-2020)

The general remuneration framework applicable from 2002, based on the Hydrocarbons Law 34/1998 of October 7, and later developments of said law, was updated subsequent to the promulgation of Law 18/2014 of October 15, on approving urgent measures for growth, competitiveness, and efficiency.

The basic principles of this new framework, which is applied to the remuneration period in force until 2020, are as follows:

- The principle of economic and financial sustainability of the gas system is established as a guiding principle for actions conducted by Public Administrations and other subjects participating in the gas system. By virtue of said principle, any regulatory measure with respect to the sector which involves an increased cost for the gas system or a reduction of income must incorporate an equivalent reduction in other cost items or an equivalent increase in income which ensures equilibrium in the system. In this manner, the possibility of deficits accumulating is definitively eliminated.

  This principle of economic and financial sustainability must be understood in such a manner that income collected in connection with the use of the facilities can cover the totality of costs generated by the system. The regulated remuneration methodologies in the natural gas sector consider the necessary costs for a company to manage its activities well and efficiently in accordance with the principle for performing its activities at the lowest cost for the system.

  This principle is reinforced with the establishment of restrictions relating to the appearance of temporary annual imbalances, establishing a rebalancing mechanism via the obligation for automatic reviews of the corresponding tolls and royalties if certain limits are exceeded. The thresholds introduced allow for deviations deriving from one-off circumstances or volatility affecting gas demand which, as such, may be reversed in the following period without the need to modify the tolls and royalties, while guaranteeing that mismatch levels that could place the system's financial stability at risk cannot be reached.

- Regulatory periods of six years are fixed to establish the remuneration of regulated activities, providing regulatory stability for said activities.

  The first regulatory period terminates on December 31, 2020. From January 1, 2021, the subsequent consecutive regulatory periods will each last six years.

b) Remuneration of transmission, regasification and storage activities

The remuneration system for transmission, regasification, and storage facilities was established under harmonised principles adapting the net carrying amount of the asset as a basis for calculating the remuneration on the investment. It also incorporates a variable remuneration based on the transmitted, regasified or stored gas, and the type of asset, with elimination of any procedure for automatic revision of values and remunerative parameters based on price indices.

The methodology on which the current remuneration framework is based, is the following:

- Remuneration is comprised of a fixed portion for availability (RA) of the facility and a variable portion for supply continuity (RCS).

  The fixed portion for availability (RA) includes operation and maintenance costs for each year, amortisation and financial remuneration calculated by applying the annual net value of the investment and the financial remuneration rate determined for each regulatory period.

  Inclusion of the variable portion for supply continuity (RSC) in the remuneration for the facilities balances income and system costs by linking part of said costs to the changes in demand. This portion is based on the total changes in domestic consumption of natural gas, excluding supply through satellite plants, of regasified gas and the change in the useful gas stored.

  Once the regulatory useful life of the facilities has elapsed, and in those cases in which the asset remains operational, the operating and maintenance costs are established as fixed remuneration, increased by a coefficient based on the number of years by which the facility exceeds the regulatory useful life, not accruing any amounts as investment remuneration.

b.1) Accredited fixed cost Remuneration for Availability (RA)

This cost is determined individually for each of the assets in production. This parameter compensates the investment and operating costs of the assets used for operating in the gas system.

b.1.1. Remuneration for investment costs is comprised of the following:

- Value of assets recognised. The amounts recognised for assets in the previous regulatory framework are maintained. For facilities commissioned before 2002, the corresponding amounts are calculated based on the carrying amounts of the assets once the accounting restatement of 1996 is taken into account (Royal Decree-Law 7/1996), less grants received for the purpose of financing said assets, applying a restatement coefficient comprised of the adjusted average Consumer Price Index (CPI) and Industrial Price Index (IPRI) to this difference.

  For the new facilities commissioned from 2002, the standard value of each investment as established by the regulator is used, while for those which require expansion, the real cost is used.

  Given that there are no standard values for investments in underground storage facilities, they are also measured at real cost.

  Transmission facilities commissioned from 2008 are measured by taking the average of the standard value and real cost.

  Regasification facilities commissioned from 2006 are measured at real cost plus 50% of the difference between the standard value and said real cost, up to a maximum of the standard value.

- Remuneration for amortisation of system assets. The value of the resulting amount recognised for the investment is amortised applying a rate corresponding to its useful life, obtaining the related income in this manner.

  The new framework maintains the useful lives of the assets except for gas pipelines, which are attributed a useful life of 40 years for all facilities, regardless of when they were commissioned.

- Financial remuneration of the amount invested. This item is calculated by applying a financial remuneration rate to the net carrying amounts of the assets without restatement. During the first regulatory period, the remuneration rate for assets relating to transmission, regasification, and basic storage with a right to remuneration on account of the gas system will be the average of the returns generated by the ten-year government bonds in the secondary market amongst titleholders of unsegregated accounts with respect to the previous 24 months preceding the regulation becoming effective, increased by a spread of 50 basis points. The financial remuneration rate for the regulatory period was set at 5.09% (ratified by Law 8/2015, of May 21).

- Remuneration for fully amortised assets. Once the regulatory useful life of each fixed asset finalises, if the asset is still in use, the remuneration accrued for said facility corresponding to remuneration for investment, amortisation, and financial remuneration will be nil. In contrast, remuneration for operation and maintenance of the asset "i" each year "n" will be increased. In this manner, the value recognised will be the amount corresponding to it multiplied by a coefficient for increasing its useful life, μin.

b.1.2. The remuneration for operating costs of the transmission and regasification assets is calculated by applying the operating unit costs of operation and maintenance in force, regardless of the start-up date of the fixed asset. For underground storage assets and for others for which the application of a singular system is determined, operating costs are calculated based on the actual costs audited.

b.2) Remuneration for continuity of supply (RCS)

Remuneration for continuity of supply (RCS) is calculated as a whole for each of the activities: transmission, regasification, and underground storage.

The remuneration for this item in a year "n" is calculated in all cases from the remuneration of the previous year, "n-1", multiplied by an efficiency factor (it is fixed at a value of 0.97 for the first regulatory period) and the variation in demand (excluding the supply through satellite plants in the facilities of the gas transmission pipeline network, considering the variation in total gas demand issued by all the regasification plants of the gas system and considering the variation of useful gas stored at November 1 of the corresponding year in storage facilities).

Remuneration for continuity of supply which results for each activity in year "n" will be divided amongst each of the facilities "i" which remain in operation, based on a coefficient, αi, which results from dividing the replacement cost of facility "i" by the sum of the replacement costs for all facilities. This replacement cost is calculated based on the prevailing unit investment costs, except for singular facilities and underground storage, for which the investment value will be used.

b.3) Variable accredited cost for regasification and transfer of LNG to tankers

It is determined on the basis of the kWh actually regasified as well as those loaded into LNG tanks in each period and the variable unit value of regasification in the period considered increased for each plant and service, for the assets that have exceeded the regulatory useful life, by their corresponding useful life extension coefficients. These useful life extension coefficients are set in the orders published at the end of each year for the following year.

For the LNG vessel loading services from regasification plants or cooling down vessels, a cost is recognised identical to the variable cost of truck loading. For ship-to-ship transfer the cost is 80% of said value.

c) Income corresponding to Technical Management of the System (GTS)

Income from this activity is calculated annually based on the accredited cost for each year and is meant to repay the obligations of Enagás GTS, S.A.U. as Technical Manager of the System, which includes coordinating the development, operation, and maintenance of the transmission network, supervising the safety of natural gas supply (storage levels and emergency plans), carrying out plans for future development of gas infrastructure, and controlling third-party access to the network.

The fee assigned to the Technical Manager of the System for 2019 to be collected from companies that own regasification, transmission, storage, and natural gas distribution facilities as a percentage of billing for tolls and royalties relating to third-party network access rights amounts to 0.8%. This fee is paid into the CNMC account held for this purpose by said companies in instalments, as established in the settlement procedure.

The previous percentage over billing is calculated based on the result of applying maximum tolls and royalties to the amounts invoiced, without deducting possible discounts which may have been agreed upon by the owners and users of the facilities.

Without prejudice to the above, provisional remuneration recognised for the activity of the Technical Manager of the System in 2019 in accordance with Order TEC/1367/2018, of December 20, amounts to 24,490 thousands of euros.

d) Tolls associated with third party access to the gas system

The revenues collected from the application of tolls for third party access to gas facilities are exclusively used to support the remuneration of regulated activities for gas supply. As gas system revenues are used to finance all gas system costs, they must be sufficient to meet the full costs of the gas system.

The tolls and royalties are established so that their setting responds as a whole to the following principles:

- Ensure the recovery of the investments made by the titleholders during their useful life.

- Allow a reasonable return on financial resources invested.

- Determine the operating costs remuneration system in a way that encourages effective management and improvement of productivity that should be partly passed on to users and consumers.

In addition, tolls and royalties will take into account the costs incurred by the use of the network in a way that optimizes the use of infrastructures and can be differentiated by pressure levels, consumption characteristics and duration of contracts.

In the same way as for the other years since the current regulatory period came into force, by 2019 the same pre-tax amounts of tolls and royalties for the use of network facilities have been applied for the basic network for secondary transmission and distribution of natural gas that were set in Order IET/2446/2013, of December 27. This means that the tolls will remain at the same values from 2014.

e) System of settlement of costs and regulated revenues

The billing and collection of the remuneration of regulated activities are subject to the settlement procedure established through Ministerial Order ECO/2692/2002, of October 28, which regulates procedures for the settlement of the remuneration of regulated activities and establishes the information system that companies must present.

It is understood that there are annual mismatches between revenues and costs of the gas system if the difference between income and the payable costs of a financial year results in a negative amount.

Law 18/2014, of October 15, establishes the principle of economic and financial sustainability in the gas system. In accordance with this principle, revenues from the system will be used exclusively to sustain own remuneration of the regulated activities concerning the supply of gas and, furthermore, the revenues must be sufficient to satisfy all of the costs incurred by the gas system. In addition, in order to ensure economic sufficiency and avoid the appearance of new deficits ex ante, all regulatory measures relating to the gas system which involve an increase in costs for the system or a reduction of income must incorporate an equivalent reduction in other cost items or an equivalent increase in income which ensures equilibrium for the system.

In addition, the current remuneration framework establishes a specific methodology for resolving temporary imbalances between revenues and costs of the system, with a series of measures aimed at definitively ending the deficit of the gas system, such as:

- As long as there are annual amounts pending payment from previous years, tolls and royalties cannot be revised downwards, but will be increased if there are negative mismatches that exceed a set limit.

- A period of several years is established for the recovery of imbalances, also recognising financial costs to the companies regulated by the financing of these imbalances, in such a way that the subjects shall recover:

The accumulated deficit of the gas system at December 31, 2014 during the fifteen years following the date of approval of the final settlement of that financial year, recognising an interest rate in conditions equivalent to those of the market. And the temporary imbalances between income and expenses resulting for 2015 during the following five years, also recognising an interest rate in conditions equivalent to those of the market.

These imbalances amounted to 27.2 million euros, 90 million euros and 24.8 million euros in the years 2015, 2016 and 2017, respectively. Interest rates of 0.836% for 2015, 0.716% for 2016 and 0.923% for 2017 are applied in calculating the yearly amounts for these imbalances, as set forth in Order TEC/1367/2018.

If the annual mismatch between revenues and recognised remuneration is positive, the amount will be used to settle the outstanding annual payments relating to prior-year mismatches. This amount will be applied first to the temporary imbalances between revenues and costs of the system and then to those annual payments relating to the accumulated deficit of the gas system at December 31, 2014.

In turn, Article 9 of Order TEC/1367/2018, of December 20, establishes priority for the existence of various temporary imbalances with balances pending amortisation. In particular, it is established, on the one hand, that early repayment shall apply firstly to those with an associated higher interest rate and, on the other hand, that the distribution of the early repayment amongst rights-holders shall be proportional to the amount of the right they hold. In this sense, and given that in 2018 the annual mismatch between income and remuneration resulted in a surplus of +30.9 million euros, the collection rights that were pending receipt due to the mismatch in 2017 (19,376,795.57 euros) and in 2015 (10,276,070.02 euros) are fully amortised, and the mismatch in 2016 (1,226,467.74 euros) is partially amortised.

f) Adequacy of powers between the Government and the Regulator: Second regulatory period (2021-2026)

In 2019, the basis for determining the framework of the gas system applicable during the 2021-2026 regulatory period will be established.

The process begins with the publication in the Official State Gazette - BOE of RD-Law 1/2019 on urgent measures to adapt the CNMC's powers, where the basic legislation of the electricity and gas sectors is modified in order to perform a distribution of powers between the Government and the CNMC to adapt them to the requirements of EU law.

In this distribution of powers, the **CNMC** receives the transfer of all powers related to:

- Toll and remuneration methodologies in transmission, distribution and LNG plants, as well as the establishment of their values.

- Remuneration parameters and asset bases.

- GTS methodology and remuneration

- Determining the price for use of network connection facilities

- Approving the NGTS in relation to the balance system, programming, international connections and losses

Furthermore, the **Ministry** will be responsible for:

- Establishing energy policy guidelines (Order TEC/406/2019)

- Methodology for calculating royalties and remuneration of basic services for access to Underground Storage Facilities and approval of their values

- Determining TUR rates

- Structure and methodology of the charges for costs of facilities not associated with the use of these facilities (CNMC rate, deficit annuities, regulated remuneration of Mibgas, etc.).

- Approval of the NGTS related to supply assurance, emergency, gas quality and input/output control.

In order to guarantee the proper functioning of both institutions, a Cooperation Committee is created between the Ministry and the CNMC, a transitional regime is established to ensure an orderly transfer of functions and to avoid affecting the legal security of the parties operating in the sectors, and the bases for the next gas and electricity remuneration period are developed.

The CNMC, within the scope of its regulatory powers, must take into account the strategic priorities established by the Government, which are embodied in energy policy guidelines adopted by order of the head of MITECO.

In these energy policy guidelines the government:

- Is committed to regasification plants, promoting their competitiveness with respect to other international plants, favouring international connections and committing to a deep and liquid LNG market.

- Is positioned in favour of biomethane and other renewable gases, with special mention of the injection of hydrogen generated from renewable electricity.

- Encourages the extension of the operation of those installations that have exceeded their useful life in terms of remuneration.

- Discourages investment in new infrastructure except for assets that are necessary to ensure the supply of the whole system or that are strategic for meeting energy policy objectives.

To comply with RDL 1/2019, the CNMC has established a schedule for the publication of circulars to be developed throughout 2019.

As regards remuneration, the CNMC must publish the following circulars to update, for the second regulatory period, the current remuneration model, as well as the system of access tolls for each of the services provided by the facility, given the infrastructures involved in the provision of each service:

- Circular establishing the methodology for calculating the financial remuneration rate of electricity transmission and distribution and regasification activities, transmission and distribution of natural gas, corresponding to Circular 2/2019 of November 12.

- Circular establishing the methodology for the remuneration of the technical manager of the gas system, Circular 1/2020, January 9.
- Circular establishing the methodology for the calculation of tolls for the regasification, transmission and distribution of natural gas.
- Circular establishing the methodology for the remuneration of regulated natural gas transmission and regasification activities, corresponding to Circular 9/2019 of December 12.

In the operational field, it shall publish the following circulars with the aim of encouraging and facilitating competition, promoting greater use of gas infrastructure, harmonising, simplifying and establishing a transparent and competitive mechanism for the allocation and use of capacity, making the operations of agents more flexible and resolving situations of congestion at regasification plants, as well as contemplating measures to regularise the physical imbalance of LNG at regasification plants and in underground storage:

- Circular establishing the rules for natural gas balance, Circular 2/2020, January 9
- Circular establishing the access and capacity allocation mechanisms to be applied in the natural gas system, corresponding to Circular 8/2019 of December 12

g) Remuneration of transmission, regasification and storage activities in the second regulatory period 2021-2026

In accordance with the aforementioned adequacy of powers between the Government and the Regulator, the CNMC published, at the end of 2019, Circular 9/2019 establishing the remuneration system for transmission and regasification activities. The proposed methodology opts to maintain the principles established in the current regulatory framework, defined in Law 18/2014, adapting them to current gas market conditions, while establishing an orderly and progressive transition between the two remuneration frameworks.

The basic principles maintained in the new remuneration framework are as follows:

- Establish remuneration appropriate to a low-risk activity.
- Ensure the recovery of the investments made by the titleholders during their useful life.
- Allow a reasonable return on financial resources invested.
- Determine the operating costs remuneration system in a way that encourages effective management and improvement of productivity that should be partly passed on to users and consumers.
- Contribute to the economic and financial sustainability of the natural gas system.
- To consider the costs necessary for performing the activity by an efficient and well-managed company in accordance with the principle of performing the activity at the lowest cost to the gas system with homogeneous criteria throughout Spain, notwithstanding the specific arrangement provided for island and extra-peninsular territories.

From a methodological perspective, the following aspects are maintained in the new framework:

- Remuneration continues to be calculated individually for each facility.
- The net carrying amount of the asset is maintained as the basis for calculating the return on investment
- Any procedure for automatic adjustment of values and remuneration parameters according to price indexes is removed.
- Depreciation continues to be calculated on a straight-line basis and the useful lives of the assets are maintained.
- The operating and maintenance costs of facilities that are individually remunerated continue to be calculated on the basis of the unit costs in force for the facilities to which these unit reference values apply and on the basis of the audited costs for the individual facilities.

What has disappeared for the second regulatory period is the mid-term review of remuneration parameters.

The new methodology shares many components with the current one, but also has new ones as well as calculation particularities in existing components.

In accordance with the Report justifying Circular 9/2019 of December 12, of the CNMC, it is estimated that if demand during the period 2021-2026 remains similar to that expected for 2019, the average annual economic impact during the period 2021-2026 of the methodology proposed in the Circular would be an average annual reduction of approximately 117 million euros on the remuneration resulting from maintaining the current methodology, 11 million euros for regasification activity (3% reduction compared to 2019) and 106 million euros for transmission activity (14% reduction compared to 2019).

One of the most significant novelties, although it has practically no material impact, is that in order to allow the temporary coordination of remuneration with the methodology of tolls and royalties, in accordance with the European Commission Regulation the remuneration is now calculated per gas year.

The gas year for which the remuneration of the installations is determined runs from October 1 of year "n-1" to September 30 of year "n", both inclusive, with the exception of 2021 which starts on January 1, 2021.

The remuneration accrued in one year for gas by each company that owns natural gas transmission facilities and liquefied natural gas plants will be the result of adding up the following remuneration components for each of its facilities:

- Return on investment (RINV) which aims to recover the investments made and to obtain a reasonable return.
- Remuneration for operation and maintenance of the facility (RO&M).
- Productivity and efficiency remuneration adjustments (ARPE).
- Remuneration for facilities in special administrative situations (RSAE).
- Remuneration for investment in facilities with cross-border impacts resulting from the application of Article 12 of Regulation (EU) No 347/2013, (RIIT).

Each of these components is presented below:

g.1) Return on investment (RINV)

It is determined for each of the assets in production entitled to individual remuneration and is intended to provide remuneration for investment costs. Investment remuneration includes amortisation, financial remuneration and remuneration for minimum gas filling, which remain practically the same as in the current framework, and remuneration based on the gas vehicle.

Remuneration for investment costs is comprised of the following:

- Value of assets recognised. The values recognised in the current framework for assets brought into operation are maintained. For facilities commissioned before 2002, the corresponding amounts are calculated based on the carrying amounts of the assets once the accounting restatement of 1996 is taken into account (Royal Decree-Law 7/1996), less grants received for the purpose of financing said assets, applying a restatement coefficient comprised of the adjusted average Consumer Price Index (CPI) and Industrial Price Index (IPRI) to this difference.

  For the new facilities commissioned from 2002, the standard value of each investment as established by the regulator is used, while for those which require expansion, the real cost is used.

  Transmission facilities commissioned from 2008 are measured by taking the average of the standard value and real cost.

  Regasification facilities commissioned from 2006 are measured at real cost plus 50% of the difference between the standard value and said real cost, up to a maximum of the standard value.
  The new framework does present a novelty for the regasification facilities to be launched from 2020 as they will be valued as transmission facilities. That is, at the average cost between the standard value and the actual cost, without limiting it to the standard cost.

  The resulting value is reduced by the amounts transferred and financed by third parties, 90% of the amounts obtained from the sale of dismantled equipment and the subsidies received (90% if they come from the European Union).

- Remuneration for amortisation of system assets (A). The value of the resulting amount recognised for the investment is amortised applying a rate corresponding to its useful life, obtaining the related income in this manner.

  In the new framework, the useful lives of the assets in the current framework are maintained, except for the secondary pumps of the regasification plants (which go from 20 to 10 years). In addition, for new facilities, the remuneration for amortisation starts to accrue from the date of commissioning of the facility. This is different from the current framework, as the accrual for transmission facilities started on January 1 of the year following start-up. The remuneration is accrued until the facility is depreciated.

  Depreciation is calculated for the facilities of the trunk network and regasification plants commissioned prior to January 1, 2021 and for primary transmission pipelines of local influence with administrative authorisation prior to January 1, 2021.

- Financial remuneration of the amount invested (FR). It is calculated by applying a financial remuneration rate to the net carrying amounts of the assets without restatement and accrues until the net value is zero.

From the second regulatory period onwards, the remuneration rate on the transmission and regasification assets is no longer indexed to the State's Obligations, but is established on the basis of the average WACC capital cost of the transmission and regasification activity. For the second period, the rate was established in Circular 2/2019 and was set at 5.44%.

The financial remuneration is calculated for facilities with individualised remuneration with the right to remuneration by amortisation and begins to accrue from the same date as the latter.

- Financial remuneration for heel gas and minimum fill (RFNMLL). The calculation method of the current framework is maintained. The remuneration is calculated by applying the financial remuneration rate to the purchase value of the gas and has no amortisation. It starts to accrue from the later of the date of purchase of the gas and the date of commissioning of the facility until the closure of the facility or the delivery of the gas to the GTS for use as operating gas.
- Remuneration based on the gas transmitted or processed (RGV). This remuneration is applied to the primary transmission facilities in the local area of influence awarded by competition and to new regasification plants and primary gas pipelines in the area of influence directly authorised after December 31, 2020. The annual remuneration is that which results from multiplying a unit remuneration coefficient by the gas transmitted or processed annually and is accrued from the date of commissioning. In no case may the RGV remuneration, in each gas year, be greater than the amounts invoiced for tolls and royalties.

For facilities awarded by competition, the unit remuneration (ROC) is that offered by the company awarded the contract.

For facilities awarded directly (RUM), the unit remuneration is the average remuneration calculated as the sum of the amortisation and financial remuneration during the useful life of the project divided by the sum of the annual gas volumes foreseen by the owner of the facility when the economic justification of the project was presented for award. For these facilities, given that the remuneration risk is greater than for the trunk facilities, the financial remuneration rate is increased by a differential provisionally set at 0.39%, resulting in a rate of 5.83%.

The RGV remuneration is accrued until the present value of the sum of the recognised annual remuneration, discounted at the previous remuneration rate, is at the present value of the recognised investment.

g.2) Remuneration for operation and maintenance of the facilities (RO&M)

For transmission and regasification assets to which the standard unit costs apply, the remuneration for operation and maintenance is calculated by applying the reference unit costs of operation and maintenance in force, regardless of the date of commissioning of the fixed asset (COMVU).

For one-off assets, costs are calculated on the basis of actual audited costs (COMsing).

Apart from the above costs, other costs not included in the unit reference values (OCOM) are also recognised and will be recognised on the basis of their audited cost. These costs include:

- Direct and indirect capitalised operating expenses. When the capitalised expenses exceed 250,000 euros, they will be recognised with amortisation and financial remuneration based on their audited investment value, considering a useful life of 2 years. In these cases, the accrual will occur from January 1 of the year following their commissioning. Capitalised expenses below this limit will be recognised as an expense for the year up to the limit established by the CNMC.
- The acquisition cost of the operating gas for transmission and of the odorant.
- The cost of electricity supply for LNG plants and for electric motors in compression stations. In the case of the regasification plants this audited cost replaces the variable remuneration existing in the current framework.
- The cost increases from January 1, 2021 for municipal fees for public domain occupancy and for port fees for port domain occupancy.

g.3) Remuneration for adjustments to productivity and efficiency (ARPE)

Under this item, facilities that are at the end of their useful life (REVU) are remunerated, as are the transitional remuneration for continuity of supply (RCS), the remuneration for efficiency in operating and maintenance costs (RMP) and the remuneration for incentives to reduce losses (IM) and promote gas in maritime and land transport. The items included are the following:

- Remuneration for extension of useful life for fully depreciated assets (REVU). Once the regulatory useful life of each fixed asset finalises, if the asset is still in use, the remuneration accrued for said facility corresponding to remuneration for investment, amortisation, and financial remuneration will be nil. In contrast, remuneration for operation and maintenance of the asset "i" each year "n" will be increased. In this manner, the value recognised will be the amount corresponding to it multiplied by a coefficient for increasing its useful life, μin. This coefficient is gradually increasing, the starting value being higher than the current remuneration framework, from 0.15 to 0.3.
- Supply continuity remuneration (RCS). A transitional remuneration is established for the RCS during the 2021-2026 regulatory period. The RCS is no longer indexed to the variation in demand or regasification but is calculated on the basis of the RCS recognised in the year 2020, adjusted by the following coefficients for the different gas years of the second regulatory period. ¾ of 95% for 2021, 80% for 2022, 65% for 2023, 50% for 2024, 35% for 2025 and 20% for 2026.
- Remuneration for productivity improvements in operating and maintenance costs in regulatory periods (RMP). This item intends to allow the carrier to retain part of the operating and maintenance cost efficiencies achieved over the previous regulatory period and is calculated per company, which is currently set at 50%. Under this item, the company is attributed 50% of the reduction in costs in the current regulatory period with respect to the unit costs of the previous regulatory period.
- Loss incentive remuneration (IM). The same methodology is applied as at present until it is reviewed by the CNMC.
- Incentive remuneration for the development of natural gas in maritime and land transport (IDS). This incentive aims to promote the use of natural gas as a fuel in maritime and land transport and is calculated by multiplying the gas invoiced for service stations connected to the transmission network and the LNG invoiced in regasification plants for use as maritime fuel by unit coefficients, which in both cases is 0.50 euros/MWh.

g.4) Remuneration for facilities in special administrative situations (RSAE)

This remuneration is applicable to the Musel plant whose authorisation processing is currently suspended and corresponds to a transitional remuneration sum of the financial remuneration calculated on the standard investment value and the actual audited operation and maintenance costs.

It also applies to regasification plants with a unique and temporary financial regime such as the provision of LNG logistics services, in accordance with Article 60.7 of Law 18/2014, which will be defined by the CNMC in due course.

g.5) Remuneration for investments with cross-border impacts (RIIT)

This item is aimed at remunerating any costs that a carrier may incur as a result of the cross-border distribution of investment costs for a project of common European interest, as established in Article 12 of Regulation (EU) 347/2013 of the European Parliament and of the Council, of April 17, 2013.

Pipelines which affect reverse flow capacities or change the capacity to transport gas across the borders of the Member States concerned by at least 10% compared to the situation prior to the project is put into service may, in the case of natural gas, be considered as a project of common interest as set out in Appendix II to this Regulation. In the case of storage of natural gas, liquefied natural gas (LNG) or compressed natural gas (CNG), they will be considered as a project of common interest when the project is intended for the direct or indirect supply of at least two Member States or for compliance with the infrastructure standard (n-1) at regional level, in accordance with European Regulation 2017/1938 on Security of Supply.

g.6) Introduction of the principle of financial prudence

For the purpose of incorporating a principle of financial prudence required of the holders of transmission assets and liquefied natural gas plants, a penalty is established for companies whose ratios are outside the recommended value ranges set forth in the CNMC Communication 1/2019.

Accordingly, a company's annual remuneration in calendar year n could be reduced by up to 10% if the overall ratio defined in that communication, calculated on the basis of the financial statements for year n-2, is less than 0.9. However, this penalty would not be applicable until 2024, based on the 2022 financial statements.

h) Remuneration for underground storage activity

Currently, the Royal Decree establishing the methodology for the remuneration of underground storage is pending processing and approval, although it is expected that the framework to be established will be very similar to that established in Circular 9/2019 for transport and regasification activities, with the particularity that the investments and operation and maintenance costs in storage facilities are to date unique.

i) Income corresponding to Technical Management of the System (GTS)

Remuneration recognised in the second regulatory period 2021-2026

In accordance with the adequacy of powers between the Government and the Regulator, the CNMC published, at the beginning of 2020, Circular 1/2020, establishing the methodology for the remuneration of the Technical Manager of the System.

This establishes a methodology that allows the remuneration of the GTS to be set on the basis of known criteria and parameters, thus giving the remuneration framework the transparency, security and visibility in the medium-term that it lacked.

The Circular establishes regulatory periods of 3 years for the GTS, as opposed to 6 years for transmission and regasification activities.

The new remuneration methodology is based on the following principles:

- Obtaining a reasonable return for a low-risk activity.
- Consideration of the costs incurred by an efficient and well-managed company.

The methodology takes into account that the activity of the GTS requires few assets, basically in software and applications, that its costs correspond mainly to personnel and external services costs, and that its activity is strongly conditioned by European regulations and projects, in a changing and evolving environment, to which it must continuously adapt.

The remuneration is the sum of a basic remuneration (Bret), an incentive remuneration (RxInc), a remuneration for new obligations (CR) and a remuneration (D) for the difference, positive or negative, between the amounts received by the technical manager of the system for the application of the quota for the financing of the remuneration and the annual remuneration to be established for year n and for the difference between the estimate of the incentive remuneration term and the amount resulting from the level of compliance with it (the National Commission on Markets and Competition will determine by resolution the level of compliance with the incentives for year n)

The basic remuneration is made up of:

- Remuneration for OPEX, (BOpex): based on financial and regulatory accounting.
- Margin on recognised OPEX, (BMarg_Opex), set at 5%.
- Remuneration for depreciation, (BAmort), based on the depreciation of financial and regulatory accounting.
- Financial remuneration, (BRF) by applying a remuneration rate to the net asset value. The rate is the same as for transmission and regasification activity, 5.44% for the period 2021-2026.

Remuneration for incentives that can be up to +- 5% of the basic remuneration, depending on the incentive mechanism established by the CNMC for each regulatory period. However, for the regulatory period 2021-2023 the limits are set at +-2%.

The remuneration for new obligations is established on the basis of a regulatory account, the balance of which is established for each regulatory period, divided by 3, for each of the years of the regulatory period. For the regulatory period 2021-2023, the regulatory account is 5 million euros.

Thus, for the regulatory period 2021-2023, the basic remuneration is set at 25.007 million euros and the remuneration of the regulatory account at 1.667 million euros.

By 2020, the remuneration of the GTS will be equal to the basic remuneration. As in the current framework, the remuneration of the GTS will be recovered through the application of a fee, calculated as a percentage of the turnover from tolls and royalties.

j) Development of the regulatory framework in 2019

The main regulatory developments applicable to the gas sector, approved in the course of 2019, were the following:

1. Supranational regulations

Gas regulation

Directive (EU) 2019/692 of the European Parliament and of the Council, of April 17, 2019, amending Directive 2009/73/EC concerning common rules for the internal market in natural gas.

Clean Energy Package

Decision (EU) 2019/504 of the European Parliament and of the Council of March 19, 2019 amending Directive 2012/27/EU on energy efficiency and Regulation (EU) 2018/1999 on the governance of the Energy Union and on Climate Action, following the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the Union.

Regulation (EU) 2019/942 of the European Parliament and of the Council of June 5, 2019 establishing an Agency for the Cooperation of Energy Regulators.

Regulation (EU) 2019/943 of the European Parliament and of the Council of June 5, 2019 concerning the internal market in electricity.

Directive (EU) 2019/944 of the European Parliament and of the Council of June 5, 2019 concerning common standards for the internal market in electricity and amending Directive 2012/27/EU.

Regulation (EU) 2019/941 of the European Parliament and of the Council of June 5, 2019 on risk preparedness in the electricity sector and repealing Directive 2005/89/EC.

European Green Pact

Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions. **December 11, 2019.** The European Green Pact.

Recommendations and opinions of the Agency

Recommendation No 02/2019 of the Agency of the European Union for the Cooperation of Energy Regulators of November 19, 2019 on the regulatory response to future challenges posed by developments in the internal gas market.

Opinion No 10/2019 of the European Union Agency for the Cooperation of Energy Regulators of March 25, 2019 on the recommendations of ENTSOG concerning the coordination of technical cooperation between the European Union and third country TSO's.

Opinion No 22/2019 of the Agency of the European Union for the Cooperation of Energy Regulators of December 17, 2019 on the calculation of CO_2 emission limit values referred to in the first subparagraph of Article 22(4) of Regulation (EU) 2019/943 of June 5, 2019 on the internal market in electricity (recast).

2. Spanish Regulation

In relation to the general framework of the gas system and its facilities

Royal Decree-Law 1/2019, of January 11, on urgent measures to adapt the powers of the National Commission on Markets and Competition to the requirements arising from community law in relation to Directives 2009/72/EC and 2009/73/EC of the European Parliament and of the Council, of July 13, 2009, concerning common standards for the internal market in electricity and natural gas.

Order TEC/406/2019, of April 5, establishing energy policy guidelines for the National Commission on Markets and Competition.

Communication 1/2019, of October 23, of the National Commission on Markets and Competition, defining ratios for assessing the level of indebtedness and the economic-financial capacity of companies carrying out regulated activities, and their recommended value ranges.

Circular 2/2019, of November 12 of the National Commission on Markets and Competition, establishing the methodology for calculating the financial remuneration rate for power transmission and distribution, and natural gas regasification, transmission and distribution.

Circular 8/2019, of December 12, of the National Commission on Markets and Competition, establishing the methodology and conditions for access and capacity allocation in the natural gas system.

Circular 9/2019, of December 12, of the National Commission on Markets and Competition, establishing the methodology for determining the remuneration of natural gas transport facilities and liquefied natural gas plants.

Order TEC/1259/2019, of December 20, establishing the remuneration of basic underground storage activity and the tolls and royalties associated with third party access to gas facilities for the year 2020.

Resolution of March 22, 2019 of the Directorate General of Energy Policy and Mines, publishing the natural gas tariff of last resort.

Resolution of November 6, 2019, of the State Secretariat for Energy, publishing the Agreement of the Council of Ministers of October 31, 2019, which ends the hibernation of the "Castor" underground storage facilities, agreeing to their dismantling and ordering the sealing and definitive abandonment of the wells.

Resolution of December 18, 2019, of the National Commission on Markets and Competition, which establishes remuneration for the year 2020 of the companies that carry out the regulated activities of liquefied natural gas plants, transmission and distribution.

Resolution of December 18, 2019, of the National Commission on Markets and Competition, which provisionally establishes the remuneration of the system's technical manager and the share of financing for the financial year 2020.

Resolution of December 23, 2019, of the Directorate General of Energy Policy and Mines, publishing the natural gas tariff of last resort.

Circular 1/2020 of January 9 of the National Commission on Markets and Competition establishing the methodology for the remuneration of the technical manager of the gas system.

Circular 2/2020 of January 9 of the National Commission on Markets and Competition establishing the standards for natural gas balance.

In relation to the operation of the gas system

Order TEC/819/2019, of July 24, which disqualifies Solstar Limited from carrying out natural gas marketing activities.

Order TEC/878/2019, of August 1, which disqualifies Gasela GmbH from engaging in natural gas marketing activities.

Resolution of February 4, 2019, of the Directorate General of Energy Policy and Mines, publishing the assigned and available capacity in basic underground natural gas storage facilities for the period April 1, 2019 to March 31, 2020.

Resolution of February 15, 2019 of the Directorate General of Energy Policy and Mines, amending various regulations of the management of the gas system and detail protocols.

Resolution of June 5, 2019 of the Directorate General of Energy Policy and Mines, amending the resolution of July 25, 2006, regulating the conditions of allocation and the procedure for application of interruptibility in the gas system.

On 17 February 2020, the Board of Directors of Enagás, S.A. authorized the Consolidated Financial Statements for the year ended December 31, 2019, consisting of the accompanying documents, initialed by Secretary and sealed with the Company's stamp, for issue, inaccordance with article 253 of the Spanish Corporate Enterprises Act, and article 37 of the Code of Commerce.

STATEMENT OF RESPONSABILITY. For the purposes on article 8.1.b) of Royal Decree 1362/2007, of October 19, 2007, the undersigned directors state that, to the best of your knowledge the Annual Consolidated Financial Statements, prepared in accordance with applicable accounting principies, provide a true and fair view of the equity, financial position ans results of the Group. They additionally state that to the best of their knowledge the directors not signing below did not express dissent with respect to the annual consolidated financial statements.

Chairman

Mr. Antonio Llardén Carratalá

Chief Executive Officer

Mr. Marcelino Oreja Arburúa

Consultant

Sociedad Estatal de Participaciones Industriales-SEPI (Represented by Mr. Bartolomé Lora Toro)

Mr. Antonio Hernández Mancha

Ms. Eva Patricia Urbez Sanz

Ms. Ana Palacio Vallelersundi

Mr. Martí Parellada Sabata

Mr. Santiago Ferrer Costa

Mr. Luis García del Río

Ms. Rosa Rodríguez Díaz

Mr. Gonzalo Solana González

Ms. Isabel Tocino Biscarolasaga

Mr. Ignacio Grangel Vicente

Managment Board

Mr. Rafael Piqueras Bautista

Annual Report on Directors' Remuneration

Issuer's particulars

Financial year-end:

31/12/2019

Corporate Tax Code

A-28294726

Corporate name:

ENAGÁS, S.A.

Registered office:

PASEO DE LOS OLMOS, 19 MADRID

A. Company remuneration policy for the current financial year

A.1 Explain the current directors' remuneration policy applicable to the current financial year. As far as is relevant, certain information referring to the remuneration policy approved by the general shareholders' meeting can be included, provided that it is clear and specific.

Descriptions must be provided of the specific resolutions for the current financial year, both for the directors' remuneration for the role itself and for the Board's performance of executive functions in accordance with the provisions of the contracts signed with the executive directors and with the remuneration policy approved by the general meeting.

In all cases the following must be provided:

- A description of the corporate procedures and bodies involved in setting and approving the remuneration policy and its conditions.
- Indicate and if necessary explain whether or not comparable companies were taken into account in setting the company's remuneration policy.
- Information on whether or not any external advisor was involved and their personal details.

The Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagás Board confers the Board the power to adopt decisions on the remuneration of Directors and Senior Management. Specifically, the Appointments, Remuneration and Corporate Social Responsibility Committee is responsible for supporting the Board on matters relating to remuneration of Directors and Senior Managers.

The Committee consists of six Directors, with five being Independent Directors and one a Proprietary Director: Ana Palacio Vallelersundi (Chairwoman, Independent); Ignacio Grangel Vicente (Independent); Antonio Hernández Mancha (Independent); Santiago Ferrer Costa (Proprietary); Gonzalo Solana González (Independent) and Patricia Úrbez (Independent).

The General Shareholders' Meeting 2019 approved the Remuneration Policy for the 2019-2021 period. The Policy for the 2019-2021 period is intended to maintain things as they stand and therefore maintains the fundamental premises on which the previous Policy approved for the 2016-2018 period was based.

The first premise of this Policy is the commitment made by the Board to shareholders at the Ordinary General Meeting held in 2015 to introduce a Long-Term Incentive (ILP) in the remuneration structure of Executive Directors, which will also be applicable to the Company's management team, and which complies with recommendations 56 to 64 of the CNMV's Good Governance Code and with the most generally accepted criteria regarding these types of remuneration.

The second premise considered in this Policy is the obligation of the Appointments and Remuneration Committee and the Board to maintain a remuneration policy that is suitable, in structure and amount, for achieving the objectives of the Company's Strategic Plan, promoting the creation of value for shareholders, compensating capacity and effort proportionally and retaining the talent that the Company needs. These must be in accordance with general market conditions with respect to the Company's peers and its performance at all times.

To this end, a new analysis has been carried out on the adequacy of the Directors' remuneration compared with the average for benchmark companies. The suitable benchmark companies selected were other Ibex35 Spanish energy companies (Acciona, Endesa, Iberdrola, Naturgy, REE, Repsol and Siemens Gamesa). For these purposes, the latest known public data for financial year 2018, were used. The analysis was conducted with regard to the remuneration of the Directors in their capacity as such, the remuneration of the Executive Directors and the remuneration of the members of the Management Committee and other Company Managers. The Appointments and Remuneration Committee had advice from the Company Management and hired independent external advisory firm Willis Towers Watson, which analysed the current remuneration positioning of the Company's Directors and management team and submitted several options on how to update this positioning. The Committee also hired Garrigues, which provided advice on the legal and fiscal factors of this Policy.

This Policy also takes into account the previous Remuneration Policy and Long-Term Incentive, which were widely accepted by shareholders at the General Shareholders' Meeting on March 18, 2016, and a continuation of the Remuneration Policy and Long-Term Incentive with respect to those of 2016 were therefore proposed to this Board.

Technical improvements have been introduced that, to a large extent, seek to capture the concerns of international institutional investors and their proxy advisors with whom the Company maintains a policy of continuous engagement, given the broad percentage that these represent on the Company's shareholding body.

From a quantitative point of view, the proposed Policy is very prudent.

The 2016-2018 Policy included a Long-Term Incentive Plan as part of the Executive Directors' Remuneration Policy (also applicable to members of the Management Committee and the rest of the Company's management team). That Policy stated that the Long-Term Incentive Plan should be maintained as part of the Company's remuneration structure and in successive remuneration policies submitted to the Board for approval.

The continuity of this Policy makes it necessary to implement a new Long-Term Incentive for 2019-2021.

The structure and content of the 2019-2021 Long-Term Incentive Plan also provide continuity with the previous Long-Term Incentive Plan, although a series of improvements aligned with the recommendations of corporate governance and proxy advisors have been included:

- Increase in the use of shares as a form of payment.
- Establishment of a deferral period of one year in the delivery of 50% of the incentive.
- Obligatory holding of the shares by all beneficiaries until the end of the fifth year, with which the total duration of the plan is 5 years.
- Increase in the relative importance of the Total Shareholder Return metric, so that in the future the potential effects of large investment projects, such as the recent GSP, will be more clearly captured.

The main general conditions of the Long-Term Incentive Plan 2019-2021 are included in the following sections of this section, and in the document "Draft Agreement of the General Meeting on Approval of the 2019-2021 Long-Term Incentive Plan", as set forth in item 8 of the Agenda of the General Shareholders' Meeting 2019 (https://www.enagas.es/stfls/ENAGAS/Relación%20con%20inversores/Documentos/JGA/JGA %202019/Propuestas%20de%20acuerdos,%20Junta%20General%20Ordinaria%20de%20Accionistas%202019.pdf), in Appendix I to this report, as well as in the Regulations of the Plan (hereinafter the "Regulations") that it sets out.

- Relative importance of the variable remuneration components compared to the fixed items (remuneration mix) and the criteria and objectives considered when setting them and to guarantee an adequate balance between the fixed and variable remuneration components. In particular, indicate the actions taken by the company in relation to the remuneration scheme to reduce exposure to excessive risks and to align it with the long-term objectives, values and interests of the company, including, where appropriate, measures provided to ensure that the remuneration policy addresses the company's long-term results, measures adopted in relation to categories of personnel whose professional activities have a material impact on the risk profile of the entity and measures provided to avoid conflicts of interest, if any.

Please also indicate whether or not the company has established any period for accrual or consolidation of certain variable remuneration items, in cash, shares or other financial instruments, any deferral in the payment of amounts or delivery of already accrued and consolidated financial instruments or whether there is any agreed clause on reducing the deferred remuneration or requiring the director to return the remuneration received, when the remunerations have been based on data subsequently clearly shown to be inaccurate.

The General Shareholders' Meeting 2019 approved the Remuneration Policy for the 2019-2021 period. This Policy is continuous and maintains the fundamental premises that inspired the previous Policy approved for the 2016-2018 period.

With respect to the Executive Directors, the remuneration policy for 2019-2021 includes the following bases:

- Maintain the level of contribution to existing social security plans.
- Maintain annual variable remuneration and the three-year Long-Term Incentive.
- Maintain, during the three years of the period, the remuneration for the Executive Directors for their Board membership set for 2018.
- Enable the possibility of applying increases in fixed remuneration in the terms set out below.

With regard to variable remuneration, the annual variable must be differentiated from the long-term variable.

Variable annual remuneration

As variable annual remuneration, the Executive Directors have the right to receive a variable bonus for fulfilling the objectives set forth by the Board of Directors at the proposal of the Appointments and Remuneration Committee for the corresponding year. The amount of this variable bonus shall not, in any circumstances, exceed 60% of the total fixed annual remuneration.

At the beginning of each year contemplated in the Policy, the Board will approve the objectives applicable to the Executive Chairman and the Chief Executive Officer for these purposes. At year-end, the Board, on the proposal of the Appointments and Remuneration Committee will evaluate the degree to which the targets have been met and decide the variable annual remuneration for the Chairman and the Chief Executive Officer.

At the proposal of the Appointments and Remuneration Committee, the Board has already established the objectives that apply in 2020 to the Executive Directors for these purposes, consisting of the following in general terms:

1.- Improvement of the economic results of the Company in the form of an increase in net profit.

2.- Consolidation of the Company's regulated revenue.

3.- Consolidation of the Company's Strategic Plan, particularly in aspects affecting its international development as well as through the development of new services, to contribute to diversification and entrepreneurship.

4.- Sustainability and Good Governance.

Long-term variable remuneration (2019-2021 Long-Term Incentive Plan)

The Executive Directors will be beneficiaries of the 2019-2021 Long-Term Incentive Plan in the terms indicated in the following sections of this section and which are reproduced herein as they affect them.

It must be remembered that the Long-Term Incentive will not have a direct effect on the remuneration of the Chairman and the Chief Executive Officer in 2019, 2020 and 2021, without prejudice to how the accounting is handled by the Company for the proportional part of the theoretical maximum of the same in each year.

En 2022, 50% of the Long-Term Incentive will be settled, and the other 50% will be deferred to 2023, thus the Executive Chairman and the Chief Executive Officer will be paid the Incentive according to the degree to which they have met the targets over the multi-year period. They will receive all this Incentive in the form of shares, and will be obliged to hold the shares received in 2022 for two (2) years, and those received in 2023 for one (1) year. In 2024, the Executive Chairman and the Chief Executive Officer may freely dispose of the shares received.

If the minimum degree of achievement of objectives is not met, the Incentive shall amount to zero.

The maximum total remuneration may not exceed 125% of the initial target remuneration. The annual Incentive in the 100% attainment level scenario would be up to 50% of Executive Directors' fixed annual remuneration by 2019. A maximum of 79,090 shares are assigned to the Chairman and 39,545 to the Chief Executive Officer.

Clawback clauses
If certain circumstances occur which show, at a later date, that targets have not in fact been met, then the Board may, if suggested by the Appointments and Remuneration Committee, claim back part or all of the Incentive paid. These clauses will apply to all Beneficiaries and their application period shall be two years starting from the payments dates.

Specifically, and among other circumstances, the return of the Incentive delivered may be required in the following cases:

- Reformulation of the financial statements of the Company not due to change in applicable accounting standards.
- Sanction of the Beneficiary for serious breach of the code of conduct and other internal regulations that may be applicable.
- When the Incentive has been totally or partially settled or paid based on the result of information subsequently clearly proven to be false or inaccurate.
- Other circumstances not foreseen or assumed by the Company that have a material negative effect on the income statements of any of the years of the clawback period.

Malus clauses
Malus clauses are included to allow for partial or total cancellation of deferred amounts pending payment. The deferral period will be one (1) year for 50% of the unpaid Incentive, with the causes of application being the same as those referred to in the previous section for the return clauses.

- Amount and nature of the fixed components that are expected to accrue in the year to the directors in their capacity as such.

Insofar as concerns the "Directors' Remuneration Policy for the 2019, 2020 and 2021 financial years" approved in the General Shareholders' Meeting 2019, the fixed remuneration amounts for Directors for 2019, 2020 and 2021 shall remain unchanged with respect to 2018. The amounts and items for 2020 are the following:

Individual remuneration of Directors in their capacity as such

The allocation by item and the remuneration amount for each Director in 2020 will be as follows:

(i) A fixed annual amount of 100,000 euros for Board membership;
(ii) An annual variable amount of up to 30,000 euros, depending on attendance at Board meetings;
(iii) A fixed annual amount for membership in each of the Board Committees of 25,000 euros;
(iv) A variable annual amount of up to 5,000 euros, depending on attendance at Committee meetings;
(v) A fixed annual amount of 15,000 euros for serving as Chairman of each Committee and;
(vi) A fixed annual amount of 15,000 euros for serving as Independent Leading Director.

As a result of applying the aforementioned criteria to determine, in line with the individual remuneration, the maximum remuneration figure for the Board in 2020, the maximum annual remuneration amount to be paid to all the Directors in their position as such, and which the Board proposes for the General Meeting's approval for the purposes of Article 529 septdecies.1 of the Corporate Enterprises Act and Article 36 of the Articles of Association amounts to 2,241,000 euros.

- The amount and type of the fixed components will accrue in the financial year for the performance of senior management functions by the executive directors.

At the approval date of this report, the Board of Directors has not yet taken any decision on a possible variation in the fixed annual remuneration of the Chairman and CEO for 2020. Any decision adopted by the Board of Directors, at the proposal of the Appointments and Remuneration Committee, must comply with the limits set in the "Directors' Remuneration Policy for the 2019, 2020 and 2021 financial years" approved at the General Shareholders' Meeting 2019.

The amount of fixed annual remuneration received by the Chairman and CEO in 2020 will be reported in next year's report.

- The amount and type of any remuneration component in kind accrued during the year, including, but not limited to, the insurance premiums paid to the director.

In accordance with the "Directors' Remuneration Policy for the 2019, 2020 and 2021 financial years" approved by the General Shareholders' Meeting 2019 and in accordance with the terms of the contracts approved by the Board, the executive directors receive a fixed annual remuneration in kind for common items for this type of services and similar to those received by the entire Company management team (vehicle, medical insurance, etc.).

In addition, Executive Directors are insured participants in the "Company Directors' Pension Plan", established by the Company for its management team by means of a mixed group insurance policy for pension commitments including benefits in the event of survival, death and employment disability, which the Company has signed with an insurance firm.

The Executive Chairman received the following amounts for these items in 2019: payments in kind amounting to 153 thousands of euros; a life insurance premium amounting to 57 thousands of euros and contributions to the Directors' Pension Plan amounting to 246 thousands of euros.

The Chief Executive Officer received the following amounts for these items in 2019: payments in kind amounting to 25 thousands of euros; a life insurance premium amounting to 0.7 thousands of euros and contributions to the Directors' Pension Plan amounting to 160 thousands of euros.

The Directors' Remuneration Policy for the 2019, 2020 and 2021 financial years does not provide for variations in the items that make up the annual fixed remuneration in kind for 2020 and any differences in their amount will be the result of applying the price increases at all times and, where applicable, the valuation rules that apply to them.

- Amount and type of the variable components, differentiating between those established in the short and long-term. Financial and non-financial parameters, the latter including social, environmental and climate change parameters, selected to set the variable remuneration in the current financial year, explanation of the extent to which the parameters relate to the performance of both the director and the entity and to its risk profile, and the methodology, necessary term and techniques provided for ascertaining the degree of compliance with the parameters used in the design of the variable remuneration at the end of the financial year.

  Indicate the range, in monetary terms, of the different variable components based on the degree of compliance with the established objectives and parameters and whether or not there is a maximum monetary amount in absolute terms.

Executive Directors are the only Directors who receive variable remuneration.

Variable annual remuneration

In accordance with the "Directors' Remuneration Policy for the 2019, 2020 and 2021 financial years", the Executive Chairman and the Chief Executive Officer have a recognised right to receive a variable annual bonus for meeting the objectives set forth by the Board of Directors at the proposal of the Appointments and Remuneration Committee for the corresponding year. The amount of this variable bonus shall not, in any circumstances, exceed 60% of the total fixed annual remuneration.

At the beginning of each year contemplated in the "Directors' Remuneration Policy for the 2019, 2020 and 2021 financial years", the Board will approve the objectives applicable to the Executive Chairman and the Chief Executive Officer for these purposes. At year-end, the Board, at the proposal of the Appointments and Remuneration Committee will evaluate the degree to which the targets have been met and decide the variable annual remuneration for the executive directors.

At the proposal of the Appointments and Remuneration Committee, the Board has already established the objectives that apply in 2020 to the Executive Chairman and the Chief Executive Officer for these purposes, consisting of the following in general terms:

1.- Improvement of the economic results of the Company in the form of an increase in net profit.

2.- Consolidation of the Company's regulated revenue.

3.- Consolidation of the Company's strategic plan, particularly in aspects affecting its international development as well as through the development of new services, to contribute to diversification and entrepreneurship.

4.- Sustainability and Good Governance. Annex 2 to this report contains details of the associated objectives for 2019.

Long-term variable remuneration (2019-2021 Long-Term Incentive Plan)

In accordance with the "Directors' Remuneration Policy for the 2019, 2020 and 2021 financial years" the Board, after receiving a report from the Appointments and Remuneration Committee, proposed the approval of a Long-term Incentive to the General Shareholders' Meeting, to apply also to the members of the Management Committee and the rest of the Company's management team.

The Executive Chairman and the Chief Executive Officer are beneficiaries of the 2019-2021 Long-Term Incentive Plan and will be entitled to a number of equivalent shares up to 50% of their fixed annual remuneration for each of the three years included in the Plan, under the terms set out in the draft of the "Directors' Remuneration Policy for the 2019, 2020 and 2021 financial years" put forward to the General Shareholders' Meeting 2019.

The Long-Term Incentive will not have a direct effect on the remuneration in 2019, 2020 and 2021, without prejudice to how the accounting is handled by the Company for the proportional part of the theoretical maximum of the same in each year.

The specific number of Enagás shares and the gross cash amount to be handed over to each Beneficiary on the Payment Dates, if the conditions established for this are met, will be established in accordance with the degree to which the following indicators have been met during the Period for Measuring Targets:

(i) Total Shareholder Return (hereinafter, "TSR"). It will comprise two components: the absolute TSR and the relative TSR. The absolute TSR is measured as the acquisition of a target share price in 2021. The target price has been established by reinvesting the share dividends expected and based on profitability and market parameters. Relative TSR is measured in comparison with a group of 15 companies (RED ELÉCTRICA, SNAM, TERNA, NATIONAL GRID, REN, IBERDROLA, NATURGY, ENEL, RWE, E.ON, ENGIE, CÉNTRICA, UNITED UTILITIES, SEVERN TRENT, PENNON GROUP).
(ii) Funds from Operations (hereinafter, "FFO").
(iii) Accumulated cash flow received from affiliates (hereinafter, "Dividends").
(iv) Compliance with the Sustainability Plan (hereinafter, the "Sustainability Plan"). Details of the specific indicators that measure these objectives and the associated levels of achievement are included in Annex 1.

The Long-Term Incentive will be settled in 2022 and the Executive Chairman and the Chief Executive Officer will receive up to 50% of the incentive that corresponds to the degree of achievement of the objectives over the multi-year period and the remaining 50% in 2023. They will receive all this Incentive in the form of shares, and will be obliged to hold the shares received in 2022 for two years, and those received in 2023 for one year. If the minimum degree of achievement of objectives is not met, the incentive shall amount to zero.

- Main properties of long-term savings schemes. Among other information, the contingencies covered by the system will be indicated, whether it is by contribution or a defined benefit, the annual contribution that must be made to defined contribution schemes, the benefit to which beneficiaries are entitled in defined benefit schemes, the conditions of consolidation of the economic rights for directors and their compatibility with any type of payment or compensation for early termination or dismissal or arising from severance of the contractual relationship, in the terms provided, between the company and the director.

  It should be indicated whether the accrual or consolidation of any of the long-term savings plans is linked to meeting certain objectives or parameters related to the director's short and long-term performance.

1.- The Directors' Pension Plan is a Mixed Plan with a defined contribution for the contingencies of retirement and permanent disability and with a defined benefit for death in active service of the Member, the contributions being a percentage of the participant's Fixed Remuneration. The accrual or consolidation of rights is not linked to any type of achievement of objectives or performance evaluation.

The Directors' Pension Plan establishes that the Executive Chairman and the Chief Executive Officer will not have economic rights if their termination results from a decision of the policyholder due to wilful or gross misconduct in the exercise of the functions of these roles, that damages the interests of the policyholder. The insured party will nevertheless have economic rights if the termination takes place by decision of the policyholder for any reason unrelated to any serious or culpable breach of the duties of the Executive Chairman/Chief Executive Officer.

2.- The Employment Pension Plan of the Enagás Group is a defined contribution plan that is endowed externally and covers the contingencies of retirement, disability and death.

The Executive Chairman and the Chief Executive Officer are currently suspended participants of the Enagás Employment Pension Plan and their consolidated economic rights are not conditioned by any assumption; they are suspended until the redemption of the Plan for the reasons specified in its regulations.

The Company and the Executive Chairman have mutually agreed that the rights and obligations of the parties to the Pension Plan and the Directors' Pension Plan will be extended beyond the age of 65.

- Any type of payment or compensation for early termination or dismissal resulting from severance of the contractual relationship in the terms provided between the company and the director, whether at the behest of the company or the director, as well as any agreements entered into, such as exclusivity, post-contractual non-competition and seniority or loyalty arrangements, which give the director the right to any type of receipt.

Enagás is not required to pay out any compensation in the event of termination of the appointment as non-executive director.

- Indicate the conditions to apply to the contracts of executive directors exercising senior management functions. Among them, disclose the duration, limits on the amount of termination payments, seniority requirements, notice periods, payments related to the duration of a notice period ("garden leave") and any other clauses covering hiring bonuses, as well as indemnities or "golden parachutes" in the event of early termination of the contractual arrangement between the company and the executive director. Include, inter alia, non-competition, exclusivity, seniority or loyalty, and post-contractual non-competition agreements or arrangements, unless explained in the previous section.

Main conditions of the Executive Chairman's contract

The relationship between Enagás and the Executive Chairman is governed by a "Contract for services associated with the position of Executive Chairman" approved by the Board of Directors with all the requirements set forth in Article 249.3 of the Corporate Enterprises Act. The contract is aimed at regulating the rights and obligations for the parties as a result of the position of Executive Chairman, which corresponds to Mr Antonio Llardén Carratalá since his appointment by the Board on January 24, 2007. The contract stipulates the period during which the Executive Chairman performs his duties as such. The contract regulates the services provided by the Executive Chairman when carrying out his functions and those of the Company. The sections above describe the corresponding remuneration in detail. The contract also regulates the circumstances for termination. In the event that the Company freely decides to terminate the contract for whatever reason, as long as this is not due to a breach or being guilty of any actions by the Executive Chairman or because the Company has failed to comply with its contractual obligations, the Executive Chairman will be entitled to an indemnity equivalent to two years' salary of his annual fixed remuneration, understood as that held by the Chairman at the time of the termination of employment plus the remuneration in kind and the last annual variable remuneration received. The compensation for this item was fixed at three years but the Chairman reduced this to two years in 2016 to better conform with the best practices of good governance. The contract contains an exclusive dedication agreement for the Executive Chairman, which stipulates that the latter cannot provide services of any kind to third parties or form part of any other company or legal firm without the explicit authorisation of the Board. No economic compensation for the Executive Chairman is envisioned for this item. Neither does the contract include an economic compensation for arrangements of non-competition after contract termination. The seniority and loyalty of the Executive Chairman are motivated by the participation in the "Company Directors' Pension Plan" already described in this report.

Main conditions of the Chief Executive Officer's contract

The relationship between Enagás and the Chief Executive Officer is governed by a "Contract for the rendering of services associated with the position of Chief Executive Officer" approved by the Board of Directors with all the requirements set forth in Article 249.3 of the Corporate Enterprises Act. The purpose of the contract is to regulate the rights and duties of the parties derived from the position of Chief Executive Officer that corresponds to Mr Marcelino Oreja Arburúa since his appointment by the Board on September 17, 2012. The contract stipulates the period during which the Chief Executive Officer performs his duties as such. The contract regulates the duties of the Chief Executive Officer and those of the Company. The sections above describe the corresponding remuneration in detail. The contract also regulates the circumstances for termination. In the event that the Company freely decides to terminate the contract for whatever reason, as long as this is not due to a breach or being guilty of any actions by the Chief Executive Officer or because the Company has failed to comply with its contractual obligations, the Chief Executive Officer will be entitled to an indemnity equivalent to two years' salary of his annual fixed remuneration, understood as that held by the Chief Executive Officer at the time of the termination of employment plus the remuneration in kind and the last annual variable remuneration received. The contract establishes an exclusivity arrangement for the Chief Executive Officer, through which he cannot provide services of any nature to third parties or participate in or form part of another company or legal entity without the Board's express authorisation. No economic compensation for the Chief Executive Officer is envisioned for this item. The contract includes a non-competition arrangement after its termination, which expires two years afterwards.

As compensation for this non-competition agreement, the Company shall pay the Chief Executive Officer 80% of the fixed annual gross remuneration for each of the years contemplated by the agreement. Nevertheless, the amount in his favour from the "Directors' Pension Plan" will be deducted from the resulting amount. The seniority and loyalty of the Chief Executive Officer are motivated by the participation in the "Company Directors' Pension Plan", already described in this report.

- The nature and estimated amount of any other supplementary remuneration accrued by the directors in the current year as payment for services rendered other than those integral to their role.

Enagás Directors have not accrued any other remuneration for this item.

- Other remuneration items such as those resulting, where applicable, from the company granting the director advances, loans and guarantees and other remunerations.

Enagás Directors have not accrued any other remuneration for this item.

- The nature and estimated amount of any other expected supplementary remuneration not included in the previous sections, whether paid by the entity or another group entity, accrued by the directors in the current year.

Enagás Directors have not accrued any other remuneration for this item.

A.2 Explain any relevant change in the remuneration policy applicable in the current year derived from:

- A new policy or change to the policy already approved by the Board.

- Significant changes in the specific board resolutions for the year in progress in respect of the current remuneration policy compared to those of the previous year.

- Proposals applicable to the current year that the board of directors would have agreed to submit to the general shareholders' meeting to which this annual report will be submitted.

The remuneration policy for directors currently in force, covering 2019, 2020 and 2021, was approved by the General Shareholders' Meeting on March 29, 2019 and its content is explained in section A.1 of this report.

The Board of Directors does not intend to submit to the General Shareholders' Meeting 2020 any proposal that amends or alters the Policy.

A.3 Identify the direct link to the document that outlines the current remuneration policy of the company, which must be available on the company's website.

https://www.enagas.es/stfls/ENAGAS/Relación%20con%20inversores/Documentos/JGA/JGA%202019/Política%20de%20remuneraciones%20de%20los%20consejeros%20para%20los%20ejercicios%202019%202020%20y%202021%20.pdf

A.4 Explain, in the light of the information provided in section B.4, how the shareholders' vote in the general meeting to which the annual remuneration report of the previous year was submitted for a vote, in an advisory capacity was taken into account.

The Directors' Remuneration Report submitted to advisory voting in the General Shareholders' Meeting 2019 was approved by 84.594% of shareholders. The fact that the shareholders' vote approved the directors' remuneration reports for the years in which the Remuneration Policy 2016-2018 was in effect was also an element that the Appointments and Remuneration Committee and the Board considered when putting forward the Policy for the 2019-2021 financial years, which provides continuity with the previous policy, as explained in the Policy: "This Policy has also taken into account the previous Remuneration Policy and Long-Term Incentive, which were widely accepted by shareholders at the General Shareholders' Meeting on March 18, 2016, and now proposes to this Board a continuation of the Remuneration Policy and Long-term Incentive with respect to those of 2016."

B. Overall summary of how the remuneration policy was applied during the year

B.1 Explain the process followed to apply the remuneration policy and determine the individual remunerations reflected in section C of this report. This information will include the role performed by the remuneration committee, the decisions taken by the board of directors and, where appropriate, the identity and role of the external advisors whose services have been used in the process of applying the remuneration policy in the year closed.

The Policy was proposed to the Board by the Appointments, Remuneration and Corporate Social Responsibility Committee (hereinafter, the "Appointments and Remuneration Committee"). The Appointments and Remuneration Committee held specific meetings for such purpose on January 11, 2019, January 21, 2019, January 23, 2019, January 31, 2019, February 5, 2019, February 11, 2019, February 14, 2019 and February 22, 2019. The Committee approved the proposal at the latter meeting, pursuant to Article 529 quindecies of the Corporate Enterprises Act and Article 45 of the Articles of Association.

The Appointments and Remuneration Committee hired independent external advisory firm Willis Towers Watson, which analysed the current remuneration positioning of the Company's Directors and management team and submitted several options on how to update this positioning. The Committee also hired Garrigues, which provided advice about the legal and fiscal factors of this policy.

The Appointments and Remuneration Committee drafted the specific report referred to in Article 529 novodecies of the Corporate Enterprises Act which is available to shareholders in the way envisaged therein.

For the purposes envisaged in Article 529 septedecies of the Corporate Enterprises Act, the Policy submitted for approval by the General Shareholders' Meeting includes the maximum annual remuneration amount to be paid to all the directors in their status as such during the three years in which the Policy is applied.

Likewise, for the purposes envisaged in Article 529 octodecies of the Corporate Enterprises Act, the Policy submitted for approval by the Shareholders' Meeting includes, regarding the directors with executive functions, the amount of the fixed annual remuneration and the variation therein in the period, the different parameters for setting the variable components and the main terms and conditions of directors' contracts and, in particular, the length of their contracts, compensation for early removal or termination of the contractual relationship, and exclusivity, post-contractual non-competition and seniority or loyalty arrangements.

This document describes the regulatory framework, the good governance recommendations and the voting criteria for institutional shareholders and proxy advisors which have established the criteria for the content of this Policy.

B.2 Explain the different actions taken by the company with respect to the remuneration scheme and how they have contributed to reducing exposure to excessive risks and adjusting it to the company's long-term objectives, values or interests, including a reference to: measures in place to guarantee that the remuneration accrued takes account of the long-term results of the company and achieves an appropriate balance between the fixed and variable components of the remuneration; the measures adopted with respect to categories of personnel whose professional activities have a material effect on the entity's risk profile and what measures have been taken to avoid conflicts of interest, if any.

The General Shareholders' Meeting 2019 approved the Remuneration Policy for the 2019-2021 period. The Policy for the 2019-2021 period is intended to maintain things as they stand and therefore maintains the fundamental premises on which the previous Policy approved for the 2016-2018 period was based. One of the premises of this Policy is the commitment made by the Board to shareholders at the Ordinary General Meeting held in 2015 to introduce a Long-Term Incentive (ILP) in the remuneration structure of Executive Directors, which will also be applicable to the Company's management team, and which complies with recommendations 56 to 64 of the CNMV's Good Governance Code and with the most generally accepted criteria regarding these types of remuneration.

The Executive Directors will be beneficiaries of the 2019-2021 Long-Term Incentive Plan in the terms indicated in section A) above and which are reproduced herein as they affect them.

It must be remembered that the Long-Term Incentive will not have a direct effect on the remuneration of the Chairman and the Chief Executive Officer in 2019, 2020 and 2021, without prejudice to how the accounting is handled by the Company for the proportional part of the theoretical maximum of the same in each year.

In 2022, 50% of the Long-Term Incentive will be settled, and the other 50% will be deferred to 2023, thus the Executive Chairman and the Chief Executive Officer will be paid the Incentive according to their Level of Attainment of targets over the multi-year period. They will receive all this Incentive in the form of shares, and will be obliged to hold the shares received in 2022 for two (2) years, and those received in 2023 for one (1) year. In 2024, the Executive Chairman and the Chief Executive Officer may freely dispose of the shares received.

If the minimum degree of achievement of objectives is not met, the Incentive shall amount to zero.

The maximum total remuneration may not exceed 125% of the initial target remuneration. The annual Incentive in the 100% attainment level scenario would be up to 50% of Executive Directors' fixed annual remuneration by 2019. A maximum of 79,090 shares are assigned to the Chairman and 39,545 to the Chief Executive Officer.

Clawback clauses
If certain circumstances occur which show, at a later date, that targets have not in fact been met, then the Board may, if suggested by the Appointments and Remuneration Committee, claim back part or all of the Incentive paid. These clauses will apply to all Beneficiaries and their application period shall be two years starting from the payments dates.

Specifically, and among other circumstances, the return of the Incentive delivered may be required in the following cases:

- Reformulation of the financial statements of the Company not due to change in applicable accounting standards.
- Sanction of the Beneficiary for serious breach of the code of conduct and other internal regulations that may be applicable.
- When the Incentive has been totally or partially settled or paid based on the result of information subsequently clearly proven to be false or inaccurate.
- Other circumstances not foreseen or assumed by the Company that have a material negative effect on the income statements of any of the years of the clawback period.

Malus clauses
Malus clauses are included to allow for partial or total cancellation of deferred amounts pending payment. The deferral period will be one (1) year for 50% of the unpaid Incentive, with the causes of application being the same as those referred to in the previous section for the return clauses.

B.3 Explain how the remuneration accrued in the year complies with the provisions of the current remuneration policy.

Disclose the relationship between remuneration obtained by directors and the company's profits or other performance measures, short and long-term, explaining, as appropriate, how changes in the company's performance may have influenced the variation in directors' remuneration, including accruals whose payment has been deferred and how they contribute to the short and long-term results of the company.

In accordance with the Remuneration Policy 2019-2021 applicable to financial year 2019, the maximum amount of annual remuneration payable to all the Directors in their capacity as such for that year amounts to 2,241,000 euros. In accordance with the information reported in section C.1 of this report, the remuneration amounts actually received by the directors for this item in 2019 amounts to 2,064,000 euros.

As regards the executive directors, the Remuneration Policy 2019-2021 mentions the specific amounts that the executive directors accrue in the years in which the Policy was in force as monetary and in kind fixed remuneration, as well as the percentages of annual variable remuneration due to them and the parameters to set them, linked to financial, sustainability and development ratios of the Company's strategic plan. The amount of this variable bonus shall not, in any circumstances, exceed 60% of the total fixed annual remuneration. The amount charged under this item in 2019 corresponds to the degree of compliance with the 2018 company objectives approved by the Board of Directors of Enagás and reported in section D of the Directors' Remuneration Report for 2018. Under this item, the Chairman collected 564 thousands of euros and the CEO 282 thousands of euros.

In 2019, the 2016-2018 Long-term Incentive has been settled in accordance with the provisions of the Directors' Remuneration Policy for 2016-2018. The amount charged for this item in 2019 corresponds to the degree of achievement of the multi-year targets approved by the Board of Directors. The Chairman received 54,669 shares for this item and the Chief Executive Officer received 21,759 shares. They will be required to hold them for a period of two years.

Likewise, the Remuneration Policy 2019-2021 established that the executive directors are also beneficiaries of the 2019-2021 Long-Term Incentive Plan in the terms already indicated in section B.7 of this report, which aims to link the long-term remuneration of the executive directors with the performance of a set of parameters (dividend, sustainability, etc.) guaranteeing the long-term sustainable growth of the Company. Under the terms of the Remuneration Policy 2019-2021, this plan would grant the Chairman a maximum of 79,090 shares and the Chief Executive Officer a maximum of 39,545, based on the level of compliance with the objectives set and which will be defined and settled in 2022 once the General Shareholders' Meeting approves the annual accounts for the 2021 financial year.

B.4 Disclose the outcome of the advisory vote at the general meeting on the annual report on remuneration of the previous year, indicating the number of votes against, if any

	Number	% of total
Votes cast	121,842,989	100.00

	Number	% of votes cast
Votes against	5,502,749	4.52
Votes in favour	103,071,530	84.59
Abstentions	13,268,710	10.89

Observations

B.5 Explain how the fixed components accrued during the year were determined by the directors in their capacity as such, and how they varied with respect to the previous year

Insofar as concerns the "Directors' Remuneration Policy for the 2019, 2020 and 2021 financial years" approved by the General Shareholders' Meeting 2019, the fixed remuneration amounts for Directors shall be as follows for the year 2019:

Individual remuneration of Directors in their capacity as such

The allocation by item and the remuneration amount for each Director in 2019 will be as follows:

(i) A fixed annual amount of 100,000 euros for Board membership;
(ii) An annual variable amount of up to 30,000 euros, depending on attendance at Board meetings;
(iii) A fixed annual amount for membership in each of the Board Committees of 25,000 euros;
(iv) A variable annual amount of up to 5,000 euros, depending on attendance at Committee meetings;
(v) A fixed annual amount of 15,000 euros for serving as Chairman of each Committee and;
(vi) A fixed annual amount of 15,000 euros for serving as Independent Leading Director. As a result of applying the aforementioned criteria to determine, in line with the individual remuneration, the maximum remuneration figure for the Board in 2018, the maximum annual remuneration amount to be paid to all the Directors in their position as such, and which the Board proposes for the General Meeting's approval for the purposes of Article 529 septdecies.1 of the Corporate Enterprises Act and Article 36 of the Articles of Association is 2,241,000 euros.

Insofar as concerns the "Directors' Remuneration Policy for 2016, 2017 and 2018" approved by the General Shareholders' Meeting 2016, the fixed remuneration amounts for the Directors shall be as follows for the year 2018:

Individual remuneration of Directors in their capacity as such

The allocation by item and the remuneration amount for each Director in 2018 will be as follows:

(i) A fixed annual amount of 100,000 euros for Board membership;
(ii) An annual variable amount of up to 30,000 euros, depending on attendance at Board meetings;
(iii) A fixed annual amount for membership in each of the Board Committees of 25,000 euros;
(iv) A variable annual amount of up to 5,000 euros, depending on attendance at Committee meetings;
(v) A fixed annual amount of 15,000 euros for serving as Chairman of each Committee and;
(vi) A fixed annual amount of 15,000 euros for serving as Independent Leading Director. As a result of applying the aforementioned criteria to determine, in line with the individual remuneration, the maximum remuneration figure for the Board in 2018, the maximum annual remuneration amount to be paid to all the Directors in their position as such, and which the Board proposes for the General Meeting's approval for the purposes of Article 529 septdecies.1 of the Corporate Enterprises Act and Article 36 of the Articles of Association is 2,241,000 euros.

In accordance with the information reported in section C.1 of this report, the remuneration amounts actually received by the directors under this item in 2019 amounted to 2,064,000 euros while the amount accrued for this item in 2018 was 2,054,000 euros.

B.6 Explain how the salaries accrued during the closed financial year were determined for each of the executive directors for the performance of directorial functions and how they varied with respect to the previous year.

The remuneration for the Executive Chairman for the 2019 financial year was approved in detail by the General Shareholders' Meeting on March 29, 2019, as part of the "Directors' Remuneration Policy for the 2019, 2020 and 2021 financial years". During financial year 2019, the Executive Chairman received fixed remuneration of 1,000 thousands of euros and variable remuneration of 564 thousands of euros. The annual variable remuneration (up to 60% of annual fixed remuneration) paid in 2019 was approved by the Board and is in proportion to the level of attainment of the 2018 company objectives reported in section E of the Annual Directors' Remuneration Report for the previous year; likewise, he received remuneration for membership of the Board in the amount of 130 thousands of euros, as well as other remuneration in kind in the amount of 153 thousands of euros (the variations in remuneration in kind with respect to previous years is exclusively due to valuation differences in the remuneration without receipt of remuneration in kind for new items), with an aggregate total of 1,847 thousands of euros.

The remuneration for the Chief Executive Officer in 2019 was approved in detail by the General Shareholders' Meeting on March 29, 2019 as part of the "Directors' Remuneration Policy for the 2019, 2020 and 2021 financial years". During financial year 2019, he received fixed remuneration of 500 thousands of euros and variable remuneration of 282 thousands of euros. The annual variable remuneration (up to 60% of annual fixed remuneration) was approved by the Board and is in proportion to the degree of achievement of the 2018 company objectives reported in section E of the Annual Directors' Remuneration Report for the previous year; likewise, he received remuneration for membership of the Board in the amount of 130 thousands of euros, as well as other remuneration in kind in the amount of 25 thousands of euros (the variations in remuneration in kind with respect to previous years is exclusively due to valuation differences in the remuneration without receipt of remuneration in kind for new items), with an aggregate total of 937 thousands of euros.

In 2018, the Executive Chairman received 1,000 thousands of euros of fixed remuneration and 593 thousands of euros of variable remuneration; likewise he was paid 130 thousands of euros in attendance fees (fixed remuneration plus fee for attending Board meetings) and 173 thousands of euros of remuneration in kind, for a combined total of 1,896 thousands of euros.

In 2018, the Chief Executive Officer received 500 thousands of euros of fixed remuneration and 273 thousands of euros of variable remuneration, with both components approved by the Board. In addition, the Chief Executive Officer was paid 130 thousands of euros in attendance fees (fixed remuneration plus fee for attending Board meetings) and 22 thousands of euros of remuneration in kind, for a combined total of 925 thousands of euros.

B.7. Explain the nature and main features of variable components of the remuneration schemes accrued in the closed financial year.

In particular:

- Identify each of the remuneration plans that have set the different variable remunerations accrued by each of the directors during the year, including information on their scope, their approval date, implementation date, accrual periods and validity, criteria used for the evaluation of performance and how this has impacted on the setting of the variable amount accrued, as well as the measurement criteria used and the time needed for suitable measurement of all the stipulated conditions and criteria.

  In the case of share option plans or other financial instruments, the general characteristics of each plan shall include information on the conditions both for acquiring unconditional ownership (consolidation), and for the exercise of such options or financial instruments, including the price and period in which they can be exercised.

- Each of the directors, and their class (executive, external proprietary, external independent or other external directors) that are entitled to schemes or plans that include variable remuneration.

- Disclose, where applicable, the periods of accrual or deferral of payment established and/or any holding or lock-up periods of the shares or other financial instruments.

  Explain the short-term variable components of the remuneration schemes:

Executive Directors are the only Directors who receive variable remuneration.

Variable annual remuneration

In accordance with the Remuneration Policy 2019-2021, the annual variable remuneration of the Executive Chairman and the Chief Executive Officer involves receipt of a variable annual bonus for meeting the objectives set forth by the Board of Directors at the proposal of the Appointments and Remuneration Committee for the corresponding financial year. The amount of this variable bonus shall not, in any circumstances, exceed 60% of the total fixed annual remuneration. At the beginning of each year contemplated in the "Directors' Remuneration Policy for the 2019, 2020 and 2021 financial years", the Board will approve the objectives applicable to the Executive Chairman and the Chief Executive Officer for these purposes. At year-end, the Board, at the proposal of the Appointments and Remuneration Committee will evaluate the degree to which the targets have been met and decide the variable annual remuneration for the executive directors.

The Board, at the proposal of the Appointments and Remuneration Committee, established the Company's objectives applicable to the Chairman and Chief Executive Officer for 2018 and which were actually collected in 2019 based on the level of compliance, approved also by the Board and reported in section D of the Directors' Remuneration Report for 2018 and generally refer to:

1.- Improvement of the economic results of the Company in the form of an increase in net profit.

2.- Consolidation of the Company's regulated revenue.

3.- Consolidation of the Company's strategic plan, specifically as regards its international development.

4.- Sustainability and Good Governance.

The amounts collected by the executive directors in 2019 under this item are: 564 thousands of euros by the Chairman and 282 thousands of euros by the Chief Executive Officer.

Explain the long-term variable components of the remuneration schemes:

Executive Directors are the only Directors who receive variable remuneration.

2019-2021 Long-Term Incentive

The Appointments and Remuneration Committee and the Board deemed it convenient to include a Long-Term Incentive as part of the remuneration policy of Executive Directors for the 2019-2021 period. This will also apply to the members of the Management Committee and the rest of the Company's management team. The intention of the Appointments and Remuneration Committee and the Board is for the Long-Term Incentives to remain an element in the Company's remuneration structure and their proposal is that they be included in subsequent remuneration policies presented to the General Shareholders' Meeting for approval.

Objetives:

- Boost the sustainable achievement of objectives contemplated in the Company's Strategic Plan.
- Provide the opportunity of sharing the creation of value by the participants.
- Enhance the sense of pertaining to the Company and a common destiny.
- Be competitive.
- Be aligned with the requirements of the institutional investors and proxy advisors and with the best Good Corporate Governance practices, particularly those based on the recommendations of the Good Governance Code approved by the CNMV.

The Executive Chairman and the Chief Executive Officer are beneficiaries of the 2019-2021 Long-Term Incentive in the terms set forth in the "Directors' Remuneration Policy for the 2019, 2020 and 2021 financial years" and in section A.1 of this report, which are understood. It must be remembered that the Long-Term-Incentive will not have a direct effect on the remuneration in 2019, 2020 and 2021, without prejudice to how the accounting is handled by the Company for the proportional part of the theoretical maximum of the same in each year. The Long-Term-Incentive will be settled in 2022 once the General Shareholders' Meeting approves the annual accounts for 2021 and the Executive Chairman and the Chief Executive Officer will receive the incentive that corresponds to the degree of achievement of the objectives over the multi-year period. This incentive will be received, in full, in shares, with the obligation to hold them for two (2) years on the first Payment Date and for one (1) year on the second Payment Date.

B.8 Indicate whether there has been a reduction or claim for the return of certain variable components when, in the first case, the payment was consolidated and deferred or, in the second case, consolidated and paid, based on data later manifestly demonstrated to be inaccurate. Describe the amounts reduced or returned under the reduction or clawback clauses, why they have been enforced and the financial years to which they correspond.

No amount was reduced or reclaimed.

B.9 Explain the main characteristics of long-term savings schemes whose amount or annual equivalent cost is shown in the tables in Section C, including retirement and any other survival benefit, which are partially or totally funded by the company, whether gifted internally or externally, indicating the type of plan, whether it is contribution-based or defined benefit, the contingencies it covers, the conditions for consolidating economic rights for the directors and their compatibility with any type of compensation for early termination or severance of the contractual relationship between the company and the director.

1.- The Directors' Pension Plan is a Mixed Plan with a defined contribution for the contingencies of retirement and permanent disability and with a defined benefit for death in active service of the Participant, the contributions being a percentage of the Participant's Fixed Remuneration. The accrual or consolidation of rights is not linked to any type of achievement of objectives or performance evaluation.

The Directors' Pension Plan establishes that the Executive Chairman and the Chief Executive Officer will not have economic rights if their termination results from a decision of the policyholder due to wilful or gross misconduct in the exercise of the functions of these roles, that damages the interests of the policyholder. The insured party will nevertheless have economic rights if the termination takes place by decision of the policyholder for any reason unrelated to any serious or culpable breach of the duties of the Executive Chairman/Chief Executive Officer.

In 2019, the Company contributed 246 thousands of euros to the Chairman for this item and 160 thousands of euros to the Chief Executive Officer.

2.- The Employment Pension Plan of the Enagás Group is a defined contribution plan that is endowed externally and covers the contingencies of retirement, disability and death.

The Executive Chairman and the Chief Executive Officer are currently suspended participants of the Enagás Employment Pension Plan and their consolidated economic rights are not conditioned by any assumption; they are suspended until the redemption of the Plan for the reasons specified in its regulations.

The Company and the Executive Chairman have mutually agreed that the rights and obligations of the parties to the Pension Plan and the Directors' Pension Plan will be extended beyond the age of 65.

B.10 Explain, where appropriate, compensation or any other type of payment derived from the early termination, whether decided by the company or the director, or cancellation of contract, in the terms provided therein, accrued and/or received by the directors during the year closed.

No director of Enagás has received or accrued any amount under this item during 2019.

B.11 Indicate whether there have been significant changes in the contracts of those with senior management functions as executive directors and, where appropriate, explain them. Likewise, explain the main conditions of the new contracts signed with executive directors during the financial year, unless they have already been explained in section A.1.

The contracts of the Chairman and the Chief Executive Officer were not modified during 2019.

B.12 Explain any supplementary remuneration accrued by directors as compensation for services provided other than those inherent in their post.

Enagás directors do not receive any remuneration under this item.

B.13 Explain any remuneration derived from advances, loans or guarantees granted, along with the rate of interest, essential features and any amounts returned, as well as the obligations assumed on their behalf in the form of guarantees.

Enagás directors do not receive any remuneration under this item.

B.14 Detail the remuneration in kind accrued by the directors during the year, briefly explaining the nature of the different salary components.

Executive Chairman

In accordance with the Remuneration Policy 2019-2021 and with the terms of the contract approved by the Board, the Chairman receives an annual fixed remuneration in kind for items that are normal in these cases and similar to those of the entire management team of the Company (vehicle, medical insurance, etc., including the account deposits that correspond to personal income tax). Furthermore, the Executive Chairman is also an insured participant in the "Company's Directors' Pension Plan" which the Company established for its management team by means of a mixed group insurance policy. In addition to pension obligations, the cover provides benefits in the cases of survival, death or employment disability, which the Company has signed with an insurance company.

The Executive Chairman received the following amounts for these items in 2019: payments in kind amounting to 153 thousands of euros (variations in remuneration in kind in relation to previous years are exclusively the result in differences in valuation of said remuneration, with no further remuneration in kind paid for other items); a life insurance premium totalling 57 thousands of euros.

In addition, contributions were made to the Directors' Pension Plan amounting to 246 thousands of euros. The Executive Chairman is a member of the group insured by the civil liability policy that covers the contractual and non-contractual liabilities that correspond to the activities undertaken in their posts. The Company compensates the Executive Chairman for the amounts incurred as travel, accommodation, board and other similar expenses as a result of carrying out the functions of the post, in accordance with the expense and travel policy prevailing at the Company at any given time.

Chief Executive Officer

In the terms of the contract approved by the Board, the Chief Executive Officer receives an annual fixed remuneration in kind for items that are normal in these cases and similar to those of the entire management team of the Company (vehicle, medical insurance, etc., including the account deposits that correspond to personal income tax). Furthermore, the Chief Executive Officer is also an insured participant in the "Company's Directors' Pension Plan" which the Company established for its management team by means of a mixed group insurance policy. In addition to pension obligations, the cover provides benefits in the cases of survival, death or employment disability, which the Company has signed with an insurance company.

In 2019, the Chief Executive Officer received the following amounts for these items: benefits in kind amounting to 25 thousands of euros (the changes in the remuneration in kind with respect to previous years are due exclusively to differences in the valuation of this remuneration without having received remuneration in kind for new items); life insurance premium of 0.7 thousands of euros and contributions to the Directors' Pension Plan of 160 thousands of euros. The Chief Executive Officer forms part of the group insured by the civil liability policy that covers the contractual and non-contractual liabilities that correspond to the activities undertaken in their posts. The Company will compensate the Chief Executive Officer for the amounts incurred as travel, accommodation, board and other similar expenses as a result of carrying out his functions, in accordance with the expense and travel policy prevailing at the Company at any given time.

B.15 Explain the remuneration accrued by the director by virtue of payments made by the listed company to another entity at which the director is employed where such payments are designed to remunerate the services provided by the director at the listed company.

Enagás Directors have not accrued any other remuneration for this item.

B.16 Explain any kind of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be a related-party transaction or when its issuance would detract from a true and fair view of the total remuneration accrued by the director.

Enagás Directors have not accrued any other remuneration for this item.

C. Itemised individual remuneration corresponding to each director

Name	Type	2019 accrual period
Mr LUIS JAVIER NAVARRO VIGIL	Other External Directors	From 01/01/2019 to 29/03/2019
Mr ANTONIO LLARDÉN CARRATALÁ	Executive Chairman	From 01/01/2019 to 31/12/2019
Mr MARCELINO OREJA ARBURÚA	Chief Executive Officer	From 01/01/2019 to 31/12/2019
Mr ANTONIO HERNÁNDEZ MANCHA	Independent Director	From 01/01/2019 to 31/12/2019
Ms ANA PALACIO VALLELERSUNDI	Independent Director	From 01/01/2019 to 31/12/2019
Mr MARTÍ PARELLADA SABATA	Other External Directors	From 01/01/2019 to 31/12/2019
Mr SANTIAGO FERRER COSTA	Proprietary Director	From 01/01/2019 to 31/12/2019
Mr LUIS GARCÍA DEL RÍO	Independent Director	From 01/01/2019 to 31/12/2019
Ms ISABEL TOCINO BISCAROLASAGA	Independent Director	From 01/01/2019 to 31/12/2019
Ms ROSA RODRÍGUEZ DÍAZ	Independent Director	From 01/01/2019 to 31/12/2019
Mr GONZALO SOLANA GONZÁLEZ	Independent Director	From 01/01/2019 to 31/12/2019
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	Proprietary Director	From 01/01/2019 to 31/12/2019
Mr IGNACIO GRANGEL VICENTE	Independent Director	From 01/01/2019 to 31/12/2019
Ms EVA PATRICIA URBEZ SANZ	Independent Director	From 29/03/2019 to 31/12/2019

C.1 Complete the following tables regarding the individual remuneration accrued by each director (including remuneration received for the discharge of executive duties) during the year.

a) Remuneration accrued at the reporting company:

i) Remuneration accrued in cash (in thousands of euros)

Name	Fixed remuneration	Per diems	Remuneration for membership of board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Termination benefits	Other items	Total 2019	Total 2018
Mr LUIS JAVIER NAVARRO VIGIL	27	9	8						44	160
Mr ANTONIO LLARDÉN CARRATALÁ	100	30		1,000	564				1,694	1,896
Mr MARCELINO OREJA ARBURÚA	100	30		500	282				912	925
Mr ANTONIO HERNÁNDEZ MANCHA	100	35	25						160	157
Ms ANA PALACIO VALLELERSUNDI	100	35	40					15	190	190
Mr MARTÍ PARELLADA SABATA	100	35	25						160	160
Mr SANTIAGO FERRER COSTA	100	35	25						160	37
Mr LUIS GARCÍA DEL RÍO	100	35	25						160	160
Ms ISABEL TOCINO BISCAROLASAGA	100	35	40						175	172
Ms ROSA RODRÍGUEZ DÍAZ	100	35	25						160	160
Mr GONZALO SOLANA GONZÁLEZ	100	35	25						160	160
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	100	35	25						160	155
Mr IGNACIO GRANGEL VICENTE	100	35	25						160	116
Ms EVA PATRICIA URBEZ SANZ	73	22	20						115	

Observations

Long-term variable remuneration: as a result of the 2016-2018 Incentive settlement process, the Chairman and CEO received in cash the amount associated with the adjustments for the differences generated by the evolution of the market value of the shares during the settlement process.

ii) Table of movements in remuneration systems based on shares and gross profit of shares or consolidated financial instruments.

		Financial instruments at the beginning of 2019		Financial instruments granted during financial year 2019		Financial instruments consolidated during the financial year				Instruments maturing but not exercised	Financial instruments at the end of 2019	
Name	Name of the Plan	No. of instruments	Nº Acciones equivalentes	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent / consolidated shares	Price of the consolidated shares	Gross profit of consolidated shares or financial instruments (thousands of euros)	No. of instruments	No. of instruments	No. of equivalent shares
Mr LUIS JAVIER NAVARRO VIGIL	Plan							0.00				
Mr ANTONIO LLARDÉN CARRATALÁ	Long-term incentive plan	69,711	69,711	79,090	79,090	54,669	54,669	25.60	1,399		79,090	79,090
Mr MARCELINO OREJA ARBURÚA	Long-term incentive plan	27,744	27,744	39,545	39,545	21,759	21,759	25.60	557		39,545	39,545
Mr ANTONIO HERNÁNDEZ MANCHA	Plan							25.60				
Ms ANA PALACIO VALLELERSUNDI	Plan							0.00				
Mr MARTÍ PARELLADA SABATA	Plan							0.00				
Mr SANTIAGO FERRER COSTA	Plan							0.00				
Mr LUIS GARCÍA DEL RÍO	Plan							0.00				
Ms ISABEL TOCINO BISCAROLASAGA	Plan							0.00				
Ms ROSA RODRÍGUEZ DÍAZ	Plan							0.00				
Mr GONZALO SOLANA GONZÁLEZ	Plan							0.00				
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	Plan							0.00				
Mr IGNACIO GRANGEL VICENTE	Plan							0.00				
Ms EVA PATRICIA URBEZ SANZ	Plan							0.00				

Observations

The financial instruments consolidated during the year by the Chairman and the CEO must be retained for a period of two years.

iii) Long-term savings schemes.

Name	Remuneration through consolidation of rights to savings schemes
Mr LUIS JAVIER NAVARRO VIGIL	
Mr ANTONIO LLARDÉN CARRATALÁ	246
Mr MARCELINO OREJA ARBURÚA	160
Mr ANTONIO HERNÁNDEZ MANCHA	
Ms ANA PALACIO VALLELERSUNDI	
Mr MARTÍ PARELLADA SABATA	
Mr SANTIAGO FERRER COSTA	
Mr LUIS GARCÍA DEL RÍO	
Ms ISABEL TOCINO BISCAROLASAGA	
Ms ROSA RODRÍGUEZ DÍAZ	
Mr GONZALO SOLANA GONZÁLEZ	
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	
Mr IGNACIO GRANGEL VICENTE	
Ms EVA PATRICIA URBEZ SANZ	

	Contribution by the company in the year (thousands of euros)				Cumulative amount of funds (thousands of euros)			
	Savings schemes with consolidated economic rights		Savings schemes with unconsolidated economic rights		Savings schemes with consolidated economic rights		Savings schemes with unconsolidated economic rights	
	2019	2018	2019	2018	2019	2018	2019	2018
Mr LUIS JAVIER NAVARRO VIGIL								
Mr ANTONIO LLARDÉN CARRATALÁ	246	240			2,825	2,586		
Mr MARCELINO OREJA ARBURÚA	160	149			635	520		
Mr ANTONIO HERNÁNDEZ MANCHA								
Ms ANA PALACIO VALLELERSUNDI								
Mr MARTÍ PARELLADA SABATA								
Mr SANTIAGO FERRER COSTA								
Mr LUIS GARCÍA DEL RÍO								
Ms ISABEL TOCINO BISCAROLASAGA								
Ms ROSA RODRÍGUEZ DÍAZ								
Mr GONZALO SOLANA GONZÁLEZ								
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)								
Mr IGNACIO GRANGEL VICENTE								
Ms EVA PATRICIA URBEZ SANZ								

Observations

iv) Details of other items

Name	Category	Remuneration amount
Mr LUIS JAVIER NAVARRO VIGIL	Category	
Mr ANTONIO LLARDÉN CARRATALÁ	Category	
Mr MARCELINO OREJA ARBURÚA	Category	
Mr ANTONIO HERNÁNDEZ MANCHA	Category	
Ms ANA PALACIO VALLELERSUNDI	Category	
Mr MARTÍ PARELLADA SABATA	Category	
Mr SANTIAGO FERRER COSTA	Category	
Mr LUIS GARCÍA DEL RÍO	Category	
Ms ISABEL TOCINO BISCAROLASAGA	Category	
Ms ROSA RODRÍGUEZ DÍAZ	Category	
Mr GONZALO SOLANA GONZÁLEZ	Category	
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	Category	
Mr IGNACIO GRANGEL VICENTE	Category	
Ms EVA PATRICIA URBEZ SANZ	Category	

Observations

b) Remuneration accrued by directors for sitting on the boards of other group companies:

i) Remuneration accrued in cash (in thousands of euros)

Name	Fixed remuneration	Per diems	Remuneration for membership of board committees	Salary	Short-term variable wremuneration	Long-term variable remuneration	Termination benefits	Other items	Total 2019	Total 2018
Mr LUIS JAVIER NAVARRO VIGIL										
Mr ANTONIO LLARDÉN CARRATALÁ										
Mr MARCELINO OREJA ARBURÚA										
Mr ANTONIO HERNÁNDEZ MANCHA										
Ms ANA PALACIO VALLELERSUNDI										
Mr MARTÍ PARELLADA SABATA										
Mr SANTIAGO FERRER COSTA										
Mr LUIS GARCÍA DEL RÍO										
Ms ISABEL TOCINO BISCAROLASAGA										
Ms ROSA RODRÍGUEZ DÍAZ										
Mr GONZALO SOLANA GONZÁLEZ										
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)										
Mr IGNACIO GRANGEL VICENTE										
Ms EVA PATRICIA URBEZ SANZ										

Observations

ii) Table of movements in remuneration systems based on shares and gross profit of shares or consolidated financial instruments.

		Financial instruments at the beginning of 2019		Financial instruments granted during financial year 2019		Financial instruments consolidated during the financial year				Instruments maturing but not exercised	Financial instruments at the end of 2019	
Name	Name of the Plan	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent / consolidated shares	Price of the consolidated shares	Gross profit of consolidated shares or financial instruments (thousands of euros)	No. of instruments	No. of instruments	No. of equivalent shares
Mr LUIS JAVIER NAVARRO VIGIL	Plan							0.00				
Mr ANTONIO HERNÁNDEZ MANCHA	Plan							0.00				
Ms ANA PALACIO VALLELERSUNDI	Plan							0.00				
Mr MARTÍ PARELLADA SABATA	Plan							0.00				
Mr SANTIAGO FERRER COSTA	Plan							0.00				
Mr LUIS GARCÍA DEL RÍO	Plan							0.00				
Ms ISABEL TOCINO BISCAROLASAGA	Plan							0.00				
Ms ROSA RODRÍGUEZ DÍAZ	Plan							0.00				
Mr GONZALO SOLANA GONZÁLEZ	Plan							0.00				
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	Plan							0.00				
Mr IGNACIO GRANGEL VICENTE	Plan							0.00				
Ms EVA PATRICIA URBEZ SANZ	Plan							0.00				

Observations

iii) Long-term savings schemes

Name	Remuneration through consolidation of rights to savings schemes
Mr LUIS JAVIER NAVARRO VIGIL	
Mr ANTONIO LLARDÉN CARRATALÁ	
Mr MARCELINO OREJA ARBURÚA	
Mr ANTONIO HERNÁNDEZ MANCHA	
Ms ANA PALACIO VALLELERSUNDI	
Mr MARTÍ PARELLADA SABATA	
Mr SANTIAGO FERRER COSTA	
Mr LUIS GARCÍA DEL RÍO	
Ms ISABEL TOCINO BISCAROLASAGA	
Ms ROSA RODRÍGUEZ DÍAZ	
Mr GONZALO SOLANA GONZÁLEZ	
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	
Mr IGNACIO GRANGEL VICENTE	
Ms EVA PATRICIA URBEZ SANZ	

	Contribution by the company in the year (thousands of euros)				Cumulative amount of funds (thousands of euros)			
	Savings schemes with consolidated economic rights		Savings schemes with unconsolidated economic rights		Savings schemes with consolidated economic rights		Savings schemes with unconsolidated economic rights	
Name	2019	2018	2019	2018	2019	2018	2019	2018
Mr LUIS JAVIER NAVARRO VIGIL								
Mr ANTONIO HERNÁNDEZ MANCHA								
Ms ANA PALACIO VALLELERSUNDI								
Mr MARTÍ PARELLADA SABATA								
Mr SANTIAGO FERRER COSTA								
Mr LUIS GARCÍA DEL RÍO								
Ms ISABEL TOCINO BISCAROLASAGA								
Ms ROSA RODRÍGUEZ DÍAZ								
Mr GONZALO SOLANA GONZÁLEZ								
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)								
Mr IGNACIO GRANGEL VICENTE								
Ms EVA PATRICIA URBEZ SANZ								

Observations

iv) Details of other items

Name	Category	Remuneration amount
Mr LUIS JAVIER NAVARRO VIGIL	Category	
Mr ANTONIO LLARDÉN CARRATALÁ	Category	
Mr MARCELINO OREJA ARBURÚA	Category	
Mr ANTONIO HERNÁNDEZ MANCHA	Category	
Ms ANA PALACIO VALLELERSUNDI	Category	
Mr MARTÍ PARELLADA SABATA	Category	
Mr SANTIAGO FERRER COSTA	Category	
Mr LUIS GARCÍA DEL RÍO	Category	
Ms ISABEL TOCINO BISCAROLASAGA	Category	
Ms ROSA RODRÍGUEZ DÍAZ	Category	
Mr GONZALO SOLANA GONZÁLEZ	Category	
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	Category	
Mr IGNACIO GRANGEL VICENTE	Category	
Ms EVA PATRICIA URBEZ SANZ	Category	

Observations

c) Summary of remuneration (in thousands of euros):

Should include amounts for all remuneration components referred to in the present report accrued by the director, in thousands of euros.

	Remuneration accrued in the Company					Remuneration accrued in group companies				
Name	Total remuneration in cash	Gross profit of consolidated shares or financial instruments	Remuneration through savings schemes	Remuneration through other items	Total 2019	Total remuneration in cash	Gross profit of consolidated shares or financial instruments	Remuneration through savings schemes	Remuneration through other items	Total 2019
Mr LUIS JAVIER NAVARRO VIGIL	44				44					
Mr ANTONIO LLARDÉN CARRATALÁ	1,694	1,399	246	153	3,492					
Mr MARCELINO OREJA ARBURÚA	912	557	160	25	1,654					
Mr ANTONIO HERNÁNDEZ MANCHA	160				160					
Ms ANA PALACIO VALLELERSUNDI	190				190					
Mr MARTÍ PARELLADA SABATA	160				160					
Mr SANTIAGO FERRER COSTA	160				160					
Mr LUIS GARCÍA DEL RÍO	160				160					
Ms ISABEL TOCINO BISCAROLASAGA	175				175					
Ms ROSA RODRÍGUEZ DÍAZ	160				160					
Mr GONZALO SOLANA GONZÁLEZ	160				160					
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	160				160					
Mr IGNACIO GRANGEL VICENTE	160				160					
Ms EVA PATRICIA URBEZ SANZ	115				115					
TOTAL	**4,410**	**1,956**	**406**	**178**	**6,950**					

Observations

D. Other information of interest

If any material aspect of directors' remuneration exists that has not been addressed in this report, which you feel is necessary to provide a fuller view of the company's director remuneration practices, please explain these details briefly.

Not applicable.

This Annual Report on Directors' Remuneration was approved by the company's board of directors at its meeting held on:

17/02/2020

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

Yes ☒ **No** ☐

Name or corporate name of board members who voted against or abstained from voting on the approval of this report	Reasons (voted against, abstention, non-attendance)	Explain the reasons
Mr SANTIAGO FERRER COSTA	Abstention	Mr Santiago Ferrer Costa, Proprietary Director of the shareholder Sociedad Estatal de Participaciones Industriales (SEPI), abstained from voting on the current report, expressing that the SEPI Board of Directors must determine whether SEPI´s vote, as an Enagás, S.A. shareholder, matters on this and other proposals for discussion at the 2020 General Shareholders' Meeting.
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	Abstention	Mr Bartolomé Lora Toro, representative, who is a natural person, of the legal person Sociedad Estatal de Participaciones Industriales (SEPI), abstained from voting on the current report, expressing that the SEPI Board of Directors must determine whether SEPI's vote, as an Enagás, S.A. shareholder, matters on this and other proposals for discussion at the 2020 General Shareholders' Meeting.

Appendix I. 2019-2021 Long-Term Incentive Plan

Strategic priorities	Objetives	Mínimum (75%)	Target (100%)	Máximum (125%)	Weight
Shareholder remuneration	Guarantee of **Total Return for Enagás Shareholders (TSR).** • **Relativo TSR:** Enagás position in the ranking of the Comparison Group.(REE, SNAM, TERNA, NATIONAL GRID, REN, IBERDROLA, NATURGY, ENEL, RWE, E.ON, ENGIE, CÉNTRICA, UNITED UTILIES, SEVERN TRENT, PENNON GROUP). • **Absolute TSR.**	• 8 (40%) • 23.5 €/share	• 5 (104%) • 24.3 €/share	• 1-4 (125%) • 25.2 €/share	30% (15%/ 15%)
Regulated assets	Consolidation of cash flows as a driver for solvency and ensuring a dividend payment for Enagás shareholders. • Accumulated results corresponding to the **Company's Funds From Operations (FFO).**	2,079 M€	2,110 M€	2,140 M€	25%
International growth	Consolidation of cash flows contributed by affiliates to the shareholder (Enagás Group) • **Accumulated cash flows** received from **affiliates (Dividend).**	292 M€	353 M€	413 M€	35%
Sustainability	Guarantee of sustainable and organic growth through the fulfilment of initiatives contained in the **Sustainability Plan.** • Average reduction in CO_2 emissions in the 2019-2021 period vs. 2018. • Percentaje of women on: • The Board of Directors • Pre-executive and executive positions • Workforce • Investment associated with the increased presence of renewable gases in the energy mix.	• 5% • 25% • 30% • 30% • 15 M€	• 5.5% • 30% • 35% • 35% • 20 M€	7.5% • 35% • 40% • 40% • 25 M€	10%

Appendix II.
2019 Company's Objectives – Enagás S.A.

Strategic guidelines	Objetives	Annual objectives	Indicators	Target value	Weight	Result	Level of attainment
DE1. Shareholder remuneration	C1: Improved Company Economic Performance	a) Net profit growth	a) Net profit at 31.12.2019.	a) 418M€	30%	422.6M€	**100%**
DE2. Regulated assets	C2: Strengthening Regulated Revenues	a) Efficiency operating expenses b) Promotion and market positioning of Small Scale	a) Operating margin over Budget b) New capacity for refuelling to be incorporated into the Spanish system in 2019 (vs. 2018) in the area of Small- Scale for maritime use	a) 42.4% b) 300 GWh	25%	a) 42.6% b) 427.7 GWh	**100%**
DE3. International growth	C3: Consolidation of the Company's Strategic Plan	a) Consolidation of international busines b) Services, Diversification and Entrepreneurship	a.1) Initiatives for the development of new business opportunities (core/non-core opportunities, agreements etc.) a.2) Compliance with the business plan of subsidiaries and the promotion of growth (compliance with the budget, new opportunities) b.1) Contracts for the rendering of services, investments in renewable gases and Fibre Optic projects b.2) Level of attainment of the Enagás Emprende action plan	a.1) 19 initiatives a.2) 100% b.1) 100% b.2) 100%	35%	a.1) 100% a.2)100% b.1) 100% b.2) 100%	**100%**
DE4. Sustainability	C4: Sustainability and Good Governance	a) Positioning Enagás visà-vis socially responsible investors b) Action on climate change c) People and culture: c1) Diversity and equal opportunities c2) Strengthen our People and the Digital Transformation of the Company. d) Ethics and Good Governance	a) Presence in sustainability indices (DJSI) b.1) Energy efficiency and emissions reduction objective: b1.1) Natural gas consumption/domestic demand b1.2) Electricity consumption/domestic demand b1.3) Electricity self-generation b1.4) Active collaboration in the promotion of natural gas b.2) Certification of the energy management system c1) Level of attainment of the Diversity and Equal Opportunities Plan c2) Degree of compliance with the Strategic Resources Plan and Digitisation Plan d) Update of the Code of Ethics	a) DJSI presence b1.1) 3.10 b1.2) 0.64 b1.3) 13.2 GWh b1.4) 100% b.2) ISO 50001 certification c1) 90% c2) 90% / 90% d1) Board of Directors Code of Ethics approval	10%	a) World leaders in the sector b1.1) 2.81 b1.2) 0.54 b1.3) 32.51 GWh b1.4) 100% b.2) Certification achieved c1) 100% c2) 99% / 93% d) Code of Ethics approval	**100%**