

Annual Activity Report
**Sustainability and
Appointments Committee**

20/02/2023

Table of contents



Browse this document by clicking on the arrows and the different sections of the top menu.
To return to the home page, click on the Enagás logo from any page.

1 Composition, attendance and operation

On December 31, 2022, the composition of the Sustainability and Appointments Committee was as follows:



CHAIRWOMAN
Ms Ana Palacio Vallelersundi
Independent
Appointment: 2016



MEMBER
Mr Santiago Ferrer Costa
Proprietary
Appointment: 2018



MEMBER
Mr José Blanco Lopez
Independent
Appointment: 2022



MEMBER
Ms María Teresa Costa Campi
External
Appointment: 2022



MEMBER
Mr David Sandalow
Independent
Appointment: 2022



MEMBER
Mr Cristóbal José Gallego Castillo
Independent
Appointment: 2020



SECRETARY
Mr Rafael Piqueras Bautista

On April 25, 2022, the Board of Directors resolved to separate the Sustainability, Appointments and Remuneration Committee, creating the Remuneration Committee and renaming the former Committee as the Sustainability and Appointments Committee, in accordance with the provisions of Article 45 of the Articles of Association and the Good Governance Code of Listed Companies.

As a result, the following changes were made to the composition of the Sustainability and Appointments Committee; they were approved by the Board of Directors on April 25, 2022:

- Incorporation of Mr José Blanco López, as Independent Director, former member of the Audit and Compliance Committee.
- Incorporation of Ms María Teresa Costa Campi as External Director.
- Incorporation of Mr David Sandalow as Independent Director.

The members of the Sustainability and Appointments Committee were appointed taking into account their knowledge, skills and experience in: sustainability,

human resources, selection of Directors and Senior Management, corporate governance and corporate social responsibility.

The composition of the Committee is therefore in accordance with the best practices of Good Corporate Governance.

All the information on the Directors, including their work experience, is available on the [Enagás corporate website](#) 

ATTENDANCE

In accordance with the provisions of the Regulations of the Sustainability and Appointments Committee and its agenda, the Committee met thirteen times during the 2022 financial year.

The meetings were attended by all members of the Committee, except for the meetings of June 20 and December 19, when one of the members was duly excused from both meetings.

COMMITTEE OPERATION

The Committee conducted its activity in 2022 in accordance with the best practices of Corporate

Governance and the standard procedures set out in the Draft Technical Guidelines on Appointment and Remuneration Committees.

The meetings were convened by the Committee Chairwoman, with the collaboration of internal and external advisers, and the appearance of a number of Company senior managers who addressed subjects under their competency, in accordance with the agenda.

Specifically, they were attended by the Human & Corporate Resources General Manager, the Energy Transition General Manager and other members of the Executive Committee.

The documentation relating to each meeting, such as the agenda and the minutes from the previous meeting, were given to Committee members sufficiently in advance.

Ordinarily, after each Sustainability and Appointments Committee meeting, the Chairwoman of the Committee reported to the Board of Directors with regard to the actions taken and matters addressed in each Committee meeting.

2 Sustainability and Appointments Committee regulation

The Sustainability and Appointments Committee is governed by the provisions of applicable laws and regulations, the provisions contained in corporate documents, the Regulations for the Organisation and Functioning of the Board of Directors of Enagás, S.A., as well as its own Regulations, dated 19 December 2022.

These documents are available on the [Enagás corporate website](#).

The main duties entrusted to the Committee during 2022 are listed under the following basic categories:

2.1. POWERS RELATING TO THE COMPOSITION OF THE BOARD

- i. To evaluate the skills, 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 overseeing that the Non-Executive Directors have sufficient time available to properly perform their functions. The above is in accordance with the Board of Directors' diversity and member selection policy.

To this end, the Committee will prepare and regularly update a matrix with the necessary competencies of the Board that defines the skills and knowledge of the Board's member candidates, especially of executive and independent positions.

- ii. Reviewing the structure of the Board of Directors, as well as the criteria that must be reported, the statutory renewal of board members and the incorporation of new

members, guaranteeing that their access to the Board does not affect the Company's status as transmission grid operator, in accordance with the provisions of the applicable regulations on hydrocarbons. The Committee will also review any other aspect deemed appropriate, making such proposals to the Board of Directors as it deems necessary.

- iii. 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 the policy of diversity of board members on the basis, among others, of the criteria of age, disability, training, professional experience and gender.
- iv. To verify the category of Board members on a regular basis.

2.2. POWERS RELATING TO THE SELECTION OF BOARD MEMBERS AND SENIOR MANAGEMENT

- i. To forward to the Board of Directors proposed appointments of Independent members 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.
- ii. To report on proposed appointments of the remaining board members for them to be designated by co-option or subject to the decision of the General Shareholders' Meeting, as well as on proposals for their re-election or removal by the General Shareholders' Meeting.
- iii. To report to the Board of Directors concerning proposals for the removal of any of its members when situations arise that affect them and which may compromise the good name and reputation of the Company, according to prevailing laws or the internal regulations of the Company.
- iv. The Committee shall verify on an annual basis compliance with the Board Diversity and Director Selection Policy approved by the Board of Directors.

- v. To report on proposals for the appointment and removal of Senior Managers.
- vi. Formulate proposals to the Board of Directors regarding the Company's organisational structure, including the creation of senior management posts in order to achieve improved and more efficient Company administration. In addition, propose guidelines for the appointment, career background, promotion and removal of members of Senior Management in order to ensure that the Company has highly and appropriately qualified staff to manage its activities.

2.3. POWERS RELATING TO THE OFFICES OF THE BOARD

- i. Report on the appointment to the positions of Chairperson and Vice-Chairperson of the Board of Directors.
- ii. To report on the appointment and dismissal of the Secretary and the Vice Secretary of the Board of Directors.
- iii. To propose the appointment of the Independent Leading Director.

- iv. To examine and organise the succession of the Board of Director's Chairperson and the Company's CEO and, if appropriate, to make proposals to the Board to ensure the succession is smooth and well planned, drawing up and regularly reviewing a succession plan to that effect.

2.4. POWERS RELATING TO THE CORPORATE GOVERNANCE OF THE COMPANY AND SUSTAINABILITY

- i. To report to the Board on general policy concerning 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:

- a. To submit to the Board the initiatives and proposals it deems appropriate and provide information on proposals submitted to the Board and information the Company releases to shareholders annually regarding these issues.

- b. Assess and periodically review the Company's corporate governance system and the Company's environmental and social policy to ensure that they fulfil their mission of promoting the corporate interest and take into account, as appropriate, the legitimate interests of other stakeholders.
- c. 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. In addition, it shall monitor the way in which the Company communicates with and relates to small and medium sized shareholders.
- d. See to it that the Company's practices in environmental and social matters are aligned with the set strategy and policies.
- e. Oversee and assess the processes of liaising with different stakeholders.
- f. In particular, the Committee shall ensure that sustainability policies in environmental and social matters identify at least:
- Principles, commitments targets and strategy in matters relative to shareholders, Company's professionals, 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.
- ii. To report to the Board of Directors on measures to be taken in the event of breach of Board Regulations or the Internal Code of Conduct on matters relating to the securities markets on the part of any of its members or other persons subject to those rules. In performing this duty, the Sustainability and Appointments Committee shall work in coordination with the Audit and Compliance Committee wherever appropriate.
- iii. Ensure that the information disseminated by the Company via its website on matters within its remit is sufficient and appropriate and complies with the recommendations on good corporate governance adopted by the Company.
- iv. To prepare an Annual Report on the activities of the Sustainability and Appointments Committee, which shall be published on the Company's website sufficiently in advance of the Ordinary General Meeting.

2.5. OTHER POWERS

- i. To spearhead, together with the Independent Leading Director, where appropriate, the annual evaluation of the performance of the Board and its Committees, and to provide the Board with the results of its assessment together with a proposal for an action plan or with recommendations to correct possible deficiencies detected or to improve performance.

- ii. To design and organise regular refresher programmes for Board members.
- iii. To ensure that any conflicts of interest do not impair the independence of external advisors to the Committee in the exercise of their duties.

In performing and exercising its duties, the Sustainability and Appointments Committee shall take into account the principles and criteria established in the Technical Guide 1/2019 on Appointments and Remuneration Committees of the National Securities Market Commission of February 20, 2019, without prejudice to

them being adapted to the particular circumstances and characteristics of the Company and its Group.

The Committee shall establish an annual work plan covering the main activities of the Committee during the year in relation to the performance of its duties.

3 Activities of the Sustainability and Appointments Committee in 2022

During 2022, the Sustainability and Appointments Committee conducted its activities in accordance with the recommendations of Guide 1/2019 on Appointments and Remuneration Committees, and the best practices of the Good Governance Code of Listed Companies, dated June 2020.

The most relevant activities conducted by the Sustainability and Appointments Committee in 2022 are summarised below.

COMMITTEE'S ACTIVITIES IN RELATION TO THE APPOINTMENT AND RE-ELECTION OF DIRECTORS

At its meeting held on February 21, 2022, the Committee approved the Report that the Committee prepares, for the purposes of Articles 529 decies and 529 quindicies of the consolidated text of the Corporate Enterprises Act for the ratification and appointment of Directors, which was

approved by the Board and ratified by the General Shareholders' Meeting held on March 31, 2022.

The Sustainability and Appointments Committee reported favourably on the proposal to re-elect Mr Antonio Llardén Carratalá as "Other External Director" for the statutory term of four years.

At the meeting on February 21, 2022, the Committee reported favourably to the Board of Directors on the proposal to remove Mr Marcelino Oreja Arburúa as Executive Director, and on the proposal to appoint Mr Arturo Gonzalo Aizpiri as Executive Director in his place.

In addition, the Committee's report also included a proposal for the appointment of three new Board members: Mr Manuel Gabriel González Ramos and Ms Clara Belen García Fernández-Muro as Independent directors and Ms María Teresa Costa

Campi in the category of other external to fill three of the four vacancies arising from the expiry of the four-year statutory term of office of Ms Isabel Tocino Biscarolasaga (Independent), Mr Antonio Hernández Mancha (Independent), Mr Gonzalo Solana Gonzalez (Independent) and Mr Ignacio Grangel Vicente (Independent). Also, the Committee proposed the re-election of Ms Ana Palacio Vallelersundi as Independent Director.

In the appointment process, the Committee was supported by an independent advisor. The appointment process was carried out taking into account both the skills matrix and the diversity objectives established by the Company, in accordance with the existing procedure and applicable regulations.

With these appointments, the Company complies with the recommendations regarding size

and composition set out in the CNMV's Good Governance Code for Listed Companies.

ACTIVITIES OF THE COMMITTEE RELATED TO SENIOR MANAGEMENT APPOINTMENTS AND CHANGES IN ORGANISATIONAL STRUCTURE

On June 20, 2023, the Committee submitted a proposal to the Board for the organisational transformation of the Executive Committee with the aim of aligning the Organisation with the challenges of the Energy Transition and the new Strategic Plan. The proposal was approved by the Board in July.

To adapt the organisational model and ensure that it is in line with the principles of agility, efficiency, diversity and talent, an assessment was carried out by an independent firm, as well as an external assessment of the management team.

ACTIVITIES CARRIED OUT IN RELATION TO GOOD CORPORATE GOVERNANCE

The Committee has been periodically informed of the Company's policies and actions regarding corporate social responsibility and good corporate governance.

On February 11, 2022, the Committee reported favourably to the Board of Directors on the draft of

the Annual Corporate Governance Report that was communicated as Other Relevant Information at the convening of the General Shareholders' Meeting held on March 31, 2022.

At this meeting, the Committee also reported favourably to the Board of Directors on the Consolidated Management Report, which contains the Non-Financial Information Statement, as required by Article 262 of the Spanish Corporate Enterprises Act and Law 11/2018 on non-financial and diversity reporting.

ACTIVITIES CARRIED OUT IN RELATION TO SUSTAINABILITY

At its meetings of January 4, 2022 and January 12, 2022, the Committee analysed the detailed report on Enagás' performance in the Dow Jones Sustainability Index (DJSI 2021) that the Committee itself had requested at its meeting of November 22, 2021. As a result, the Committee drew up a series of considerations and recommendations to be incorporated into the Enagás Sustainable Management Plan for 2022.

At the meeting held on January 20, the Committee reviewed the issues discussed at the last Sustainability Committee meeting, including the

Scope 3 target set in Enagás' decarbonisation strategy, and the prioritisation of stakeholders in the EFQM framework. The planning of activities for the year 2022 was also presented at the session.

At the session held on January 27, the Committee was presented with Enagás' positioning and roadmap for diversity and inclusion, describing the main milestones, vision, principles, objectives, axes, approach and work plan.

On February 1, the Committee was informed of the highlights of the 2021 Non-Financial Statement, including reporting aligned with the European taxonomy of sustainable activities (% eligible activities) and the updated 2021 version of the GRI standards.

The Committee, at its meeting on June 20, 2022, reported favourably on the text of the Climate Action Policy, as well as on the text of the Quality, Environment and Health and Safety Policy Update. Both texts were subsequently submitted to the Board for approval.

On July 8, the CEO explained to the Committee the main aspects of the new Strategic Plan (which was subsequently approved by the Board on July 11), focusing on the sustainability aspects included in the plan.

The Committee, at its meeting on October 24, reviewed the issues discussed at the last Sustainability Committee meeting, among which two main topics were highlighted:

- The update of the sustainability strategy, which was based on the new Strategic Plan and includes an update of the Company's materiality matrix.
- A preview of the initial score obtained in the Dow Jones Sustainability Index 2022 (DJSI).

On November 16, the Committee was informed about the update of the electrification plan and the Company's decarbonisation pathway to meet its carbon neutrality commitments by 2040. The update was made in response to the new operating context resulting from several external factors, such as the war and the limitation of the entry of gas via Morocco. In the same vein, the third quarter emissions report reflecting all these changes was also presented.

Finally, at the session held on November 16, the Committee was informed of the final results of the Dow Jones Sustainability Index, in which Enagás has featured for the fifteenth consecutive year. In addition, at the Committee's request, the regulatory aspects currently impacting the Company's ESG factors

directly were presented. Furthermore, the information associated with the 2023-2027 ESG Audit Plan and the ESG Risk Map of the Company were made available to the members of the Committee.

ACTIVITIES IN RELATION TO ASSESSING THE PERFORMANCE OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

In accordance with Article 529 nonies of the Spanish Corporate Enterprises Act, and as stipulated in the Regulations of the Sustainability and Appointments Committee, the Committee must conduct an annual assessment of its operation and of its Committees and, based on its outcome, put forward an action plan to correct detected needs for improvement.

As in previous years, the Sustainability and Appointments Committee agreed that the assessment should be conducted by an independent external advisor, whose independence was evaluated by the Committee itself.

The assessment for 2021 consisted on the completion of a confidential and anonymous questionnaire and personal interviews with all 15 members of the Board of Directors.

The assessment process focused on the following areas:

- Structure, composition and competencies of the Board of Directors and its Committees.
- The quality and efficiency of the Board's operation.
- Information and debate by the Board and its Committees.

On February 11, 2022, the Committee reviewed the conclusions of the 2021 performance assessment conducted by the external advisor, agreeing as an action plan the necessary measures to be taken to resolve the detected needs for improvement.

Overall, the Board and the two Committees were found to be performing their duties in accordance with best corporate governance practises and the governance requirements of investors and ESG analysts. The members of the Board, according to their evaluations, were satisfied, particularly with the working atmosphere and the quality of the debate.

Among the conclusions, the following were highlighted as strengths: the climate of dialogue and debate in the meetings, the conciseness and clarity of the information provided for the Board's preparation, and the rigour of the minutes.

Some suggestions for improvement were also made, including: further consideration of the Enagás Strategic Plan and the energy transition as a central and regular element of the Board meetings, strengthening the allocation of time to the different matters and reinforcing the reflection on risks.

On the same day, the Committee informed the Board of Directors of the results of the assessment for the 2021 financial year.

OTHER ACTIVITIES

Finally, on December 19, 2022, the Board of Directors approved the update of the Regulations governing the activity of the Sustainability and Appointments Committee, in order to adapt the same to the amendments of Article 529 of the Corporate Enterprises Act, as amended by Law 5/2021, regarding the process of setting and approving the Remuneration of Directors.

On February 21, 2022, the Committee approved the Annual Activity Report of the Committee for 2021, and reported to the Board on the same date. This report was made available to shareholders at the ordinary General Meeting.

4 Progress made in 2022 and priorities for 2023

The Committee has improved its performance in the financial year 2022 in line with best practices and has addressed the improvements identified in the performance assessment for the financial year 2021.

In 2022, the Committee held briefings and training sessions on the following subjects:

- Monitoring of market trends in relation to existing management positions in IBEX companies and the sector.
- 2022-2030 Strategic Plan, focusing on the roadmap defined for sustainability and transformation.
- Induction training session for incoming Board members, outlining the Company's approach and

state of play in sustainability. The presentation included topics such as sustainability in the 2022-2026 strategic update and the 2022 Sustainable Management Plan.

During 2023, we will continue to work in a transversal and coordinated manner with the company's different divisions, while maintaining our aim of consolidating our leadership position in sustainability.

5 Conclusions

As reflected in this report, during the course of financial year 2022, the Sustainability and Appointments Committee addressed the analysis and assessment of the main issues and aspects within its remit, in accordance with the best practices of Corporate Governance and the recommendations of both the Good Governance Code of Listed Companies, revised in June 2020, and the Technical Guide 1/2019 on Appointments and Remuneration

Committees of the National Securities Market Commission, dated February 20, 2019, reporting on the most relevant issues to the Board of Directors of the Company.

This report was drawn up by the Sustainability and Appointments Committee on February 20, 2023 and approved by the Board of Directors on the February 20, 2023.

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