



REPORT FROM THE SUSTAINABILITY, APPOINTMENTS, AND REMUNERATION COMMITTEE FOR THE PURPOSES OF ARTICLE 529 NOVODECIES OF THE SPANISH CORPORATE ENTERPRISES ACT AND ARTICLE 36 OF THE ARTICLES OF ASSOCIATION REGARDING THE PROPOSAL TO AMEND THE "DIRECTORS' REMUNERATION POLICY FOR THE 2022, 2023 AND 2024 FINANCIAL YEARS", WHICH IS SUBMITTED FOR APPROVAL BY THE 2022 GENERAL SHAREHOLDERS' MEETING AS ITEM 8 ON THE AGENDA

Article 529 novodecies of the Consolidated Text of the Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of July 2, 2010 (hereinafter, the "Corporate Enterprises Act" or "LSC") establishes that the directors' remuneration policy must comply with the remuneration system set forth in the Articles of Association and shall be approved by the general shareholders' meeting as a separate item on the agenda, so as to be applied for a maximum period of three fiscal years. Any modification or replacement thereof during said period shall require the prior approval of the General Shareholders' Meeting in accordance with the procedure established for its approval.

In compliance with said legal precept, the Sustainability, Appointments and Remuneration Committee (hereinafter, the "**CSNR** ") of Enagás, S.A. (hereinafter, "**Enagás**", or the "**Company**") has prepared this report for submission to the Board of Directors (hereinafter, the "**Board**"), this report (hereinafter, the "**Report**") on the proposed modification of the Directors' Remuneration Policy for the 2022, 2023 and 2024 financial years (hereinafter, the "**Policy**") which, if approved, would replace in its entirety that approved by the General Shareholders' Meeting of Enagás on May 27, 2021 under item 10 with 83.283% of votes in favour, without prejudice to the effects produced and consolidated under its validity.

REASONS FOR THE CHANGE IN POLICY

The proposed modification of the Policy is justified for the following reasons:

- (i) At the General Shareholders' Meeting called for March 30 and 31, 2022, the termination of the Executive Chairman's executive duties will be approved, and from that date he will have the status of non-executive Chairman of the Board of Directors. Mr Llardén has waived any compensation he may be entitled to as a result of the termination of his contract as an executive director of the Company. It is therefore necessary to modify the Policy, removing references to the Executive Chairman as an Executive Director of the Company, establishing his new remuneration conditions as a non-executive Chairman.
- (ii) As a result of the decisions adopted by the Board of Directors of Enagás on February 21, 2022, the Chief Executive Officer has been replaced, and it is therefore necessary to establish the remuneration conditions of the new Chief Executive Officer.

- (iii) A new target is included in the long-term variable remuneration described in the Policy.
- (iv) The maximum annual limit on the remuneration of directors in their capacity as such is modified.

In addition, other formal modifications are introduced to update the Remuneration Policy to the modifications listed above.

JUSTIFICATION OF THE NEW DEVELOPMENTS IN THE POLICY

The main changes introduced to the Policy are described below:

a) In connection with the voluntary resignation of the Executive Chairman from the executive duties.

The Chairman voluntarily resigns, effective as of the next General Shareholders' Meeting to be held on March 30 and 31, 2022, from his executive duties, becoming a non-executive Chairman of the Board of Directors, whereby his compensation as a director will be aligned with that of the directors in their capacity as such.

In accordance with the foregoing, in the proposed amendment to the Board of Directors' Remuneration Policy to be submitted to the General Shareholders' Meeting of March 30 and 31, 2022, the references to the Executive Chairman as executive director and his corresponding remuneration in such capacity should be eliminated.

In addition, the proposed amendment to the Policy establishes his new remuneration conditions, such that, as non-executive Chairman, he will receive, in addition to the corresponding amounts for his status as director, an additional fixed annual remuneration of 600,000 euros for the performance of this function.

This additional remuneration is justified by the particular obligation that the exercise of the functions associated with the position of Chairman, as set out in LSC and in particular in article 46 of the Articles of Association, entails in a group of the size and complexity of Enagás, together with the institutional representation associated with the position.

As a consequence of the resignation as executive director, the Company will proceed to settle all the compensation items set forth in his contract, strictly subject to the contractual provisions and the Board of Directors' Policy approved by the Company's General Shareholders' Meeting. Mr Llardén has waived any compensation he may be entitled to as a result of the termination of his contract as an executive director of the Company.

b) In connection with the appointment of a new Chief Executive Officer

The new compensation system for the new Chief Executive Officer, who will become the chief executive officer of the Company, has been included, consisting of the following items:

- Fixed remuneration:

The fixed remuneration of the new Chief Executive Officer in 2022 amounts to 1,000,000 million euros.

This amount of fixed annual remuneration will be maintained during the period of validity of this Remuneration Policy (2022-2024). However, the Board of Directors may, at the proposal of, and following a reasoned report from, the Sustainability, Appointments, and Remuneration Committee, agree to specific variations in the fixed remuneration of the Chief Executive Officer during the period of validity of the Policy. Increases to be agreed shall be justified on the basis of the following criteria:

- The evolution of the contribution of the position and the person.
- Consistency with the evolution of the rest of the management team.
- The results of the Group.
- Market benchmarks.

These potential variations associated with each year in which the Policy is in force may not exceed 10% of the fixed annual remuneration for the new Chief Executive Officer.

Moreover, under the terms of the contract approved by the Board, the new Chief Executive Officer will receive remuneration in kind for the usual items in these types of benefits and similar ones to those for the Company's management team (i.e. car, medical insurance, etc.).

Likewise, the new Chief Executive Officer will participate in a social security plan with the same characteristics and rights as those granted to Enagás senior managers under the Company Directors Insured Pension Plan, for which the Company will prepare a regulation adapted to the conditions of the new Chief Executive Officer. This social security system may be externalised through the subscription of a life insurance policy of which Enagás would be the policyholder and the new Chief Executive Officer the insured and beneficiary.

The new Chief Executive Officer forms part of the group insured by the civil liability policy that covers the contractual and non-contractual liabilities that correspond to the activities undertaken in his post.

The Company shall pay the Chief Executive Officer the amounts incurred for travel, accommodation, board and other similar expenses as a result of carrying out his functions, in accordance with the expense and travel policy prevailing at the company at any given time.

▪ Variable remuneration:

As variable annual remuneration, the new Chief Executive Officer is entitled to receive an annual variable cash bonus for meeting the targets set by the Board of Directors, at the proposal of the CSNR, for the corresponding financial year. The variable bonus cannot exceed 60% of the annual fixed monetary remuneration in any case.

It is linked to the achievement of a combination of financial and non-financial objectives, reflecting the priorities of the Strategic Plan. These objectives will include, among others, economic-financial and/or value creation metrics, as well as indicators linked to the sustainability strategy.

The Board of Directors, at the proposal of the CSNR, is responsible for determining the objectives at the beginning of each financial year and for evaluating their fulfilment at the end of the financial year, for which it has the support of the internal areas of the Company, which will provide it with information on the different categories of objectives and the results obtained.

In this respect, each metric has an associated achievement scale defined according to its variability and level of demand. The maximum total incentive is capped at 100%.

- Long-term variable remuneration:

The Executive Director may be the beneficiary of a ILP, as well as the members of the Management Committee and the rest of the Company's management team, under the terms approved by the General Shareholders' Meeting.

c) Regarding the inclusion of a new target to which the ILP is linked for the period 2022-2024

In this regard, following a favourable report from the Sustainability, Appointments and Remuneration Committee, the Board agreed to include a new ILP target, linked to the digitalisation strategic guideline, also modifying the weighting of the rest of the targets initially foreseen.

As a consequence of the above, the ILP for the 2022-2024 period, which is submitted for approval by the 2022 Board as item 9 of its Agenda, would be linked to the fulfilment of the following five targets:

- Target 1. To be linked to the strategic guideline of Shareholder Remuneration.
- Target 2. To be linked to the strategic guideline of Global Business.
- Target 3. To be linked to the strategic guideline of International and Diversification.
- Target 4. To be linked to the strategic guideline of Sustainability.
- Target 5. To be linked to the strategic guideline of Digitalisation.

d) In relation to the modification of the maximum annual limit of directors' remuneration in their capacity as such.

On the occasion of the new classification of the Chairman of the Board of Directors as non-executive director, his remuneration as a director shall be aligned with that of the directors in their capacity as such.

The proposed amendment to the Policy establishes his new remuneration conditions, such that, as non-executive Chairman, he will receive, in addition to the corresponding amounts for his status as a director, an additional fixed annual remuneration of 600,000 euros for the performance of this function.

Based on the foregoing, it is necessary to modify the maximum annual limit of the directors' remuneration in their condition as such to adapt it to the additional fixed annual remuneration that the Chairman will receive for such condition, from 2,600,000 euros to 3,200,000 euros, without prejudice that it could be revised during the term of the same in the event that the variations of 10% per year indicated in the Policy itself are applied.

CONCLUSION

In accordance with what is set out in this Report, the Sustainability, Appointments and Remuneration Committee of Enagás considers that it is appropriate to modify the Directors' Remuneration Policy for the 2022, 2023 and 2024 financial years for the reasons indicated above. The amended Policy proposal contains the disclosures required by the applicable regulations. The Sustainability, Appointments and Remuneration Committee also considers that its content is adapted to the applicable regulations, complies with the criteria of prudence in the assumption of risk, good governance and transparency and is aligned with the interests of the shareholders.

And for the appropriate legal effects, it is hereby stated that the Sustainability, Appointments, and Remuneration Committee formulates this proposal to amend the "Directors' Remuneration Policy for the 2022, 2023 and 2024 financial years" at its meeting held on February 21, 2022.