



REPORT OF ENAGÁS, S.A.'S BOARD OF DIRECTORS JUSTIFYING THE PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION INCLUDED IN ITEM 6 ON THE AGENDA

1. INTRODUCTION AND PURPOSE OF THE REPORT

At its meeting on May 25, 2020, the Board of Directors of Enagás, S.A. ("**Enagás**" or the "**Company**") agreed to call an Ordinary General Shareholders' Meeting to be held on June 29, 2020 on first call, and on June 30, 2020 on second call, and under item 6 on the Agenda, to submit the amendment to the following articles of the Company's Articles of Association for approval by the General Shareholders' Meeting (ordered by number, although as will be seen later, for the purposes of justification and voting, some of them will be grouped by subject matter): Article 22 ("Calling the General Shareholders' Meeting"), Article 27 ("Attendance, Proxies and Voting at General Meetings"), Article 35 ("Composition of the Board"), Article 37 ("Posts"), Article 39 ("Meetings of the Board of Directors"), Article 44 ("Audit and Compliance Committee"), Article 45 ("Appointments, Remuneration and Corporate Social Responsibility Committee"), which will be renamed "Sustainability, Appointments and Remuneration Committee", and the introduction of a new Article 53.Bis ("Dividend in Kind").

In accordance with the provisions of Article 286 of the Consolidated Text of the Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010 of July 2 ("**LSC**") and in conformity with the regulations of the Companies Registry, approved by Royal Decree 1784/1996 of July 19 ("**RRM**"), the aforementioned proposal to the General Shareholders' Meeting requires the Board of Directors to draw up the following report (the "**Report**") and to draft the full text of the proposed amendment to the Articles of Association.

In this regard, and to facilitate the comparison between the new wording of the articles that are proposed to be amended and those they currently have, included as Appendix 1 to this Report, for informational purposes, is a version of the articles proposed to be amended, with the proposed amendments marked.

2. JUSTIFICATION AND PROPOSED AMENDMENTS

2.1. AMENDMENT TO ARTICLE 27 ("ATTENDANCE, PROXIES AND VOTING AT GENERAL MEETINGS") TO PROVIDE FOR ATTENDANCE AT THE MEETING BY TELEMATIC MEANS

Following the circumstances of the COVID-19 pandemic, the value of holding Shareholders' Meetings with the possibility of attendance by telematic means has become particularly clear. Accordingly, and beyond the legal authorisation that has been expressly permitted during the pandemic, the Board of Directors has proposed to provide in the Articles of Association the possibility of holding the General Meetings with shareholders simultaneously attending and casting votes remotely both by telematic means, when the Board deems it necessary or convenient.

2.2. AMENDMENT TO ARTICLE 35 (“COMPOSITION OF THE BOARD”) TO INCREASE THE MAXIMUM NUMBER OF MEMBERS OF THE BOARD OF DIRECTORS TO 16

Enagás is the Technical Manager and Transmission System Operator (independent operator) of the Spanish Gas System. As such, it is expressly certified by the European Union and Spanish authorities. For its part, it is responsible for the normal operation of the essential service of supplying gas to Spanish domestic, commercial and industrial consumers, which in turn includes electricity generators, the supply of which is considered an essential service.

Furthermore, insofar as its activities related to the essential gas supply service are regulated, their remuneration is determined by the regulations in force at any given time by the sector regulators.

Enagás has always taken into account that this activity is an essential one within its corporate purpose and has provided it on a regular and efficient basis. For this purpose, it has always had the appropriate profiles on its Board of Directors.

However, the emergency situation caused by the worldwide Covid-19 crisis, which was unpredictable, of unprecedented dimensions and still uncertain as to its outcome, has highlighted new threats to the guarantee of the essential gas supply service for which Enagás is responsible and to which the Company must above all react on a preventive basis. In this context, the Company must also be prepared for the economic effects of Covid-19 on its regulated activities and its remuneration.

This leads to a proposal to the Board to strengthen its Board of Directors by adding to the current profiles of Directors, who are still necessary and carry out their mandate with full efficiency, new ones that provide value-added in handling an emergency situation such as the one we are experiencing.

This need to strengthen the Board, in the face of an emergency situation, with new contributions and without dispensing with those that remain necessary, leads to the proposal to increase the maximum number of Directors to 16.

It is therefore proposed that Article 35 (“Composition of the Board”) be amended to increase the maximum number of members of the Board of Directors to 16, the full text of which would read as follows:

2.3. AMENDMENT TO ARTICLE 39 (“MEETINGS OF THE BOARD OF DIRECTORS”) TO PROVIDE FOR ATTENDANCE AT BOARD MEETINGS BY TELEMATIC MEANS

In line with the proposed amendment to Article 27 for General Meetings, following the circumstances of the COVID-19 pandemic, the value of holding Board meetings

with attendance by telematic means has become particularly clear. Accordingly, the Board of Directors has proposed to make provision for Board meetings with attendance by telematic means in the Articles of Association.

2.4. AMENDMENT TO ARTICLE 44 (“AUDIT AND COMPLIANCE COMMITTEE”) TO INCREASE THE MAXIMUM NUMBER OF MEMBERS OF THE AUDIT AND COMPLIANCE COMMITTEE TO 7

By increasing the number of Directors, in order to strengthen the Board, we also propose to reinforce the Audit and Compliance Committee, increasing the maximum number of its members to seven.

2.5. AMENDMENT TO ARTICLE 45 (“APPOINTMENTS, REMUNERATION AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE”), WHICH WILL BE RENAMED “SUSTAINABILITY, APPOINTMENTS AND REMUNERATION COMMITTEE” IN ADDITION TO CHANGING ITS NAME, TO INCREASE THE MAXIMUM NUMBER OF MEMBERS TO SEVEN. AND, ACCORDINGLY, AMENDMENT TO ARTICLE 22 (“CALLING THE GENERAL SHAREHOLDERS’ MEETING”) AND ARTICLE 37 (“POSTS”) TO ADAPT THE REFERENCES TO THIS COMMITTEE TO ITS NEW NAME

The Appointments, Remuneration and Corporate Social Responsibility Committee has discussed in-depth and with the appropriate external advisors, the opportunity to create a third Board Committee to assume part of its functions, especially those related to sustainability. The conclusion reached is that, for the time being and in view of the current extraordinary situation which makes it inadvisable to disperse the Board's efforts, it is not appropriate to create this third Committee.

However, it did consider it appropriate to propose a change in its name to place special emphasis on the growing importance of its functions in the area of sustainability, replacing its current name with that of the “Sustainability, Appointments and Remuneration Committee”.

Furthermore, to strengthen the Committee, it is proposed to increase the maximum number of members to seven.

Articles 22 and 37, where this Committee was also cited, have been amended accordingly to reflect its new name.

2.6. INTRODUCTION OF A NEW ARTICLE 53.BIS (“DIVIDEND IN KIND”) TO EXPRESSLY PROVIDE FOR THE POSSIBILITY OF DISTRIBUTING THIS TYPE OF DIVIDEND

Although the dividend in kind is a possibility that, to date, the Board of Directors has not considered, it is considered appropriate to include it in the Articles of Association of the Company in order to provide greater flexibility for future decisions in this regard, with the appropriate legal certainty.

3. FULL TEXT OF THE PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION

The proposed amendment to the articles of association, in the event that it is approved by the General Shareholders' Meeting, will imply the amendment to the

following articles of the Articles of Association that, hereinafter, will have the following literal wording:

“ARTICLE 22. – CALLING THE GENERAL SHAREHOLDERS’ MEETING.

The General Shareholders' Meeting must be convened by public announcement in the following media at least: (a) by placing a notice in the Boletín Oficial del Registro Mercantil [Spanish Official Gazette of the Commercial Registry] or in a daily newspaper with one of the broadest circulations in Spain; (b) the website of the CNMV, the Spanish securities market regulator; and (c) on the Company's website. An announcement published on the Company's website shall remain accessible via the same at least until the General Shareholders' Meeting is held. The Board of Directors may decide to publicise the convening of the meeting in any other media that it might see fit, to provide greater publicity for the meeting.

Notices convening General Meetings shall be issued at least one month prior to the date of the event. Notwithstanding the foregoing, when the Company offers shareholders the real possibility of voting by electronic means accessible to all shareholders, Extraordinary Shareholders' Meetings may be convened with minimum notice of fifteen days. The reduction of the required convening notice period shall require an express resolution adopted at a General Shareholders' Meeting by at least two thirds of subscribed capital with voting rights. This resolution shall not be valid beyond the date on which the subsequent meeting is held.

The Notice of Meeting shall state the name of the Company, the original date and time scheduled for the meeting on first call, as well as its Agenda, listing all business to be transacted at the meeting, the position of the person or persons executing the call and, the date the shareholder must have their name registered to participate and vote at the General Shareholders' Meeting, the place where and format in which the complete text of the documents and proposed resolutions can be obtained, and the address of the Company website where the information will be made available. It shall also state the date on which, if applicable, the Meeting shall be held upon second call.

There must be a difference of at least 24 hours between the first and second Meeting times.

Furthermore, the notice shall contain clear and exact information on the formalities that the shareholder must complete in order to take part and register their vote at the General Shareholders' Meeting, in particular the following information:

- a) The right to request information, to include points in the Agenda and to submit resolution proposals, as well as the deadline to exercise their rights. Whenever it is stated that further information on said rights can be found on the website, the notice may be limited to stating the deadline for exercising rights.
- b) The system for issuing votes by proxy, with particular mention of the forms that must be used to delegate votes and the media that must be used for the Company to accept notification of delegated representation by electronic means.
- c) The procedures established for remote voting, whether by post or electronic means.

The convening notice must state the right of shareholders to freely and immediately access at the registered office those documents that must be subjected to the

approval of the same and the auditor's report.

From the moment the convening is announced and up until the General Meeting is held, the following information must be continuously posted on the Company's website:

- a) The convening notice.
- b) The total number of shares and voting rights on the date of the convening, broken down by share categories if any.
- c) The documents that will be presented at the General Meeting, in particular the management, auditor and independent expert reports.
- d) The full texts of the proposed resolutions detailing each and every item on the Agenda, or where items merely for informative purposes are concerned, a report from the competent bodies detailing each such item. As they are received, resolutions proposed by shareholders will also be included.
- e) In the case of appointment, ratification or re-election of members of the Board of Directors, the identity, curriculum vitae and category to which each belongs, along with the proposal, the Board's report in justification of the proposal containing an appraisal of the competence, experience and merits of the proposed candidate and the report of the Sustainability, Appointments and Remuneration Committee in the case of the appointment or re-election of a Non-Independent Director. In the case of a body corporate, the information must include that pertaining to the natural person to be appointed to exercise the functions of the post on a permanent basis.
- f) The forms that must be used for vote by proxy and remote voting, except when sent directly by the Company to each shareholder. If for technical reasons these cannot be posted on the website, the Company must indicate on the website information on how to obtain hard copies of these forms and must send them to any shareholder that requests them.

Shareholders that represent at least three percent of share capital may request that a supplement to the convening notice for the General Shareholders' Meeting be published, on which one or more items are added to the Agenda, provided that the new points are accompanied with their justification or, if applicable, a justified resolution proposal. In no case may said right be exercised for the convening of Extraordinary Shareholders' Meetings. In order to exercise this right, shareholders must submit their request by means of a certified notification which must be received at the registered office of the Company within the five days following the publication of the notice of the meeting. Any such supplement to the notice of meeting shall be published at least fifteen days in advance of the scheduled date of the General Meeting. Failure to publish the supplement to the notice of meeting by the legally established deadline shall render the Meeting void.

Shareholders representing at least three percent of the share capital may, within the time limit indicated in the foregoing paragraph, present well-founded proposals for resolutions on matters already included or that should be included on the Meeting's Agenda. The Company will ensure that these proposed resolutions and any attached documentation reach the rest of the shareholders, in accordance with the provisions of section d) of the seventh paragraph of this Article."

"ARTICLE 27. – ATTENDANCE, PROXIES AND VOTING AT GENERAL MEETINGS.

Shareholders owning shares, registered at least five days prior to the date scheduled for the General Meeting with the corresponding accounting registers of any of the entities participating in the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores [securities clearing and settlement entity], or the entity replacing it in the future, may attend and vote at General Meetings.

Without prejudice to the foregoing, shareholders may not exercise the voting rights corresponding to their shares concerning the adoption of a resolution where one of the grounds for a conflict of interest exists according to Article 190.1 of the Consolidated Text of the Corporate Enterprises Act.

Any shareholder having attendance and voting rights under this article may exercise such rights to vote on motions on the business on the Agenda at any class of General Meeting by attending such a Meeting and voting in person or by post, by recognised electronic signature or other electronic means, or by any other medium of remote communication satisfying the requirements prescribed by laws and regulations, provided that the identity of the person exercising voting rights and the security of electronic communications are properly assured.

The Rules and Regulations of General Meetings may govern remote exercising of said rights, including in particular any or all of the following forms:

- a) Real-time streaming of the General Shareholders' Meeting.
- b) The remote attendance at the Meeting by telematic and simultaneous means and remote voting by telematic means during the meeting, subject to the requirements provided for.

In this case, the Regulations of the Meeting may empower the Board of Directors to determine when, in view of the state of the art, the circumstances and the safety conditions, such attendance and telematic voting is permitted. The Regulations of the Meeting may also empower the Board of Directors to regulate all necessary procedural aspects.

- c) Real-time two-way communication to allow shareholders to address the General Shareholders' Meeting from other locations.
- d) A mechanism to exercise votes prior to or during the General Shareholders' Meeting, without having to appoint a representative physically present at the meeting.

Shareholders that attend or cast their votes remotely shall for the purposes of constitution of any General Meeting count as being present.

A shareholder having attendance rights may have himself represented by proxy at a General Meeting by another person, who need not be a shareholder. Proxies must be conferred in writing, by post, a recognised electronic signature, or any of the other legally permitted electronic or remote communication methods. The identity of the representative and the security of electronic communications must be duly guaranteed, and shall be valid only for the particular meeting in question.

The provisions of the foregoing paragraph will likewise be applicable to notification of the proxy to the Company, and revocation of the appointment. The Company will

establish the system for electronic notification of the appointment with the formal requisites provided to ensure the identification of the shareholder and the designated proxy or proxies.

If the represented shareholder has issued voting instructions, their proxy holder shall cast the shareholder's vote in accordance with said instructions and shall be bound to safeguard the instructions for one year starting from the date of the meeting that is being called.

The proxy may represent more than one shareholder, and there are no restrictions on the number of shareholders that can be represented. When a proxy represents various shareholders, the proxy may vote in more than one direction based on the instructions of each shareholder. In all cases, the number of shares represented shall be counted towards the valid constitution of the meeting.

Before their appointment, the proxy holder must inform the shareholder in detail if there is any conflict of interest, in accordance with the provisions of Article 523 of the Corporate Enterprises Act. If the conflict arises after the appointment and the proxy holder had not advised the represented shareholder of the possible existence thereof, the proxy holder must inform the shareholder immediately. In both cases, if the proxy holder does not receive new precise voting instructions for each of the matters upon which the proxy holder must vote on behalf of the shareholder, the proxy holder must abstain from casting a vote.

Entities appearing as legitimated shareholders according to the accounting records but acting on behalf of different persons, may in all cases split the voting rights and exercise them in opposing ways in adherence to divergent voting instructions, should they have received such.

These intermediary entities referred to in the previous paragraph may grant proxy to each of the indirect shareholders or to third parties designated by the same, with no restrictions placed on the number of proxies granted.

In the event of a public call for proxies, Articles 186 and 526 of the Corporate Enterprises Act shall apply.

Proxy representation conferred shall be revocable at any time, and the principal's attendance at the Meeting in person shall be equivalent to revocation.

The Rules and Regulations of General Meetings shall elaborate on the methods and requirements for the due exercise of attendance, voting and representation rights, as well as on the procedures set up for those purposes.

Subject to the relevant provisions of the Rules and Regulations of the General Shareholders' Meeting, and at all events in fulfilment of statutory requirements, the Board of Directors shall be competent to determine the time as from which shareholders may cast their votes or grant proxies by electronic or other, taking into account the state of the art of the technical means required for this purpose.

“ARTICLE 35. – COMPOSITION OF THE BOARD.

The Company shall be governed and managed by the Board of Directors, which shall represent the Company collegiately, both in and out of court. Its representation

shall extend, without any limitation of power, to all acts embodied in the corporate purpose.

The Board of Directors shall be composed of a minimum of 6 members and a maximum of 16, appointed by the General Meeting.

Directors on the Board shall be elected by vote. For this purpose, shares that are voluntarily pooled to constitute an amount of share capital that is equal to or greater than the result of dividing the latter by the number of Directors, shall be entitled to appoint a number of Directors exceeding the integer number resulting from that proportion. If this power is exercised, the shares pooled in this fashion shall not take part in the voting for the appointment of the remaining Directors.

A Director need not be a shareholder, may step down from office, may have his appointment revoked, and may be re-elected on one or more occasions.

Appointment as Director shall take effect upon acceptance of the post.

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 persons or bodies corporate 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."

"ARTICLE 37.- POSTS.

The Board of Directors shall appoint its Chairperson pursuant to the report of the Sustainability, Appointments and Remuneration Committee. The appointment as Chairperson of an Executive Director shall require the favourable vote of two thirds of the members of the Board.

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 Independent Leading 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 convene the Non-Executive Directors.
- d) To oversee the Board's evaluation of its Chairperson and, where appropriate, the Chief Executive Officer.
- e) 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.

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.

The Chairperson and the Secretary to the Board of Directors and the Vice-Secretary, if applicable, if re-elected to the Board by a resolution of the General Meeting, shall continue to perform the offices hitherto held on the Board without need of being freshly elected, without prejudice to the power of revocation of such offices that rests with the Board of Directors."

"ARTICLE 39. – MEETINGS OF THE BOARD OF DIRECTORS.

The Board of Directors shall meet at least once every two months, and in addition, whenever convened by the Chairperson or upon requisition by a majority of Directors.

Meetings shall ordinarily be held at the registered office, but may also be held elsewhere and by any means that the Chairperson may determine. Such a venue or manner of holding the meeting must be specified in the notice of meeting.

A meeting shall be convened, by any channel, by the Chairperson, stating the venue of the meeting and the items on the Agenda. 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.

However, a meeting of the Board of Directors shall be valid without need of prior notice if, all Directors being present, the Directors unanimously decide to hold a meeting.

Except in cases where the meeting of the Board is constituted or 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 at the meeting. The Chairperson of the Board in collaboration with the Secretary shall ensure that this obligation to provide information is fulfilled.

The Board of Directors' meeting shall be validly constituted when one half of the membership plus one member are in attendance or represented at it. The Directors must attend the meetings of the Board in person. Without prejudice to the foregoing, Directors may grant a proxy to another Director. Non-Executive Directors may only grant a proxy to another Non-Executive Director.

Board of Directors meetings held by videoconference or multiple teleconference shall be valid provided that the Directors have the necessary means to enable them to be recognised and identified, to communicate permanently with each other and to intervene and cast their votes in real time. The minutes of the Board of Directors and the certification of these resolutions shall include a record of the Directors who have used this system and who shall be considered present. In this case, the Board meeting shall be deemed a single meeting held at the registered office.

Resolutions shall be passed by an absolute majority of the Directors present at the meeting.

Votes may be cast in writing and in the absence of a meeting, if no Director objects to such procedure."

"ARTICLE 44.- AUDIT AND COMPLIANCE COMMITTEE.

There shall be an Audit and Compliance Committee within the Board of Directors and it shall comprise at least three and no more than seven Directors, to be appointed by the Board having particular regard to their expertise and experience in accounting, auditing or risk management. No Executive Director may sit on this Committee.

Overall, the members of the Audit and Compliance Committee shall have the pertinent technical knowledge of the gas industry.

The majority of the Committee must be independent and will be appointed in light of their knowledge and track record in matters of accountancy, auditing, or both. The Committee Chair 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.

The Audit and Compliance Committee shall possess functions and competences in the following areas, in addition to those that may be attributed to it in the Articles of Association or the Board Regulations:

- 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.
- To oversee the effectiveness of the Company's and its Group's system of internal control, internal auditing and risk management, as well as discussing with the auditors any significant weaknesses in the internal control system identified during the course of the audit without impinging on its independence. For such purposes and, where applicable, they can submit recommendations or proposals to the Board of Directors and the corresponding deadline for dealing with them.
- To oversee the process of preparation and presentation of statutory financial reporting and submit recommendations or proposals to the Board of Directors aimed at safeguarding its integrity.
- To submit to the Board of Directors proposals for the selection, appointment, re-election and replacement of the 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 from them on the audit plan and its execution, in addition to preserving its independence in the exercise of its functions.
- 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 and the corresponding fees received by these entities by the aforementioned auditors or persons or entities related to them in conformity with the provisions of auditing legislation.

- Issuing an annual report, prior to the issue of the audit report, giving an opinion on whether the independence of the auditors or audit companies 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.

- To keep the Board of Directors informed, in advance, on all items provided for in the law, the Articles of Association and the Board Regulations, in particular, in relation to:
 - 1 the financial information that the Company must periodically publish,
 - 2 the creation or acquisition of shares in special purpose entities or resident in jurisdictions considered tax havens and
 - 3 related-party transactions.

The meetings of this Committee shall be called by its Chairperson and shall be held at least four times a year. The Company's external auditor may attend Committee meetings and the Finance Director, head of the Enagás Internal Audit Unit, or any other senior manager of the Company or Group that the Committee deems appropriate, may also be asked to give account at meetings. The Committee may obtain support and assistance from the aforesaid Executives in the performance of its duties."

"ARTICLE 45.- SUSTAINABILITY, APPOINTMENTS AND REMUNERATION COMMITTEE.

The Board of Directors shall appoint from among its members a Sustainability, Appointments and Remuneration Committee that shall comprise a minimum of three and a maximum of seven Directors. A majority of Committee members must be Independent Directors and no Executive Directors may be included among its members. The Committee Chairperson shall be selected from among the Independent Directors by the Board of Directors, and shall not have the casting vote.

The Committee shall possess functions and competences in the following areas, in addition to those that may be attributed to it in the Articles of Association or the Rules and Regulations of the Board of Directors:

- a) To evaluate the skills, knowledge and experience needed on the Board of Directors. To this end, it shall determine the functions and skills required of the candidates to fill each vacancy, and evaluate the precise amount of time and degree of dedication necessary for them to effectively perform their duties.
- b) To establish a goal concerning the representation of the less-represented gender on the Board of Directors and to prepare guidelines on how this goal can be attained.
- c) 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.
- d) To report 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.
- e) To report on proposed appointments and removals of senior management and the basic terms of their contracts.
- f) 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.
- g) To propose to the Board of Directors a policy of remuneration of Directors and general managers or those who perform senior management functions and report directly to the Board of Directors, to executive committees or chief executive officers, along with individual remuneration and other terms of Executive Directors' contracts, ensuring that said policy is abided by.
- h) 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 do this, the Committee may submit to the Board the initiatives and proposals it deems appropriate and shall report on the proposals submitted to the Board and on the information the Company releases to shareholders annually regarding these issues.

The Committee shall meet at least four times a year, with meetings being called by the Chairperson. 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 execution of its duties.

The Board of Directors can resolve to separate the Sustainability, Appointments and Remuneration Committee into a Remuneration Committee and a Sustainability and Appointments Committee, sharing out their functions and powers envisaged in this Article 45 depending on the subjects and governed by the rules of composition, organisation and functioning established in the Board Regulations in accordance with these Articles of Association and the applicable regulations."

"ARTICLE 53 BIS.– DIVIDEND IN KIND

Dividends and interim dividend amounts may be paid in full or in part in kind, provided that: (i) the goods or securities to be distributed are homogeneous; (ii) they

are admitted to trading on an official market -at the time the agreement takes effect- or the Company duly guarantees that liquidity will be obtained within a deadline of one year; and (iii) they are not distributed at a value lower than that shown on the Company's balance sheet.

The regulation contained in the previous paragraph shall also apply to the return of contributions in cases of reduction of share capital."

And for all appropriate legal reasons, the Company's Board of Directors prepares this report at its meeting held on May 25, 2020.

The Secretary to the Board of Directors
Rafael Piqueras Bautista
Enagás, S.A.

3. APPENDIX

The text comparing the articles of the current Articles of Association with the new wording is attached as an Appendix to this report.

Appendix

“ARTICLE 22. – CALLING THE GENERAL SHAREHOLDERS’ MEETING.

The General Shareholders' Meeting must be convened by public announcement in the following media at least: (a) by placing a notice in the Boletín Oficial del Registro Mercantil [Spanish Official Gazette of the Commercial Registry] or in a daily newspaper with one of the broadest circulations in Spain; (b) the website of the CNMV, the Spanish securities market regulator; and (c) on the Company's website. An announcement published on the Company's website shall remain accessible via the same at least until the General Shareholders' Meeting is held. The Board of Directors may decide to publicise the convening of the meeting in any other media that it might see fit, to provide greater publicity for the meeting.

Notices convening General Meetings shall be issued at least one month prior to the date of the event. Notwithstanding the foregoing, when the Company offers shareholders the real possibility of voting by electronic means accessible to all shareholders, Extraordinary Shareholders' Meetings may be convened with minimum notice of fifteen days. The reduction of the required convening notice period shall require an express resolution adopted at a General Shareholders' Meeting by at least two thirds of subscribed capital with voting rights. This resolution shall not be valid beyond the date on which the subsequent meeting is held.

The Notice of Meeting shall state the name of the Company, the original date and time scheduled for the meeting on first call, as well as its Agenda, listing all business to be transacted at the meeting, the position of the person or persons executing the call and, the date the shareholder must have their name registered to participate and vote at the General Shareholders' Meeting, the place where and format in which the complete text of the documents and proposed resolutions can be obtained, and the address of the Company website where the information will be made available. It shall also state the date on which, if applicable, the Meeting shall be held upon second call.

There must be a difference of at least 24 hours between the first and second Meeting times.

Furthermore, the notice shall contain clear and exact information on the formalities that the shareholder must complete in order to take part and register their vote at the General Shareholders' Meeting, in particular the following information:

- a) The right to request information, to include points in the Agenda and to submit resolution proposals, as well as the deadline to exercise their rights. Whenever it is stated that further information on said rights can be found on the website, the notice may be limited to stating the deadline for exercising rights.
- b) The system for issuing votes by proxy, with particular mention of the forms that must be used to delegate votes and the media that must be used for the Company to accept notification of delegated representation by electronic means.
- c) The procedures established for remote voting, whether by post or electronic means.

The convening notice must state the right of shareholders to freely and immediately access at the registered office those documents that must be subjected to the

approval of the same and the auditor's report.

From the moment the convening is announced and up until the General Meeting is held, the following information must be continuously posted on the Company's website:

- a) The convening notice.
- b) The total number of shares and voting rights on the date of the convening, broken down by share categories if any.
- c) The documents that will be presented at the General Meeting, in particular the management, auditor and independent expert reports.
- d) The full texts of the proposed resolutions detailing each and every item on the Agenda, or where items merely for informative purposes are concerned, a report from the competent bodies detailing each such item. As they are received, resolutions proposed by shareholders will also be included.
- e) In the case of appointment, ratification or re-election of members of the Board of Directors, the identity, curriculum vitae and category to which each belongs, along with the proposal, the Board's report in justification of the proposal containing an appraisal of the competence, experience and merits of the proposed candidate and the report of the Sustainability, Appointments and Remuneration Committee ~~Appointments, Remuneration and Corporate Social Responsibility~~ in the case of the appointment or re-election of a Non-Independent Director. In the case of a body corporate, the information must include that pertaining to the natural person to be appointed to exercise the functions of the post on a permanent basis.
- f) The forms that must be used for vote by proxy and remote voting, except when sent directly by the Company to each shareholder. If for technical reasons these cannot be posted on the website, the Company must indicate on the website information on how to obtain hard copies of these forms and must send them to any shareholder that requests them.

Shareholders that represent at least three percent of share capital may request that a supplement to the convening notice for the General Shareholders' Meeting be published, on which one or more items are added to the Agenda, provided that the new points are accompanied with their justification or, if applicable, a justified resolution proposal. In no case may said right be exercised for the convening of Extraordinary Shareholders' Meetings. In order to exercise this right, shareholders must submit their request by means of a certified notification which must be received at the registered office of the Company within the five days following the publication of the notice of the meeting. Any such supplement to the notice of meeting shall be published at least fifteen days in advance of the scheduled date of the General Meeting. Failure to publish the supplement to the notice of meeting by the legally established deadline shall render the Meeting void.

Shareholders representing at least three percent of the share capital may, within the time limit indicated in the foregoing paragraph, present well-founded proposals for resolutions on matters already included or that should be included on the Meeting's Agenda. The Company will ensure that these proposed resolutions and any attached documentation reach the rest of the shareholders, in accordance with the provisions of section d) of the seventh paragraph of this article."

"ARTICLE 27. – ATTENDANCE, PROXIES AND VOTING AT GENERAL MEETINGS.

Shareholders owning shares, registered at least five days prior to the date scheduled for the General Meeting with the corresponding accounting registers of any of the entities participating in the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores [securities clearing and settlement entity], or the entity replacing it in the future, may attend and vote at General Meetings.

Without prejudice to the foregoing, shareholders may not exercise the voting rights corresponding to their shares concerning the adoption of a resolution where one of the grounds for a conflict of interest exists according to Article 190.1 of the Consolidated Text of the Corporate Enterprises Act.

Any shareholder having attendance and voting rights under this article may exercise such rights to vote on motions on the business on the Agenda at any class of General Meeting by attending such a Meeting and voting in person or by post, by recognised electronic signature or other electronic means, or by any other medium of remote communication satisfying the requirements prescribed by laws and regulations, provided that the identity of the person exercising voting rights and the security of electronic communications are properly assured.

The Rules and Regulations of General Meetings may govern remote exercising of said rights, including in particular any or all of the following forms:

- a) Real-time streaming of the General Shareholders' Meeting.
- b) The remote attendance at the Meeting by telematic and simultaneous means and remote voting by telematic means during the meeting, subject to the requirements provided for.

In this case, the Regulations of the Meeting may empower the Board of Directors to determine when, in view of the state of the art, the circumstances and the safety conditions, such attendance and telematic voting is permitted. The Regulations of the Meeting may also empower the Board of Directors to regulate all necessary procedural aspects.

- c) Real-time two-way communication to allow shareholders to address the General Shareholders' Meeting from other locations.
- d) A mechanism to exercise votes prior to or during the General Shareholders' Meeting, without having to appoint a representative physically present at the meeting.

Shareholders that attend or cast their votes remotely shall for the purposes of constitution of any General Meeting count as being present.

A shareholder having attendance rights may have himself represented by proxy at a General Meeting by another person, who need not be a shareholder. Proxies must be conferred in writing, by post, a recognised electronic signature, or any of the other legally permitted electronic or remote communication methods. The identity of the representative and the security of electronic communications must be duly guaranteed, and shall be valid only for the particular meeting in question.

The provisions of the foregoing paragraph will likewise be applicable to notification of the proxy to the Company, and revocation of the appointment. The Company will establish the system for electronic notification of the appointment with the formal requisites provided to ensure the identification of the shareholder and the designated proxy or proxies.

If the represented shareholder has issued voting instructions, their proxy holder shall cast the shareholder's vote in accordance with said instructions and shall be bound to safeguard the instructions for one year starting from the date of the meeting that is being called.

The proxy may represent more than one shareholder, and there are no restrictions on the number of shareholders that can be represented. When a proxy represents various shareholders, the proxy may vote in more than one direction based on the instructions of each shareholder. In all cases, the number of shares represented shall be counted towards the valid constitution of the meeting.

Before their appointment, the proxy holder must inform the shareholder in detail if there is any conflict of interest, in accordance with the provisions of Article 523 of the Corporate Enterprises Act. If the conflict arises after the appointment and the proxy holder had not advised the represented shareholder of the possible existence thereof, the proxy holder must inform the shareholder immediately. In both cases, if the proxy holder does not receive new precise voting instructions for each of the matters upon which the proxy holder must vote on behalf of the shareholder, the proxy holder must abstain from casting a vote.

Entities appearing as legitimated shareholders according to the accounting records but acting on behalf of different persons, may in all cases split the voting rights and exercise them in opposing ways in adherence to divergent voting instructions, should they have received such.

These intermediary entities referred to in the previous paragraph may grant proxy to each of the indirect shareholders or to third parties designated by the same, with no restrictions placed on the number of proxies granted.

In the event of a public call for proxies, Articles 186 and 526 of the Corporate Enterprises Act shall apply.

Proxy representation conferred shall be revocable at any time, and the principal's attendance at the Meeting in person shall be equivalent to revocation.

The Rules and Regulations of General Meetings shall elaborate on the methods and requirements for the due exercise of attendance, voting and representation rights, as well as on the procedures set up for those purposes.

Subject to the relevant provisions of the Rules and Regulations of the General Shareholders' Meeting, and at all events in fulfilment of statutory requirements, the Board of Directors shall be competent to determine the time as from which shareholders may cast their votes or grant proxies by electronic or other, taking into account the state of the art of the technical means required for this purpose.

“ARTICLE 35. – COMPOSITION OF THE BOARD.

The Company shall be governed and managed by the Board of Directors, which shall represent the Company collegiately, both in and out of court. Its representation shall extend, without any limitation of power, to all acts embodied in the corporate purpose.

The Board of Directors shall be composed of a minimum of 6 members and a maximum of ~~14~~16, appointed by the General Meeting.

Directors on the Board shall be elected by vote. For this purpose, shares that are voluntarily pooled to constitute an amount of share capital that is equal to or greater than the result of dividing the latter by the number of Directors, shall be entitled to appoint a number of Directors exceeding the integer number resulting from that proportion. If this power is exercised, the shares pooled in this fashion shall not take part in the voting for the appointment of the remaining Directors.

A Director need not be a shareholder, may step down from office, may have his appointment revoked, and may be re-elected on one or more occasions.

Appointment as Director shall take effect upon acceptance of the post.

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 persons or bodies corporate 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."

"ARTICLE 37.- POSTS.

The Board of Directors shall appoint its Chairperson pursuant to the report of the Sustainability, Appointments and Remuneration Committee~~—Appointments, Remuneration and Corporate Social Responsibility~~. The appointment as Chairperson of an Executive Director shall require the favourable vote of two thirds of the members of the Board.

The Board of Directors may appoint an Independent Director, on the proposal of the Sustainability, Appointments and Remuneration Committee~~Appointments, Remuneration and Corporate Social Responsibility~~, 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 Independent Leading 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 convene the Non-Executive Directors.
- d) To oversee the Board's evaluation of its Chairperson and, where appropriate, the Chief Executive Officer.
- e) 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.

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.

The Chairperson and the Secretary to the Board of Directors and the Vice-Secretary, if applicable, if re-elected to the Board by a resolution of the General Meeting, shall continue to perform the offices hitherto held on the Board without need of being freshly elected, subject to the power of revocation of such offices that rests with the Board of Directors."

"ARTICLE 39. – MEETINGS OF THE BOARD OF DIRECTORS.

The Board of Directors shall meet at least once every two months, and in addition, whenever convened by the Chairperson or upon requisition by a majority of Directors.

Meetings shall ordinarily be held at the registered office, but may also be held elsewhere and by any means that the Chairperson may determine. Such a venue or manner of holding the meeting must be specified in the notice of meeting.

A meeting shall be convened, by any channel, by the Chairperson, stating the venue of the meeting and the items on the Agenda. 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.

However, a meeting of the Board of Directors shall be valid without need of prior notice if, all Directors being present, the Directors unanimously decide to hold a meeting.

Except in cases where the meeting of the Board is constituted or 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 at the meeting. The Chairperson of the Board in collaboration with the Secretary shall ensure that this obligation to provide information is fulfilled.

The Board of Directors' meeting shall be validly constituted when one half of the membership plus one member are in attendance or represented at it. The Directors must attend the meetings of the Board in person. Without prejudice to the foregoing, Directors may grant a proxy to another Director. Non-Executive Directors may only grant a proxy to another Non-Executive Director.

Board of Directors meetings held by videoconference or multiple teleconference shall be valid provided that the Directors have the necessary means to enable them to be recognised and identified, to communicate permanently with each other and to intervene and cast their votes in real time. The minutes of the Board of Directors and the certification of these resolutions shall include a record of the Directors who have used this system and who shall be considered present. In this case, the Board meeting shall be deemed a single meeting held at the registered office.

Resolutions shall be passed by an absolute majority of the Directors present at the meeting.

Votes may be cast in writing and in the absence of a meeting, if no Director objects to such procedure."

"ARTICLE 44.- AUDIT AND COMPLIANCE COMMITTEE.

There shall be an Audit and Compliance Committee within the Board of Directors and it shall comprise at least three and no more than ~~five~~seven Directors, to be appointed by the Board having particular regard to their expertise and experience in accounting, auditing or risk management. No Executive Director may sit on this Committee.

Overall, the members of the Audit and Compliance Committee shall have the pertinent technical knowledge of the gas industry.

The majority of the Committee must be independent and will be appointed in light of their knowledge and track record in matters of accountancy, auditing, or both. The Committee Chair 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.

The Audit and Compliance Committee shall possess functions and competences in the following areas, in addition to those that may be attributed to it in the Articles of Association or the Board Regulations:

- 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.
- To oversee the effectiveness of the Company's and its Group's system of internal control, internal auditing and risk management, as well as discussing with the auditors any significant weaknesses in the internal control system identified during the course of the audit without impinging on its independence. For such purposes and, where applicable, they can submit recommendations or proposals to the Board of Directors and the corresponding deadline for dealing with them.
- To oversee the process of preparation and presentation of statutory financial reporting and submit recommendations or proposals to the Board of Directors aimed at safeguarding its integrity.
- To submit to the Board of Directors proposals for the selection, appointment, re-election and replacement of the 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 from them on the audit plan and its execution, in addition to preserving its independence in the exercise of its functions.
- 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 and the corresponding fees received by these entities by the aforementioned auditors or persons or entities related to them in conformity with the provisions of auditing legislation.

- Issuing an annual report, prior to the issue of the audit report, giving an opinion on whether the independence of the auditors or audit companies 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.

- To keep the Board of Directors informed, in advance, on all items provided for in the law, the Articles of Association and the Board Regulations, in particular, in relation to:
 - 1 the financial information that the Company must periodically publish,
 - 2 the creation or acquisition of shares in special purpose entities or resident in jurisdictions considered tax havens and
 - 3 related-party transactions.

The meetings of this Committee shall be called by its Chairperson and shall be held at least four times a year. The Company's external auditor may attend Committee meetings and the Finance Director, head of the Enagás Internal Audit Unit, or any other senior manager of the Company or Group that the Committee deems appropriate, may also be asked to give account at meetings. The Committee may obtain support and assistance from the aforesaid Executives in the performance of its duties."

"ARTICLE 45.- SUSTAINABILITY, APPOINTMENTS AND REMUNERATION COMMITTEE ~~APPOINTMENTS, REMUNERATION AND CORPORATE SOCIAL RESPONSIBILITY~~.

The Board of Directors shall appoint from among its members a Sustainability, Appointments and Remuneration Committee ~~Appointments, Remuneration and Corporate Social Responsibility~~ that shall comprise a minimum of three and a maximum of sixseven Directors. A majority of Committee members must be Independent Directors and no Executive Directors may be included among its members. The Committee Chairperson shall be selected from among the Independent Directors by the Board of Directors, and shall not have the casting vote.

The Committee shall possess functions and competences in the following areas, in addition to those that may be attributed to it in the Articles of Association or the Rules and Regulations of the Board of Directors:

- a) To evaluate the skills, knowledge and experience needed on the Board of Directors. To this end, it shall determine the functions and skills required of the candidates to fill each vacancy, and evaluate the precise amount of time

and degree of dedication necessary for them to effectively perform their duties.

- b) To establish a goal concerning the representation of the less-represented gender on the Board of Directors and to prepare guidelines on how this goal can be attained.
- c) 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.
- d) To report 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.
- e) To report on proposed appointments and removals of senior management and the basic terms of their contracts.
- f) 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.
- g) To propose to the Board of Directors a policy of remuneration of Directors and general managers or those who perform senior management functions and report directly to the Board of Directors, to executive committees or chief executive officers, along with individual remuneration and other terms of Executive Directors' contracts, ensuring that said policy is abided by.
- h) To report to the Board on general policy concerning Sustainability Corporate Social Responsibility 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 do this, the Committee may submit to the Board the initiatives and proposals it deems appropriate and shall report on the proposals submitted to the Board and on the information the Company releases to shareholders annually regarding these issues.

The Committee shall meet at least four times a year, with meetings being called by the Chairperson. 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 execution of its duties.

The Board of Directors can resolve to separate the Sustainability, Appointments and Remuneration Committee ~~Appointments, Remuneration and Corporate Social Responsibility~~ into a Remuneration Committee and a Sustainability and Appointments Committee ~~Appointments, Remuneration and Corporate Social Responsibility~~, sharing out their functions and powers envisaged in this Article 45 depending on the subjects and governed by the rules of composition, organisation and functioning established in the Board Regulations in accordance with these Articles of Association and the applicable regulations."

"ARTICLE 53 BIS.– DIVIDEND IN KIND

Dividends and interim dividend amounts may be paid in full or in part in kind, provided that: (i) the goods or securities to be distributed are homogeneous; (ii) they are admitted to trading on an official market -at the time the agreement takes effect-

or the Company duly guarantees that liquidity will be obtained within a deadline of one year; and (iii) they are not distributed at a value lower than that shown on the Company's balance sheet.

The regulation contained in the previous paragraph shall also apply to the return of contributions in cases of reduction of share capital."