



**Justifying Memorandum prepared by the Board of Directors of Enagás, S.A. in relation to the proposed modification of the Rules and Regulations of the Organisation and Functioning of the Board of Directors of the Company**



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## **1. INTRODUCTION AND PURPOSE OF THE REPORT**

Law 5/2021, of April 12, on the promotion of the long-term involvement of shareholders in listed companies, which transposes into Spanish law Directive (EU) 2017/828 of the European Parliament and of the Council of May 17, 2017, ("**Law 5/2021**"), has amended, among other regulations, the consolidated text of the Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of July 2 ("**LSC**").

Among other matters, the aforementioned Law 5/2021 modified the related-party transaction regime of listed companies provided for in the LSC, adding a new Chapter VII bis to Title XIV (which includes Articles 529 vicies to 529 tervicies), as well as a new Article 231 bis in the LSC relating to intra-group transactions, in addition to partially modifying the concept of persons related to the Directors contained in Article 231 of the LSC. It also modified the remuneration system for Board Members, the powers of the Audit Committee with regard to the reporting of non-financial information and established the obligation for Board Members of listed companies to be, in general, natural persons.

Based on this legal change, the Board of Directors proposed to the General Shareholders' Meeting of Enagás, S.A. (the "**Company**") held on May 27, 2021, to amend the Articles of Association and the Rules and Regulations of the General Meeting.

In coordination with the foregoing, a proposal is put forward to amend the Regulations of the Organisation and Functioning of the Board of Directors of the Company in order to adapt them to the new provisions of the LSC, without prejudice to the incorporation of certain technical or drafting clarifications.

Pursuant to the foregoing, and in compliance with the provisions of Article 2.3 of the Regulations of the Organisation and Functioning of the Board of Directors of the Company, the Board of Directors of the Company prepares this Justifying memorandum regarding the proposed amendment of the aforementioned corporate text in order to explain the proposed amendments thereto.

## 2. JUSTIFICATION AND SCOPE OF THE AMENDMENT

The change focuses essentially on the adaptation of the aforementioned Regulations to the provisions of the LSC after its amendment by Law 5/2021.

### I. Proposed amendments to the Regulations of the Organisation and Functioning of the Board of Directors

#### ❖ Amendment to Article 5 (“Functions of the Board of Directors”)

Section B.2) is completed with the power of the Board of Directors to approve *“management objectives”*, in accordance with the provisions of Article 529 ter.1.a) of the LSC and in coordination with the current Article 43.m) of the Articles of Association.

#### ❖ Amendment of Article 7 (“Meeting proceedings”)

Section 3 is amended with respect to the means by which the Directors may name another Director as their proxy, specifying that this may be done by *“e-mail or by any other means that provides proof of receipt”*, avoiding the example reference to fax, telegram, etc., and using a more general wording that would also encompass those platforms for documentation and communication with the Directors that may be established internally.

#### ❖ Amendment to Article 8 (“Appointment of Directors”)

Paragraph 2 of this article states that *“only those legal entities belonging to the public sector may be appointed as Directors who access the Board in representation of a part of the share capital”*, in accordance with the provisions of the twelfth additional provision of Law 5/2021.

#### ❖ Amendment to Article 13 (“Duties of the Director”)

Section a) (“General duty of diligence”) is completed with the provision *“must in all cases subordinate their own interests to the interest of the Company”*, contained in Article 225.1 of the LSC, as amended by Law 5/2021.

Likewise, drafting clarifications are included in sections b) (“Duty of loyalty”) and d) (“Persons related to the Directors”) to coordinate the Directors’ conflict of interest regime provided for in this article in accordance with articles 228 and following the LSC with the new regime of related transactions provided for in articles 529 vicies to 529 tervicies of the LSC, as amended by Law 5/2021.

In particular, letter a) of section 13.b).e) is amended with respect to the prohibition to carry out transactions with the Company, since, firstly, the Directors of a listed Company may not carry out

any “transaction” with the Company unless it is subject to approval under the terms of the Related-Party Transactions regime (given that there are no transactions with Directors that are not related) and, secondly, there are certain cases of transactions with the Company carried out by certain persons related to the Director pursuant to Article 231 of the LSC who are not related parties to the Company within the meaning of Article 529s.1 of the LSC (which refers to the IAS). Therefore, they are not subject to the regime of Related-Party Transactions, but are subject to the conflict of interest exemption provided for in article 230 LSC and 14 bis of these Regulations.

❖ **Amendment to Article 14 (“Mandatory nature and exemption of the duty of loyalty”)**

The following provision is incorporated in a new section 5: *“In relation to paragraphs 2 to 4 above with respect to transactions by the Directors with the Company, in the case of Related-Party Transactions, the provisions of the Law and Article 14 bis of these Regulations shall apply”*. In the terms indicated in the previous section, persons related to the Directors included in Article 231 of the LSC for the purposes of the conflicts of interest regime are not the same as those provided for in the IAS for the purposes of the application of the Related-Party Transactions regime provided for in Articles 529 vicies to 529 tervicies LSC. In other words, there may be an Enagás transaction with a person related to a Director that is not a Related-Party Transaction under article 529 vicies.1 LSC (which refers to IAS), and yet is a transaction with a conflict of interest under articles 229 and 230 of the LSC.

❖ **Amendment to Article 14 bis (“Related-Party Transactions”)**

The current Article 14 bis relating to related-party transactions is amended to include the basic regime for the approval and dissemination of such transactions provided for in the LSC after its amendment by Law 5/2021.

❖ **Modification of Article 16 (“Director’s Remuneration”)**

Article 16 of the Regulations, relating to the remuneration system for Directors, is amended in order to adapt it to the new provisions introduced in the LSC by Law 5/2021 and in coordination with Article 36 of the Articles of Association. In particular:

- It is expressly introduced that the Board of Directors is responsible for setting the “individual” remuneration of the Directors for the performance of executive duties, subject to a report from the Sustainability, Appointments and Remuneration Committee, in accordance with article 529 octodecies.3 LSC, as amended by Law 5/2021.

- This incorporates the obligation for the Sustainability, Appointments and Remuneration Committee to previously report to the Board on the individual determination of the remuneration of the Directors in their capacity as such, in accordance with the provisions of article 529 septdecies.3 LSC.
- With respect to the remuneration policy, the provisions relating to its content, approval, validity and publicity regime are modified in accordance with article 529 novodecies LSC.
- Section 2 of Article 16 is adapted to the new wording of Article 529 novodecies.7.b) LSC, establishing that, in the event that the Annual Report on Directors' Remuneration is rejected by the Shareholders' Meeting, the Company may only continue to apply the policy in force on the date of the Shareholders' Meeting until the next Ordinary General Meeting.
- Lastly, the phrase "*except for the remuneration expressly approved by the General Shareholders' Meeting*" in the last paragraph of Article 16.2 of the Regulations is eliminated. In accordance with the new legal regime, the General Shareholders' Meeting cannot approve remuneration outside the remuneration policy and, therefore, any remuneration outside or different from that provided for in the policy will require an amendment to the policy.

❖ **Amendment of Article 19 bis ("Contracts of Executive Directors")**

A technical specification is incorporated, eliminating "*if applicable*" with respect to the remuneration policy, since it is mandatory for listed companies to have this policy, in accordance with the provisions of article 529 novodecies of the LSC.

❖ **Amendment to Article 25 ("The Sustainability, Appointments and Remuneration Committee")**

A new section is included within the duties related to Director and Senior Manager remuneration, including the duties of the Committee to report to the Board of Directors on (i) the individual determination of Directors' remuneration in their capacity as such; and (ii) the individual determination of the remuneration of each Director for the performance of the executive functions attributed to them; in accordance with the provisions of the new wording of articles 529 septdecies.3 and 529 octodecies.3 of the LSC, respectively.

❖ **Amendment to Article 26 (“The Audit and Compliance Committee”)**

The duties of the Committee are completed; firstly, those in letter c) of section 3, with respect to the duty to report to the Board of Directors in advance on financial information and the management report, which shall include the mandatory non-financial information, in accordance with the new article 529 quaterdecies.4.h).1° LSC; and, secondly, those in letter e), with respect to related-party transactions, in accordance with article 529 quaterdecies.4.g) LSC.

❖ **Amendment to Article 27 (“Relations with shareholders”)**

In paragraph 6, a drafting clarification is included, replacing *LSC* with *“Corporate Enterprises Act”*.

❖ **Amendment to Article 28 (“Relations with the markets”)**

The reference to quarterly financial information in section 2 is deleted, since it is no longer mandatory following the repeal by Law 5/2021 of Article 120 of the Securities Market Law, which is no longer in force, without prejudice to the fact that the Company may continue to prepare quarterly reports on a voluntary basis.

### **3. APPENDIX**

The Appendix to this Report contains a comparison between the current articles of the regulations and the proposal to amend them.



## **Appendix I**

### **Proposed amendments to the Rules of Organisation and Functioning of the Board of Directors**

# RULES AND REGULATIONS OF THE ORGANISATION AND FUNCTIONING OF THE BOARD OF DIRECTORS OF ENAGÁS, S.A.

Consolidated text approved by the Board of Directors on December 20~~1~~<sup>4</sup>,  
202~~1~~<sup>0</sup>





**CHAPTER I**  
**GENERAL PROVISIONS**

**ARTICLE 1.- PURPOSE AND SCOPE OF THE REGULATIONS**

1. The purpose of these Rules and Regulations is to regulate the Board of Directors of Enagás, S.A., establishing for this purpose the principles of its organisation and operation, the rules governing its legal and statutory activities, and its system of oversight and control. The Board of Directors shall adopt such measures as may be necessary to ensure the dissemination of the provisions of these Regulations among shareholders and the investing public.
2. The members of the Board of Directors and, insofar as they are concerned, the Company's Senior Managers, are obliged to be aware of the provisions of these Rules and Regulations and to comply with and enforce their content.

**ARTICLE 2.- INTERPRETATION AND MODIFICATION**

1. These Rules and Regulations complete the rules applicable to the Board of Directors established in current commercial legislation and in the Company's Articles of Association. It is the responsibility of the Board of Directors to resolve any doubts that may arise in connection with the application of these Regulations, in accordance with the general criteria for the interpretation of legal provisions and the spirit and purpose of the Company's Articles of Association.
2. This procedure shall enter into force on the day following its approval. The Board of Directors is authorised to modify its content in accordance with the requirements established in the following section, adapting it to the Company's interests at any given time.

The National Securities Market Commission (CNMV) will be notified of both the approval and the amendment, if any, of these Rules and Regulations, attaching a copy of the text. Once this notification has been made, it will be entered in the Companies Registry in accordance with the general rules.

3. The Chairperson of the Board of Directors, the Audit and Compliance Committee or a number equal to or greater than 25% of the total number of members of the Board of Directors may propose such modifications to the Board when circumstances arise for which, in their opinion, it is fitting or necessary for such modifications to be made, in which case a report must be submitted justifying the causes and scope of the proposed modifications.

The Board shall be convened, by any means, by individual notification to each of its members. In order to be valid, the modification of the Rules and Regulations will require that the resolution be adopted with the number of favourable votes as set forth in the Articles of Association.

## **CHAPTER II**

### **COMPOSITION, OBJECTIVES, FUNCTIONS AND RULES OF PROCEDURE OF THE BOARD OF DIRECTORS**

#### **ARTICLE 3.- QUANTITATIVE AND QUALITATIVE COMPOSITION**

1. Within the minimum and maximum limits set forth under Article 35 of the Company's current Articles of Association, notwithstanding the powers of proposal enjoyed by shareholders, the Board of Directors shall propose to the General Meeting the number of Directors that at each stage it deems appropriate in the interest of the Company. The General Meeting shall decide on the final number.

2. The Board of Directors shall be composed of Directors classified into the categories specified below:

- a) Internal or Executive Directors: directors who perform senior management functions at the Company or its Group, whatever the legal connection they may have with it.

If a Director performs management functions and, at the same time, is or represents a significant shareholder or one that is represented on the Board of Directors, they shall be considered Internal or Executive for purposes of the present Regulations.

No more than 20% of the total number of members of the Board of Directors may belong to this category.

- b) External or Non-Executive Directors: these Directors shall in turn fall into three categories:

- b1) Proprietary Directors: Directors who hold a shareholding interest equal to or greater than that which is considered significant under the law or have been appointed on account of their status as shareholders, even if their shareholding is less than said amount, as well as those who represent said shareholders.

- b2) Independent Directors: Directors of acknowledged professional prestige who are able to contribute their experience and knowledge to corporate governance and who, since they do not belong to either of

the two preceding categories, meet the conditions set forth under Article 9 of the present Regulations. The number of Independent Directors shall represent at least one half of all directors.

**b3) Other External Directors:** External Directors who are not Proprietary Directors and cannot be classified as Independent Directors in accordance with Article 9 of the present Regulations.

In exercising its powers of proposal to the General Meeting and of co-option to fill vacancies, the Board of Directors shall endeavour to ensure that, within the composition of the body, Independent Directors represent a broad majority over Executive Directors and that the percentage of Proprietary Directors in relation to Non-Executive Directors is not greater than the proportion between the capital represented by the said Directors and the remainder of the company's capital, without prejudice to the adaptation of this criteria in the terms permitted by the good governance recommendations applicable in this respect.

The following cannot be Directors or, if applicable, natural person representatives of a legal person Director:

- a) Natural persons or bodies corporate who hold the post of Director in more than 5 (five) 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) Directorships may not be exercised by natural persons or bodies corporate that exercise control or rights in a company carrying out functions of production or sale of natural gas, or by any other natural persons or bodies corporate, the presence of whom or which on the Board, pursuant to the legislation applicable to the hydrocarbons sector, may affect the Company's status as transmission system operator.

#### **ARTICLE 4.- AIMS OF THE BOARD OF DIRECTORS**

The Board of Directors, in the performance of the duties entrusted to it by the law, the Articles of Association and these Regulations, must be guided by the following aims:

- To achieve effective management of the Company and its affiliates.

- To assure the Company's future viability and competitiveness, as well as the availability of suitable managers and leaders, the running of the Company's business being expressly subject to the oversight of the Board.
- To perform its duties with unity of purpose and independent judgement, according all shareholders in the same position the same treatment. It should be guided at all times by the corporate interest, construed as achieving a profitable and sustainable business in the long-term, which promotes its continuation and the creation of economic value.
- To establish a policy of action that allows for transparent management of the Board of Directors, establishing for that purpose as many oversight mechanisms as may be necessary to guarantee control of the decisions of its members, in accordance with the corporate interest.
- To ensure that the interests of minority shareholders are upheld.
- To ensure that the Company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts ethically and in good faith; respects the commonly accepted customs and good practices of the sectors and territories where it does business; reconciling the corporate interest with the legitimate interest of its employees, suppliers, customers and remaining stakeholders that may be affected, as well as the impact of the activities of the Company on the community as a whole and the environment; and upholds any additional sustainability principles it voluntarily subscribes to.

**ARTICLE 5.- FUNCTIONS OF THE BOARD OF DIRECTORS.**

It falls to the Board of Directors to perform all acts of management, representation and supervision that may be required or expedient for the attainment of the objects stipulated in the Articles of Association, within the framework of the law, the Articles of Association and of these Regulations.

Specifically, in addition to the other duties that may be entrusted to the Board of Directors by law or in the Articles of Association, it will have those indicated in sections A), B), C) and D) of Article 5:

The duties of the Board may be delegated, except those which according to the law or the Articles of Association may not be delegated.

**A) Powers and duties relating to the organisation and functioning of the Board and of the Company:**

1. To act as the body representing the Company in the terms prescribed by law and stipulated in the Articles of Association.
2. To fill Board vacancies by co-option.
3. To accept Directors' resignations, as the case may be.
4. To appoint and remove the Chairperson, Independent Leading Director, Chief Executive Officer, Secretary and Vice Secretary to the Board.
5. To establish the Board Diversity and Director Selection Policy, verifying compliance on an annual basis.
6. To delegate powers to any of their members and, as the case may be, to the Executive Committee and revoke such delegation in conformity with the law and the Articles of Association.
7. To appoint and remove the Directors who are to sit on the various Committees provided for in these Regulations, and the Chairpersons of such Committees.
8. Supervision of the effective functioning of any Committees that it has set up and of the actions of the executive bodies and Managers that it has appointed. The decisions relating to the remuneration of Directors because they belong to the Board of Directors and its Committees, within the framework of the Articles of Association and the remuneration policy approved by the General Meeting.
9. To approve the additional remuneration due to Executive Directors in consideration of their executive functions and the rest of terms to which regard must be had under their contracts.
10. To regulate its own organisation and functioning and, in particular, to adopt the Board Regulations and the Rules and Regulations of Board Committees, and adapt and amend such provisions when required.
11. To draft and adopt the Internal Code of Conduct.
12. To consider and, where appropriate, authorise or establish exemptions regarding the actions referred to in Articles 14 and 14 bis of the Regulations and the Internal Code of Conduct.
13. To lay down, on the proposal of the Sustainability, Appointments, and Remuneration Committee, the general policy regarding the guidelines relating to the appointment, selection, promotion and dismissal of senior managers, and the criteria governing remuneration policy, in

order to ensure that the Company has highly qualified staff fit for administering its business at all times.

14. To approve, upon receiving a proposal from the Company's chief executive, the appointment and, if applicable, removal of Managers who report directly to the Board or to any of its members, as well as to approve, upon receiving a proposal from the Sustainability, Appointments and Remuneration Committee the establishment of the basic terms of their contracts including their remuneration and, if applicable, compensation clauses.
15. To frame the corporate governance policy of the Company and its Group.
16. To evaluate the following in a plenary session once a year:
  - a) Based on the report provided to it by the Sustainability, Appointments and Remuneration Committee, the quality and efficiency of the Board's operation, as well as diversity in its composition and competences.
  - b) The performance of the Chairperson of the Board and the Chief Executive Officer on the basis of the report to be submitted to it by the Sustainability, Appointments and Remuneration Committee.
  - c) The performance and membership of its Committees on the basis of the reports furnished by the same, which shall be published on the Company's website sufficiently in advance of the date of the Ordinary General Meeting.
  - d) The performance and contribution of individual directors, with particular attention to the Chairperson of board committees.

The result of the assessment will be recorded in the minutes of the meeting or incorporated into them as an appendix.

On the basis of the results of the assessment, the Board will propose an action plan to correct the identified deficiencies.

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 Sustainability, Appointments and Remuneration Committee.

The process and the assessed areas will be further described in the Annual Report on Corporate Governance, as well as the business relationships that the external consultant or any

company of its group may have with the Company or any Group company.

17. The issuance of any type of report the Board of Directors is required by law to submit, provided that the operation to which the report refers cannot be delegated.
18. Convening the General Shareholders' Meeting and drafting the Agenda and the proposed resolutions.
19. The policy concerning the Company's own shares.

**B) Powers and duties relating to the management of the Company:**

1. To exercise the powers that the General Meeting has granted to the Board of Directors, powers which may be delegated only with the prior express agreement of the General Shareholders' Meeting.
2. To define, at the proposal of Senior Management, the Company's general policies and strategies, as well as to monitor the fulfilment of those policies and strategies.

In particular, the Board of Directors is responsible for adopting the Company's strategic plan, management targets and annual budgets; its investment and financing policy; its sustainability policies in environmental and social matters; its dividends policy; the definition of the structural design of the group of companies; and the policy on reporting, contacts and involvement with shareholders, institutional investors, proxy advisors, and other stakeholders, which will be published on the Company's website.

Also within the area of responsibility of the Board of Directors are the determination of the Company's tax strategy and of its risk control and management policy, regarding tax risks, and the oversight of its internal information and control systems.

In particular, in relation to the risk control and management policy, it must identify or determine at least: (i) the different types of financial and non-financial risk (including operational, technological, legal, social, environmental, political, reputational and those related to corruption) the Company is exposed to, including contingent liabilities and other off-balance-sheet risks among the financial or economic risks; (ii) a multi-tier risk control and management model; (iii) the determination of the risk level the Company sees as acceptable; (iv) the measures in place to mitigate the impact of the risks identified should they occur; and (v) the internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

3. To incorporate new companies and approve participation in existing companies when an investment higher than three million euros is required.
4. To approve operations consisting of mergers, mergers by absorption, spin-offs, de-mergers, global assignments of assets and liabilities, changes of corporate form or business combinations in which any of the direct affiliates of Enagás, S.A. are interested.
5. To launch public bids for shares and other securities, seek authority from the General Meeting for operations consisting of mergers, mergers by absorption, spin-offs, de-mergers, global assignments of assets and liabilities, changes of corporate form or business combinations involving Enagás, S.A., and any other transaction entailing structural alterations to the Company, such as the hiving-off to subsidiaries of core activities hitherto carried on by the Company; the acquisition, contribution or sale of core operating assets where such transaction effectively involves a change to the Company's objects, and transactions of an effect equivalent to liquidation of the Company.
6. To approve the sale of ownership interests in companies or other non-essential fixed assets with a value above three million euros or, in the case of a lower amount, the acquisition of share capital and fixed assets that has been approved by the Board of Directors, provided that this does not entail a change in the structure of the company.

For these purposes, assets will be considered to be core assets if the respective transaction amount is greater than 25% of the value of the assets shown on the last approved balance sheet.

7. To approve investments or transactions of any kind that, on account of the large amounts involved or special characteristics, are strategic in nature or pose particular taxation risks, unless this is the responsibility of the General Meeting.
8. To approve investment proposals the value of which exceeds three million euros.
9. To issue series of promissory notes, bonds and similar securities of Enagás, S.A. or affiliates in which the Company holds a majority or a controlling interest.
10. To stand as surety to secure obligations owed by entities not controlled by the Group.
11. To assign rights in the trade name and trademarks, patents, technology and any form of intellectual or industrial property owned



by Enagás, S.A. or Group companies and carrying economic significance.

12. To create and oversee the management of employee pension plans and any other commitment to employees entailing long-term financial liabilities for the Company.
13. To enter into agreements of a commercial, industrial or financial nature, the amount or special characteristics of which mean that they are strategic for the Enagás Group.
14. To approve the creation or acquisition of interests in special purpose vehicles or entities resident in countries or territories qualifying under statute as tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the Company and the Group.

**C) Powers and duties relating to annual accounts and external audit:**

1. To authorise for issue, in clear and precise terms facilitating comprehension of their contents, the individual and consolidated Annual Accounts and the Management Report, after obtaining the reports issued by the Finance Department and the relevant report issued by the Audit and Compliance Committee, all appropriate clarifications having been made.

The Board of Directors shall see to it that the Annual Accounts 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 is also responsible for submitting both the Annual Accounts and the Management Report to the General Meeting.

2. To lay before the General Meeting a nomination for the role of accounts auditor of the Company on the proposal of the Audit and Compliance Committee and in fulfilment of these Regulations.

Except if otherwise indicated expressly in the minutes of proceedings, it shall be understood that, before setting their hands to the authorisation for issue of the annual accounts statements as required by law, the Directors have availed themselves of the information necessary for the performance of that act, whether directly or via the Audit and Compliance Committee. The Board may place on record any reservation it thinks fit with respect to the foregoing.

Upon authorising the Annual Accounts for issue, the Board of Directors shall attend to any comments or recommendations submitted by the Audit and Compliance Committee in its prior report.

If the Annual Accounts depart from the prior report issued by the Audit and Compliance Committee, the Board of Directors shall provide an adequate explanation of the reasons for the discrepancy.

The Board of Directors shall endeavour to present the Annual Accounts in such a way that there are no grounds for qualification from the Company's accounts auditor. However, if the Board of Directors determines that it must stand by a contrary view, it shall publicly explain the content and extent of the discrepancy.

**D) Powers and duties relating to the securities market:**

1. The Board of Directors 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 required by the Company's status as a listed company pursuant to current laws and regulations.
2. Overseeing the process of preparing and presenting the financial information and the management report, which shall include, where appropriate, the required non-financial information, as well as approving the financial information that the Company must periodically make public due to its status as a listed company.
3. Preparing the non-financial information statement for submission to the General Meeting.

**ARTICLE 6.- MEETINGS OF THE BOARD OF DIRECTORS**

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 Chairperson, whenever the Chairperson 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 Chairperson to convene the meeting, and the meeting has not been called within one month without reasonable cause.

Except in cases where the Board has been constituted or has been convened exceptionally on account of urgent circumstances, the Directors must have the requisite 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 make a decision or resolution. The Chairperson 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 Chairperson 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 Regulations.

At these regular meetings the Board shall receive timely information on the movements of the shareholders and of the opinion that significant shareholders, investors and rating agencies hold regarding 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 Chairperson or the Secretary, or by the Vice Chairperson on order of the Chairperson, may be effected by any channel, and shall specify the meeting venue and agenda. The Chairperson shall call the Board to meet when so requested by the Independent Leading Director in accordance with Article 18 of these 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 Chairperson, but any Director may request in advance of the calling of such meeting that any items

which in their view ought to be addressed by the Board be added to the Agenda.

The Board shall be properly constituted without need of prior notice if, all Directors being present in person or by proxy, 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 Chairperson and indicated in the notice of meeting, and by any means determined by the Chairperson in accordance with the provisions of Article 39 of the Company's Articles of Association.

#### **ARTICLE 7.- MEETING PROCEEDINGS.**

1. The Board of Directors shall be properly constituted when at least most of its members are present in person or by proxy, except when the meeting has not been duly convened, in which case the attendance of all members is required.
2. The Chairperson shall moderate the proceedings, encouraging the active involvement of all Directors in the Board's deliberations and safeguarding their freedom to state their position and express their views.
3. The Directors must attend the meetings of the Board 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 e-mail or by any other means that provides proof of receipt by any means, with a telegram or facsimile~~ addressed to the Chairman or Secretary of the Board ~~being valid~~.
4. Resolutions shall be adopted with the vote in favour of an absolute majority of Directors present in person or by proxy.

Votes may be cast in writing and in the absence of a meeting if no Director objects to such procedure and the requirements are satisfied in the Regulations of the Companies Registry.

5. 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, those concerns must be noted in the minutes upon demand by the person voicing them.

**CHAPTER III**  
**LEGAL STATUS OF THE DIRECTOR**

**ARTICLE 8.- APPOINTMENT OF DIRECTORS**

1. Directors shall be appointed at the General 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 Sustainability, Appointments and Remuneration 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 Sustainability, Appointments and Remuneration 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.

Proposed appointments shall always be accompanied by a report from the Board justifying the powers, 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 Sustainability, Appointments and Remuneration Committee. Only those legal entities belonging to the public sector may be appointed as Directors who access the Board in representation of a part of the share capital.

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.

## **ARTICLE 9.- APPOINTMENT OF INDEPENDENT DIRECTORS**

Independent Directors are defined as those who, appointed based on their personal and professional aptitudes, may perform their duties without being affected by dealings with the Company or Group, its significant shareholders or its senior managers. As such, the following shall in no circumstances qualify as independent directors:

- a) Persons who have been employed by, or served as Executive Directors of, Group companies, unless three or five years, respectively, have elapsed since the termination of that relationship.
- b) Those who have received some payment or other form of compensation from the Company or its Group on top of their Directors' fees, unless the amount involved is not significant for the Board. Payment shall not include, for the purposes of the provisions of this article, dividends or pension top-ups paid to the Director in connection with their former professional or employment relationship, so long as their settlement is unconditional in nature and the Company paying them cannot arbitrarily choose to suspend, modify or revoke the accrual thereof unless the Director is in breach of their obligations.
- c) Partners, now or in the past three years, in the external auditor or the firm responsible for the audit report, during said period, of Enagás, S.A. or any other within its Group.
- d) Persons who are Executive Directors or Senior Managers of another company where an Executive Director or Senior Manager of Enagás, S.A. is a Non-Executive Director.
- e) Those having material business dealings with Enagás, S.A. or some other in its Group or who have had such dealings in the preceding year, either on their own account or as the significant shareholder, Director or Senior Manager of a company that has or has had such dealings. Business relationships shall be defined as relationships whereby the Company serves as a provider of goods or services, including those of a financial nature, and as an advisor or consultant.
  - o
- f) Significant shareholders, Executive Directors or Senior Managers of an entity that receives donations from Enagás, S.A. or its Group, or has done so in the past three years. Patrons or trustees of any foundation that receives donations shall not be included under this section.
- g) Spouses, partners maintaining an analogous affective relationship, or close relatives of one of the company's Executive Directors or Senior Managers.

- h) Any person not proposed for appointment or renewal by the Sustainability, Appointments and Remuneration Committee.
- i) Any person who has been a Director for more than 12 consecutive years.
- j) Those standing in some of the situations listed in a), e), f) or g) above in relation to a significant shareholder or a shareholder with Board representation. In the case of the family relations set out in letter g), the limitation shall apply not only in connection with the shareholder but also with their Proprietary Directors in the affiliate.

Proprietary Directors who lose their status as such as a result of the sale of their interest by the shareholder that they represented may only be re-elected as Independent Directors if the shareholder that they represented until that time has sold all of its shares in the Company.

Any Director holding an interest in the Company may hold the status of Independent Director provided that they meets all of the conditions established under this article and, that their interest is not significant.

#### **ARTICLE 10.- TERM OF OFFICE AND CO-OPTION**

Directors may hold their post for a period of four years, and may be re-elected for periods of up to four more years. 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.

#### **ARTICLE 11.- RE-APPOINTMENT OF DIRECTORS**

The Sustainability, Appointments and Remuneration Committee, responsible for evaluating the quality of work and dedication to the post of the Directors proposed during the previous term of office, shall provide information required to assess proposal for re-appointment of Non-Independent Directors presented by the Board of Directors to the General Meeting, and shall propose the re-election of the Independent Directors, as applicable.

Proposals for re-election shall always be accompanied by a report from the Board justifying the powers, 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.

#### **ARTICLE 12.- REMOVAL OF DIRECTORS**

1. 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.
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. In particular, a Director must inform the Board of Directors of any criminal case in which he or she appears as being under investigation, along with any procedural developments.
  - d) When the reason for which they were appointed as Directors no longer exists.
  - e) When Independent Directors cease to meet the conditions established 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 their place before their tenure expires, through resignation or by resolution of the General Meeting, they shall properly explain the reasons for their resignation. Non-executive directors shall write down their opinion on the reasons why, if applicable, the General Shareholders' Meeting relieves them of their duties, in a letter to be sent to all members of the Board of Directors. Aside from reporting such facts in the Annual Corporate Governance Report, insofar as it is relevant for



investors, the Company shall announce the Director's departure as soon as possible, including sufficient reference to the reasons or circumstances provided by the Director.

3. The Board of Directors shall not propose the removal of Independent Directors before the expiry of their tenure as established on the Articles of Association, except where just cause is found by the Board, based on a report from the Sustainability, 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 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 law.
4. After a Director resigns from their post, they may not work for a competitor for a period of two years, unless exempted from this duty or the duration of the duty is shortened by the Board of Directors.

#### **ARTICLE 13.- DUTIES OF THE DIRECTOR**

The duty of a Director is to support and oversee the running of the Company for the purpose of maximising its value for the benefit of shareholders.

By virtue of their office, a Director is under a duty to:

- a) Perform any specific task assigned by the Board of Directors and which is reasonably included in their commitment to dedication.
- b) Report to the Board on any acts they perform by delegation from or engagement by the Board.

In addition to the aforementioned general duties, Directors will have, in particular, the following:

##### **a) General duty of diligence:**

Directors must perform their duties and comply with the duties imposed by law and the Articles of Association with the diligence of a prudent business person, given the nature of their post and the functions attributed to each of them. They must in all cases subordinate their own interests to the interests of the Company.

Directors must show the proper dedication and adopt the precise measures for the proper management and control of the company.

When performing their functions, Directors have the duty to demand and the right to receive appropriate information from the Company with which to fulfil their obligations.

In terms of strategic and business decisions requiring the discretionary authority of a business person, the standard of diligence of a prudent business person will be understood to be met when the Director has acted in good faith, without personal interest in the matter on which they decide and with sufficient information and following an appropriate decision procedure.

Decisions that personally affect other Directors and related persons and, in particular, that are intended to authorise the operations provided for in Article 230 of the revised text of the Corporate Enterprises Act shall not be understood as included in the sphere of discretionary authority of a business person.

Directors must properly prepare for meetings of the Board and of any Committees of which they are a member.

Directors must attend the meetings of the bodies of which they are members and actively participate in order for their opinions to make an effective contribution to the decision-making process. Director absences will be kept to the bare minimum and quantified in the Annual Corporate Governance Report. If, on justified grounds, a Director is unable to attend a meeting to which they have been called, they must give instructions to the Director who represents them by proxy.

Directors must express clear opposition when they feel a proposal submitted for the Board's approval might damage the corporate interest. Similarly, Independent Directors and other Directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.

When the Board of Directors makes material or reiterated decisions about which a Director has expressed serious reservations, then said Director must draw the pertinent conclusions and, if they resign, must set out their reasons in a letter.

Directors shall apprise the Sustainability, Appointments and Remuneration Committee of any other professional obligations in case they might detract from the necessary dedication.

Con formato: Inglés (Estados Unidos)

**b) Duty of loyalty:**

Directors will 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:

- a) Not exercise their powers for purposes other than those for which they have been granted.
- b) Keep secret any information, data, reports or records which they have had access to in the performance of their duties, including if they have been removed from their positions, except in cases where the law permits or requires that they act otherwise.
- 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 those that are subject to waiver in accordance with the provisions of Article 14 of these Regulations, or approved in accordance with the provisions of the Law and Article 14 bis of these Regulations in relation to Related-Party Transactions~~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 make have with the Company's interests.

Direct and indirect conflicts of interest in which Directors become involved shall be disclosed in the Annual Report.

**c) Other duties:**

In addition, a Director must comply with all rules imposed on them by the Company's Internal Code of Conduct in their capacity as a Director and, as the case may be, as a shareholder or Senior Executive of the Company.

Notwithstanding the provisions of Article 12, Directors will inform the Company when there are situations affecting it, whether or not related to its performance in the company itself, which may damage the credit and reputation of the company, and in particular any criminal charges brought against them as investigated party and the progress of any subsequent trial.

If the Board of Directors has been informed of or has otherwise learned of any of the situations mentioned in the preceding paragraph, shall examine the case as soon as possible and, in view of the circumstances, shall decide, after a report from the Sustainability, Appointments and Remuneration Committee, whether or not to adopt any measure, such as opening an internal investigation, asking the Director to step down from their duties or propose their dismissal to the General Meeting. This shall be reported in the Annual Corporate Governance Report, unless special circumstances warrant it, in which case the details must be put down in the minutes. This is without prejudice to the Company' disclosures, where appropriate, when the relevant measures are taken.

A Director, in their capacity as an honest representative of the Company, must inform the Company of any Enagás shares they hold, whether directly

or through third companies in which they hold a significant interest, following the procedure and other formalities laid down for investment in the equity of Enagás and its affiliates.

A Director may not use the Company's non-public information for private purposes, except in the absence of any detriment to the Company and of any right of exclusivity in the Company or legal position of analogous import as to the information intended to be used, and provided that such information is not used for transactions of acquisition or sale of Company securities.

The Director must in all cases comply with the standards of conduct prescribed in the legislation on the securities market and in the Enagás Group, S.A. Internal Code of Conduct regarding the securities market.

**d) Persons related to the Directors:**

For the purposes of ~~these Board Regulations~~this Article, the persons referred to in Article 231 of the Corporate Enterprises Act shall be considered related parties of a Director.

**e) Natural person representative:**

A natural person appointed to permanently exercise the functions corresponding to the office of a legal person Director must meet the legal requirements established for Directors and shall be required to perform the same duties and shall be jointly and severally liable with the legal person Director.

**ARTICLE 14.- MANDATORY NATURE AND EXEMPTION OF THE DUTY OF LOYALTY**

1. ~~Application~~ of the rules relating to the duty of loyalty and liability for the violation thereof are mandatory.
2. Notwithstanding the provisions set forth in the preceding paragraph, the Company may establish exemptions regarding the prohibitions contained in Article 13 b) above in exceptional cases, authorising a Director or a related person to carry out a given transaction with the Company, to use certain corporate assets, to take advantage of a specific business opportunity, or to obtain a benefit or remuneration from a third party.
3. The authorisation must, without exception, be agreed by the General Meeting when its purpose is to establish an exemption from the prohibition against obtaining a benefit or remuneration from third parties or when it affects a transaction for an amount greater than ten percent of the corporate assets.

4. In other cases, authorisation may also be granted by the Board of Directors, provided a guarantee is given regarding the independence of the members granting it vis-à-vis the Director for whom the exemption is established. Additionally, assurance must be given regarding the harmlessness of the authorised transaction for the Company's assets or, if applicable, that it will be carried out under market conditions and that the process is transparent.

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5. In relation to paragraphs 2 to 4 above with respect to transactions by the Directors with the Company, in the case of Related-Party Transactions, the provisions of the Law and Article 14 bis of these Regulations shall apply.

4.6. An exemption may be given regarding the obligation not to compete with the Company only when it is not expected to damage the Company or when any expected damage can be expected to be compensated by the benefits expected to be obtained from the exemption. Exemptions are granted through an express and separate agreement of the General Meeting.

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5.7. In all cases, at the request of any member, the General Meeting will decide on the removal of a Director who carries out competitive activities when the risk of harm to the Company has become relevant.

#### ARTICLE 14 bis.- RELATED-PARTY TRANSACTIONS

- It will be the responsibility of the Board of Directors shall be responsible for the knowledge and approval, following to identify and approve, pursuant to a report from the Audit and Compliance Committee, of the transactions carried that the out by the Company or its subsidiaries carry out the companies in its Group with Directors, or with shareholders holding 10% or more of the voting rights, or represented on the Board of Directors of the Company, or with any other persons who are considered related parties under the terms set forth in the Law ("Related-Party Transactions"), unless their approval corresponds to the General Meeting 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 in accordance with the provisions of the law. The provisions of this section shall be understood to be without prejudice to the limitations on the ownership interest in the share capital of the Company as set forth in the special sector regulations applicable to Enagas, S.A. The aforementioned transactions shall

~~be assessed from the point of view of equal treatment and market conditions, 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.~~

~~The transactions carried out by the Company with its subsidiaries or investees shall not be considered as Related-Party Transactions, provided that no other party related to the Company has an interest in such subsidiaries or investees.~~

~~2. The approval provided in the previous paragraph shall not be required, however, for transactions that simultaneously comply with the three following conditions:~~

- ~~— that are governed by standard form contracts applied on an across-the-board basis to a large number of customers;~~
- ~~— they go through at market prices, generally set by the person supplying the goods or services; and~~
- ~~— their amount is no more than 1% of the Company's annual revenues.~~

~~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.~~

~~2. The report which, if any, may be issued by the Audit and Compliance Committee shall issue a report prior to the approval of a Related-Party Transaction by the General Shareholders' Meeting or by the Board of Directors on related party transactions, shall be published on the Company's website. In this report, the Committee must assess whether the transaction is fair and reasonable from the point of view of the Company and, if applicable, of the shareholders other than the related party, and give an account of the assumptions on which the assessment is based and the methods used.~~

~~The members of the Audit and Compliance Committee affected by the Related-Party Transaction may not participate in the preparation of the report.~~

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**Con formato:** Sangría: Sangría francesa: 1,02 cm

**Con formato:** Normal, Sangría: Izquierda: 0,13 cm, Sangría francesa: 1,02 cm, Sin viñetas ni numeración, Punto de tabulación: No en 0,75 cm + 1 cm

**Con formato:** Inglés (Reino Unido)

**Con formato:** Inglés (Reino Unido)

**Con formato:** Inglés (Estados Unidos)

This report shall not be mandatory in connection with the execution of Related-Party Transactions whose approval has been delegated by the Board of Directors in the cases legally permitted and provided for in these Regulations.

3. In those cases in which, in accordance with the provisions of section 3 of this Article, the Board of Directors delegates the approval of Related-Party Transactions, the Board of Directors itself shall establish an internal reporting and periodic control procedure to verify the fairness and transparency of these transactions and, if applicable, compliance with the applicable legal criteria.

4. In relation to Related-Party Transactions whose approval corresponds to the General Shareholders' Meeting, the proposed approval resolution adopted by the Board of Directors shall be submitted to the General Shareholders' Meeting with the indication of whether it has been approved by the Board of Directors with or without the vote against the majority of the Independent Directors.

5. The Board of Directors shall ensure public disclosure of the performance of Related-Party Transactions entered into by the Company or companies of its Group, the amount of which reaches or exceeds either 5% of total assets or 2.5% of the annual amount of the Company's turnover.

To this end, an announcement, with the legally stipulated content, must be published in an easily accessible place on the Company's website and, in turn, it must be communicated to the National Securities Market Commission. The announcement shall be published and communicated, at the latest, at the time the Related-Party Transaction is entered into and shall be accompanied by the issued report, if applicable, by the Audit and Compliance Committee.

Likewise, Related-Party Transactions shall be reported in the Annual Corporate Governance Report and in the periodic public information under the terms set forth in the applicable regulations.

6. To determine the amount of a Related-Party Transaction, the transactions entered into with the same counterpart in the last twelve months shall be taken into account in aggregate.

#### **ARTICLE 15.- RIGHT TO ADVICE AND INFORMATION**

1. The Directors shall have access to all the Company's services and may obtain the information and advice they require on any aspect of the



Company, provided that this is required for the performance of their duties. The right to information applies to subsidiary companies, whether national or foreign, and will be channelled through the Chairperson or the Secretary to the Board of Directors, who will deal with the Director's requests, providing the information directly, offering the appropriate interlocutors or taking whatever measures are necessary for the requested examination.

The Board of Directors may take such measures as are necessary to ensure the confidentiality of what may be considered to be commercially sensitive information.

2. Directors shall further be entitled to propose to the Board of Directors the engagement, at the Company's expense, of legal, accounting, technical, financial, commercial or any other type of experts deemed necessary for the interests of the Company, for the purpose of assisting the Board in performing its duties when there are specific problems of a certain importance and complexity linked to such performance.

The proposal must be communicated to the Chairperson of the Board via the Secretary of the Board. The Board of Directors may withhold its approval when it considers that such services are unnecessary for the duties with which they are entrusted, or disagrees with the cost (disproportionate in relation to the problem and assets and revenues of the Company) or believes that such technical assistance can be adequately provided by experts and technicians from within the Company.

3. The company shall organise induction programmes for new Directors to acquaint them rapidly with the workings of the company and its corporate governance rules. It shall also offer Directors refresher courses when circumstances so dictate.

#### **ARTICLE 16.- DIRECTOR'S REMUNERATION**

- 1.- The position of Director of Enagás, S.A. shall be remunerated in the manner provided in the Articles of Association, in view of the report issued by the Sustainability, Appointments and Remuneration Committee, as provided in Article 25 of these Regulations.

Director remuneration should be sufficient to attract and retain 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.

The Directors' remuneration policy shall determine the remuneration of Directors in their capacity as such, within the remuneration system provided for in the Articles of Association and will include the maximum amount of the annual remuneration to be paid to all the Directors in that capacity.

The remuneration of Directors for performing the executive functions provided for in contracts approved in accordance with the provisions of Article 19.bis of these Regulations conform to the Directors' remuneration policy, which must necessarily set forth the amount of the fixed annual payment and the variation therein in the period covered by the policy, 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.

The Board of Directors shall determine the individual remuneration of Directors for the discharging of executive duties after receiving a report from the Sustainability, Appointments and Remuneration Committee, and the terms and conditions of their contracts with the Company in accordance with the provisions of Article 19.bis of these Regulations and with the Directors' remuneration policy approved by the General Meeting.

The Sustainability, Appointments and Remuneration Committee shall establish the criteria for the remuneration of the Company's Directors in their position as such, within the provisions of the Articles of Association and in accordance with what is indicated by the General Shareholder's Meeting. The Board of Directors, following a report from the Sustainability, Appointments and Remuneration Committee, is responsible for the definitive distribution of the global sum, within the limits established in the Articles of Association for this purpose and in accordance with the Directors' remuneration policy approved by the General Meeting, taking into consideration the duties and responsibilities attributed to each Director.

The policy for Directors' remuneration shall be in keeping with the remuneration system provided for in the Articles of Association, and shall be approved by the General Shareholders' Meeting ~~at least every three years~~ as a separate item on the Agenda to be applied for a maximum period of three financial years. However, the proposal for a new Directors' remuneration policy must be submitted to the General Shareholders' Meeting prior to the end of the last financial year of application of the previous policy, and the General Shareholders' Meeting may determine that the new policy shall apply from the date of approval and for the following three financial years.

Con formato: Inglés (Estados Unidos)

The proposal for the remuneration policy of the Board of Directors shall state the reasons on which it is based and shall be accompanied by a specific report from the Sustainability, Appointments and Remuneration Committee. Both documents shall be placed at the disposal of the shareholders on the Company's website, from the time of the call to convene the General Meeting. Shareholders may also request that it be delivered or sent, free of charge. The notice of the General Meeting shall mention this right.

~~The approved Directors' remuneration policy shall remain valid for the three financial years following that in which it was approved by the General Meeting.~~ Any modification or replacement thereof during said period of validity shall require the prior approval of the General Shareholders' Meeting in accordance with the procedure established for its approval.

The remuneration policy, together with the date and result of the vote at the Meeting, will be accessible on the Company's website free of charge as soon as it is approved and for at least as long as it is applicable.

Notwithstanding the provisions of the preceding paragraphs, if the proposal for a new remuneration policy is rejected by the General Shareholders' Meeting, the Company shall continue to remunerate its Directors in accordance with the remuneration policy in force on the date of the General Meeting and shall submit a new remuneration policy proposal to the next Ordinary General Shareholders' Meeting for approval.

2.- Director remuneration shall be transparent. For this purpose:

- The Notes, as an integral part of the Annual Accounts, will contain detailed itemised information on the remuneration received by each of the members of the Board of Directors, in their capacity as such, as well as the remuneration for the discharging of Senior Management duties by the Executive Directors.
- The Sustainability, Appointments and Remuneration Committee must submit to the Board of Directors the proposed Annual Report on Directors' Remuneration, which will contain full, clear and understandable information on the Company's remuneration policy approved by the Board for the current year. It shall also include a global summary of how the remuneration policy was applied during the closed financial year, as well as a breakdown of the individual remuneration accrued for each of the concepts by each one of the Directors in said period. The Annual Report on Director Remuneration, once approved by the Board, shall be distributed and submitted to an advisory vote, as a separate item on the Agenda, of the Ordinary General Shareholders' Meeting. In the event that the Annual Report on Directors' Remuneration is rejected in the advisory vote at the Ordinary

General Shareholders' Meeting, the Company may only continue to apply the remuneration policy in force at the date of the General Meeting until the next Ordinary General Meeting is held. ~~remunerations policy to be applied in the next fiscal year must be submitted to the General Meeting for approval before being applied, even if the three-year validity period has not expired. Exceptions are made for cases in which the remuneration policy was approved at the same Ordinary General Shareholders' Meeting.~~

Any remuneration paid to Directors for holding or being removed from their positions and for performing executive functions must be set forth in the corresponding contract, in accordance with the terms set forth in Article 19.bis, and will be consistent with the Director remuneration policy in effect at any given time, ~~except for any remuneration expressly approved by the General Shareholders' Meeting.~~

#### **CHAPTER IV**

#### **LEGAL STATUS OF CORPORATE OFFICERS**

#### **AND OF THE LEGAL ADVISOR**

#### **ARTICLE 17.- THE CHAIRPERSON OF THE BOARD OF DIRECTORS**

1. The Chairperson of the Board, in addition to the powers and duties attributed to them by law, the Articles of Association and these Regulations, shall prepare and submit to the Board a programme of meetings and issues to be dealt with, shall organise and coordinate regular assessments of the Board and, where applicable, of the Chief Executive of the Company. They will also be responsible for the direction of the Board and the effectiveness of its operation, making sure that sufficient time is spent on the discussion of strategic issues, and agreeing and reviewing refresher programmes for each Director, when circumstances make this advisable.
2. If they are an Executive Director, the Chairperson of the Board of Directors shall exercise the management in practice of the Company's affairs, always in accordance with the decisions and criteria laid down by the General Shareholders' Meeting and the Board of Directors in their respective spheres of authority.
3. The Chairperson of the Board shall chair all the Company's organs of governance and management.

Con formato: Inglés (Estados Unidos)

4. The Chairperson of the Board may wholly or partly delegate their powers and duties to other Directors or to Senior Managers of the Company, unless such delegation is expressly prohibited by law.
5. If the Chairperson is absent, ill or unable to act as Chairperson for whatever reason, the provisions of the following article shall apply.

#### **ARTICLE 18 - THE INDEPENDENT LEADING DIRECTOR.**

The Board of Directors may appoint an Independent Director, on the proposal of the Sustainability, Appointments and Remuneration Committee, to perform the following duties, under the title of Independent Leading Director:

- a) To request the Chairperson of the Board of Directors to convene that body when said Lead Independent Director deems it appropriate.
- b) To request that items be included on the Agenda of the meetings of the Board of Directors.
- c) To coordinate and gather together the external Directors, echoing their concerns.
- d) To oversee the Board's evaluation of its Chairperson and, where appropriate, the Chief Executive Officer.
- e) To coordinate the succession plan of the Chairperson.
- f) To perform as a Vice Chairperson the functions of the Chairperson as regards the Board of Directors, if the Chairperson is absent, ill or unable to act as Chairperson for whatever reason. In the absence of an Independent Leading Director, for the purposes of this section the most senior Director in age shall act as Chairperson.
- g) To maintain contact with investors and shareholders to ascertain their views in order to form an opinion about their concerns, particularly in relation to the corporate governance of the Company.

The appointment of an Independent Leading Director shall be obligatory, if the Chairperson of the Board is an Executive Director. In such cases the Independent Leading Director shall be appointed by the Board with the Executive Directors abstaining from the vote.

## **ARTICLE 19.- THE CHIEF EXECUTIVE OFFICER**

The Board of Directors may appoint a Chief Executive Officer and delegate to this figure, temporarily or permanently, all or part of the functions or powers, except those which, by law or by agreement of the General Meeting, are the exclusive responsibility of the latter, or which cannot be delegated by the Board of Directors.

## **ARTICLE 19 bis.- CONTRACTS OF EXECUTIVE DIRECTORS**

When a member of the Board of Directors is appointed Chief Executive Officer or executive functions are attributed to them under a different title, a contract must be entered into between said Board member and the Company, and this contract must be approved by the Board of Directors with a favourable vote of two thirds of its members. The affected Director must refrain from attending the deliberation and taking part in the vote. The approved contract must be incorporated as an appendix to the minutes of the meeting.

The contract will detail all items for which the Director may obtain remuneration for performing executive functions, including, where applicable, any possible compensation for early removal from said post and the amounts to be paid by the Company as insurance premiums or contribution to savings systems. The Director may not receive any payment for performing executive functions the amounts or descriptions of which are not given in the contract.

The contract must be in accordance with the remuneration policy approved by the General Meeting, ~~as applicable~~.

## **ARTICLE 20.- SECRETARY OF THE BOARD**

- 1.- The Secretary of the Board of Directors shall be appointed by the Board and need not be a Director. The Secretary shall exercise the functions conferred upon such position under commercial law and in these Regulations. To ensure the independence, impartiality and professionalism of the Secretary, their appointment and removal shall be the subject of a prior report from the Sustainability, Appointments and Remuneration Committee and must be approved by the Board in plenary session.
- 2.- The Secretary will assist the Chairperson and must take the necessary measures to ensure the smooth operation of the Board of Directors, in particular by providing the Directors with needed advice and information, helping the Chairperson to see to it that the Directors receive the relevant information for exercising their function in due time and proper form, keeping the corporate documentation, keeping a record of meeting proceedings in

the minute books and attesting to the resolutions of the Board of Directors. The Secretary shall also be responsible for giving notice of the resolutions adopted by the Board.

- 3.- The Secretary shall also be responsible for the formal and substantive legality of the Board of Directors' actions and ensure that its governing procedures and rules are respected and regularly revised. In particular they shall ensure that the actions of the Board:
- a) Adhere to the spirit and letter of primary enactments and their implementing regulations, including those issued by regulatory agencies;
  - b) Comply with the Company's Articles of Association and Board Regulations and others of the Company.
  - c) Are informed by the good governance recommendations to which the Company has subscribed.

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#### **ARTICLE 21.- VICE SECRETARY OF THE BOARD**

The Board of Directors, after receiving a report from the Sustainability, Appointments and Remuneration Committee, may appoint a Vice Secretary who need not be a Director, to assist or replace the Secretary to the Board of Directors in performing their duties in the event of absence or illness.

The same procedure will be followed to approve the removal of the Vice Secretary.

#### **ARTICLE 22.- THE LEGAL ADVISOR**

It is the responsibility of the Legal Advisor to ensure that the requirements set out in relation to the convening, constitution and decision-making process of the Board of Directors are observed. In particular, the Legal Advisor is entrusted with the function of advising on the legality of the deliberations it attends. The functions legally attributed to the Legal Advisor as guarantor of the principle of legality of the agreements, decisions and deliberations of the body shall be carried out by the Secretary of the Board when the latter has the status of Lawyer.

### **CHAPTER V**

#### **SPECIAL COMMITTEES**

### **ARTICLE 23.- THE COMMITTEES OF THE BOARD OF DIRECTORS**

The Board shall have at least the following committees: Sustainability, Appointments and Remuneration Committee and Audit and Compliance Committee.

The Board may also agree to create an Executive Committee, in accordance with the provisions of the following article.

### **ARTICLE 24.- THE EXECUTIVE COMMITTEE**

1. The Executive Committee shall comprise the Chairperson of the Board and no more than eight Directors, and it should include at least two non-executive directors, one of whom should be independent.

The appointment of a member of the Executive Committee shall require a vote in favour by at least two-thirds of Directors whose appointments are in effect.

2. The Chairperson of the Board shall be the Chairperson of the Executive Committee, and the Secretary of the Board shall be the Committee Secretary, who may be assisted by a Vice Secretary.
3. The Executive Committee shall be validly constituted when the majority of its members are present or represented at the Meeting.
4. The members of the Executive Committee will be removed from office when they relinquish their capacity as Director or when so agreed by the Board. Vacancies will be promptly filled by the Board of Directors.

5. The Executive Committee will act with the powers delegated by the Board of Directors. The scope of the permanent delegation of powers by the Board of Directors in favour of the Executive Committee will be decided by agreement of the latter and may refer to all powers of the Board, except those that by law or according to the Articles of Association these Regulations cannot be delegated.
6. The Executive Committee will hold its regular meetings on a monthly basis. The Secretary will keep the minutes of the resolutions adopted at meetings, an account of which will be given at the next plenary session of the Board of Directors.
7. If in the view of the Chairperson or of three Executive Committee members the importance of some matter so requires, the resolutions adopted by the Executive Committee shall be submitted to ratification by a plenary meeting of the Board of Directors.

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This rule shall also apply to any matter which the Board has referred to the Executive Committee for consideration while reserving the power to make the final decision.

In any other event, a resolution adopted by the Executive Committee in the exercise of the powers delegated to it shall be valid and binding without need of later ratification by the plenary meeting of the Board.

The full Board shall be informed of the business transacted and decisions adopted by the Executive Committee at the first full Board meeting subsequent to the Committee meeting. All Directors shall receive copies of the minutes of proceedings of the Executive Committee.

8. The provisions of these Regulations relating to the operation of the Board of Directors will, to the extent possible, be applicable to the Executive Committee.

#### **ARTICLE 25.- SUSTAINABILITY, APPOINTMENTS AND REMUNERATION COMMITTEE.**

- 1.- The Sustainability, Appointments and Remuneration Committee shall comprise at least three and no more than seven Directors, to be appointed by the Board, ensuring that they have adequate knowledge, abilities and experience for the functions entrusted to them. The Sustainability, Appointments and Remuneration 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.

The Committee Chairperson shall be selected from among the Independent Directors by the Board of Directors, and shall not have the casting vote. Under Article 45 of the Articles of Association, the Committee has the following duties and powers:

##### *Powers relating to the composition of the Board:*

- a) To evaluate the competences, knowledge and experience needed on the Board of Directors. To this end, 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 ensuring that Non-Executive Directors have sufficient time available to properly perform their functions, in accordance with the Board Diversity and Director Selection Policy.

- b) To review the structure of the Board of Directors, the criteria that must be applied for the renewal of Directors according to the Articles of Association, the addition of new members, guaranteeing that their access to the Board of Directors does not affect the Company's position as transmission grid operator, in accordance with the provisions of applicable hydrocarbon regulations. Likewise, any other matter related to its composition that it deems to be apt will be reviewed, in which case the necessary proposals will be made to the Board of Directors.
- c) To propose to the Board an objective of representation for the under-represented sex 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 on the basis, among others, of the criteria of age, disability, training, professional experience and gender.

*Powers relating to the selection of Directors and Senior Managers:*

- d) 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.
- e) To report on 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.
- f) The Committee shall verify on an annual basis compliance with the Board Diversity and Director Selection Policy approved by the Board of Directors.
- g) To report on proposals for the appointment and dismissal of Senior Managers.
- h) 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.

*Powers relating to the offices of the Board:*

- i) To report on the appointment of the Chairperson and the Vice Chairperson of the Board of Directors.

- j) To report on the appointment and dismissal of the Secretary and Vice Secretary of the Board of Directors.
- k) To examine and organise the succession of the Company's Chairperson and CEO and, if appropriate, to make proposals to the Board to ensure the succession is smooth and well-planned.

Powers relating to the remuneration of Directors and Senior Managers:

l) To propose to the Board of Directors the remuneration policy for Directors and Senior Managers, checking that it 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 Managers of the Company.

m) To propose to the Board of Directors the individual remuneration and other contractual conditions of the Executive Directors.

~~n) To report to the Board of Directors, in advance, on the individual determination of the remuneration of each Director in their capacity as such within the statutory framework and the remuneration policy, as well as for the performance of the executive functions attributed to them in the remuneration policy and in accordance with the provisions of their contract.~~

~~o) To propose to the Board the standard conditions for Senior Managers' contracts.~~

~~p) To verify information on remuneration of Directors and Senior Managers contained in the various corporate documents, including the Annual Report on Directors' Remuneration.~~

Powers relating to the corporate governance of the Company and sustainability:

q) To report to the Board on the general policy concerning environmental and social sustainability and Good 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) Assess and review periodically the corporate governance system and the environmental and social policies of the Company, in order to fulfil its mission of promoting the corporate interest, and consider, as appropriate, the legitimate interests of other stakeholders.

(iii) To oversee the application of the general policy for reporting economic-financial, non-financial and corporate information, reporting to shareholders and investors, proxy advisers and other stakeholders. Oversight of the way in which the Company communicates with and relates to small and medium sized shareholders.

(iv) See to it that the Company's practices in environmental and social matters are aligned with the set strategy and policies.

(v) To oversee and assess the processes of liaising with different stakeholders.

In particular, the Committee shall ensure that the sustainability policy in environmental and social matters identifies at least:

- Principles, commitments targets and strategy in matters relative to shareholders, employees, customers, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of corruption and other illegal conducts.
- The methods or systems for monitoring compliance with policies and identifying and managing related risks.
- Mechanisms for monitoring non-financial risk, including those related to ethics and business conduct.
- Channels for stakeholder engagement, participation and dialogue.
- Responsible communication practices that prevent the manipulation of information and protect the Company's honour and integrity.

⌘ To report to the Board of Directors on measures to be taken in the event of breach of these 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 Sustainability, Appointments and Remuneration Committee shall work in coordination with the Audit and Compliance Committee wherever appropriate.

⇒s) To ensure that any conflicts of interest do not impair the independence of external advisors to the Committee in the exercise of their duties.

3. The Committee shall consult the Chairperson of the Board and the Chief Executive Officer of the Company, especially on matters relating to the appointment of Executive Directors and the remuneration of Senior Managers and Executive Directors. Any Director may request that the Committee consider the suitability of potential directorship candidates to cover any vacancies.
4. The Committee is governed by the applicable legal regulations, by the Articles of Association, by these Regulations and by its own Regulations of Organisation and Functioning, which will be approved by the Board of Directors.
5. The Committee shall meet at least four times a year, convened by its Chairperson. 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.
6. The Committee shall design an annual work plan covering the main activities of the Committee during the year.
7. 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 performance of its duties.

#### **ARTICLE 26.- THE AUDIT AND COMPLIANCE COMMITTEE**

- 1.- The Audit and Compliance Committee shall be made up of at least three and no more than seven Directors. The members of the Committee, and in particular its Chairperson, shall be appointed by the Board of Directors taking into account their knowledge and experience in accounting, auditing and financial and non-financial risk management. Efforts will also be made to ensure that the members of the Committee have knowledge and experience in those other areas that may be appropriate for the fulfilment of their duties by the Committee as a whole, such as finance, internal control and information technology.

They must generally have relevant technical expertise in the gas sector, without prejudice to seeking to promote gender diversity and other diversity criteria of the members of the Audit and Compliance Committee.

No executive Director may sit on the Audit and Compliance Committee. The majority of Committee members must be independent.

The Committee Chairperson shall be selected from among the Independent Directors by the Board of Directors, and shall not have the casting vote. The Chairperson must be replaced every four years, and may be re-elected after the lapse of one year from their departure from office.

2.- The chief purposes of the Committee are to evaluate the Company's accounting verification system, ensure the independence of the External Accounts Auditor, review the internal control system, safeguard the transparency of information, and ensure compliance with the Internal Code of Conduct and the legislation in force in the area of their competence.

2-3.- In particular, and in compliance with the provisions of Article 44 of the Articles of Association, the Audit and Compliance Committee has the following duties and powers:

Con formato: Fuente:

Con formato: Sangría: Izquierda: 1 cm, Sin viñetas ni numeración

Con formato: Fuente: Verdana, Color de fuente: Negro

*With regards to the financial statements and other accounting information:*

- a) To monitor and assess the preparation process and integrity of the mandatory financial and non-financial information relating to the Company and, where appropriate, its Group, and submit recommendations or proposals to the Board of Directors, aimed at safeguarding its integrity, reviewing compliance with regulatory requirements, the proper demarcation of the consolidation scope and the correct application of accounting standards.
- b) To ensure that the annual accounts presented by the Board of Directors to the General Shareholders' Meeting are prepared in accordance with accounting regulations. In those cases where the auditor has included any qualification in its audit report, the Chairperson of the Committee should clearly explain the opinion of the Audit and Compliance Committee at the General Shareholders' Meeting in terms of its content and scope. A summary of this opinion will be made available to the shareholders at the time of publication of the notice of the meeting, along with other Board proposals and reports.
- c) To inform<sup>7</sup> the Board of Directors, in advance, about the financial information and the management information that will include the mandatory non-financial information that the Company must periodically disclose in the public realm.

*Powers relating to legality:*

- d) To report to the Board of Directors prior to it approving the creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens.
- e) To report on Related-Party Transactions that must be approved by the General Shareholders' Meeting or the Board of Directors under the terms provided for in Article 14 bis of these Regulations and supervise the internal procedure established by the Company for transactions whose approval has been delegated by the Board, in advance, to the Board of Directors or to the General Meeting on related-party transactions.

Powers with regard to the Internal Audit unit:

- f) To monitor the effectiveness of the Company's internal audit and ensure the independence of the unit that assumes the internal audit role, which will depend functionally on the Chairperson of the Committee and shall ensure the proper functioning of the information and internal control systems; propose the selection, appointment and removal of the head of internal audit; propose the budget for this service; approve the internal audit plan and related work plan, ensuring that its activity mainly focuses on the risks relevant to the Company (including reputational risks); receive periodic information on its activities; and verify that Senior Managers take into account the conclusions and recommendations of its reports.

The head of the unit responsible for the internal audit function should present the annual work plan to the audit committee for approval by the committee or the Board, report directly to it on its implementation, including any issues and limitations on scope arising in the course of its implementation, the results and follow-up of its recommendations, and submit an activities report at the end of each year.

Powers relating to the relationship with the external auditor:

- g) Submitting to the Board of Directors proposals for the selection, appointment, re-election and replacement of the accounts auditor, being responsible for the selection process, in accordance with the provisions of the applicable regulations, as well as the conditions of their recruitment and regularly collecting information on them, the audit plan and its execution, in addition to preserving its independence in the exercise of its functions.
- h) To liaise with the external auditor to obtain information on any issues that could compromise the latter's independence for review by the Committee or any other subjects related to the audit process and,

where applicable, the authorisation of the services other than those forbidden, under the terms envisaged in the applicable regulations, and any other disclosures envisaged in the audit regulations and audit standards.

In all cases, on an annual basis, the Audit Committee shall receive from the auditors written confirmation of their independence vis-à-vis the Company or entities related to it directly or indirectly, in addition to detailed and individual information on additional services of any kind rendered to these entities by the aforementioned auditors or persons or entities related to them in conformity with the audit regulations, ensuring that the Company and the external auditor respect the regulations in force regarding the provision of services other than those of auditing, the limits on business mergers of auditors and, in general, all other regulations on the independence of auditors.

- i) To ensure that the remuneration of the external auditor for its work does not compromise its quality or independence.
- j) To oversee that the Company notifies any change of auditor through the National Securities Market Commission, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same. In the event of resignation of any external auditor, the Committee should investigate the issues giving rise to the resignation.
- k) To 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.
- l) To discuss significant weaknesses in the internal control system detected in the course of the audit with the auditors, without compromising their independence. For such purposes and, where applicable, they may submit recommendations or proposals to the Board of Directors and the corresponding deadline for dealing with them.
- m) To issue an annual report, prior to the issue of the audit report, giving an opinion on whether the independence of the auditor is compromised. This report shall in all cases include an assessment of the additional services provided, as referred to in the previous section, considered separately and in their totality, that consists of services other than statutory audits and how they relate to the requirement of independence or to the audit regulations, and shall be published on the Company's website sufficiently in advance of the date of the Ordinary General Meeting.



Powers relating to the Company's risk control and management function:

- n) Overseeing and assessing the effectiveness of the control and management systems for financial and non-financial risks relating to the Company and its Group, including operational, technological, legal, social, environmental, political and reputational risks or corruption. For such purposes and, where applicable, they may submit recommendations or proposals to the Board of Directors and the corresponding deadline for dealing with them.
- o) Oversee 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, and ensure that they are effectively implemented in practice.

Powers relating to Corporate Governance, Internal Codes and Regulatory Compliance:

- p) Prepare and oversee a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors to report potentially significant irregularities, including financial and accounting irregularities, or irregularities of any other nature, concerning the Company and which come to light within the Company or its Group. These mechanisms shall guarantee confidentiality and, invariably, cover situations where cases may be reported anonymously, respecting the rights of the whistleblower and the accused.
- q) To report 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.
- r) To keep the Board of Directors apprised, in advance, on all items provided for in the law, the Articles of Association and the Board Regulations.
- s) Overseeing compliance with corporate governance rules and the company's Internal Codes of Conduct, also ensuring that the corporate culture is aligned with its purpose and values.

Powers relating to shareholders:

- t) To inform the General Shareholders' Meeting on issues raised in the areas that lie within the Committee's competence and, in particular, about the audit result, explaining how it has contributed to the integrity of the financial reporting and the Committee's function during the process.
4. The Audit and Compliance Committee is governed by the applicable legal regulations, by the Articles of Association, by these Regulations and by its own Regulations of Organisation and Functioning, which will be approved by the Board of Directors.
5. The Committee shall meet at least four times a year. 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.
6. The Audit and Compliance Committee shall design an annual work plan covering the main activities of the Committee during the year.
7. Any company employee or Manager of the Company deemed relevant may be called to attend the Committee meetings, even ordering their appearance without the presence of another senior manager. It may also seek the advice of external experts where it is deemed necessary to properly discharge its duties.

**CHAPTER VI**

**BOARD RELATIONS**

**ARTICLE 27. – SHAREHOLDER RELATIONS**

1. In its shareholder relations, the Board of Directors will apply the principle of equality of treatment, will create appropriate systems to become familiar with the proposals of the latter in relation to corporate management, will organise informational meetings on the performance of the Company and its Group, and will establish the necessary channels for a regular exchange of information with shareholder committees or groups.

2. As regards institutional shareholders, the Board shall put in place systems allowing for regular information exchange on topics such as investment strategy, performance assessment, composition of the Board and management effectiveness. Such information may in no event create states of privilege or afford special advantages with respect to the rest of shareholders.

In particular, the Board of Directors will strive to avoid an asymmetric distribution of information among shareholders and improper access by the significant shareholders to confidential Company information.

3. The Board of Directors shall encourage informed participation by shareholders at the General Meetings, adopting such measures as are appropriate to facilitate the General Shareholders' Meeting properly carrying out the functions attributed to it by law and the Articles of Association.

In particular, the Board of Directors shall adopt the following measures:

- a) All information that the Board of Directors can be legally required to furnish will be made available to the shareholders prior to the General Meeting, as will, to the extent possible, all additional information that, although the Board of Directors is not legally required to furnish it, is clearly relevant and can be reasonably furnished.
- b) The Board shall publish an Annual Corporate Governance Report containing, at a minimum, the contents set forth in Article 540 of the amended Corporate Enterprise Act, in the laws and regulations implementing this law, and in any other applicable laws and regulations.

The Annual Corporate Governance Report shall be published through the National Securities Market Commission and made available to shareholders on the Company's website to facilitate shareholders' right to information as prescribed in Articles 197, 520 and 539 of the Corporate Enterprises Act.

- c) The Board shall publish an annual report on Directors' remuneration containing, at least, the contents set forth in Article 541 of the amended Corporate Enterprises Act, in the laws and regulations implementing this law, and in any other applicable laws and regulations.
- d) The Board shall see to it that the Company's website functions as an effective reporting tool and at all times provides the mandatory content, in properly updated form, stipulated in applicable laws and regulations.

The Board of Directors shall be responsible for keeping the information displayed on the Company's website up-to-date, and shall ensure that its content reflects the documents filed and deposited with the appropriate public registers.

- e) It will reply, with utmost diligence, to the request for information made by shareholders prior to the General Meeting.
  - f) It will reply, with equal diligence, to the questions raised by the shareholders during the General Meeting.
  - g) The Board shall ensure, in its functions as Presiding Panel at the General Meeting, that the stipulations of regulations for the hydrocarbons sector are met in connection with restrictions on exercise of voting rights.
  - h) The Board shall see to it that the Rules and Regulations of the General Meeting are complied with.
4. The Board of Directors shall establish appropriate procedures to know shareholders' proposals as regards the running of the Company.
5. The Board, via one of the Directors and with the assistance of such Managers as it sees fit, may host presentations on the performance of the Company and its Group aimed at shareholders residing in the leading financial centres of Spain and other countries.
6. Any public requests for proxies issued by any member of the Board must specify how the proxy intends to vote if the shareholder omits to give instructions.

Any Director who has issued a public call for proxies at a General Meeting shall refrain from exercising voting rights on the shares represented in relation to any item of business on the Agenda in respect of which the Director is affected by a conflict of interest, unless the proxy has received precise voting instructions for each of these points, pursuant to the provisions of Article 522 of the Corporate Enterprises Act. In all events, Directors shall be deemed to be in a position of conflict of interest with regard to the following decisions:

- i. Their own appointment, re-election or ratification as a Director.
- ii. Their removal, removal or stepping down as Director.
- iii. The exercise of social responsibility action taken against them.

- iv. The approval or ratification, when applicable, of the Company's transactions with the Director in question, companies controlled by them or those they represent or persons acting on their behalf.

#### **ARTICLE 28.- RELATIONS WITH THE MARKET**

1. The Board of Directors shall ensure timely compliance with the instructions in force regarding Privileged Information and Other Relevant Information, in accordance with the provisions of the Company's Internal Code of Conduct at any time.
2. The Board of Directors shall adopt the necessary measures to ensure that the ~~\_quarterly,~~ half-yearly and annual financial information and any other information required by the applicable rules and by prudence is placed at the disposal of the markets, is prepared in accordance with the same principles, criteria and professional practices with which the Annual Accounts are drawn up, and is as reliable as the latter.

Con formato: Inglés (Estados Unidos)

### **CHAPTER VII**

#### **BOARD MINUTES**

#### **ARTICLE 29.- MINUTES OF BOARD MEETINGS**

The meetings and the resolutions of the Board of Directors will be put down in a Minutes Book, which will be signed by the Chairperson and the Secretary. The Minutes Book will be kept by the Secretary of the Board.

The Secretary shall be responsible for issuing the necessary certifications in relation to the minutes and the resolutions of the Board. Certifications issued in this way will be approved by the Chairperson.

Resolutions may not be certified unless they appear as approved and signed in the minutes.

Either the Secretary or any of the Directors with an appointment in force and registered in the Companies Registry is authorised to convert resolutions of the Board into public instruments.