

Annual Activity Report of the Sustainability, Appointments and Remuneration Committee

SUSTAINABILITY, APPOINTMENTS
AND REMUNERATION COMMITTEE
22/02/2021



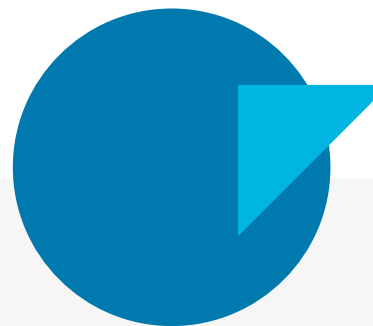


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1 Composition, attendance and operation

At December 31, 2020 the composition of the Sustainability, Appointments and Remuneration Committee is:

CHAIRWOMAN

Ms Ana Palacio Vallelersundi

Independent

Appointment: 2014

MEMBER

Mr Santiago
Ferrer Costa

Proprietary

Appointment: 2018

MEMBER

Mr Gonzalo
Solana González

Independent

Appointment: 2014

MEMBER

Mr Antonio
Hernández Mancha

Independent

Appointment: 2014

MEMBER

Mr Ignacio
Grangel Vicente

Independent

Appointment: 2018

MEMBER

Ms Patricia
Úrbez Sanz

Independent

Appointment: 2019

MEMBER

Mr Cristóbal José
Gallego Castillo

Independent

Appointment: 2020

SECRETARY

Mr Rafael Piqueras Bautista

During 2020, the following changes in the composition of the Committee took place and were approved at the General Shareholders' Meeting held on June 30, 2020:

Appointment of Mr Cristóbal José Gallego Castillo, as independent director, for the statutory period of four years, in order to strengthen the Sustainability, Appointments and Remuneration Committee in view of the risks that the COVID-19 crisis and its possible effects may entail.

The Board of Directors has appointed the members of the Sustainability, Appointments and Remuneration Committee taking into account their knowledge, skills and experience in: human resources, selection of Directors and Senior Management, design of remuneration policies and plans, corporate governance and corporate social responsibility and sustainability.

On May 22, 2020, the Committee unanimously agreed to propose to the Board that it include on the agenda of the General Meeting the proposal to amend the Articles of Association so that the Committee be renamed the "Sustainability, Appointments and Remuneration Committee". This proposal was presented in June and approved at the General Shareholders' Meeting, and consequently the Company's Articles of Association were amended.

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

All information on the Directors, including their work experience, can be found on the [Enagás corporate website](#) .

ATTENDANCE

In accordance with the provisions of the Regulations of the Sustainability, Appointments and Remuneration Committee and its scheduled actions, the Committee met ten times during the 2020 financial year: six ordinary preparatory meetings and four ordinary meetings.

All members of the Committee attended these meetings, except for the meeting held on March 2, 2020, when one of its Directors was unable to attend due to force majeure.

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

OPERATION

The Committee conducted its activity in 2020 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, it was attended by the Human & Corporate Resources General Manager, as well as other members of the Management Committee and management personnel.

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, Appointments and Remuneration Committee, the Chairwoman of the Committee reports to the Board of Directors in a meeting held the same day, with regard to the actions taken and matters addressed in each Committee meeting.

Likewise, the representatives of the external auditor, Ernst & Young, S.L., attended the ordinary and preparatory meetings of the Committee.

2 Regulation of the Sustainability, Appointments and Remuneration Committee

The Sustainability, Appointments and Remuneration Committee is governed by the provisions of applicable laws and regulations, the provisions of the Articles of Association, the Rules and Regulations for the Organisation and Functioning of the Board of Directors of Enagás, S.A., as well its own Regulations, dated December 21, 2020

Those documents are available on the Enagás corporate website.

The main duties entrusted to the Committee during 2020 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, in accordance with the Board Diversity and Director Selection Policy. The Committee will draw up and periodically update a matrix with the necessary competences of the Board which defines the skills and knowledge of the candidates for Directors, in particular executive and independent Directors.

- ii. To review the structure of the Board of Directors, as well as the criteria that must be reported, the statutory renewal of Directors, the incorporation of new members, guaranteeing that their access to the Board does not affect the Company's status as transmission network operator, in accordance with the provisions of the applicable regulations on hydrocarbons, as well as any

other aspect relating to its composition that it considers appropriate, forwarding proposals that it deems necessary to the Board of Directors.

- iii. To establish a representation objective for the under-represented gender on the Board of Directors and to draw up guidelines on how to achieve this objective, also proposing to the Board the Director's diversity policy, based on the criteria of age, disability, training, professional experience and gender, among others.
- iv. To periodically review the category of the Directors.

2.2. POWERS FOR THE SELECTION OF DIRECTORS AND SENIOR MANAGERS

- i. To forward to the Board of Directors proposed appointments of Independent Directors for them

to be designated by co-option or subject to the decision of the General Shareholders' Meeting, as well as on proposals for their re-election or removal by the General Shareholders' Meeting.

- ii. To report on the proposed appointments of the remaining Directors for them to be designated by co-option or subject to the decision of the General Shareholders' Meeting, as well as on proposals for their re-election or removal by the General Shareholders' Meeting.
- iii. To report to the Board of Directors concerning proposals for the removal of Directors 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.
- v. To report on proposals for the appointment and removal of Senior Managers.
- vi. To submit proposals to the Board of Directors regarding the Company's organisational

structure and the creation of Senior Management positions that it considers necessary for better and more efficient management of the Company, as well as the guidelines regarding the appointment, career selection, promotion and dismissal of Senior Managers, to ensure the Company has, at all times, highly qualified personnel suitable for the management of its activities.

2.3. POWERS RELATING TO THE OFFICES OF THE BOARD

- i. To report on the appointment of the Chairman and Vice Chairman of the Board of Directors.
- ii. To report on the appointment and dismissal of the Secretary and the Vice Secretary of the Board of Directors.
- iii. To propose the appointment of the Independent Leading Director.
- iv. To examine and organise the succession of the Board of Director's Chairman 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 REMUNERATION OF DIRECTORS AND SENIOR MANAGERS

- i. To propose to the Board of Directors the remuneration policy for Directors and Senior Managers, verifying its compliance. To this end, the Committee will periodically review the remuneration policy for Directors and Senior Managers and ensure that their individual remuneration is proportional to that paid to the other Directors and Senior Management of the Company.
- ii. To propose to the Board of Directors the individual remuneration and other contractual conditions of the Executive Directors, verifying that they are consistent with the remuneration policies in force.
- iii. To propose to the Board of Directors the basic conditions of the Senior Management contracts, verifying that they are consistent with the remuneration policies in force.
- iv. To verify information on remuneration of Directors and Senior Managers contained in the

various corporate documents, including the Annual Report on Directors' Remuneration.

2.5. POWERS RELATING TO GOOD CORPORATE GOVERNANCE AND SUSTAINABILITY

i. To report to the Board on the 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)** Submit to the Board the initiatives and proposals it deems appropriate and provide information on proposals submitted to the Board and information that the company releases to shareholders annually regarding these issues.
- b)** Monitor compliance with the rules of corporate governance of the Company, periodically assessing the adequacy of the Company's system of corporate governance, in order to fulfil its mission of promoting

the corporate interest, and consider, as appropriate, the legitimate interests of other stakeholders.

- c)** Oversee the application of the general policy for reporting economic-financial, non-financial and corporate information, as well as reporting to shareholders and investors, proxy advisers and other stakeholders. Oversight of the way in which the Company communicates with and relates to small and medium sized shareholders.
- d)** See to it that the Company's practices in environmental and social matters are aligned with the set strategy and policies.
- e)** To monitor 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 and targets in matters relative to shareholders, employees, customers, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human

rights and the prevention of illegal conducts.

- Methods or systems for monitoring compliance with policies, associated risks and their management.
- 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 these Regulations or the Internal Code of Conduct on matters relating to the securities markets on the part of Directors or other persons subject to those rules. In performing this duty, the Sustainability, Appointments and Remuneration Committee shall work in coordination with the Audit and Compliance Committee wherever appropriate.
- iii.** To prepare an annual Report on the Committee's activities, which will be published

on the Company's website sufficiently in advance of the Ordinary General Meeting.

- iv.** To ensure that any conflicts of interest do not impair the independence of external advisers to the Committee in connection with the performance of its duties.

2.6. OTHER COMPETENCIES

- 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 programmes to update Directors' knowledge.
- iii.** In performing and exercising its duties, the Sustainability, Appointments and Remuneration 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.
- iv.** 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, Appointments and Remuneration Committee in 2020

During 2020, the Sustainability, Appointments and Remuneration Committee conducted its activities in accordance with the standard procedures set out in the Draft Technical Guidelines on “Remuneration and best practices of the good governance code” of listed companies, dated June, 2020, strengthening its specialisation and independence

The Committee has been periodically informed of the Company’s policies and actions regarding sustainability and good corporate governance.

The most relevant activities conducted by the Sustainability, Appointments and Remuneration Committee in 2020 are summarised below.

GOOD CORPORATE GOVERNANCE ACTIVITIES CARRIED OUT BY THE COMMITTEE

ACTIVITIES REGARDING THE APPOINTMENT AND RE-ELECTION OF DIRECTORS

At its meeting on May 22, 2020, the Committee approved the Report prepared by the Committee, for the purposes of Articles 529 decies and 529 quinquies of the consolidated text of the Corporate Enterprises Act, for the ratification, appointment or re-election of directors, which was made available to shareholders at the time the meeting was called. This report did not highlight any incidents or deviations in regard to the appointment process.

ACTIVITIES REGARDING THE REMUNERATION FOR DIRECTORS AND MEMBERS OF THE MANAGEMENT COMMITTEE

At its meeting on February 17, 2020, the Committee assessed the degree of achievement of the

company’s objectives established for 2019 for the purpose of determining the annual variable remuneration for the Executive Directors and members of the Management Committee. Based on the degree of compliance achieved, the Committee approved the annual variable remuneration for the members of the Management Committee for 2019. It reported on its proposal for the annual variable remuneration of the executive directors to the Board for the 2019 financial year, which was approved at its meeting of February 17, 2020. At its meeting on March 3, the Committee examined the Company’s goals for 2020 for the purpose of determining variable remuneration, and reached a consensus on the alignment of these goals with the four strategic axes.

As a result of the health crisis, the Committee agreed to subsequently submit to the Board

a definitive proposal of goals that would also include an objective associated with management of the COVID-19 situation at Enagás.

At the meeting held on February 17, 2020 the Committee reported favourably on the Annual Remuneration Report for 2019, which was approved by the General Meeting on June 30, 2020.

On May 19, 2020, given the supervening circumstances of COVID-19, the Committee decided to maintain the fixed remuneration corresponding to 2020 for the Executive Directors and members of the Management Committee of the Company and group of companies.

In May 2020, the Sustainability, Appointments and Remuneration Committee prepared a report in accordance with Article 529 novodecies of the Corporate Enterprises Act and Article 36 of the Company's Articles of Association, to amend the Directors' Remuneration Policy for the financial years 2019-2021.

The modification formulated by the Committee was reduced to increasing the maximum overall amount of remuneration, in order to accommodate the increase in the number of directors and

members of the committees, and no amendment was made to the annual remuneration foreseen for each director, based on the positions they hold and their attendance at meetings of the Board and its Committees.

This proposal was approved by the Board of Directors on May 22, 2020, and made available to shareholders at the time of the call to the meeting and was finally approved at the General Shareholders' Meeting on June 30, 2020. On September 28, 2020, the Committee approved the goals for 2020, incorporating "COVID-19 crisis management" as an additional goal and attaching greater importance to the objectives of sustainability and digital transformation. The COVID-19 crisis management objective is aimed at guaranteeing the health and safety of its professionals, the security of infrastructures, the security of supply and the contribution through support initiatives to our stakeholders in order to mitigate the effects of the pandemic.

In order to have the necessary information on the market and investors' view of the goals in a context of a global pandemic by COVID-19, the support of an independent external party was provided.

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, Appointments and Remuneration Committee, the Committee must conduct an annual assessment of the operation of its Committees and, based on its outcome, put forward an action plan to correct detected needs for improvement.

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

The assessment for 2019 consisted on the completion of a confidential and anonymous questionnaire and personal interviews with specific members of the Board of Directors, namely the Chief Executive Officer, Committee Chairs and the Independent Leading Director.

The assessment process focused on the following areas:

- Structure and composition of the Board of Directors and its Committees.

- Operation of and debate by the Board and its Committees.
- Leadership and performance.
- Personal contribution and alignment of the Board.
- Evolution and comparison.
- Free opinion.

On February 17, 2020, the Committee reviewed the conclusions of the 2019 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. From the conclusions drawn, the following stand out as strengths: the composition and structure of the Board and both Committees, the good climate and level of functioning of the Board and Committees, highlighting the high level of debate and transparency in the holding of their meetings, and the proactivity of the members in expressing their opinions independently.

Likewise, the improvement in time management and discussion of priority issues, positive

assessment of the training plans, and the opinion of their appropriateness and scheduling are also highlighted. Aspects of improvement are included with regard to the delimitation of the contents of the Committees and the Board of Directors, alignment of the Board in relation to some areas such as diversity and specialisation in some matters.

On the same day, the Committee informed the Board of Directors of the results of the assessment for the 2019 financial year. In relation to the evaluation conducted at the beginning of 2021 corresponding to the 2020 financial year, it has been shown that the Board and both Committees perform their functions in accordance with the best practices of corporate governance, and there were no changes in their internal organisation or operating procedures.

SUSTAINABILITY ACTIVITIES CARRIED OUT BY THE COMMITTEE

ACTIVITIES RELATING TO TRANSPARENCY IN NON-FINANCIAL REPORTING

On February 16, 2020, the Committee reported favourably to the Board of Directors on the draft of the Annual Corporate Governance Report that was

delivered as a material event at the convening of the General Shareholders' Meeting held on June 30, 2020.

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 RELATING TO CLIMATE ACTION AND THE ENVIRONMENT

The Committee has reviewed the Sustainability Strategy, approving actions to strengthen the company's commitments to climate action, by setting long-term targets for reducing greenhouse gas emissions and achieving carbon neutrality, in line with the European decarbonisation strategy. Energy efficiency and emission reduction measures were also presented, which will enable carbon neutrality to be achieved.

In addition, and within the environmental aspect, the Committee was informed of progress on natural capital and biodiversity management,

as key areas related to the origin and aggravation of the health effects of COVID-19.

ACTIVITIES RELATING TO PEOPLE AND DIVERSITY MANAGEMENT

In relation to the strategic sustainability driver “Commitment to people”, the Committee evaluated the different actions carried out in response to the needs of our main stakeholders, with the aim of mitigating the effects that the COVID-19 crisis could have on society, especially on the most vulnerable sectors of society.

The Committee evaluated the progress of the Diversity and Inclusion Project with a specific focus on gender diversity and fair pay.

ACTIVITIES RELATING TO THE COMPANY’S POSITIONING IN TERMS OF SUSTAINABILITY

The Committee was informed of the new developments in the 2020 Dow Jones Sustainability Index assessment, in terms of the change of sector in the categorisation of Enagás, as well as the conclusions of the benchmarking report.

Following the publication of the results of the index, the Committee also reviewed the results

obtained by Enagás, including an analysis of strengths and areas for improvement.

The Committee has been informed of the results obtained by Enagás in the other sustainability indices in which it is present, as well as the results of the sustainability assessments carried out by the sustainability rating agencies that regularly assess Enagás in this area.

In relation to the communication of both Enagás’ position and the company’s sustainability actions, the Committee assessed the company’s strategic lines of communication, proposing a series of actions to work on during the year.

OTHER GOOD CORPORATE GOVERNANCE AND SUSTAINABILITY ACTIVITIES CARRIED OUT

On February 17, 2020, the Committee approved the Annual Activity Report of the Committee for 2019, and reported to the Board on the same date. This report was made available to shareholders at the ordinary General Meeting. Likewise, on December 21, 2020, the Committee was informed of the update of the Regulations governing the activity of the Sustainability, Appointments and Remuneration

Committee, as well as the Regulations of the Board of Directors, in order to adapt them to the recommendations included in the revision of the Good Governance Code of Listed Companies in June 2020. These Regulations were subsequently approved by the Board of Directors.

The Committee was informed of the progress made in relation to the certification of the 2020 General Shareholders’ Meeting according to the event sustainability management systems ISO20121, a certification obtained after it was held in June 2020.

4 Progress made during 2020 and outlook for 2021

The Committee has made progress in its performance during financial year 2020, in accordance with best practices

In 2020, the Committee held briefings and training sessions on the following subjects:

- Ideas and measures aimed at strengthening the leadership position in the areas of Employees, Environmental, Social and Governance (EESG) in accordance with best practices. Briefing by an independent consultant.
- Monitoring of energy market trends in the face of the COVID-19 pandemic, including both the domestic market and the situation in the USA, Europe, Latin America and other markets.

- Impact of COVID-19 on the reformulation of goals in other societies.
- Trends in sustainability. Briefing by an independent consultant.
- Enagás Security Management Model, including a training pill on cybersecurity awareness.

During 2021, we will continue to work in a transversal and coordinated manner with the company's different divisions, with the objective of maintaining our leadership position in sustainability.

5 Conclusions

As reflected in this report, during the course of financial year 2020, the Sustainability, Appointments and Remuneration 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, Appointments and Remuneration Committee on February 22, 2021 and approved by the Board of Directors on February 22, 2021.

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

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