

# Activity Report of the Appointments, Remuneration and Corporate Social Responsibility Committee of Enagás S.A. for 2019

APPOINTMENTS, REMUNERATION  
AND CSR COMMITTEE

**17/02/2020**



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# 1

## Composition, attendance and operation

At December 31, 2019, the Appointments, Remuneration and Corporate Social Responsibility Committee comprised the following members:



**Chairwoman**  
Ms Ana Palacio  
Vallelersundi  
**Independent**

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**Member**  
Mr Santiago Ferrer Costa  
**Proprietary**



**Member**  
Mr Gonzalo Solana  
González  
**Independent**

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**Member**  
Mr Antonio Hernández  
Mancha  
**Independent**



**Member**  
Mr Ignacio Grangel  
Vicente  
**Independent**

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**Member**  
Ms Eva Patricia Úrbez  
Sanz  
**Independent**



**Secretary**  
Mr Rafael Piqueras  
Bautista

During 2019, the following changes in the composition of the Committee took place and were approved at the General Shareholders' Meeting held on March 29, 2019:

- The Appointments, Remuneration and Corporate Social Responsibility Committee reported favourably to propose to the General Shareholders' Meeting the ratification of the appointment by co-option of Mr Santiago Ferrer Costa as a Director for the four-year term set out in the Articles of Association.
- In accordance with Article 38 of the Articles of Association, the term of office as Director for which Mr Luis Javier Navarro Vigil was re-elected by the General Shareholders' Meeting held on March 27, 2015 expired at the time of holding the General Shareholders' Meeting. In view of the manifest desire not to renew his mandate as Director, the Committee did not propose his re-election, leaving express evidence of the extraordinary contribution to the Board and to the Company of Mr Luis Javier Navarro during the years he has held the position of Director.

- Finally, in order to fill the previous vacancy, the Committee proposed the appointment of Ms Eva Patricia Úrbez Sanz as an Independent Director for the statutory period of four years.

On April 11, 2019, the Committee agreed to propose to the Board the appointment of Ms Eva Patricia Úrbez Sanz as member of the Committee, a proposal that was approved by the Board on the same date.

Following these appointments, the Board of Directors increases the majority of its independent members, with eight of its thirteen members being independent directors. With four women on the Board, Enagás has also achieved the diversity target of having at least 30% of its Board members be women, expected to be achieved by 2020.

The Board of Directors has appointed the members of the Committee and the Board taking into consideration their knowledge, skills, as well as their experience in corporate governance, selection of senior managers, performance of duties as senior managers, and the design of remuneration policies and plans for members of the Board of Directors and senior managers.

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:

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<https://www.enagas.es/enagas/es/QuienesSomos/ConsejoAdministracion>

## Attendance

In accordance with the provisions of the Regulations of the Appointments, Remuneration and Corporate Social Responsibility Committee and the Action agenda, the Committee met fourteen times during the 2019 financial year: ten ordinary preparatory meetings and four ordinary meetings.

All members of the Committee attended these meetings.

The Committee Chairwoman informed the Board of Directors of the issues dealt with at each Committee meeting at the following Board meeting.

## 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 the Draft Technical Guidelines on Appointment and Remuneration Committees.*

The meetings were convened by the Committee Chairwoman, with the collaboration of internal and external advisers, and the appearance of a number of Company executives who addressed subjects under their competency, in accordance with the agenda. Specifically, it was attended by the Human & Corporate Resources General Manager, other members of the Management Committee and management personnel.

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 Appointments, Remuneration and Corporate Social Responsibility Committee meeting, the Chairwoman of the Committee reports 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 Appointments, Remuneration and Corporate Social Responsibility Committee





*The Appointments, Remuneration and Corporate Social Responsibility Committee is governed by the provisions of applicable laws and regulations, the provisions of 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 Appointments, Remuneration and Corporate Social Responsibility Committee, dated December 16, 2019.*

Both documents are available on the Company's website.

The main duties entrusted to the Committee are listed under the following basic categories:

### **2.1. Competencies relating to the composition of the Board:**

i. To evaluate the competences, knowledge and experience needed on the Board of Directors. To this end, it shall determine the functions and skills 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.

The Committee will draw up and periodically 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.

- ii. To review 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, as well as any other aspect relating to its composition that it considers appropriate, forwarding proposals that it deems necessary to the Board of Directors.
- iii. To establish 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.
- iv. To periodically review the category of the Directors.

## 2.2. Competencies relating to the selection of Directors and Senior Managers

- i. 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 proposals for their re-election or removal by the General Shareholders' Meeting.
- ii. To report on the 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.
- iii. To verify compliance with the policy on the selection of Company Directors.
- iv. To report on proposals for the appointment and removal of Senior Managers.
- v. 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 Managers, to ensure the Company has, at all times, highly qualified personnel suitable for the management of its activities.

## 2.3. Competencies relating to the offices of the Board

- i. To report on the appointment of the Chairman and Vice Chairman of the Board of Directors.
- ii. To report on the appointment and dismissal of the Secretary and the Vice-Secretary of the Board of Directors.
- iii. To propose the appointment of the Independent Leading Director.
- iv. To examine and organise the succession of the Company's Chairman and CEO and, if appropriate, to make proposals to the Board of Directors to ensure the succession is smooth and well-planned, drawing up a succession plan to that effect.

## 2.4. Competencies relating to the remuneration of Directors and Senior Managers

- i. 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 Managers and ensure



that their individual remuneration is proportional to that paid to the other Directors and Senior Management of the Company.

- ii. 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.
- iii. To propose to the Board of Directors the basic conditions of the Senior Manager contracts, verifying that they are consistent with the remuneration policies in force.
- iv. To verify information on remuneration of Directors and Senior Managers contained in the various corporate documents, including the Annual Report on Directors' Remuneration.

## **2.5. Competencies in relation to Good Corporate Governance and Corporate Social Responsibility**

- i. 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:

- a) 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.
- b) 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.
- c) To monitor the communication strategy and relations with shareholders and investors, including small and medium shareholders.
- d) To monitor the corporate social responsibility strategy and practices and assess their degree of compliance.
- e) To monitor and assess the processes of liaising with different stakeholders.
- f) To review the corporate responsibility policy of the Company, ensuring that it is aimed at creating value.

- ii. 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.
- iii. To prepare an annual Report on the Committee's activities, which will be published on the Company's website sufficiently in advance of the Ordinary General Meeting.
- iv. To ensure that any conflicts of interest do not impair the independence of external advisers to the Committee in the exercise of their duties.

## 2.6. Other competencies

- i. To spearhead, together with, where appropriate, 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.
- ii. To design and organise periodic programmes to update Directors' knowledge.



# 3

## Activities of the Appointments, Remuneration and CSR Committee in 2019



*During 2019, the Appointments, Remuneration and CSR Committee conducted its activities in accordance with the standard procedures set out in the Draft Technical Guidelines on Appointment and Remuneration Committees and the best practices of the Good Governance Code of Listed Companies, dated February 18, 2015, strengthening its specialisation and independence.*

The most relevant activities conducted by the Appointments, Remuneration and Corporate Social Responsibility Committee in 2019 is summarised below.

### **The Committee's activities in relation to the appointment and re-election of directors**

At its meeting on February 22, 2019, the Committee approved the Report prepared by the Committee, for the purposes of Articles 529 decies and 529 quinquies of the revised text of the Corporate Enterprises Act, for the ratification, appointment or re-election of directors, which was made available to shareholders at the time the meeting was called. This report did not highlight any incidents or deviations in regard to the appointment process.

### **Activities regarding the remuneration for Directors and members of the Management Committee**

At its meeting on February 11, 2019, the Committee assessed the degree of achievement of the company's objectives established for 2018 for the purpose of determining the annual variable remuneration for the Executive Directors and members of the Management Committee.

Based on the level of achievement, the Committee approved the 2018 annual variable remuneration for the members of the Management Committee and submitted its proposed 2018 annual variable remuneration for the Executive Directors to the Board, which was approved at its meeting on February 25, 2019.

At the same meeting, the Committee approved the Company's objectives for the purpose of determining the 2019 variable remuneration.

At the meeting held on February 22, the Committee reported favourably on the Annual Remuneration Report for 2018, which was approved by the General Meeting on March 29, 2019.

It should be mentioned that the Committee, in its various preparatory sessions held in January and February, discussed and made progress in defining a proposal for a "Remuneration Policy

for the 2019-2021 period” comprising the Board of Directors, members of the Management Committee and management personnel of the Company and its Group of Companies.

At these preparatory meetings, the Committee conducted an analysis of the current business environment and the potential strategic implications that could impact Enagás, in order to ensure alignment of the Draft 2019–2021 Remuneration Policy with the Strategic Plan.

In preparing this 2019-2021 Policy, the Committee has incorporated the following best practices of the Good Governance Code:

- i. hiring of an independent external consultant,
- ii. having the support of the Chief Executive Officer and various members of the Management Committee: Financial General Manager, Human & Corporate Resources General Manager, Communication and Public Affairs General Manager, as well as the Organisation and Sustainability Manager, with the aim of delving further into the different aspects included in the Proposal for the Remuneration Policy,
- iii. the inclusion of “*claw-back*” and “*malus*” clauses,

- iv. to encourage the sustainable achievement of the objectives set out in the Strategic Plan and to contribute to the creation of long-term value, as well as to ensure alignment with the various stakeholders (shareholders, institutional investors, proxy advisors).

Finally, in accordance with Article 529 novodecies of the Corporate Enterprises Act (LSC) and Article 36 of the Articles of Association, the Committee informed the Meeting favourably about:

- i. the “Policy on Directors' Remuneration for the 2019-2021 period”,
- ii. the aforementioned Committee Report on Remuneration Policy,
- iii. as well as on, “Approval for the purpose of Article 2019 of the LSC, of a 2019-2021 long-term incentive plan that includes distributing shares, which will be applicable to the Executive Directors, the members of the Management Committee and the management personnel of both the Company and its Group of Companies”.

These proposals were approved by the Committee on February 22, informing the Board of Directors on February 25, 2019, and made available to shareholders at the time of the call to the meeting and finally approved at the General Shareholders' Meeting on March 29, 2019.





## Activities in relation to Corporate Social Responsibility and Good Corporate Governance

The Committee has been periodically informed of the Company's policies and actions regarding Corporate Social Responsibility and Good Corporate Governance.

On February 22, 2019, the Committee reported favourably on the draft of the Annual Corporate Governance Report that was delivered as a material event at the convening of the General Shareholders' Meeting held on March 29, 2019.

At this meeting, the Committee reported favourably on the Consolidated Management Report, which contained the Non-Financial Information Statement, as required by Article 262 of the Spanish Corporate Enterprises Act.

The Committee reported on the Sustainability Agenda for 2019, which contained a detailed planning of the different contents that have been subsequently reported on a quarterly basis. These contents include the Company's Sustainable Management Plan, the main sustainability challenges that Enagás will face during the 2019-2021 period both at corporate level and in its affiliates, etc.

## Activities in relation to assessing the performance of the Board of Directors and of its Committees

In accordance with Article 529 nonies of the Spanish Corporate Enterprises Act, the Board of Directors is obligated to conduct an annual assessment of the operation of its Committees and, based on its outcome, to put forward an action plan to correct detected needs for improvement.

The Appointments, Remuneration and CSR Committee agreed that the assessment should be conducted by an independent external adviser, whose independence was evaluated by the Committee itself.

The assessment for 2018 consisted of the completion of a confidential and anonymous questionnaire and personal interviews with specific members of the Board of Directors, namely the Chief Executive Officer, Committee Chairs and the Independent Leading Director.

The assessment process focused on the following areas:

- Structure and composition of the Board of Directors and its Committees.
- Operation of and debate by the Board and its Committees.
- Personal contribution of each of the Board members.
- Overall assessment of compliance with best practices of good governance.
- Leadership, particularly in relation to the Chairman, Chief Executive Officer, Committee Chairs and the Independent Leading Director.
- Overall assessment.
- Free opinion.

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On February 22, 2019, the Committee reviewed the conclusions of the 2018 performance assessment conducted by the external adviser, agreeing as an action plan the necessary measures to be taken to resolve the detected needs for improvement.

Among the conclusions obtained, the following stand out as strengths: the composition and structure of the

Board and both Committees, the high level of debate and transparency in the holding of their meetings, the proactivity of members in expressing their opinion in an independent way, the availability of materials for consultation and preparation of the meetings, the existence of open and effective communication between the Board and the management of the Company.

It also includes areas for improvement in terms of planning the meetings of Committees and the Board of Directors.

The Committee reported the results of the assessment to the Board of Directors on the same day.

In relation to the evaluation conducted at the beginning of 2020 corresponding to the 2019 financial year, it has been shown that the Board and both Committees perform their functions in accordance with the best practices of corporate governance, and there were no changes in their internal organisation or operating procedures.

### Other activities

The Committee analysed the recommendations included in the Technical Guide 1/2019 on the Appointments and Remuneration Committees.



During 2019, work has been done on adapting the Committee's Regulations to the recommendations of said Technical Guide and the Good Corporate Governance Code, and the Regulations of the Appointments, Remuneration and CSR Committee were approved on December 16.

# 4

## Progress made in 2019



*In 2019, progress was made in drawing up the individualised competence matrix for the Board of Directors and its Committees.*

The following lines of action have also been identified for 2020:

- Review of the evaluation process of the Enagás Board following implementation of the Internal control system for non-financial information.
- Planning of training sessions for the Board on key aspects of the Company's strategy.

The Secretary to the Board of Directors of Enagás S.A.

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