



Succession Plan for the Chairman  
of the Board of Directors  
of Enagás, S.A.

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# Succession Plan for the Chairman of the Board of Directors

## 1. Introduction and purpose

- Pursuant to article 529 sexies of the Corporate Enterprises Act, the Board of Directors of listed companies must appoint a Chairman from among its members, who shall be the supreme party responsible for the effective functioning of the Board of Directors.
- Furthermore, article 529 quincecies.3.f) of the Corporate Enterprises Act attributes the Appointments and Remuneration Committee with the function of, *inter alia*, examining and organising the succession of the Chairman of the Board of Directors and CEO of the company and, if appropriate, making proposals to the Board to ensure the succession is smooth and well-planned. This duty has also been expressly set out in articles 45 of the Articles of Association and 25 of the Rules of the Organisation and Functioning of the Board of Directors of Enagás, S.A. ("**Enagás**" or the "**Company**"):
- Pursuant to the foregoing, the Board of Directors, at its meeting on 19 September 2016, as proposed by the Appointments, Remuneration and Corporate Social Responsibility Committee of Enagás, agreed to approve this Succession Plan for the Chairman of the Company's Board of Directors.
- This Plan establishes the different procedural aspects and criteria for action to be followed by the Company's bodies in relation to the succession of the Chairman of the Board of Directors of Enagás, so that it takes place in an orderly and planned manner, without affecting the full functioning of the Board of Directors and Management of the Company, all in accordance with applicable regulations and best corporate governance practices.

## 2. Applicable procedure

### 2.1. **Bodies responsible for the procedure for succession of the chairman**

#### 2.1.1. **Lead Independent Director**

- Pursuant to article 529 septies of the Corporate Enterprises Act and articles 37 of the Articles of Association and 18 of the Rules of the Organisation and Functioning of the Board of Directors of Enagás, the Company's Board of Directors designated a Lead Independent Director.
- In line with the provisions set out in Recommendation 34 of the Good Governance Code of Listed Companies and in foregoing articles 37 of the Articles of Association and 18 of the Rules of the Organisation and Functioning of the Board of Directors of Enagás, the Lead Independent Director has, among his functions, the **coordination of the Chairman succession plan**.

### 2.1.2. Appointments, Remuneration and Corporate Social Responsibility Committee

- Without prejudice to the powers of the Board of Directors in the selection of its members, as regards the procedure for succession and appointment of the Chairman of the Board of Directors to be applied, as the case may be, in accordance with article 529 quidecies of the Corporate Enterprises Act and article 25.2 of the Rules of the Organisation and Functioning of the Board of Directors of Enagás, the **Appointments, Remuneration and Corporate Social Responsibility Committee of the Company** has, *inter alia*, the following powers:

To examine and organise the succession of the Chairman of the Board of Directors and CEO of the company and, if appropriate, to make proposals to the Board to ensure the succession is smooth and well-planned.

### 2.1.3. Board of Directors

- Furthermore, pursuant to article 529 sexies of the Corporate Enterprises Act and article 5 of the Rules of the Organisation and Functioning of the Board of Directors of Enagás, the Company's **Board of Directors** has the following powers within the framework of the procedure for succession and appointment of a Chairman of the Board of Directors:
  - The designation and revocation of the Chairman of the Board of Directors.

### 2.1.4. Collaboration of independent experts

- In the process of succession and appointment of the Chairman of the Board of Directors of Enagás, the Appointments, Remuneration and Corporate Social Responsibility Committee and the Board of Directors may, when they deem it appropriate, seek internal and external advice.

## 2.2. Procedure

### 2.2.1. Case of advance knowledge of the Chairman of the Board of Directors stepping down

- In the event that the Chairman of the Board of Directors notifies in advance his intention to resign or, for any reason, the Board of Directors becomes aware of a certain situation resulting in the resignation of the Chairman of the Board of Directors, the **Lead Independent Director**, in the exercise of his/her powers, and once the decision of the Chairman to step down or the situation resulting in his departure has been confirmed, shall inform **the Chairman of the Appointments, Remuneration and Corporate Social Responsibility Committee** to allow this committee to call a meeting as expeditiously as possible.
- Within a deadline as short as possible given the singular nature of the meeting, the Appointments, Remuneration and Corporate Social Responsibility Committee **shall formulate a specific proposal to the Board of Directors on his replacement, taking into account the special personal and professional skills of the candidate from the perspective of satisfying all the necessary conditions for the full exercise of the functions befitting the position of Chairman of the Board of Directors.**

- If a specific period of time elapses between the stepping down of the Chairman of the Board of Directors and the appointment of the person to replace him, in accordance with article 18 of the Rules of the Organisation and Functioning of the Board of Directors of Enagás, the **Lead Independent Director shall temporarily assume the chairmanship of the Board of Directors.**
- If the appointment of the Chairman is linked to **coverage of the vacancy** created by the resignation of the Chairman, the Appointments, Remuneration and Corporate Social Responsibility Committee and the Board of Directors of the Company shall, if applicable, follow the procedure legally established in this regard for the appointment of a Director through the cooptation system, with subsequent ratification by the General Shareholder's Meeting of the Company.

### **2.2.2. Situation of unexpected resignation of the Chairman of the Board of Directors**

- In the event that **the Chairman of the Board of Directors unexpectedly steps down from his position**, either through resignation, incompatibility, impossibility of continuing in the performance of his duties or for any other reason, in accordance with article 18 of the Rules of the Organisation and Functioning of the Board of Directors of Enagás, the Lead Independent Director shall temporarily assume chairmanship of the Board of Directors.
- In turn, the Lead Independent Director shall notify the Chairman of the Appointments, Remuneration and Corporate Social Responsibility Committee of the Company of the unexpected stepping down of the Chairman of the Board of Directors, to enable the **Chairman of the Appointments, Remuneration and Corporate Social Responsibility Committee** to call a meeting as expeditiously as possible, in application of the procedure set out in the foregoing section 2.2.1.

### **3. Criteria for the succession plan for the Chairman of the Board of Directors**

- Within the framework of the procedure established in the previous section, when proposing and deciding on the appointment of the Chairman of the Board of Directors in the event of the Chairman stepping down from the position, the Appointments, Remuneration and Corporate Social Responsibility Committee and the Board of Directors of the Company must take into account the **skills, knowledge and experience** necessary to exercise said position, taking into account the duties assigned to the Chairman of the Board of Directors by Law and the Board Regulations.
- In this regard, the following criteria, among others, must be taken into account:
  - **Adequate professional knowledge and experience to exercise their duties.**
  - **Leadership:** the Chairman of the Board must be a person with leadership qualities that will enable him to properly exercise his functions as the supreme party responsible for the effective functioning of the Board of Directors.
  - **Professional prestige:** the appointment must be given to a person that enjoys recognised personal and professional prestige.

- **Freedom of opinion:** The Chairman of the Board must satisfy the conditions that enable him to act under the criteria of personal responsibility with freedom of opinion and independence.
- **Knowledge and experience with regard to the Company's business and activity sector:** the Chairman of the Board must have the aptitude and experience necessary to exercise his duties within the framework of the corporate purpose of Enagás.
- **Commitment to compliance with the duties and obligations of Directors:** in the performance of his duties, the Chairman of the Board must satisfy the requirements necessary to deal with the demands arising from the duties of diligence and loyalty of Directors.
- **Aptitude to carry out the functions that are legally and regulatorily attributed to the Chairman of the Board of Directors of Enagás,** and more specifically, those concerning the organisation and performance of the Board of Directors and its Committees:
  - chair and direct the Board and ensure its effectiveness, making sure that sufficient time is devoted to discussing strategic issues, and agreeing and reviewing the refresher programmes for each Director, when circumstances so dictate; also ensuring that the Directors receive sufficient information beforehand to deliberate on the items on the Agenda; and stimulating the debate and the active participation of Directors during the sessions, defending their right to take a position; as well as convene meetings of the Board and submit a schedule of dates and matters to be discussed;
  - assume the chairmanship of all governing and administrative bodies of the Company;
  - organise and coordinate the regular assessment of the Board, as well as, if applicable, that of the Company's chief executive;
  - perform the different terms of reference with regard to the General Shareholders' Meeting;
  - In the case of being executive, to exercise effective management of the Company's business, always in accordance with the decisions and criteria set by the General Shareholders' Meeting and the Board of Directors, in the areas of their respective powers.
- Notwithstanding the foregoing, the Chairman of the Board of Directors shall meet all the **general requirements of suitability** required of the members of the Board of Directors and shall not be subject to any grounds of **incompatibility** or **prohibition** legally and regulatorily provided for.

#### **4. Guarantees of full effectiveness and fulfilment of their functions by the Board of Directors and management of the company during the process of succession of the Chairman**

- Under the succession plan for the Chairman of the Board of Directors, during the course of the procedure and until the appointment of the Chairman of the Board of Directors,



**both the full and effective functioning of the Board of Directors of Enagás** as a collegiate body, **as well as the ordinary and ongoing management** of the businesses by the executives of Enagás **shall be guaranteed at all times.**

- For these purposes, and until the appointment of the Chairman of the Board, pursuant to article 18 of the Rules of the Organisation and Functioning of the Board of Directors of Enagás shall be **temporarily chaired by the Lead Independent Director**, who shall exercise the duties that are legally and regulatorily established to enable full performance and uninterrupted exercise of the powers of the Board of Directors.
- In addition, in relation to the Management, the **position of Chief Executive Officer of Enagás shall guarantee the full continuity of the Management** and coordination with the executive line of the Company and its Group.
- At the same time, the application of the Succession Plan for the Chairman of the Board of Directors **shall not affect the full functionality and exercise of their powers by the different Committees** of the Company's Board of Directors.
- Lastly, the **Secretary of the Board of Directors and the General Secretariat of the Company shall ensure continuity of the advisory and information tasks** related to these positions, and also ensure that the Board's actions comply with the applicable regulations and are in accordance with the corporate governance system of Enagás.

#### **5. Succession of the Chief Executive Officer.**

- In the event of the CEO stepping down, the **Executive Chairman shall assume the duties that were being carried out by the CEO, guaranteeing full continuity of the Management** and coordination with the executive line of the Company and its Group.
- In order to **restore proper separation of the positions of Chairman and CEO**, the Appointments, Remuneration and Corporate Social Responsibility Committee shall initiate the appropriate actions for the appointment, following the criteria established for the Chairman, insofar as applicable, of a new Chief Executive Officer who meets the necessary compatibility and suitability requirements for the position.

#### **6. Supervision and updating of the Succession Plan**

- The **Appointments, Remuneration and Corporate Social Responsibility Committee** shall review the procedure provided for in this Plan annually, agreeing, if necessary, to propose to the Board of Directors such modifications and updates as it deems appropriate at any time.

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