

APPENDIX 1

ANNUAL REPORT ON DIRECTORS' REMUNERATION FOR LISTED COMPANIES

ISSUER'S PARTICULARS

FINANCIAL YEAR-END

31/12/2017

(C.I.F.)

A-28294726

CORPORATE NAME

ENAGÁS, S.A.

REGISTERED OFFICE

PASEO DE LOS OLMOS, 19 MADRID

ANNUAL REPORT ON DIRECTORS' REMUNERATION FOR LISTED COMPANIES

A COMPANY REMUNERATION POLICY FOR THE CURRENT FINANCIAL YEAR

A.1 Explain the company's policy on Directors' remuneration. This section should include information on:

- General principles and rationale of the remuneration policy.
- Most significant changes in the remuneration policy as compared to the previous financial year and changes introduced in the current year to the conditions for the exercise of options granted in previous years.
- Criteria and composition of groups of comparable companies whose policies have been considered for establishing the remuneration policy of the company.
- Relative weight of variable components compared to non-variable components of remuneration and criteria on which the various components of directors' remuneration are based (remuneration mix).

Explain the remuneration policy

The Enagás remuneration model is an essential part of the company's Human Resources Management Model and ensures that any differences between the salaries of different individuals are due solely to their positions in the organisation, levels of experience, length of service and value contribution.

This model is designed to:

- (i) Link the remuneration structure with the company's mission, vision, values and processes by evaluating the different posts in the company and benchmarking the individual value of each post in the organisation against all the others, thereby ensuring internal equality;
- (ii) Help ensure corporate values are adhered to during day-to-day operations by including these values in annual performance appraisals and linking them to reviews of fixed remuneration;
- (iii) Act as a management tool and catalyst for change within the organisation through the deployment of a management-by-objectives (MBO) process linked to variable remuneration, (short and long term) so that it contributes to ensuring that the individual contributions of the professionals that comprise the organisation's human capital are in line with the company's overall objectives and strategic plan; and
- (iv) establish benchmarks relative to companies in the market that have performed well in bonus and remuneration studies to ensure the model is competitive in the marketplace (Willis Towers Watson) in terms of both evaluating positions and identifying market rates for fixed remuneration and the model for awarding variable remuneration.

The remuneration model for staff not covered by the collective wages agreement (46.1% of the workforce) consists of two elements:

- (i) fixed remuneration (FR) based on the individual value of each post within the organisation. The performance appraisal model is essential to reviewing this remuneration.
- (ii) Variable remuneration (VR) managed using the Management-by-Objectives (MBO) model, structured in two independent but complementary models:
 - Model that assesses individual contributions to the company's overall objectives, broken down into management and personal objectives.
 - Long-term multi-year model that assesses individual contributions to the drivers underpinning the company's strategic plan: i) financial soundness; ii) focus on international growth (realistic/profitable investment plan); iii) return for the shareholders; and iv) sustainability as a framework for developing Enagás' business. The Enagás salary structure is divided into five contribution bands or remuneration bands based on the contribution each post makes to generating value for the company. Each of these bands represents a range for FR and a percentage for VR which rises in line with the level of responsibility:
 - from 10% (technical profiles) to 60% (management positions) in the short term;
 - from 10% (technical profiles) to 150% (management positions) in the long term (3 years).

Board of Directors Remuneration Policy:

Article 36 in the Enagás, S.A. Articles of Association sets out the policy for remunerating members of the Board of Directors.

The main aspects of the Board of Directors remuneration policy are:

- (i) Compensation will be commensurate with and related to the performance, qualifications and responsibility that the post demands of Board members;
- (ii) Compensation will never compromise the independence of judgement of Board members;
- (iii) Compensation will be based on market criteria, taking into account the practices of similar companies in Spain and abroad.

The following criteria have also been established for Executive Directors' compensation:

- (i) Variable compensation will always be linked to the company's performance and achievement of objectives;
- (ii) All components of compensation will be subject to adequate control systems that define the performance of the Directors;
- (iii) Any share-based compensation plan (equity or cash settled) shall be subject to shareholder approval at the General Shareholders' Meeting.

At its meeting on 15 February 2016, the Board of Directors of Enagás, S.A. resolved to submit for approval by the General Shareholders' Meeting for the purposes envisaged in article 529 novodecies of the Consolidated Text of the Corporate Enterprises Act, approved by Legislative Royal Decree 1/2010 of 2 July (hereinafter, the "Corporate Enterprises Act"), and article 36 of the Articles of Association (hereinafter, the "Articles of Association"), the proposed "Director remuneration policy for 2016, 2017 and 2018" (hereinafter, the "Policy") described in this document.

The Policy was proposed to the Board by the Appointments, Remuneration and Corporate Social Responsibility Committee (hereinafter, the "ARC"). The ARC held specific meetings for such purpose on 4 November 2015, 1 December 2015 and 2 February 2016. The ARC approved the proposal at the latter meeting, pursuant to article 529 quidecies of the Corporate Enterprises Act and article 45 of the Articles of Association.

The ARC hired independent external advisory firm Willis Towers Watson, which analysed the current remuneration positioning of the company's directors and managers and submitted several options on how to update this positioning. The Committee also hired Garrigues, which provided advice about the legal factors of this policy.

The ARC drafted the specific report referred to in article 529 novodecies of the Corporate Enterprises Act and was made available to shareholders in the way envisaged therein.

For the purposes envisaged in article 529 septedecies of the Corporate Enterprises Act, the policy approved by the Shareholders' Meeting includes the maximum annual remuneration amount to be paid to all the directors in their status as such during the years in which the policy is applied.

Likewise, for the purposes envisaged in article 529 octodecies of the Corporate Enterprises Act, the policy approved by the Shareholders' Meeting's approval 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 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 policy describes the regulatory framework, the good governance recommendations and the voting criteria for institutional shareholders and proxy advisers which have established the criteria for the content of this Policy.

The Policy then establishes the remuneration requirements for directors in their position as such and for the directors who carry out executive functions (the Chairman and the CEO). The Policy also details the reasons for establishing such requirements.

Lastly, although this is not addressed by it, the Policy makes a brief reference to the principles and criteria applied to the Management Committee members and other company managers.

A.2 Information concerning the preparatory and decision-making process used for determining the remuneration policy and information, if applicable, about the role of the Remuneration Committee or other supervisory bodies in the design of the remuneration policy. This should include information, if applicable, about the mandate and composition of the Remuneration Committee, and the names of external consultants whose services have been used in determining the remuneration policy. It should also include a description of any directors who have taken part in the remuneration setting process.

Explain the process for determining the remuneration policy

The Regulation of Operations and Organisation of the Enagás, S.A. Board of Directors confers powers on the Board of Directors 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 Management.

The Committee consists of six Directors, with four being Independent Directors, one a Proprietary Director and one an External Director: Ana Palacio Vallelersundi (President, Independent); Luis García del Río (Independent); Antonio Hernández Mancha (Independent); Jesús Máximo Pedrosa Ortega (Proprietary) and Luis Javier Navarro Vigil (External) and Gonzalo Solana González (Independent).

In the meeting held on 15 February 2016, the Board of Directors of Enagás, S.A. agreed to submit to the General Shareholders' Meeting the proposal for a "Remuneration Policy for Board of Director members for 2016, 2017 and 2018" for the purposes set forth in Article 529 novedecies of the Amended Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, dated 2 July and in Article 36 of the Articles of Association.

The Appointments, Remunerations and Corporate Social Responsibility Committee held specific meetings to deal with this policy on 4 November 2015, 1 December 2015 and 2 February 2016. For the purposes of Article 529 novedecies of the Consolidated Text of the Corporate Enterprises Act, the Appointments, Remunerations and Corporate Social Responsibility Committee held a meeting on 2 February 2016 and approved the report submitted by the Board to the shareholders, along with the proposal for a "Remuneration Policy for Board of Director's members for 2016, 2017 and 2018".

The Committee has had the support of company management and the independent external counsel of the Willis Towers Watson company, which has analysed the current remuneration of Board members and the company's managers and has presented alternatives to this situation, and the Garrigues legal firm, which has provided counsel on the legal aspects referred to in this report.

A.3 Indicate the amount and nature of non-variable components - itemised, where applicable - of the remuneration received for discharging senior management duties and of any additional remuneration for the chairman or for membership of any board committees, of per diems for attendance at board and board committee meetings, and of any other non-variable remuneration paid to directors. Provide an estimate of the annual non-variable remuneration payment they give rise to. Identify non-cash benefits and the main parameters for granting them.

Explain the non-variable components of Directors' remuneration

Insofar as concerns the "Remuneration Policy for Board of Director's members for 2016, 2017 and 2018" approved in the GSM of 2016, the fixed remuneration amounts for the members of the Board of Directors shall be as follows for the year 2018:

Remuneration of Directors in their capacity as such due to their membership on the Board. -

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 for Board membership; (ii) An annual variable amount of up to €30,000, depending on attendance to Board meetings; (iii) A fixed annual amount for membership in Board Committees of €25,000; (iv) A variable annual amount of up to € 5,000, depending on attendance to Committee meetings; (v) A fixed annual amount of €15,000 for serving as President of each Committee; (vi) A fixed annual amount of €15,000 for serving as Independent Coordinator 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 in 2018 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.

Remuneration of the Executive Directors.-

The fixed annual remuneration of the Chairman in 2018 will be €1,000,000, while that of the Chief Executive Officer will be € 500,000.

A.4 Explain the amount, nature and main features of variable components of the remuneration schemes.

In particular:

- Identify each remuneration scheme to which directors are entitled, its scope, date of approval, date of implementation, duration and main characteristics. For share-based schemes or schemes based on other financial instruments, the general characteristics of

the plan shall include the terms for exercising the options or other financial instruments of each plan.

- Indicate any remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted.
- Explain the main parameters and rationale for any annual bonus scheme.
- The classes of directors (executive, proprietary, external independent or other independent directors) entitled to schemes or plans that include variable remuneration.
- The rationale of variable remuneration schemes or plans, the performance criteria chosen, the components and methods for evaluating performance to determine whether the criteria have been met, and an estimate of the sum total of variable payments arising from the existing remuneration policy, as a function of degree of compliance with pre-set targets or benchmarks.
- Disclose, where applicable, the periods of deferral or delay of payment established and/or any holding or lock-up periods of the shares or other financial instruments.

Explain the variable components of the remuneration schemes

Executive Directors are the only Directors that receive variable remuneration.

Variable annual remuneration.-

The Executive Chairman and the Chief Executive Officer have an acknowledged right to receive a variable annual bonus for satisfying the objectives set forth by the Board of Directors at the proposal of the ARC for the corresponding year. The amount of this variable bonus shall not exceed 60% of the total fixed annual remuneration.

At the beginning of each year contemplated in the "Policy for Directors' remuneration for 2016, 2017 and 2018", the Board will approve the objectives applicable to the Executive Chairman and Chief Executive Officer for these purposes. At year-end, the ARC will appraise the extent to which the targets have been fulfilled and decide the variable annual remuneration for the executive directors.

At the proposal of the ARC, the Board has already established the objectives that apply in 2018 to the Executive Chairman and 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, specifically as regards its international development.
- 4.- Development of Corporate Social Responsibility and Good Governance initiatives.

Long-term incentive (ILP 2016-2018).

The ARC and the Board deem it convenient to include an ILP as part of the remuneration policy of Executive Directors for the 2016-2018 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 ARC and the Board is for the ILPs to remain as an element in the company's remuneration structure and their proposal is that they be included in subsequent remuneration policies presented to the GSM for approval.

Objectives:

- To boost the sustainable achievement of objectives contemplated in the company's Strategic Plan.
- To provide the opportunity of sharing the creation of values by the participants.
- To enhance the sense of pertaining to the company and a common destiny.
- To be competitive.
- Be aligned with the requirements of the institutional investors and proxy advisers and with the best good corporate governance practices, particularly those based on the recommendations of the Code of Good Governance approved by the CNMV.

The Executive Chairman and the Chief Executive Officer shall benefit from the ILP 2016-2018 in the terms set forth in the "Remuneration policy for Directors for the years 2016, 2017 and 2018" and in Section A.13 of this report, which are understood. It must be remembered that the ILP will not have a direct effect on the remuneration in 2016, 2017 and 2018, 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 ILP will be distributed in 2019 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. He will receive all the incentive in the form of shares, and he will be obligated to keep them for two years. If the minimum degree of achievement of objectives is not met, the incentive shall amount to zero.

A.5 Explain the main features of long-term savings schemes, including retirement and other survival benefits, both partially and fully funded by the company, and whether allocated internally or externally. Provide an estimate of the amount of equivalent annual cost, indicating the type of plan, whether it is a defined-contribution or a defined-benefit plan, the terms for vesting of economic rights in favour of directors and compatibility with any other type of compensation for early discharge or termination of the contractual relationship between the company and the director.

Indicate any contributions on the director's behalf to defined-contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined-benefit schemes.

Explain any long-term savings schemes

Executive Chairman. -

In the terms of the contract approved by the Board, the Executive 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). The Executive Chairman is also an insured participant in the "Company Directors' Insured 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 disability, which the company has signed with an insurance firm.

Based on the information made public by the company for other purposes, the Executive Chairman received the following amounts for these items in 2017: payments in kind amounting to 135 thousand 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 20 thousand euros. In addition, contributions were made to the Directors' Insured Pension Plan amounting to 252 thousand euros.

The Executive Chairman is a beneficiary of the 2016-2018 long-term incentive, approved by the GSM 2016 as item 8 on the Agenda, and the Board awarded him a total of 69,711 performance shares. These shares do not entail an acquisition of the shares until the end of the programme and the final remuneration depends on the level of achievement of the goals of the programme.

The Executive Chairman is a member of the group insured by the civil liability policy that covers the contractual and non-contractual responsibilities that correspond to the activities undertaken in their posts.

The company will compensate the Executive Chairman 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.

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). The Chief Executive Officer is also an insured participant in the "Company Directors' Insured 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 disability, which the company has signed with an insurance firm.

Based on the information made public by the company for other purposes, the Chief Executive Officer received the following amounts for these items in 2017: payments in kind amounting to 26 thousand 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 2 thousand euros; and contributions to the Directors' Pension Plan totalling 167 thousand euros.

The Chief Executive Officer is a beneficiary of the 2016-2018 long-term incentive, approved by the GSM 2016 as item 8 on the Agenda, and the Board awarded him a total of 27,744 performance shares. These shares do not entail an acquisition of the shares until the end of the programme and the final remuneration depends on the level of achievement of the goals of the programme.

The Chief Executive Officer forms part of the group insured by the civil liability policy that covers the contractual and extra-contractual liabilities arising from carrying out the activities included in this position.

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.

A.6 Indicate any termination benefits agreed or paid in the event of termination of the appointment as director.

Explain any termination

Enagás, S.A is not required to pay out any benefits in the event of termination of the appointment as Non-Executive Directors

A.7 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 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.

Primary conditions of the Executive Directors' contract.

Explain the conditions of contracts of employment of Executive Directors. -

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 purpose of the contract is to regulate the rights and duties of the parties derived from the position of Executive Chairman that corresponds to Mr Antonio Llardén Carratalá since his appointment by the Board on 24 January 2007. The contract applies to the time 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 of voluntary termination by the company for any reason, not associated with any serious blame or breach by the Executive Chairman, or breach of contract by the company, the former will have the right to a compensation of two years of fixed annual remuneration, understood as the annual remuneration received by the Executive Chairman at the time of termination, the remuneration in kind and the last variable annual remuneration received. The annual remuneration was fixed at three years, but the Chairman reduced this to one year 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 concept. Neither does the contract include an economic compensation for non-competition after contract termination. The permanence and loyalty of the Executive Chairman are motivated by the participation in the "Company Directors' Insured Pension Plan", described in Section A.5 of this report.

Primary conditions of the Chief Executive Officer's contract. -

The relationship between Enagás and the Chief Executive Officer is governed by a "Contract for 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 Arburua since his appointment by the Board on 17 September 2012. The contract applies to the time 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 of voluntary termination by the company for any reason, not associated with any serious blame or breach by the Chief Executive Officer, or breach of contract by the company, the former will have the right to a compensation of two years of annual remuneration, understood as the fixed annual remuneration received by the Chief Executive Officer at the time of termination, the remuneration in kind and the last variable annual remuneration received.

The contract contains an exclusive dedication agreement for the Chief Executive Officer, 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 Chief Executive Officer is envisioned for this concept. 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 remuneration for each of the two years contemplated by the agreement. Nonetheless, the resulting amount shall be subtracted from the amount in his favour in the "Directors' Insured Pension Plan". The permanence and loyalty of the Chief Executive Officer are motivated by the participation in the "Company Directors' Insured Pension Plan", described in Section A.5 of this report.

A.8 Explain any supplementary remuneration accrued by directors as compensation for services provided other than those inherent in their post.

Explain any supplementary remuneration

Enagás, S.A. Directors have not accrued any other compensation.

A.9 Indicate any remuneration in the form of 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.

Explain any advances, loans and guarantees granted

Enagás, S.A. Directors have not accrued any other compensation.

A.10 Explain the main characteristics of non-cash remuneration.

Explain any non-cash remuneration

Enagás, S.A. provides its Executive Directors with other remuneration in kind such as company cars under lease contracts, private medical insurance and other welfare benefits that are generally available to Enagás executives. The remuneration in kind that Executive Directors will receive in 2018 will not experience any change when compared to 2017.

A.11 Indicate 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.

Explain remuneration accrued by the director by virtue of payments made by the listed company to another entity at which the director is employed

Enagás, S.A. Directors have not accrued any other compensation.

A.12 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 omission would detract from a true and fair view of the total remuneration accrued by the director.

Explain any other compensation

Enagás, S.A. Directors have not accrued any other compensation.

A.13 Explain the actions taken by the company with respect to the remuneration scheme to reduce exposure to excessive risks and adjust it to the company's long-term objectives, values or interests, including, as appropriate, a reference to: measures in place to guarantee that the remuneration policy is based on the long-term results of the company; the measures in place to establish an appropriate balance between the non-variable and variable components of the remuneration; the measures adopted with respect to professional categories of employees whose professional activities have a material effect on the entity's risk profile; the reimbursement formulae or clauses

set out to reclaim variable components of performance-related remuneration when these components have been paid based on data that have been proved to be manifestly misstated; and measures in place to prevent conflicts of interest, where applicable.

Explain actions taken to reduce risks

As mentioned in Sections A.1, A.2 and A.3 of this report, the ARC, the Board and 2016's GSM deem it convenient to include an ILP as part of the remuneration policy of Executive Directors for the 2016-2018 period. This also applies to the members of the Management Committee and the rest of the company's management team.

The intention of the ARC and the Board is for the ILPs to remain as an element in the company's remuneration structure and their proposal is that they be included in subsequent remuneration policies presented to the GSM for approval. The 2016-2018 policy, approved at 2016's GSM, includes a first Incentive Plan, whose general terms and conditions are as follows: Objectives. -

o To link performance in executive positions to fulfilling the objectives set forth in the Company's Strategic Plan, to implement a remuneration scheme that makes it possible to compete in the attraction and retention of talent and to align the company's activity with the recommendations of the Good Governance Code of the CNMV.

o To fulfil the commitments made in the GSM of 2015 as regards requirements for corporate investors and proxy advisers and to reinforce Enagás' commitment as a mid-and long-term sustainable company.

Eligibility. -

- Executive Directors (Chairman and Chief Executive Officer).

- The nine members of the Management Committee.

- The rest of the executive directors.

- In all, 43 beneficiaries (hereinafter, the "Beneficiaries"), notwithstanding new members and ceasing members as per the terms set forth in the Plan Regulations (hereinafter, the "Regulations").

Type of Plan:

- A single Plan for the 2016-2018 period to be followed by a three-year period for the appraisal of objectives (the new plans must be included in future remuneration policies subject to approval by the GSM).

- The Plan envisages delivering shares and cash linked to the Strategic Plan's objectives.

- A minimum reference has been established for settlement in the form of shares for each segment (100% for Executive Directors, 75% for the Management Committee and 50% for Directors).

- The executive directors are obligated to retain the shares received, net of taxes, when the Plan is settled (mid-2019), for two more years (the directors cannot sell the shares until 2021). Term. -

A period of 3 years for permanence and to measure

objectives. Conditions to receive the Incentive. -

The Incentive will be received according to the degree of fulfilment of four different objectives aligned with the Enagás Strategic Plan and with the expectations expressed by the institutional investors and proxy advisers:

- Objective 1. Funds for Operations (hereinafter, "FFO"). This shows the financial soundness and net profit growth, which are the cornerstones of the Strategic Plan. This takes into account both the EBITDA of the regulated business and the dividends received from the affiliates that are not controlled by Enagás. It is a benchmark indicator for investors. By meeting this objective, the company's projections for the Group's dividend pay-out, investment and debt redemption are met. It accounts for 40% of the total objectives.

- Objective 2. Accumulated cash flow received from affiliates (hereinafter, the "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 30% of the total objectives.

- Objective 3. The relative total shareholder return (hereinafter, "TSR"). To ensure appropriate, competitive shareholder remuneration. It takes into account share performance and the dividend policy. It is measured relatively in comparison with a group of fifteen companies (REE, SNAM, TERNA, NATIONAL GRID, REN, IBERDROLA, GAS NATURAL FENOSA, ENEL, RWE, E.ON, ENGIE, CÉNTRICA, UNITED UTILITIES, SEVERN TRENT, PENNON GROUP). It accounts for 20% of the total objectives.

- Objective 4. The Sustainability Plan (hereinafter, the "Sustainability Plan"). Sustainability understood as a framework for developing Enagás' business. The Committee proposes assessing the following factors of the Company's Sustainability Plan: carbon footprint, equality (non-discrimination) and other matters (commitments to employees, client satisfaction, volunteering, sponsorships, etc.). It accounts for 10% of the total objectives.

Reception of the incentive depends on the beneficiary remaining with the Enagás Group until the date of plan settlement, except under the special circumstances explained in the Plan regulations.

B REMUNERATION POLICY PLANNED FOR FUTURE YEARS

Repealed.

C OVERALL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED DURING THE YEAR

C.1 Provide an overall summary of the main features of the remuneration structure and components in the remuneration policy applied during the year that resulted

in the itemised individual remuneration accrued by each director appearing in section D of this report, and a summary of the decisions taken by the board to apply the components.

Explain the remuneration structure and concepts of the remuneration policy applied during the year

Individual Directors' Remuneration for 2017 according to their positions their attendance to Board meetings and their respective Committees shall be: (i) A fixed annual amount of € 92,000 for Board membership; (ii) An annual variable amount of up to €25,000, depending on attendance to Board meetings; (iii) A fixed annual amount for membership in Board Committees of €22,000; (iv) A variable annual amount of up to € 5,000, depending on attendance to Committee meetings; (v) A fixed annual amount of €15,000 for serving as Chairman of each Committee; (vi) A fixed annual amount of €15,000 for

serving as Independent Coordinator Director. The maximum remuneration for the entire Board in the year 2017 was calculated on the basis of these individual remunerations, taking into account the maximum number of Directors allowed by Article 35 of the Articles of Association, which is fourteen, although the current number of Directors is thirteen. The number of ordinary meetings of the Board will be eleven per year and there will be four meetings of each Committee in the same period.

A provision has been included to remunerate attendance to a hypothetical extraordinary meeting of the Board and each Committee, should these take place. Attendance to other extraordinary meetings, should they occur, shall be remunerated if the remaining amounts are sufficient. The resulting figures have been slightly rounded up.

Thus, the maximum amount of annual remuneration to be paid to all the Directors in that capacity for the year 2017 is €2,020,000.

In 2017, the Executive Chairman received 1,000 thousand euros of fixed remuneration and 540 thousand euros of variable remuneration, with both components approved by the Board. In addition, the Executive Chairman was paid 117 thousand euros in attendance fees (fixed remuneration plus fee for attending board meetings) and 135 thousand euros in remuneration in kind, for a combined total of 1,793 thousand euros. In addition, he was provided with a life insurance policy, with total premiums in the year of 20 thousand euros. The Group has outsourced its pension obligations with its directors by means of a mixed group insurance policy. In addition to pension obligations, the cover provides benefits in the cases of life expectancy, death or disability. The Executive Chairman is part of the group covered by this policy: of the total premium paid for this during the year, 252 thousand euros corresponded to the Executive Chairman.

In 2017, the Chief Executive Officer received 460 thousand euros of fixed remuneration and 215 thousand euros of variable remuneration, with both components approved by the Board. In addition, the Chief Executive Officer was paid 117 thousand euros in attendance fees (fixed remuneration plus fee for attending board meetings) and 26 thousand euros in remuneration in kind, for a combined total of 818 thousand euros. In addition, he was provided with a life insurance policy, with total premiums in the year of 0,2 thousand euros. The CEO is also covered by the mixed group insurance policy for pension commitments, and the amount of 167 thousand euros of this premium corresponds to him.

D ITEMISED INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

Name	Type	2017 accrual period
ROSA RODRÍGUEZ DÍAZ	Independent	From 01/01/2017 to 31/12/2017.
GONZALO SOLANA GONZÁLEZ	Independent	From 01/12/2017 to 31/12/2017.
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	Proprietary	From 01/01/2017 to 31/12/2017.
LUIS VALERO ARTOLA	Independent	From 01/01/2017 to 31/12/2017.
ANTONIO LLARDÉN CARRATALÁ	Executive	From 01/01/2017 to 31/12/2017.
MARCELINO OREJA ARBURÚA	Executive	From 01/01/2017 to 31/12/2017.
ANTONIO HERNÁNDEZ MANCHA	Independent	From 01/01/2017 to 31/12/2017.
LUIS JAVIER NAVARRO VIGIL	Other External	From 01/01/2017 to 31/12/2017.
ANA PALACIO VALLELERSUNDI	Independent	From 01/01/2017 to 31/12/2017.
MARTÍ PARELLADA SABATA	Other External	From 01/01/2017 to 31/12/2017.
JESÚS MÁXIMO PEDROSA ORTEGA	Proprietary	From 01/01/2017 to 31/12/2017.
LUIS GARCÍA DEL RÍO	Independent	From 31/03/2017 to 31/12/2017.
RAMÓN PÉREZ SIMARRO	Independent	From 01/01/2017 to 31/03/2017.
ISABEL TOCINO BISCAROLASAGA	Independent	From 01/01/2017 to 31/12/2017.

D.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 in cash (in thousands of €)

Name	Salaries	Non-variable remuneration	Per diems	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership to the Board Committees	Termination benefits	Other components	2017 Total	2016 Total
ANA PALACIO VALLELERSUNDI	0	92	25	0	0	27	0	22	166	133
ISABEL TOCINO BISCAROLASAGA	0	92	23	0	0	42	0	0	157	139
MARTÍ PARELLADA SABATA	0	92	25	0	0	31	0	0	148	142
ANTONIO HERNÁNDEZ MANCHA	0	92	25	0	0	27	0	0	144	126
GONZALO SOLANA GONZÁLEZ	0	92	25	0	0	27	0	0	144	127
JESÚS MÁXIMO PEDROSA ORTEGA	0	92	25	0	0	27	0	0	144	126
LUIS GARCÍA DEL RÍO	0	67	18	0	0	13	0	0	98	0
LUIS VALERO ARTOLA	0	92	25	0	0	27	0	0	144	127
LUIS JAVIER NAVARRO VIGIL	0	92	25	0	0	27	0	0	144	126
ROSA RODRÍGUEZ DÍAZ	92	25	0	0	0	27	0	0	144	127
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	0	92	22	0	0	26	0	0	140	127
ANTONIO LLARDÉN CARRATALÁ	1,000	92	25	540	0	0	0	136	1,793	1,839
MARCELINO OREJA ARBURÚA	460	92	25	215	0	0	0	26	818	693

ii) Share-based remuneration schemes

MARCELINO OREJA ARBURÚA Long-term incentive 2016-2018												
Date of implementation	Share ownership at the beginning of 2017					Options assigned during the financial year 2017						
	No. of options	Shares issued	Exercise price (€)	Expiration date		No. of options	Shares issued	Exercise price (€)	Expiration date			
18/03/2016	27,744	27,744	26.36	three years		0	0	0.00	Not applicable			
Conditions: not applicable												
Shares granted during the financial year 2017			Options exercised in the financial year 2017				Expired and not exercised options	Options at the end of the financial year 2017				
No. of shares	Price	Amount	Exercise price (€)	No. of options	Shares issued	Gross gain (€Mn)	No. of options	No. of options	Shares issued	Exercise price (€)	Expiration date	
0	0.00	0	0.00	0	0	0	0	27,744	27,744	26.36	three years	
Other requirements to exercise options: the final incentive will depend upon the level of attainment of the plan objectives.												

ANTONIO LLARDÉN CARRATALÁ Long-term incentive 2016-2018												
Date of implementation	Share ownership at the beginning of 2017					Options assigned during the financial year 2017						
	No. of options	Shares issued	Exercise price (€)	Expiration date		No. of options	Shares issued	Exercise price (€)	Expiration date			
18/03/2016	69,711	69,711	26.36	three years		0	0	0.00	Not applicable			
Conditions: not applicable												
Shares granted during the financial year 2017			Options exercised in the financial year 2017				Expired and not exercised options	Options at the end of the financial year 2017				
No. of shares	Price	Amount	Exercise price (€)	No. of options	Shares issued	Gross gain (€Mn)	No. of options	No. of options	Shares issued	Exercise price (€)	Expiration date	
0	0.00	0	0.00	0	0	0	0	69,711	69,711	26.36	Not applicable	

Other requirements to exercise options: the final incentive will depend upon the level of attainment of the programme objectives.

iii) Long-term savings schemes

Name	Contribution by the company in the year (thousands of €)		Cumulative amount of funds (thousands of €)	
	2017	2016	2017	2016
ANTONIO LLARDÉN CARRATALÁ	252	201	2,237	1,985
MARCELINO OREJA ARBURÚA	167	90	457	290

b) Remuneration accrued by directors for sitting on the boards of other group companies:

i) Remuneration in cash (in thousands of €)

Name	Salaries	Non-variable remuneration	Per diems	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership to the Board Committees	Termination benefits	Other components	2017 Total	2016 Total
ANTONIO LLARDÉN CARRATALÁ	0	0	0	0	0	0	0	0	0	0
MARCELINO OREJA ARBURÚA	0	0	0	0	0	0	0	0	0	0
ANA PALACIO VALLELERSUNDI	0	0	0	0	0	0	0	0	0	0
ISABEL TOCINO BISCAROLASAGA	0	0	0	0	0	0	0	0	0	0
JESÚS MÁXIMO PEDROSA ORTEGA	0	0	0	0	0	0	0	0	0	0
ANTONIO HERNÁNDEZ MANCHA	0	0	0	0	0	0	0	0	0	0
GONZALO SOLANA GONZÁLEZ	0	0	0	0	0	0	0	0	0	0
LUIS GARCÍA DEL RÍO	0	0	0	0	0	0	0	0	0	0
LUIS VALERO ARTOLA	0	0	0	0	0	0	0	0	0	0
LUIS JAVIER NAVARRO VIGIL	0	0	0	0	0	0	0	0	0	0
MARTÍ PARELLADA SABATA	0	0	0	0	0	0	0	0	0	0
ROSA RODRÍGUEZ DÍAZ	0	0	0	0	0	0	0	0	0	0
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	0	0	0	0	0	0	0	0	0	0

ii) Share-based remuneration schemes

iii) Long-term savings schemes

c) Summary of remuneration (in thousands of €):

Should include amounts for all remuneration components referred to in the present report accrued by the director, in thousands of euros.

For long-term savings schemes, include contributions or amounts allocated to the scheme:

Name	Remuneration accrued in the company				Remuneration accrued in group companies				Totals		
	Total remuneration in cash	Number of shares granted	Gross gain on options exercised	Total 2017 company	Total remuneration in cash	Amount of shares granted	Gross gain on options exercised	Total 2017 group	Total 2017	Total 2016	Contribution to savings schemes in the year
ANTONIO LLARDÉN CARRATALÁ	1,793	0	0	1,793	0	0	0	0	1,793	1,839	252
MARCELINO OREJA ARBURÚA	818	0	0	818	0	0	0	0	818	693	167
ANA PALACIO VALLELERSUNDI	166	0	0	166	0	0	0	0	166	133	0
ISABEL TOCINO BISCAROLASAGA	157	0	0	157	0	0	0	0	157	139	0
ANTONIO HERNÁNDEZ MANCHA	144	0	0	144	0	0	0	0	144	126	0
GONZALO SOLANA GONZÁLEZ	144	0	0	144	0	0	0	0	144	127	0
JESÚS MÁXIMO PEDROSA ORTEGA	144	0	0	144	0	0	0	0	144	126	0
LUIS GARCÍA DEL RÍO	98	0	0	98	0	0	0	0	98	0	0
LUIS VALERO ARTOLA	144	0	0	144	0	0	0	0	144	127	0
LUIS JAVIER NAVARRO VIGIL	144	0	0	144	0	0	0	0	144	126	0
MARTÍ PARELLADA SABATA	148	0	0	148	0	0	0	0	148	142	0
ROSA RODRÍGUEZ DÍAZ	144	0	0	144	0	0	0	0	144	127	0
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	140	0	0	140	0	0	0	0	140	127	0
TOTAL	4,184	0	0	4,184	0	0	0	0	4,184	3,832	419

D.2 Disclose the relationship between remuneration obtained by directors and the company's profits or some other measure of enterprise results, explaining, as appropriate, how changes in the company's performance may have influenced the variation in directors' remuneration.

At its meeting on 15 February 2016, the Board adopted the 2016 "Company Targets" proposed by the Appointments, Remuneration and Corporate Social Responsibility Committee. Pursuant to the procedures for deciding the variable remuneration of Executive Directors and Senior Management, at its meeting on 9 February 2017 the Appointments, Remuneration and Corporate Social Responsibility Committee evaluated the degree of fulfilment of company objectives established for 2016.

The company objectives and their accomplishment, which determine the annual variable remuneration payable to the Executive Chairman and the Chief Executive Officer, reached 91.90%. In light of this accomplishment level, the Committee proposed this 91.90% percentage, obtained by Executive Directors, should correspond to their variable remuneration, which represents 55.14% of their fixed remuneration.

D.3 Disclose the outcome of the advisory vote at the annual general meeting on the annual report on director remuneration of the previous year, indicating the number of votes against, if any:

	Number	% of total
Votes cast	108,991,556	100.00%

	Number	% of total
Votes against	6,939,178	6.36%
Votes for	90,057,466	82.62%
Abstentions	11,994,912	11.00%

E 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.

Document with company objective accomplishment for financial year 2017 is listed below.

This Annual Report on Director Remuneration was approved by the company's board of directors at its meeting held on 19/02/2018.






List whether any Directors voted against or abstained from voting on the approval of this report.

YES X

NO

Name or corporate name of board members who voted against or abstained from voting on the approval of this report	The reasons (voted against, abstention, non-attendance)	Explain the reasons
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 2018 General Shareholders Meeting.
JESÚS MÁXIMO PEDROSA ORTEGA	Abstention	Mr Jesús Máximo Pedrosa Ortega, 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 2018 General Shareholders Meeting.

[Company Objectives 2017](#)

Strategic priorities	Company Objectives 2017 (% weighting)	Meeting 2017 Objectives (%)
<p>Ensuring adequate and competitive shareholder remuneration</p> 	<p>Improved company economic performance (30%)</p> <ul style="list-style-type: none"> • Net profit growth 	<p>100%</p>
<p>Financial soundness</p>  <p>Growth in net profit</p> 	<p>Strengthening Regulated Revenues (25%):</p> <ul style="list-style-type: none"> • Regulatory and remunerative actions • Integrated OPEX margin management • Development of the regulated income improvement plan 	<p>100%</p>
<p>Focus on international growth</p>  <p>Realistic/profitable investment plan</p>	<p>Consolidation of the Company's Strategic Plan (25%):</p> <ul style="list-style-type: none"> • Strategic analysis of the growth model • Development and consolidation of the affiliates business plan 	<p>95.2%</p>
<p>Sustainability, as a framework for developing Enagás' business</p> 	<p>Sustainability and Good Governance (20%):</p> <ul style="list-style-type: none"> • Sustainability and energy efficiency in the operation • Positioning Enagás vis-à-vis socially responsible investors (SRI) • Supply chain sustainability • Strategic Resources Plan • Digitalization 	<p>100%</p>