



*VERSION MARKING CHANGES FROM THE CURRENT POLICY. A CLEAN CONSOLIDATED TEXT IS ATTACHED AS AN APPENDIX*

**CONSOLIDATED TEXT OF THEB DIRECTORS' REMUNERATION POLICY FOR 2019, 2020 AND 2021, WHICH IS SUBMITTED FOR APPROVAL BY THE GENERAL SHAREHOLDERS' MEETING AS ITEM 10 ON THE AGENDA FOR THE PURPOSES OF ARTICLE 529 NOVODECIES OF THE CORPORATE ENTERPRISES ACT AND ARTICLE 36 OF THE ARTICLES OF ASSOCIATION.**

At its meeting on February 22, 2019, the Board of Directors (hereinafter, the "**Board**") of Enagás, S.A. (hereinafter, "**Enagás**" or the "**Company**") resolved to submit for approval by the General Shareholders' Meeting (hereinafter, the "Meeting"), for the purposes envisaged in article 529 novodecies of the Corporate Enterprises Act, approved by Legislative Royal Decree 1/2010 of July 2 (hereinafter, the "**Corporate Enterprises Act**"), and article 36 of the Articles of Association (hereinafter, the "**Articles of Association**"), the proposed "Director's remuneration policy for 2019, 2020 and 2021" (hereinafter, the "**Policy**") described in this document.

The Policy was proposed to the Board by the Appointments, Remuneration and Corporate Social Responsibility Committee (hereinafter, the "**CNR**"). The CNR held specific meetings for such purpose on January 11, 2019, January 21, 2019, January 23, 2019, January 31, 2019, February 5, 2019, February 11, 2019, February 14, 2019 and February 22, 2019. The Committee approved the proposal at the latter meeting, pursuant to Article 529 quindecies of the Corporate Enterprises Act and Article 45 of the Articles of Association.

Subsequently, the Board, at its meeting on May 25, 2020, agreed to submit a proposal for the amendment of the Policy for approval by the General Shareholders' Meeting scheduled for June 30, 2020, as item 10 on the Agenda. This amendment of the Policy was proposed to the Board by the CNR at its meeting on May 22, 2020.

The amendment of the Policy proposed by the CNR to the Board and presented by the Board to the Meeting for approval as item 10 on the Agenda is reduced, exclusively, to taking into consideration the resolutions previously submitted for approval by the Meeting regarding the increase in the number of directors and the new number of members of the CNR and the Audit and Compliance Committee.

The CNR hired independent external advisory firm Willis Towers Watson, which analysed the current remuneration positioning of the company's directors and managers and submitted several options on how to update this positioning. The Committee also hired Garrigues, which provided advice about the legal factors of this policy.

The Committee drafted the specific report referred to in article 529 novodecies of the Spanish Corporate Enterprises Act and was made available to shareholders in the way envisaged therein.

For the purposes envisaged in article 529 septedecies of the Spanish Corporate Enterprises Act, the policy submitted for the Shareholders' Meeting's approval includes the maximum annual remuneration amount to be paid to all the directors in their status as such during the years in which the policy is applied.

Likewise, for the purposes envisaged in article 529 octodecies of the Corporate Enterprises Act, the policy approved by the Shareholders' Meeting's approval includes,

regarding the directors with executive functions, the amount of the fixed annual remuneration and the variation therein in the period, the different parameters for setting the variable components and the main conditions of directors' contracts and, in particular, the length of their contracts, compensation for early removal or termination of the contractual relationship, and exclusivity, post-contractual non-competition and seniority or loyalty arrangements.

This document describes the regulatory framework, the good governance recommendations and the voting criteria for institutional shareholders and proxy advisers which have established the criteria for the content of this Policy.

## **I. REGULATORY FRAMEWORK, GOOD GOVERNANCE RECOMMENDATIONS AND VOTING CRITERIA FOR INSTITUTIONAL INVESTORS AND PROXY ADVISERS.**

### **A) CORPORATE ENTERPRISES ACT**

#### ***“Article 529 sexdecies. Necessarily remunerated.***

*Unless otherwise stipulated in the Articles of association, the role of director of a listed company shall, by necessity, be remunerated.”*

#### ***“Article 529 septdecies. Remuneration of Directors in their capacity as such due to their membership on the Board.-***

*1. The directors' remuneration policy shall determine the directors' remuneration for their position as such, within the remuneration system foreseen in the Articles of association and must include by necessity, the maximum amount of annual remuneration to satisfy all directors in that condition.*

*2. The board of directors shall be responsible for determining the remuneration of each director as such. It shall take into account the duties and responsibilities attributed to each director, membership of board committees and any other objective circumstances it considers relevant”.*

#### ***“Article 529 octodecies. Remuneration of directors for performing executive duties.***

*1. Remuneration of directors for fulfilling the executive duties foreseen in the approved contracts, pursuant to the provisions of article 249, shall be adjusted to the directors' remuneration policy, which, by necessity, must include the sum of fixed annual remuneration and variations thereof, during the period to which the policy refers; the different parameters for fixing variable components and the main terms and conditions of their contracts, paying particular attention to their duration, compensation for early severance or termination of the contractual relationship and exclusivity, post-contractual non-competence, permanence and loyalty pacts.*

*2. The board of directors is responsible for fixing directors' remuneration for performing their executive duties and for the terms and conditions of their contracts with the company, in accordance with the provisions of article 249.3 and the directors' remuneration policy, approved by the general meeting.*

#### ***“Article 529 novodecies. I) Explain the policy on directors' remuneration.***

*1. The Directors remuneration policy will be adjusted to the remuneration system provided for in the Articles of Association and will be approved by the General Shareholders' Meeting at least every three years as a separate item on the Agenda.*

*2. The proposal for the remuneration policy of the Board of Directors shall state the*

reasons on which it is based and shall be accompanied by a specific report from the Appointments and Remuneration Committee. Both documents shall be placed at the disposal of the shareholders through the company website, from the time of the call to convene the general meeting. Shareholders may also request that it be delivered or sent, free of charge. The Notice of the General Shareholders Meeting shall mention this right.

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

4. In the event that the annual report on directors' remuneration is rejected by consultive vote in the ordinary general meeting, the remuneration policy applicable to the following year must be submitted for the approval of the general meeting prior to application, even if the aforementioned three year term has not elapsed. Exceptions are made for cases in which the remuneration policy was approved at the same Ordinary General Shareholders' Meeting.

5. Any remuneration paid to directors for holding or being removed from their positions and for performing executive functions must be consistent with the director remuneration policy in effect at any given time, except for any remuneration expressly approved by the General Shareholders' Meeting.

**"Article 217. Directors' remuneration.**

(...)

4. The directors' remuneration must invariably be in reasonable proportion to the importance of the company, its current economic situation and the market standards of its peers. The established remuneration system must be designed to promote the long term profitability and sustainability of the company and incorporate the necessary precautions to avoid excessive risk-taking or rewarding unfavourable results."

**"Article 219. Remuneration linked to the company's shares.**

1. In joint stock companies, when the remuneration system for directors includes the awarding of shares, share options or remuneration linked to the value of shares, said system must be explicitly mentioned in the company Articles of association and application of such provisions shall require an agreement by the shareholders' general meeting.

2. The resolution of the General Shareholders' Meeting must include the maximum number of shares that may be allocated each year to this remuneration system, the exercise price or the system for calculating the exercise price of the share options, the value of the shares taken as a reference, if any, and the duration of the plan".

**"Article 511 bis. Additional competencies.**

1. In listed companies, the General Meeting has competency for the following matters, in addition to those recognised in article 160:

c) The directors' remuneration policy under the terms established in this law".

**B) ARTICLES OF ASSOCIATION**

**"ARTICLE 18°. GENERAL SHAREHOLDERS' MEETING**

The shareholders, when constituted as a duly summoned General Meeting, shall by the majority of votes provided for in Spanish law decide upon the matters that fall within the powers of the General Meeting.

The General Meeting is responsible for addressing and agreeing upon the

following issues:

.... I) Policy on directors' remuneration."

### **"ARTICLE 36.- REMUNERATION OF THE BOARD OF DIRECTORS.**

*The position of Director shall be remunerated.*

*The General Shareholders' Meeting shall determine the total maximum remuneration to be paid to Members of the Board of Directors in their capacity as such. Said remuneration shall comprise a cash sum payable on an annual basis or in respect of such period as the General Meeting may determine, a fee for each Board of Directors meeting a Director actually attends, a fee for sitting on the Committees of the Board of Directors, and another for acting as Chairman of same, and in the case of the Independent Leading Director, a supplementary amount in remuneration of said function. The Board of Directors shall decide how the remuneration is divided as per the different remuneration items, taking into account the functions and responsibilities attributed to each Director.*

*Directors may receive additional remuneration in the form of company shares, share options or other securities that enable the holder to obtain shares, or through other remuneration systems based on the price of the shares quoted on a public exchange. The implementation of said systems shall be presented to the General Meeting for approval, and the Meeting shall determine the maximum number of shares that may be allocated to this remuneration system in each financial year, or the system for calculating the price for the exercise of option rights, the reference value of the shares applied, if applicable, and the term of duration of the scheme.*

*Directors who have executive functions in the Company, whatever the nature of their legal relationship with the Company, will also be entitled to receive remuneration for the performance of these functions, which must be set forth in a contract between the Director and the Company, which shall consist of: (i) a fixed remuneration, in cash and in specie, commensurate with the services rendered and responsibilities assumed; if applicable (ii) a variable remuneration short-term and long-term and the general system of incentives established for the Company's Senior Management, which might comprise the delivery of shares, or the entitlement to options on same, or remuneration based on the value of the shares, subject to the requirements set forth in the prevailing legislation at any given time; (iii) a benefits component to include appropriate pension and insurance schemes and social security benefits; as well as, if applicable (iv) a consideration for a post-contractual covenant not to compete. The Director will be entitled to compensation if he/she were asked to step down but it was not due to the discharging of duties.*

*Directors shall be entitled to the payment or reimbursement of expenses incurred as a result of attendance at meetings and other tasks directly related to the performance of their duties, such as travel, accommodation, meals and any other which may arise.*

*The Company may take out civil liability insurance for Directors and Managers.*

*The policy for Directors' remuneration shall be in keeping with the remuneration system provided for herein, and shall be approved by the General Shareholders' Meeting at least every three years as a separate item on the Agenda.*

*Directors' remuneration shall be disclosed in the legally established terms, in the Notes to the Annual Accounts, in the Annual Corporate Governance Report and in the Annual Report on Directors' Remuneration. The latter report shall be submitted to an advisory vote as a specific item on the Agenda of the Ordinary General Meeting.*

*In the event that the Annual Report on Directors' Remuneration is rejected by consultive vote in the Ordinary General Meeting, the remuneration policy applicable to the following year must be submitted for the approval of the general meeting prior to application, even if the aforementioned three year term has not elapsed. Exceptions are made for cases in which the remuneration policy was approved at the same Ordinary General Shareholders'*

Meeting”.

**C) REGULATIONS OF THE GENERAL MEETING AND REGULATIONS OF THE BOARD OF DIRECTORS.**

Both the Rules and Regulations of the General Meeting and the Regulations of the Board of Directors of Enagás include provisions correlative to the transcribed legal and bylaw ones in relation to the remuneration of the Company's directors and managers and the functions of the General Meeting and Board regarding such issues.

The Regulations of the Board of Directors state the following regarding the directors' remuneration:

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

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

*Director remuneration should be sufficient to attract and retain individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of Non-Executive Directors.*

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

*The remuneration of Directors for performing the executive functions provided for in contracts approved in accordance with the provisions of article 19.bis of these Regulations conform to the director remuneration policy, which must necessarily set forth the amount of the fixed annual payment and the variation therein in the period covered by the policy, the different parameters for setting the variable components and the main conditions of directors' contracts, and, in particular, the length of their contracts, compensation for early removal or termination of the contractual relationship, and exclusivity, post-contractual non-competition and seniority or loyalty arrangements.*

*The Board of Directors shall determine the remuneration of Directors for the discharging of executive duties and the terms and conditions of their contracts with the Company in accordance with the provisions of Article 19.bis of these Regulations and with the Directors' remuneration policy approved by the General Meeting.*

*The Appointments, Remuneration and Corporate Social Responsibility Committee shall establish the criteria for the remuneration of the Company's Directors, within the provisions of the Articles of Association and in accordance with what is indicated by the General Meeting. The Board of Directors is responsible for the definitive distribution of the global sum, within the limits established in the Articles of Association for this purpose and in accordance with the Directors' remuneration policy approved by the General Meeting, taking into consideration the duties and responsibilities attributed to each Director.*

*The Directors' remuneration policy will be adjusted to the remuneration system provided for in the Articles of Association and will be approved by the General Shareholders' Meeting at least every three years as a separate item on the Agenda.*

*The proposal for the remuneration policy of the Board of Directors shall be reasoned, and shall be accompanied by a specific report from the Appointments, Remuneration and Corporate Social Responsibility Committee. Both documents shall be placed at the disposal of the shareholders through the company website, from the time of the call to*

convene the general meeting. Shareholders may also request that it be delivered or sent, free of charge. The notice of the General Meeting shall mention this right.

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

2. The Directors' remuneration will be transparent. For this purpose:

- The Notes, as an integral part of the Annual Accounts, will contain detailed itemised information on the remuneration received by each of the members of the Board of Directors, in their capacity as such, as well as the remuneration for the discharging of Senior Management duties by the Executive Directors.
- The Appointments, Remuneration and Corporate Social Responsibility Committee shall submit the proposal for an Annual Report on Directors' Remuneration to the Board of Directors. This Report will contain complete, clear and comprehensible information on the Company's remuneration policy approved by the Board for the current year. It shall also include a global summary of how the remuneration policy was applied during the financial year, as well as a breakdown of the individual remuneration accrued by each of the Directors. The Annual Report on Director Remuneration, once approved by the Board, shall be distributed and submitted to an advisory vote, as a separate item on the Agenda, of the Ordinary General Shareholders' Meeting. In the event that the Annual Report on Directors' Remuneration is rejected by consultative vote in the Ordinary General Meeting, the remuneration policy applicable to the following year must be submitted for the approval of the general meeting prior to application, even if the aforementioned three year term has not elapsed. Exceptions are made for cases in which the remuneration policy was approved at the same Ordinary General Shareholders' Meeting.

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

#### **D) RECOMMENDATIONS OF THE GOOD GOVERNANCE CODE OF THE CNMV.**

The Good Governance Code of the National Securities Market Commission (hereinafter the "CNMV") of February 2015 sets forth a series of recommendations, under the "comply or explain" principle, in relation to directors' remuneration.

##### **Recommendation 56**

Directors' remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

##### **Recommendation 57**

Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition."

##### **Recommendation 58**

*In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.*

*In particular, variable remuneration items should meet the following conditions:*

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.*
- b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.*
- c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events."*

**Recommendation 59**

*A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.*

**Recommendation 60**

*Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.*

**Recommendation 61**

*A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price."*

**Recommendation 62**

*Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition."*

**Recommendation 63**

*Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated."*

**Recommendation 64**

*Termination payments should not exceed a fixed amount equivalent to two years of the Director's total annual remuneration and should not be paid until the company confirms that said Director has met the predetermined performance criteria.*

**E) VOTING CRITERIA FOR INSTITUTIONAL INVESTORS AND THEIR PROXY ADVISERS.**

International institutional investors which, in the case of Enagás, account for a very large percentage of shareholders, and the proxy advisors tend to link their favourable vote to the remuneration proposals at the General Meetings to the fact that the issuer's remuneration policy must meet certain requirements, namely:

- Absolute transparency with regard to the remuneration received and to be received in the future, both in terms of the amount and the procedures for determining it. Submission of this remuneration policy to the shareholders for their approval.
- Remuneration structure that includes fixed and variable components. There is a great deal of insistence in that the remuneration items must include multi-year or long-term remuneration incentives, in addition to the annual sums.
- These long-term compensation incentives must refer to multi-year objectives for a period of at least three years and be satisfied in Company shares, and the executive must agree to maintain them for a period of at least two years before they can be sold. This is aimed at aligning the interests of the Company managers with those of the shareholders and establishing management retention mechanisms in the Company's interests.
- Such long-term incentives must be subject to clawback clauses in the event that, subsequently, it is accredited that the stated targets have not been met.

## II. ENAGÁS DIRECTORS' REMUNERATION POLICY FOR 2019, 2020 AND 2021.

[The essential purpose of this document is to present to the General Shareholders' Meeting for its approval, for the purposes of Article 529 novodecies of the Corporate Enterprises Act, the proposal of the "Directors' remuneration policy for 2019, 2020 and 2021", with the amendments presented by the Board of Directors for approval by the Ordinary General Meeting in 2020.](#)

The Policy for the period 2019-2021 is intended to maintain **things as they stand** and therefore maintains the fundamental premises on which the previous Policy approved for the 2016-2018 period was based.

The first premise of this Policy is the commitment made by the Board to shareholders at the Ordinary General Meeting held in 2015 to introduce a Long-Term Incentive (ILP) in the remuneration structure of Executive Directors, which will also be applicable to the Company's management team, and which complies with recommendations 56 to 64 of the CNMV's Good Governance Code and with the most generally accepted criteria regarding these types of remuneration.

The second premise considered in this Policy is the obligation of the Appointments and Remuneration Committee and the Board to maintain a remuneration policy that is suitable, in structure and amount, for achieving the objectives of the Company's Strategic Plan, promoting the creation of value for shareholders, compensating capacity and effort proportionally and retaining the talent that the Company needs. These must be in accordance with general market conditions with respect to the Company's peers and its performance at all times.

To this end, a new analysis has been carried out on the adequacy of the Directors' remuneration compared with the average for the Company's peers. The suitable benchmark companies selected were other Ibex35 Spanish energy companies (**Acciona, Endesa, Iberdrola, Naturgy, REE, Repsol and Siemens Gamesa**). For these purposes, the latest known public data, for **financial year 2018**, were used. The analysis was conducted with regard to the remuneration of the Directors in their capacity as such, the remuneration of the Executive Directors and the remuneration of the members of the Management Committee and other Company managers. The CNR had advice from the Company Management and hired independent external advisory firm Willis Towers Watson, which analysed the current remuneration positioning of the Company's directors and managers and submitted several options on how to update this positioning. The Committee also hired Garrigues, which provided advice about the legal factors of this policy.



In particular, the Committee has also taken into account the previous Remuneration Policy and Long-Term Incentive, which were widely accepted by shareholders at the General Shareholders' Meeting on March 18, 2016, and now proposes to this Board a continuation of the Policy of Remunerations and Long-term Incentive with respect to those of 2016.

Technical improvements have been introduced that, to a large extent, seek to capture the concerns of international institutional investors and their proxy advisors with whom the Company maintains a policy of continuous engagement, given the broad percentage that this represents on the company's shareholding body.

From a quantitative point of view, the proposed Policy is very prudent.

The results of this analysis for each group, as well as the proposed remuneration positioning, are included in sections B), C) and E).

#### **A) LONG-TERM INCENTIVE AS PART OF THE EXECUTIVE DIRECTORS' REMUNERATION POLICY FOR THE 2019-2021 PERIOD.**

The 2016-2018 Policy included a Long-Term Incentive as part of the Executive Director Compensation Policy (also applicable to members of the Management Committee and the rest of the Company's management team). That Policy stated that the Long-Term Incentive should be maintained as part of the Company's remuneration structure and in successive compensation policies submitted to the Board for approval.

Under this Policy, which, as indicated in the previous section, is aimed at maintaining the status quo, it is recommended that a new Long-Term Incentive be applied for the 2019-2021 period, with the following general conditions:

The structure and content of the ILP 2019-2021 also provide continuity with the previous ILP, although a series of **improvements** aligned with the recommendations of corporate governance and proxy advisors have been included:

- Increase in the use of shares as a form of payment.
- Establishment of a deferral period of one year in the delivery of 50% of the incentive.
- Requirement for all beneficiaries to hold shares until the end of the fifth year, so that the total duration of the plan is 5 years.
- Increase in the relative importance of the Total Shareholder Return metric, so that in the future the potential effects of large investment projects, such as the recent GSP, will be more clearly captured.

Although the main general conditions of ILP 2019-2021 are included below, the detail of the scope of this plan is set out in the document "**Draft Agreement of the General Meeting on Approval of the Long Term Incentive Plan 2019-2021**", as set forth in item 8 of the Agenda of the General Shareholders' Meeting, as well as in the Regulations of the Plan (hereinafter, the "**Regulations**").

The **general conditions** of the ILP 2019-2021 are as follows:

##### **Targets.**

- To boost the sustainable achievement of objectives contemplated in the company's Strategic Plan.
- Provide the opportunity of sharing the creation of value by the participants.
- To enhance the sense of pertaining to the company and a common destiny.

- Be competitive.
- Be aligned with the requirements of the institutional investors and proxy advisers and with the best good corporate governance practices, particularly those based on the recommendations of the Good Governance Code of the CNMV.

**Eligibility.**

- Executive Directors (Executive Chairman and Chief Executive Officer).
- The nine members of the Management Committee.
- The rest of the executive directors.
- In all, 48 beneficiaries (hereinafter, the "**Beneficiaries**"), notwithstanding new members and ceasing members as per the terms set forth in the Regulations. The Board of Directors, upon a proposal from the CNR, may agree to the inclusion of new beneficiaries.

**Type of Plan:**

- A Plan for the 2019-2021 period with a three-year target measurement period.
- The Plan envisages delivering shares and cash linked to the Strategic Plan's objectives.
- A minimum reference has been established for settlement in the form of shares for each segment (100% for Executive Directors, 80% for the Management Committee and 60% for General Managers).

**Duration.**

A period of 3 years for permanence and to measure objectives.

**Period of settlement and retention of shares.**

At the end of the target measurement period, the 1st Payment Date, consisting of the immediate payment of 50% of the shares, will take place within 30 days following the approval of the 2021 Annual Accounts Statements by the General Shareholders' Meeting. This 50% would apply to the assets part of the incentive as well as the cash part of the incentive.

The 2nd Payment Date (50% deferred) will take place on the first anniversary of the 1st Payment Date.

This 1-year deferral will apply to the entire incentive (both the shares and the cash).

Additionally, the beneficiaries will have the right to receive, in the form of shares, any dividends that they would have received during the deferral period (1 year) if they had owned the shares.

Beneficiaries shall be obliged to maintain the shares received, net of tax, at the time of settlement of the Plan (mid 2022) for two (2) years those received on the 1st Payment Date and one (1) year those received on the 2nd Payment Date. We will call this period retention period.

The beneficiaries will have the right to receive, in the form of shares, the dividends generated during the deferment period as they are owners of the shares until the settlement date.

**Terms and conditions for receiving the Incentive.**

The Incentive will be received according to the degree of fulfilment of four different

objectives aligned with the Enagás Strategic Plan and with the expectations expressed by the institutional investors and proxy advisers:

- Objective 1. The relative total shareholder return (hereinafter, "**TSR**"). To ensure appropriate, competitive shareholder remuneration. It takes into account share performance and the dividend policy.

The Objective will have two components: The Absolute RTA and the Relative RTA with a relative importance of 15% each, giving a more relevant weight to the effect of significant projects (e.g.: GSP).

The absolute TSR is measured as the acquisition of a target share price in 2021. The target price has been established by investing estimated share dividends and is based on profitability and market parameters.

It is measured relatively in comparison with a group of fifteen companies (REE, SNAM, TERNA, NATIONAL GRID, REN, IBERDROLA, GAS NATURAL FENOSA, ENEL, RWE, E.ON, ENGIE, CÉNTRICA, UNITED UTILITIES, SEVERN TRENT, PENNON GROUP).

- Objective 2. Funds for Operations (hereinafter, "FFO"). This shows the financial soundness and net profit growth, which are the cornerstones of the Strategic Plan. This takes into account both the EBITDA of the regulated business and the dividends received from the subsidiaries that are not controlled by Enagás. It is a benchmark indicator for investors. By meeting this objective, the company's projections for the Group's dividend pay-out, investment and debt redemption are met. It accounts for 25% of the total objectives.
- Objective 3. Accumulated cash flow received from affiliates (hereinafter, the "Dividend"). This shows the focus on international growth and a realistic and profitable investment plan as the cornerstones of the Strategic Plan. It measures the profitability of the international business compared with the annual remuneration objective which measures the year's international investment volume. It accounts for 35% of the total objectives.
- Objective 4. (hereinafter, "**Sustainability Plan**"). It reflects the company's commitment to creating long-term value responsibly in the social and environmental backdrop. The objective will consist of 3 indicators:

- a) Average reduction of CO<sub>2</sub> emissions in the period 2019-2021 vs. 2018
- b) Increase in the percentage of women on the Board, in management team and in the staff.
- c) Investment associated with the increased presence of renewable gases in the energy mix.

It accounts for 10% of the total objectives.

Given that the Hydrocarbons Sector Act 34/1998, of October 7, attributes to Enagás the transmission activities and Technical Management of the Gas System, which must be carried out independently through its subsidiaries Enagás Transporte S.A.U. and Enagás GTS, S.A.U., in accordance with the principles of independence from other Company activities, for the Beneficiaries of the Plan who occupy related positions in the Technical Management of the System and Infrastructure, it is proposed to use three targets (60% FFO, 30% relative TSR and 10% Sustainability Plan) given that they do not have the capacity to influence the dividend targets in the international activity.

The Board of Directors, at the behest of the Appointments and Remuneration Committee, reserves the right to modify the parameters established in the event of certain exceptional circumstances, to make them more adequate for new business circumstances, in which case they will ensure that the impact on the Plan is neutral.

Reception of the Incentive depends on the Beneficiary remaining with the Enagás Group until the date of Plan settlement, except under the special circumstances explained in the Plan regulations.

### **Achievement scales**

An achievement scale is established for each goal with:

- A minimum achievement level, below which no remuneration is paid.
- A 100% achievement level, for which 100% of the initial target remuneration is paid.
- A maximum total incentive which cannot be higher than 125% of the initial target.
- Intermediate levels are calculated using linear interpolation.
- In the case of the Absolute TSR, failure to comply with the objective cannot be offset, so the maximum total incentive would change from 125% to 85% on Performance Shares and the target Incentive in cash assigned to Beneficiaries. This restriction is due to the greater importance to be granted to this indicator in the overall assessment of objectives, as reflected in the improvements that were previously presented for this ILP (importance of significant projects, such as: GSP).

### **Incentive level**

It is proposed that the Incentive be expressed as a percentage of the fixed remuneration or the number of times of the fixed remuneration, so that it can be segmented by managerial level. The annualised Incentive in the 100% attainment level scenario would be as follows:

- Executive directors, 50% of fixed annual remuneration in 2019.
- Management Committee, 45% of fixed annual remuneration in 2019.
- General Managers, 30% of fixed annual remuneration in 2019.

### **Clawback clauses.**

If certain circumstances occur which show, at a later date, that targets have not in fact been met, then the Board may, if suggested by the Committee, claim back part or all of the Incentive paid. These clauses will apply to all Beneficiaries and will have an application period of two years starting from the date of each of the payment dates.

Specifically, and among other circumstances, the return of the Incentive delivered may be required in the following cases:

- If the Company's financial statements have to be restated for a reason other than the modification of the applicable accounting standards.
- Penalty to the Beneficiary for a serious breach of the code of conduct and other applicable internal regulations.
- When the Incentive has been totally or partially settled and paid based on information which is subsequently clearly proven to be false or seriously inaccurate.
- Other circumstances not foreseen or assumed by the Company that have a material negative effect on the income statements of any of the years of the "clawback" period.

### **Malus clauses.**

Malus clauses are included to allow for partial or total cancellation of deferred amounts

pending payment. The deferral period will be one (1) year for 50% of the unpaid Incentive, with the causes of application being the same as those referred to in the previous section for the return clauses.

### **Accounting cost.**

The maximum consumption of capital has been estimated for a scenario in which all Plan targets are met. The arithmetic average price rounded off to the second decimal place of the closing prices of the Enagás share of the session of December 31, 2018 and of the 20 sessions prior to and 20 sessions after that date has been used. The maximum number of shares to be delivered through the Plan to all the Beneficiaries is estimated to be 501,946.

The Plan's maximum annualised capital consumption is 0.07%. The maximum annualised consumption of the Ibex35 is 0.23%. The maximum consumption recommended by investors and their proxy advisors is 0.5%.

Likewise, an average increase has also been estimated for the Beneficiaries, in line with what is established in the following sections.

### **Authorisation to implement the action plan.**

Irrespective of the description of the Long-Term Incentive above, the Board submits to the General Shareholders' Meeting -as item 8 of the Agenda- in accordance with article 219 of the Corporate Enterprises Act, an express agreement for the approval of the Long-Term Incentive inasmuch as it includes the delivery of shares. This agreement includes the maximum number of shares that may be allocated in each year by this remuneration system, the value of the shares that may be taken as a reference, the term of the Plan and other characteristics of the Plan.

### **Plan Regulation.**

A Plan Regulation approved by the Board, at the behest of the Appointments and Remuneration Committee, will regulate the details of the implementation and execution of the Long Term Incentive.

### **Plan management and administration.**

At the proposal of the Appointments, Remuneration and Corporate Social Responsibility Committee, Enagás' Board of Directors will adopt, in each case, the appropriate resolutions so that the Plan can be correctly managed and administered.

## **B) REMUNERATION OF DIRECTORS FOR THEIR POSITION AS SUCH FROM 2019 TO 2021.**

This is the remuneration received for acting as members of the Board of Directors, and whose maximum annual amount must be included in this Policy and approved by the General Meeting, in accordance with article 529 sept of the Corporate Enterprises Act, article 36 of the Articles of Association and article 16 of the Board Regulations.

### **Analysis of current positioning.**

As described above, a new analysis has been conducted on the remuneration position of Directors in their capacity as such with respect to a group of benchmark companies which considered other Spanish Ibex35 energy companies (Acciona, Endesa, Iberdrola, Naturgy, REE, Repsol and Siemens Gamesa).

This analysis was conducted using criteria similar to those used in the definition of the

previous policy (2016-2018):

- The comparison benchmark used was 90% of the market median.
- This benchmark (90% of the market median in 2018) will be the maximum limit that the remuneration of the directors could reach after the three years of the policy (2019-2021).
- The positioning of the Directors with respect to this benchmark is the criterion that was considered to establish their proposed remuneration for the years 2019-2021.

In the case of Directors in their capacity as such, the analysis led to the following conclusions:

- The total remuneration of the Enagás Board for this item, which includes both the remuneration for attending the Board and the remuneration for sitting on the Committees, is aligned with the objective positioning below the benchmark (90% of the median by 2018) of the energy market under consideration.
- The second conclusion of the analysis is that the market remains stable compared to 2014 both in terms of amounts and structure (components).

### **Remuneration proposal for 2019, 2020 and 2021.**

- a) The 2016-2018 remuneration policy put forward a transition plan that entailed a gradual increase in remuneration in each of the years 2016-2018 with the aim of aligning the remuneration positioning of Enagás Directors as such to 90% of the 2014 median of the companies taken as reference.
- b) Since 2014 until the present day, the market has therefore remained stable and the remuneration of Enagás' directors as such remains in line with the objective positioning (90% of the median for 2018) of the energy market under consideration. For this reason, the proposal is to maintain the amounts received by Directors in 2018, with regard to the different elements of compensation, for 2019, 2020 and 2021, so that **there will be no increase in remuneration for directors in respect of such matters during the three years of this Policy.**

### **Individual remuneration for directors and maximum annual limit for directors' remuneration for this item**

As provided for under article 529 septdecies of the Corporate Enterprises Act and article 36 of the Articles of Association, the Board of Directors will pass a resolution determining how remuneration is divided for each remuneration item and for each one of the Directors, taking into account the duties and responsibilities attributed. Without prejudice to the resolutions adopted in this sense by the Board, at the proposal of the Appointments, Remuneration and Corporate Social Responsibility Committee, the Board understands that the allocation by item and the remuneration amount for each director will be that stated below. Nevertheless, the Board, in line with the stated provisions, can change, during the Policy's period, the amounts allocated to each item, without exceeding the maximum remuneration figure for the Board as a whole approved by the General Meeting in any case.

Individual Directors' Remuneration for 2019 according to their positions their attendance to Board meetings and their respective Committees shall be: (i) A fixed annual amount of 100,000 euros for Board membership; (ii) An annual variable amount of up to 30,000 euros, depending on attendance to Board meetings; (iii) A fixed annual amount for membership in Board Committees of 25,000 euros; (iv) A variable annual amount of up to 5,000 euros, depending on attendance to Committee meetings; (v) A fixed annual amount of 15,000 euros for serving as Chair of each Committee; (vi) A fixed annual amount of 15,000 euros for serving as Independent Leading Director. In order to

determine, in accordance with these individual remunerations, the maximum amount of remuneration of the entire Board for this item in 2019, 2020 and 2021 - which must be approved by the Meeting as part of this Policy in accordance with Article 529 septdecies of the Corporate Enterprises Act - it has considered: the maximum number of Directors determined by Article 35 of the Articles of Association, [which was fourteen in 2019 and increased to sixteen in 2020 following approval by the General Meeting](#), (ii) that there will be eleven ordinary meetings of the Board each year and four for each of the Committees and (iii) [the maximum number of members of the Committees, which was six for the Appointments, Remuneration and Corporate Social Responsibility Committee and five for the Audit and Compliance Committee in 2019 and increased to seven for both in 2020 following approval by the General Meeting](#). The resulting figures have been rounded up slightly.

Thus, the maximum amount of annual remuneration to be paid to all the Directors in that capacity, which is the amount proposed by the Board to the GSM for approval under Article 529 septdecies.1 of the Corporate Enterprises Act and Article 36 of the Articles of Association, is 2,241,000 euros for 2019, [and 2,600,000 -euros for 2020 and 2021.](#)

### **C) REMUNERATION OF EXECUTIVE DIRECTORS FOR THEIR POSITION AS SUCH FROM 2019 TO 2021.**

This is the remuneration to be received by the two Executive Directors (Executive Chairman and Chief Executive Officer) for discharging their executive duties and due to their contracts approved by the Board of Directors in accordance with the requirements established in article 249.3 of the Corporate Enterprises Act.

#### **Analysis of current positioning.**

As described above, a new analysis has been conducted on the remuneration position of Executive Directors with respect to a group of companies which considered other Spanish Ibx35 energy companies (Acciona, Endesa, Iberdrola, Naturgy, REE, Repsol and Siemens Gamesa).

This analysis was conducted using criteria similar to those used in the definition of the previous policy (2016-2018):

- The comparison benchmark used was 90% of the market median.
- This benchmark (90% of the market median in 2018) will be the maximum limit that the remuneration of the directors could reach after the three years of the policy (2019-2021).
- The positioning of the Directors with respect to this benchmark is one of the criteria was considered to establish their proposed remuneration for the years 2019-2021. Other criteria that considered in establishing the proposed remuneration are: the evolution of the contribution of the position and the person, consistency with the evolution of the rest of the management team, the results of the group.

The analysis showed that, in the case of Executive Directors, the positioning with respect to the maximum benchmark (90% of the market median in 2018) enables the evaluation of increases in the years 2019-2021 as described in the following section.

#### **Remuneration proposal for 2019, 2020 and 2021.**

Under the premise of maintaining continuity with the 2016-2018 policy, a remuneration proposal for 2019-2021 was prepared with the following bases:

- Maintain the level of contribution to existing social security plans.
- Keep the ILP described in section A) above;

- Maintain, during the three years of the period, the remuneration for the Executive Directors for their membership of the Board set for 2018 and described in section B) above;
- Enable the possibility of applying increases in fixed remuneration in the terms set out below.

**There will be no change in fixed remuneration for 2019 vs. that established for 2018.**

For 2020 and 2021, the Board is granted the possibility, at the behest of the Appointments and Remuneration Committee, of agreeing on specific increases in the fixed remuneration of the executive directors. Increases to be agreed shall be justified on the basis of the following criteria:

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

These potential increases associated with 2020 and 2021 may not exceed 10% of the fixed annual remuneration for the Executive Chairman and the Chief Executive Officer.

In addition, an attempt will be made to adapt the potential increases that are carried out, adjusting the relativity of the remuneration of the Executive Chairman and Chief Executive Officer to 55%.

These increases in remuneration shall be duly broken down in the Annual Directors' Remuneration Report, which is submitted annually to an advisory vote by the General Shareholders' Meeting.

Subsequently, in accordance with article 528 octodecies.1 of the Spanish Corporate Enterprises Act, the following are detailed: the annual fixed remuneration amount for the Executive Chairman and the Chief Executive Officer and the changes in the 2019-2021 period; the different parameters for fixing variable components and the main terms and conditions of their contracts, paying particular attention to their duration, compensation for early severance or termination of the contractual relationship and exclusivity, post-contractual non-competence, permanence and loyalty pacts.

## **1. Executive Chairman.**

### **Remuneration for being a Director.**

From 2019 to 2021, the Executive Chairman will receive the remuneration corresponding to his condition as Director under the terms described in section B) above. The Chairman, in his capacity as Executive Director, cannot be a member of either of the two Board Committees.

### **Fixed remuneration**

In accordance with the aforementioned proposal, the fixed annual monetary remuneration of the Chairman for the period covered by this Policy will be 1,000,000 euros in 2019. For 2020 and 2021, the Board is granted the possibility, at the behest of the CNR, of agreeing, subject to justification, on an increase of up to 10% of the fixed annual remuneration.

Furthermore, in the terms of the contract approved by the Board, the Chief Executive Officer receives an annual fixed remuneration in kind for items that are normal in these cases and similar to those of the entire management team of the Company (vehicle,



medical insurance, etc.). The Executive Chairman is also an insured participant in the "Company Directors' Insured Pension Plan", established by the company for its management team by means of a mixed group insurance policy for pension commitments, including benefits in the event of survival, death and disability, which the company has signed with an insurance firm.

Based on the information made public by the company for other purposes, the Executive Chairman received the following amounts for these items in 2018: payments in kind amounting to 173 thousands of euros; a life insurance premium totalling 47 thousands of euros; contributions to the Directors' Pension Plan amounting totalling 240 thousands of euros.

For the period 2019-2021, there are not expected to be any changes in the items that make up the fixed annual remuneration in kind, and possible differences in their amount will arise from the application at each moment of the price increases and, where appropriate, of the valuation rules that apply to them.

The Executive Chairman is a member of the group insured by the civil liability policy that covers the contractual and non-contractual liabilities that correspond to the activities undertaken in their posts.

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

#### **Variable annual remuneration.**

The Chairman has been acknowledged the right to receive an annual variable bonus as the annual variable remuneration for meeting the objectives established by the Board of Directors at the proposal of the Appointments, Remuneration and Corporate Social Responsibility Committee for the corresponding year. The variable bonus cannot exceed 60% of the annual fixed monetary remuneration in any case.

At the start of each year included in the Policy, the Board will approve the objectives applicable to the Executive Chairman for such purposes and, at the end of the year, the Board, at the proposal of the Committee, will assess the Level of Achievement of the objectives and determine the annual variable remuneration corresponding to the Chairman.

At the proposal of the CNR, the Board has already established the objectives that apply in 2019 to the Executive Chairman for these purposes, consisting in general terms of the following:

- 1.- An improvement in the Company's financial results, with growth in after-tax profit.
- 2.- Consolidation of the company's regulated revenue.
- 3.- Consolidation of the Company's Strategic Plan, specifically as regards its international development.
- 4.- Development of Corporate Social Responsibility and Good Governance initiatives.

#### **Long-term variable remuneration (ILP 2019-2021).**

The Executive Chairman will be the beneficiary of 2019-2021 Long Term Incentive in the terms indicated in section A) above and which are reproduced herein as they affect him.

It must be remembered that the ILP will not have a direct effect on the Executive Chairman's remuneration in 2019, 2020 and 2021, without prejudice to how the accounting is handled by the Company for the proportional part of the theoretical maximum of the same in each year.

In 2022, 50% of the Long Term Incentive will be settled, and the other 50% will be deferred to 2023, thus the Executive Chairman will be paid the Incentive according to his Level of Attainment of targets over the multi-year period. He will receive all this Incentive in the form of shares, and he will be obliged to maintain the shares received in 2022 for two (2) years, and those received in 2023 for one (1) year. In 2024, the Executive Chairman may freely dispose of the shares received.

If the minimum degree of achievement of objectives is not met, the Incentive shall amount to zero.

### **Main conditions of the Executive Chairman's contract.**

For the purposes of article 529 octodecies, the main terms and conditions of the contract with the Executive Chairman are stated below.

The relationship between Enagás and the Executive Chairman is governed by a "Service provision contract for the position of Executive Chairman", approved by the Board of Directors in accordance with all the requirements envisaged in article 249.3 of the Spanish Corporate Enterprises Act. The contract is aimed at regulating the rights and obligations for the parties as a result of the position of Executive Chairman, which corresponds to Mr Antonio Llardén Carratalá since his appointment by the Board on January 24, 2007. The contract stipulates the period during which the Executive Chairman performs his duties as such.

The contract regulates the services provided by the Executive Chairman when carrying out his functions and those of the Company. The sections above describe the corresponding remuneration in detail. The contract also regulates the circumstances for termination. In the event of voluntary termination by the Company for any reason, not associated with any serious blame or breach by the Executive Chairman, or breach of contract by the Company, the former will have the right to a compensation of two years of fixed annual remuneration, understood as the fixed annual remuneration received by the Executive Chairman at the time of termination, the remuneration in kind and the last variable annual remuneration received. The compensation for this item was fixed at three years but the Chairman reduced this to one year in 2016 to better conform with the best practices of good governance.

The contract contains an exclusive dedication agreement for the Executive Chairman, which stipulates that the latter cannot provide services of any kind to third parties or form part of any other company or legal firm without the explicit authorisation of the Board. No economic compensation for the Executive Chairman is envisioned for this concept. Neither does the contract include an economic compensation for arrangements of non-competition after contract termination. The permanence and loyalty of the Executive Chairman are motivated by the participation in the "Company Directors' Insured Pension Plan", described above.

## **2. Chief Executive Officer.**

### **Remuneration for being a Director.**

From 2019 to 2021, inclusively, the Chief Executive Officer will receive the remuneration corresponding to his condition as Director under the terms described in section B) above. The Chief Executive Officer, in his capacity as Executive Director, cannot be a member of either of the two Board Committees.

### **Fixed remuneration**

In accordance with the aforementioned proposal, the fixed annual monetary remuneration of the Chief Executive Officer for the period covered by this Policy will be 500,000 euros in 2019. For 2020 and 2021, the Board is granted the possibility, at the

behest of the CNR, of agreeing, subject to justification, on an increase of up to 10% of the fixed annual remuneration.

Moreover, under the terms of the contract approved by the Board, the Chief Executive Officer will receive an annual fixed remuneration in kind for the usual items in these types of benefits and similar ones to those for the Company's management team (car, medical insurance, etc.). Furthermore, the Chief Executive Officer is also an insured participant in the "Company's Directors' Pension Plan" which the Company established for its management team by means of a mixed group insurance policy. In addition to pension obligations, the cover provides benefits in the cases of life expectancy, death or disability, which the Company has signed with an insurance company.

Based on the information made public by the company for other purposes, the Chief Executive Officer received the following amounts for these items in 2018: payments in kind amounting to 22 thousands of euros; a life insurance premium totalling 1 thousands of euros; contributions to the Directors' Pension Plan amounting totalling 149 thousands of euros.

For the period 2019-2021, there are not expected to be any changes in the items that make up the fixed annual remuneration in kind, and possible differences in their amount will arise from the application at each moment of the price increases and, where appropriate, of the valuation rules that apply to them.

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

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

#### **Variable annual remuneration.**

The Chief Executive Officer has been acknowledged the right to receive an annual variable bonus as the annual variable remuneration for meeting the objectives established by the Board of Directors at the proposal of the Appointments, Remuneration and Corporate Social Responsibility Committee for the corresponding year. The variable bonus cannot exceed 60% of the annual fixed monetary remuneration in any case. This bonus is determined in the manner described for the Executive Chairman.

- 1.- An improvement in the Company's financial results, with growth in after-tax profit.
- 2.- Consolidation of the company's regulated revenue.
- 3.- Consolidation of the Company's Strategic Plan, specifically as regards its international development.
- 4.- Development of Corporate Social Responsibility and Good Governance initiatives.

#### **Long-term variable remuneration (ILP 2019-2021).**

The Chief Executive Officer will be the beneficiary of 2019-2021 Long Term Incentive in the terms indicated in section A) above and which are reproduced herein as they affect him.

It must be remembered that the ILP will not have a direct effect on the Chief Executive Officer's remuneration in 2019, 2020 and 2021, without prejudice to how the accounting is handled by the Company for the proportional part of the theoretical maximum of the same in each year.

In 2022, 50% of the Long Term Incentive will be settled, and the other 50% will be

deferred to 2023, thus the Chief Executive Officer will be paid the Incentive according to his Level of Attainment of targets over the multi-year period. He will receive all this Incentive in the form of shares, and he will be obliged to maintain the shares received in 2022 for two (2) years, and those received in 2023 for one (1) year. In 2024, the Chief Executive Officer may freely dispose of the shares received.

If the minimum degree of achievement of objectives is not met, the Incentive shall amount to zero.

### **Main conditions of the Chief Executive Officer's contract.**

For the purposes of article 529 octodecies, the main terms and conditions of the contract with the Chief Executive Officer are stated below.

The relationship between Enagás and the Chief Executive Officer is governed by a "Service provision contract for the position of Chief Executive Officer", approved by the Board of Directors in accordance with all the requirements envisaged in article 249.3 of the Spanish Corporate Enterprises Act. The purpose of the contract is to regulate the rights and duties of the parties derived from the position of Chief Executive Officer that corresponds to Mr Marcelino Oreja Arburúa since his appointment by the Board on September 17, 2012. The contract stipulates the period during which the Chief Executive Officer performs his duties as such.

The contract regulates the duties of the Chief Executive Officer and those of the Company. The sections above describe the corresponding remuneration in detail. The contract also regulates the circumstances for termination. In the event that the Company freely decides to terminate the contract for whatever reason, as long as this is not due to a breach or being guilty of any actions by the Chief Executive Officer or because the Company has failed to comply with its contractual obligations, the Chief Executive Officer will be entitled to an indemnity equivalent to two years' salary of his annual fixed remuneration, understood as that held by the Chief Executive Officer at the time of the termination of employment plus the remuneration in kind and the last annual variable remuneration received.

The contract establishes an exclusivity arrangement for the Chief Executive Officer, through which he cannot provide services of any nature to third parties or participate in or form part of another company or legal entity without the Board's express authorisation. No economic compensation for the Chief Executive Officer is envisioned for this concept. The contract includes a non-competition arrangement after its termination, which expires two years afterwards. As compensation for this non-competition agreement, the company shall pay the Chief Executive Officer 80% of the fixed annual remuneration for each of the years contemplated by the agreement. Nonetheless, the resulting amount shall be subtracted from the amount in his favour in the "Directors' Insured Pension Plan". The Chief Executive Officer's permanence and loyalty are incentivised through his participation in the aforementioned "Company's Directors' Pension Plan".

### **3. Executive Director contracts (Executive Chairman and Chief Executive Officer)**

The contracts with the Chairman and with the Chief Executive Officer can be amended when necessary to comply with the provisions of article 249.3 of the Corporate Enterprises Act.

### **(D) ANNUAL CEILING ON BOARD REMUNERATION.**

The maximum total amount that the Company may pay its directors in each of the three years covered by this Policy shall be the sum of the following items:

- A) Maximum amount of the remuneration to be paid to all the Directors in their capacity as such, which amounts to the maximum annual amount of 2,241,000

euros for 2019, and 2,600,000 euros -for 2020 and 2021.

- B) The amount to be paid to Executive Directors in application of the various remuneration items listed and explained in section 2.C of this Policy.
- C) The amount of the compensation referred to in headings 2.C.1 and 2.C.2 of this Policy in the event of termination with a right to compensation of any of the executive directors, as well as the amounts that could be paid to the Chief Executive Officer corresponding to compensation for post-contractual non-competition agreements during the term of this Policy.

## **E) COMPANY POLICY FOR REMUNERATION OF MEMBERS OF THE MANAGEMENT COMMITTEE AND REST OF THE MANAGEMENT TEAM.**

This Policy, which is submitted for the approval of the Meeting for the purposes of article 529 novodecies of the Corporate Enterprises Act, does not cover the remuneration policy that the Company will follow for members of the Management Committee and the rest of the Management team. This is without prejudice to the fact that changes in the remuneration of the members of the Management Committee must be submitted to the Board for approval in accordance with the provisions of article 249 bis of the Capital Enterprises Act.

However, to the extent that the entire remuneration policy of the Company should be considered as a whole, in this section the Board informs the Meeting of the policy that, as with the proposal for the Executive Directors, will apply to the members of the Management Committee (nine currently) and the Managers (thirty-seven currently).

The CNR, with the collaboration of the independent consultant Willis Towers Watson, extended the analysis of the remuneration positioning to the members of the Management Committee and the rest of the Management team.

### **Analysis of current positioning.**

As described above, a new analysis was conducted on the remuneration positioning of the management team with respect to a group of companies proposed by the independent advisor in which Spanish Ibex35 energy companies were considered.

This analysis was conducted using criteria similar to those used in the definition of the previous policy (2016-2018):

- The comparison benchmark used was 90% of the 2018 market median.
- This benchmark (90% of the market median in 2018) will be the limit that the remuneration of the management team could reach after the three years of the policy (2019-2021).
- The positioning of the management team with respect to this benchmark is one of the criteria was considered to establish their proposed remuneration for the years 2019-2021. Other criteria that considered in establishing the proposed remuneration are: the evolution of the contribution of the position and the person, consistency with the evolution of the rest of the management team, the results of the group.

### **Remuneration proposal for 2019, 2020 and 2021.**

Apply annual increments that enable fulfilment of the target positioning (90% of market median of 2018) at the end of the financial year 2021.

Reduce the individual annual increase to a maximum of 20%, with respect to 30% of the

2016-2018 policy.

The annual increases applied must have the approval of the Board at the proposal of the Appointments, Remuneration and CSR Committee and must be justified based on the following criteria:

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

In addition, during the 2019-2021 period, the company undertakes to carry out a detailed analysis of salary fairness from a gender perspective or any other fairness issue included in the Enagás diversity commitment deemed appropriate, with proposals, where appropriate, of action plans deemed necessary.

The changes in the financial terms for the Management Committee members must be approved by the Appointments, Remuneration and Corporate Social Responsibility Committee and the Board in accordance with the provisions of article 249 bis of the Spanish Corporate Enterprises Act. These changes will be made in accordance with the general policy set forth by the CNR for this purpose.

Changes in the economic conditions of the rest of the management team will be implemented in accordance with the general policy set by the Company.

And for the appropriate legal effects, it is hereby stated that the Board of Directors formulates this proposal for [the amendment of the](#) "Directors' remuneration policy for 2019, 2020 and 2021" at its meeting held on ~~May-May 2525, 2020~~2020.

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

**APPENDIX: CLEAN CONSOLIDATED TEXT**

**CONSOLIDATED TEXT OF THE DIRECTORS' REMUNERATION POLICY FOR 2019, 2020 AND 2021, WHICH IS SUBMITTED FOR APPROVAL BY THE GENERAL SHAREHOLDERS' MEETING AS ITEM 10 ON THE AGENDA FOR THE PURPOSES OF ARTICLE 529 NOVODECIOS OF THE CORPORATE ENTERPRISES ACT AND ARTICLE 36 OF THE ARTICLES OF ASSOCIATION.**

At its meeting on February 22, 2019, the Board of Directors (hereinafter, the "**Board**") of Enagás, S.A. (hereinafter, "**Enagás**" or the "**Company**") resolved to submit for approval by the General Shareholders' Meeting (hereinafter, the "Meeting"), for the purposes envisaged in article 529 novodecies of the Corporate Enterprises Act, approved by Legislative Royal Decree 1/2010 of July 2 (hereinafter, the "**Corporate Enterprises Act**"), and article 36 of the Articles of Association (hereinafter, the "**Articles of Association**"), the proposed "Director's remuneration policy for 2019, 2020 and 2021" (hereinafter, the "**Policy**") described in this document.

The Policy was proposed to the Board by the Appointments, Remuneration and Corporate Social Responsibility Committee (hereinafter, the "**CNR**"). The CNR held specific meetings for such purpose on January 11, 2019, January 21, 2019, January 23, 2019, January 31, 2019, February 5, 2019, February 11, 2019, February 14, 2019 and February 22, 2019. The Committee approved the proposal at the latter meeting, pursuant to Article 529 quindecies of the Corporate Enterprises Act and Article 45 of the Articles of Association.

Subsequently, the Board, at its meeting on May 25, 2020, agreed to submit a proposal for the amendment of the Policy for approval by the General Shareholders' Meeting scheduled for June 30, 2020, as item 10 on the Agenda. This amendment of the Policy was proposed to the Board by the CNR at its meeting on May 22, 2020.

The amendment of the Policy proposed by the CNR to the Board and presented by the Board to the Meeting for approval as item 10 on the Agenda is reduced, exclusively, to taking into consideration the resolutions previously submitted for approval by the Meeting regarding the increase in the number of Directors and the new number of members of the CNR and the Audit and Compliance Committee. The CNR hired independent external advisory firm Willis Towers Watson, which analysed the current remuneration positioning of the company's directors and managers and submitted several options on how to update this positioning. The Committee also hired Garrigues, which provided advice about the legal factors of this policy.

The Committee drafted the specific report referred to in article 529 novodecies of the Spanish Corporate Enterprises Act and was made available to shareholders in the way envisaged therein.

For the purposes envisaged in article 529 septedecies of the Spanish Corporate Enterprises Act, the policy submitted for the Shareholders' Meeting's approval includes the maximum annual remuneration amount to be paid to all the directors in their status as such during the years in which the policy is applied.

Likewise, for the purposes envisaged in article 529 octodecies of the Corporate Enterprises Act, the policy approved by the Shareholders' Meeting's approval includes, regarding the directors with executive functions, the amount of the fixed annual remuneration and the variation therein in the period, the different parameters for setting the variable components and the main conditions of directors' contracts and, in particular, the length of their contracts, compensation for early removal or termination of the contractual relationship, and exclusivity, post-contractual non-competition and seniority or loyalty arrangements.

This document describes the regulatory framework, the good governance recommendations and the voting criteria for institutional shareholders and proxy advisers



which have established the criteria for the content of this Policy.

### **III. REGULATORY FRAMEWORK, GOOD GOVERNANCE RECOMMENDATIONS AND VOTING CRITERIA FOR INSTITUTIONAL INVESTORS AND PROXY ADVISERS.**

#### **F) CORPORATE ENTERPRISES ACT**

##### ***“Article 529 sexdecies. Necessarily remunerated.***

*Unless otherwise stipulated in the Articles of association, the role of director of a listed company shall, by necessity, be remunerated.”*

##### ***“Article 529 septdecies. Remuneration of Directors in their capacity as such due to their membership on the Board.-***

*1. The directors’ remuneration policy shall determine the directors’ remuneration for their position as such, within the remuneration system foreseen in the Articles of association and must include by necessity, the maximum amount of annual remuneration to satisfy all directors in that condition.*

*2. The board of directors shall be responsible for determining the remuneration of each director as such. It shall take into account the duties and responsibilities attributed to each director, membership of board committees and any other objective circumstances it considers relevant”.*

##### ***“Article 529 octodecies. Remuneration of directors for performing executive duties.***

*3. Remuneration of directors for fulfilling the executive duties foreseen in the approved contracts, pursuant to the provisions of article 249, shall be adjusted to the directors’ remuneration policy, which, by necessity, must include the sum of fixed annual remuneration and variations thereof, during the period to which the policy refers; the different parameters for fixing variable components and the main terms and conditions of their contracts, paying particular attention to their duration, compensation for early severance or termination of the contractual relationship and exclusivity, post-contractual non-competence, permanence and loyalty pacts.*

*4. The board of directors is responsible for fixing directors’ remuneration for performing their executive duties and for the terms and conditions of their contracts with the company, in accordance with the provisions of article 249.3 and the directors’ remuneration policy, approved by the general meeting.*

##### ***“Article 529 novodecies. I) Explain the policy on directors’ remuneration.***

*6. The Directors remuneration policy will be adjusted to the remuneration system provided for in the Articles of Association and will be approved by the General Shareholders’ Meeting at least every three years as a separate item on the Agenda.*

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

*8. The approved directors’ remuneration policy shall remain valid for the three financial years following that in which it was approved by the general meeting. Any modification or replacement thereof during said period shall require the prior approval of*

the General Shareholders' Meeting in accordance with the procedure established for its approval.

9. In the event that the annual report on directors' remuneration is rejected by consultive vote in the ordinary general meeting, the remuneration policy applicable to the following year must be submitted for the approval of the general meeting prior to application, even if the aforementioned three year term has not elapsed. Exceptions are made for cases in which the remuneration policy was approved at the same Ordinary General Shareholders' Meeting.

10. Any remuneration paid to directors for holding or being removed from their positions and for performing executive functions must be consistent with the director remuneration policy in effect at any given time, except for any remuneration expressly approved by the General Shareholders' Meeting.

**"Article 217. Directors' remuneration.**

(...)

4. The directors' remuneration must invariably be in reasonable proportion to the importance of the company, its current economic situation and the market standards of its peers. The established remuneration system must be designed to promote the long term profitability and sustainability of the company and incorporate the necessary precautions to avoid excessive risk-taking or rewarding unfavourable results."

**"Article 219. Remuneration linked to the company's shares.**

3. In joint stock companies, when the remuneration system for directors includes the awarding of shares, share options or remuneration linked to the value of shares, said system must be explicitly mentioned in the company Articles of association and application of such provisions shall require an agreement by the shareholders' general meeting.

4. The resolution of the General Shareholders' Meeting must include the maximum number of shares that may be allocated each year to this remuneration system, the exercise price or the system for calculating the exercise price of the share options, the value of the shares taken as a reference, if any, and the duration of the plan".

**"Article 511 bis. Additional competencies.**

1. In listed companies, the General Meeting has competency for the following matters, in addition to those recognised in article 160:

c) The directors' remuneration policy under the terms established in this law".

**G) ARTICLES OF ASSOCIATION**

**"ARTICLE 18º. GENERAL SHAREHOLDERS' MEETING**

The shareholders, when constituted as a duly summoned General Meeting, shall by the majority of votes provided for in Spanish law decide upon the matters that fall within the powers of the General Meeting.

The General Meeting is responsible for addressing and agreeing upon the following issues:

.... l) Policy on directors' remuneration."

**"ARTICLE 36.- REMUNERATION OF THE BOARD OF DIRECTORS.**

The position of Director shall be remunerated.

The General Shareholders' Meeting shall determine the total maximum remuneration to be paid to Members of the Board of Directors in their capacity as such. Said remuneration

shall comprise a cash sum payable on an annual basis or in respect of such period as the General Meeting may determine, a fee for each Board of Directors meeting a Director actually attends, a fee for sitting on the Committees of the Board of Directors, and another for acting as Chairman of same, and in the case of the Independent Leading Director, a supplementary amount in remuneration of said function. The Board of Directors shall decide how the remuneration is divided as per the different remuneration items, taking into account the functions and responsibilities attributed to each Director.

Directors may receive additional remuneration in the form of company shares, share options or other securities that enable the holder to obtain shares, or through other remuneration systems based on the price of the shares quoted on a public exchange. The implementation of said systems shall be presented to the General Meeting for approval, and the Meeting shall determine the maximum number of shares that may be allocated to this remuneration system in each financial year, or the system for calculating the price for the exercise of option rights, the reference value of the shares applied, if applicable, and the term of duration of the scheme.

Directors who have executive functions in the Company, whatever the nature of their legal relationship with the Company, will also be entitled to receive remuneration for the performance of these functions, which must be set forth in a contract between the Director and the Company, which shall consist of: (i) a fixed remuneration, in cash and in specie, commensurate with the services rendered and responsibilities assumed; if applicable (ii) a variable remuneration short-term and long-term and the general system of incentives established for the Company's Senior Management, which might comprise the delivery of shares, or the entitlement to options on same, or remuneration based on the value of the shares, subject to the requirements set forth in the prevailing legislation at any given time; (iii) a benefits component to include appropriate pension and insurance schemes and social security benefits; as well as, if applicable (iv) a consideration for a post-contractual covenant not to compete. The Director will be entitled to compensation if he/she were asked to step down but it was not due to the discharging of duties.

Directors shall be entitled to the payment or reimbursement of expenses incurred as a result of attendance at meetings and other tasks directly related to the performance of their duties, such as travel, accommodation, meals and any other which may arise.

The Company may take out civil liability insurance for Directors and Managers.

The policy for Directors' remuneration shall be in keeping with the remuneration system provided for herein, and shall be approved by the General Shareholders' Meeting at least every three years as a separate item on the Agenda.

Directors' remuneration shall be disclosed in the legally established terms, in the Notes to the Annual Accounts, in the Annual Corporate Governance Report and in the Annual Report on Directors' Remuneration. The latter report shall be submitted to an advisory vote as a specific item on the Agenda of the Ordinary General Meeting.

In the event that the Annual Report on Directors' Remuneration is rejected by consultive vote in the Ordinary General Meeting, the remuneration policy applicable to the following year must be submitted for the approval of the general meeting prior to application, even if the aforementioned three year term has not elapsed. Exceptions are made for cases in which the remuneration policy was approved at the same Ordinary General Shareholders' Meeting".

#### **H) REGULATIONS OF THE GENERAL MEETING AND REGULATIONS OF THE BOARD OF DIRECTORS.**

Both the Rules and Regulations of the General Meeting and the Regulations of the Board of Directors of Enagás include provisions correlative to the transcribed legal and bylaw ones in relation to the remuneration of the Company's directors and managers and the functions of the General Meeting and Board regarding such issues.

The Regulations of the Board of Directors state the following regarding the directors' remuneration:

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

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

*Director remuneration should be sufficient to attract and retain individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of Non-Executive Directors.*

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

*The remuneration of Directors for performing the executive functions provided for in contracts approved in accordance with the provisions of article 19.bis of these Regulations conform to the director remuneration policy, which must necessarily set forth the amount of the fixed annual payment and the variation therein in the period covered by the policy, the different parameters for setting the variable components and the main conditions of directors' contracts, and, in particular, the length of their contracts, compensation for early removal or termination of the contractual relationship, and exclusivity, post-contractual non-competition and seniority or loyalty arrangements.*

*The Board of Directors shall determine the remuneration of Directors for the discharging of executive duties and the terms and conditions of their contracts with the Company in accordance with the provisions of Article 19.bis of these Regulations and with the Directors' remuneration policy approved by the General Meeting.*

*The Appointments, Remuneration and Corporate Social Responsibility Committee shall establish the criteria for the remuneration of the Company's Directors, within the provisions of the Articles of Association and in accordance with what is indicated by the General Meeting. The Board of Directors is responsible for the definitive distribution of the global sum, within the limits established in the Articles of Association for this purpose and in accordance with the Directors' remuneration policy approved by the General Meeting, taking into consideration the duties and responsibilities attributed to each Director.*

*The Directors' remuneration policy will be adjusted to the remuneration system provided for in the Articles of Association and will be approved by the General Shareholders' Meeting at least every three years as a separate item on the Agenda.*

*The proposal for the remuneration policy of the Board of Directors shall be reasoned, and shall be accompanied by a specific report from the Appointments, Remuneration and Corporate Social Responsibility Committee. Both documents shall be placed at the disposal of the shareholders through the company website, from the time of the call to convene the general meeting. Shareholders may also request that it be delivered or sent, free of charge. The notice of the General Meeting shall mention this right.*

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

*2. The Directors' remuneration will be transparent. For this purpose:*

- *The Notes, as an integral part of the Annual Accounts, will contain detailed itemised information on the remuneration received by each of the members of the Board of Directors, in their capacity as such, as well as the remuneration for the discharging of Senior Management duties by the Executive Directors.*
- *The Appointments, Remuneration and Corporate Social Responsibility Committee shall submit the proposal for an Annual Report on Directors' Remuneration to the Board of Directors. This Report will contain complete, clear and comprehensible information on the Company's remuneration policy approved by the Board for the current year. It shall also include a global summary of how the remuneration policy was applied during the financial year, as well as a breakdown of the individual remuneration accrued by each of the Directors. The Annual Report on Director Remuneration, once approved by the Board, shall be distributed and submitted to an advisory vote, as a separate item on the Agenda, of the Ordinary General Shareholders' Meeting. In the event that the Annual Report on Directors' Remuneration is rejected by consultative vote in the Ordinary General Meeting, the remuneration policy applicable to the following year must be submitted for the approval of the general meeting prior to application, even if the aforementioned three year term has not elapsed. Exceptions are made for cases in which the remuneration policy was approved at the same Ordinary General Shareholders' Meeting.*

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

#### **I) RECOMMENDATIONS OF THE GOOD GOVERNANCE CODE OF THE CNMV.**

The Good Governance Code of the National Securities Market Commission (hereinafter the "CNMV") of February 2015 sets forth a series of recommendations, under the "comply or explain" principle, in relation to directors' remuneration.

##### **Recommendation 56**

*Directors' remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.*

##### **Recommendation 57**

*Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.*

*The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition."*

##### **Recommendation 58**

*In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.*

*In particular, variable remuneration items should meet the following conditions:*

d) *Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.*

e) *Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.*

f) *Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events."*

**Recommendation 59**

*A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.*

**Recommendation 60**

*Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.*

**Recommendation 61**

*A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price."*

**Recommendation 62**

*Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition."*

**Recommendation 63**

*Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated."*

**Recommendation 64**

*Termination payments should not exceed a fixed amount equivalent to two years of the Director's total annual remuneration and should not be paid until the company confirms that said Director has met the predetermined performance criteria.*

**J) VOTING CRITERIA FOR INSTITUTIONAL INVESTORS AND THEIR PROXY ADVISERS.**

International institutional investors which, in the case of Enagás, account for a very large percentage of shareholders, and the proxy advisors tend to link their favourable vote to the remuneration proposals at the General Meetings to the fact that the issuer's remuneration policy must meet certain requirements, namely:

- Absolute transparency with regard to the remuneration received and to be received in the future, both in terms of the amount and the procedures for determining it. Submission of this remuneration policy to the shareholders for their approval.
- Remuneration structure that includes fixed and variable components. There is a great deal of insistence in that the remuneration items must include multi-year or long-term remuneration incentives, in addition to the annual sums.

- These long-term compensation incentives must refer to multi-year objectives for a period of at least three years and be satisfied in Company shares, and the executive must agree to maintain them for a period of at least two years before they can be sold. This is aimed at aligning the interests of the Company managers with those of the shareholders and establishing management retention mechanisms in the Company's interests.
- Such long-term incentives must be subject to clawback clauses in the event that, subsequently, it is accredited that the stated targets have not been met.

#### **IV. ENAGÁS DIRECTORS' REMUNERATION POLICY FOR 2019, 2020 AND 2021.**

The essential purpose of this document is to present to the General Shareholders' Meeting for its approval, for the purposes of Article 529 novodecies of the Corporate Enterprises Act, the proposal of the "Directors' remuneration policy for 2019, 2020 and 2021", with the amendments presented by the Board of Directors for approval by the Ordinary General Meeting in 2020.

The Policy for the period 2019-2021 is intended to maintain **things as they stand** and therefore maintains the fundamental premises on which the previous Policy approved for the 2016-2018 period was based.

The first premise of this Policy is the commitment made by the Board to shareholders at the Ordinary General Meeting held in 2015 to introduce a Long-Term Incentive (ILP) in the remuneration structure of Executive Directors, which will also be applicable to the Company's management team, and which complies with recommendations 56 to 64 of the CNMV's Good Governance Code and with the most generally accepted criteria regarding these types of remuneration.

The second premise considered in this Policy is the obligation of the Appointments and Remuneration Committee and the Board to maintain a remuneration policy that is suitable, in structure and amount, for achieving the objectives of the Company's Strategic Plan, promoting the creation of value for shareholders, compensating capacity and effort proportionally and retaining the talent that the Company needs. These must be in accordance with general market conditions with respect to the Company's peers and its performance at all times.

To this end, a new analysis has been carried out on the adequacy of the Directors' remuneration compared with the average for the Company's peers. The suitable benchmark companies selected were other Ibex35 Spanish energy companies (**Acciona, Endesa, Iberdrola, Naturgy, REE, Repsol and Siemens Gamesa**). For these purposes, the latest known public data, for **financial year 2018**, were used. The analysis was conducted with regard to the remuneration of the Directors in their capacity as such, the remuneration of the Executive Directors and the remuneration of the members of the Management Committee and other Company managers. The CNR had advice from the Company Management and hired independent external advisory firm Willis Towers Watson, which analysed the current remuneration positioning of the Company's directors and managers and submitted several options on how to update this positioning. The Committee also hired Garrigues, which provided advice about the legal factors of this policy.

In particular, the Committee has also taken into account the previous Remuneration Policy and Long-Term Incentive, which were widely accepted by shareholders at the General Shareholders' Meeting on March 18, 2016, and now proposes to this Board a continuation of the Policy of Remunerations and Long-term Incentive with respect to those of 2016.

Technical improvements have been introduced that, to a large extent, seek to capture

the concerns of international institutional investors and their proxy advisors with whom the Company maintains a policy of continuous engagement, given the broad percentage that this represents on the company's shareholding body.

From a quantitative point of view, the proposed Policy is very prudent.

The results of this analysis for each group, as well as the proposed remuneration positioning, are included in sections B), C) and E).

#### **D) LONG-TERM INCENTIVE AS PART OF THE EXECUTIVE DIRECTORS' REMUNERATION POLICY FOR THE 2019-2021 PERIOD.**

The 2016-2018 Policy included a Long-Term Incentive as part of the Executive Director Compensation Policy (also applicable to members of the Management Committee and the rest of the Company's management team). That Policy stated that the Long-Term Incentive should be maintained as part of the Company's remuneration structure and in successive compensation policies submitted to the Board for approval.

Under this Policy, which, as indicated in the previous section, is aimed at maintaining the status quo, it is recommended that a new Long-Term Incentive be applied for the 2019-2021 period, with the following general conditions:

The structure and content of the ILP 2019-2021 also provide continuity with the previous ILP, although a series of **improvements** aligned with the recommendations of corporate governance and proxy advisors have been included:

- Increase in the use of shares as a form of payment.
- Establishment of a deferral period of one year in the delivery of 50% of the incentive.
- Requirement for all beneficiaries to hold shares until the end of the fifth year, so that the total duration of the plan is 5 years.
- Increase in the relative importance of the Total Shareholder Return metric, so that in the future the potential effects of large investment projects, such as the recent GSP, will be more clearly captured.

Although the main general conditions of ILP 2019-2021 are included below, the detail of the scope of this plan is set out in the document "**Draft Agreement of the General Meeting on Approval of the Long Term Incentive Plan 2019-2021**", as set forth in item 8 of the Agenda of the General Shareholders' Meeting, as well as in the Regulations of the Plan (hereinafter, the "**Regulations** ").

The **general conditions** of the ILP 2019-2021 are as follows:

##### **Targets.**

- To boost the sustainable achievement of objectives contemplated in the company's Strategic Plan.
- Provide the opportunity of sharing the creation of value by the participants.
- To enhance the sense of pertaining to the company and a common destiny.
- Be competitive.
- Be aligned with the requirements of the institutional investors and proxy advisers and with the best good corporate governance practices, particularly those based on the recommendations of the Good Governance Code of the CNMV.

##### **Eligibility.**

- Executive Directors (Executive Chairman and Chief Executive Officer).



- The nine members of the Management Committee.
- The rest of the executive directors.
- In all, 48 beneficiaries (hereinafter, the "**Beneficiaries**"), notwithstanding new members and ceasing members as per the terms set forth in the Regulations. The Board of Directors, upon a proposal from the CNR, may agree to the inclusion of new beneficiaries.

**Type of Plan:**

- A Plan for the 2019-2021 period with a three-year target measurement period.
- The Plan envisages delivering shares and cash linked to the Strategic Plan's objectives.
- A minimum reference has been established for settlement in the form of shares for each segment (100% for Executive Directors, 80% for the Management Committee and 60% for General Managers).

**Duration.**

A period of 3 years for permanence and to measure objectives.

**Period of settlement and retention of shares.**

At the end of the target measurement period, the 1st Payment Date, consisting of the immediate payment of 50% of the shares, will take place within 30 days following the approval of the 2021 Annual Accounts Statements by the General Shareholders' Meeting. This 50% would apply to the assets part of the incentive as well as the cash part of the incentive.

The 2nd Payment Date (50% deferred) will take place on the first anniversary of the 1st Payment Date.

This 1-year deferral will apply to the entire incentive (both the shares and the cash).

Additionally, the beneficiaries will have the right to receive, in the form of shares, any dividends that they would have received during the deferral period (1 year) if they had owned the shares.

Beneficiaries shall be obliged to maintain the shares received, net of tax, at the time of settlement of the Plan (mid 2022) for two (2) years those received on the 1st Payment Date and one (1) year those received on the 2nd Payment Date. We will call this period retention period.

The beneficiaries will have the right to receive, in the form of shares, the dividends generated during the deferral period as they are owners of the shares until the settlement date.

**Terms and conditions for receiving the Incentive.**

The Incentive will be received according to the degree of fulfilment of four different objectives aligned with the Enagás Strategic Plan and with the expectations expressed by the institutional investors and proxy advisers:

- Objective 1. The relative total shareholder return (hereinafter, "**TSR**").  
To ensure appropriate, competitive shareholder remuneration. It takes into account share performance and the dividend policy.  
The Objective will have two components: The Absolute RTA and the Relative RTA with a relative importance of 15% each, giving a more relevant weight to the effect of significant projects (e.g.: GSP).

The absolute TSR is measured as the acquisition of a target share price in 2021. The target price has been established by investing estimated share dividends and is based on profitability and market parameters.

It is measured relatively in comparison with a group of fifteen companies (REE, SNAM, TERNA, NATIONAL GRID, REN, IBERDROLA, GAS NATURAL FENOSA, ENEL, RWE, E.ON, ENGIE, CÉTRICA, UNITED UTILITIES, SEVERN TRENT, PENNON GROUP).

- Objective 2. Funds for Operations (hereinafter, "FFO"). This shows the financial soundness and net profit growth, which are the cornerstones of the Strategic Plan. This takes into account both the EBITDA of the regulated business and the dividends received from the subsidiaries that are not controlled by Enagás. It is a benchmark indicator for investors. By meeting this objective, the company's projections for the Group's dividend pay-out, investment and debt redemption are met. It accounts for 25% of the total objectives.
- Objective 3. Accumulated cash flow received from affiliates (hereinafter, the "Dividend"). This shows the focus on international growth and a realistic and profitable investment plan as the cornerstones of the Strategic Plan. It measures the profitability of the international business compared with the annual remuneration objective which measures the year's international investment volume. It accounts for 35% of the total objectives.
- Objective 4. (hereinafter, "**Sustainability Plan**"). It reflects the company's commitment to creating long-term value responsibly in the social and environmental backdrop. The objective will consist of 3 indicators:
  - a) Average reduction of CO<sub>2</sub> emissions in the period 2019-2021 vs. 2018
  - b) Increase in the percentage of women on the Board, in management team and in the staff.
  - c) Investment associated with the increased presence of renewable gases in the energy mix.It accounts for 10% of the total objectives.

Given that the Hydrocarbons Sector Act 34/1998, of October 7, attributes to Enagás the transmission activities and Technical Management of the Gas System, which must be carried out independently through its subsidiaries Enagás Transporte S.A.U. and Enagás GTS, S.A.U., in accordance with the principles of independence from other Company activities, for the Beneficiaries of the Plan who occupy related positions in the Technical Management of the System and Infrastructure, it is proposed to use three targets (60% FFO, 30% relative TSR and 10% Sustainability Plan) given that they do not have the capacity to influence the dividend targets in the international activity.

The Board of Directors, at the behest of the Appointments and Remuneration Committee, reserves the right to modify the parameters established in the event of certain exceptional circumstances, to make them more adequate for new business circumstances, in which case they will ensure that the impact on the Plan is neutral.

Reception of the Incentive depends on the Beneficiary remaining with the Enagás Group until the date of Plan settlement, except under the special circumstances explained in the Plan regulations.

### **Achievement scales**

An achievement scale is established for each goal with:

- A minimum achievement level, below which no remuneration is paid.

- A 100% achievement level, for which 100% of the initial target remuneration is paid.
- A maximum total incentive which cannot be higher than 125% of the initial target.
- Intermediate levels are calculated using linear interpolation.
- In the case of the Absolute TSR, failure to comply with the objective cannot be offset, so the maximum total incentive would change from 125% to 85% on Performance Shares and the target Incentive in cash assigned to Beneficiaries. This restriction is due to the greater importance to be granted to this indicator in the overall assessment of objectives, as reflected in the improvements that were previously presented for this ILP (importance of significant projects, such as: GSP).

### **Incentive level**

It is proposed that the Incentive be expressed as a percentage of the fixed remuneration or the number of times of the fixed remuneration, so that it can be segmented by managerial level. The annualised Incentive in the 100% attainment level scenario would be as follows:

- Executive directors, 50% of fixed annual remuneration in 2019.
- Management Committee, 45% of fixed annual remuneration in 2019.
- General Managers, 30% of fixed annual remuneration in 2019.

### **Clawback clauses.**

If certain circumstances occur which show, at a later date, that targets have not in fact been met, then the Board may, if suggested by the Committee, claim back part or all of the Incentive paid. These clauses will apply to all Beneficiaries and will have an application period of two years starting from the date of each of the payment dates.

Specifically, and among other circumstances, the return of the Incentive delivered may be required in the following cases:

- If the Company's financial statements have to be restated for a reason other than the modification of the applicable accounting standards.
- Penalty to the Beneficiary for a serious breach of the code of conduct and other applicable internal regulations.
- When the Incentive has been totally or partially settled and paid based on information which is subsequently clearly proven to be false or seriously inaccurate.
- Other circumstances not foreseen or assumed by the Company that have a material negative effect on the income statements of any of the years of the "clawback" period.

### **Malus clauses.**

Malus clauses are included to allow for partial or total cancellation of deferred amounts pending payment. The deferral period will be one (1) year for 50% of the unpaid Incentive, with the causes of application being the same as those referred to in the previous section for the return clauses.

### **Accounting cost.**

The maximum consumption of capital has been estimated for a scenario in which all Plan targets are met. The arithmetic average price rounded off to the second decimal place of the closing prices of the Enagás share of the session of December 31, 2018 and of the

20 sessions prior to and 20 sessions after that date has been used. The maximum number of shares to be delivered through the Plan to all the Beneficiaries is estimated to be 501,946.

The Plan's maximum annualised capital consumption is 0.07%. The maximum annualised consumption of the Ibex35 is 0.23%. The maximum consumption recommended by investors and their proxy advisors is 0.5%.

Likewise, an average increase has also been estimated for the Beneficiaries, in line with what is established in the following sections.

### **Authorisation to implement the action plan.**

Irrespective of the description of the Long-Term Incentive above, the Board submits to the General Shareholders' Meeting -as item 8 of the Agenda- in accordance with article 219 of the Corporate Enterprises Act, an express agreement for the approval of the Long-Term Incentive inasmuch as it includes the delivery of shares. This agreement includes the maximum number of shares that may be allocated in each year by this remuneration system, the value of the shares that may be taken as a reference, the term of the Plan and other characteristics of the Plan.

### **Plan Regulation.**

A Plan Regulation approved by the Board, at the behest of the Appointments and Remuneration Committee, will regulate the details of the implementation and execution of the Long Term Incentive.

### **Plan management and administration.**

At the proposal of the Appointments, Remuneration and Corporate Social Responsibility Committee, Enagás' Board of Directors will adopt, in each case, the appropriate resolutions so that the Plan can be correctly managed and administered.

## **E) REMUNERATION OF DIRECTORS FOR THEIR POSITION AS SUCH FROM 2019 TO 2021.**

This is the remuneration received for acting as members of the Board of Directors, and whose maximum annual amount must be included in this Policy and approved by the General Meeting, in accordance with article 529 sept of the Corporate Enterprises Act, article 36 of the Articles of Association and article 16 of the Board Regulations.

### **Analysis of current positioning.**

As described above, a new analysis has been conducted on the remuneration position of Directors in their capacity as such with respect to a group of benchmark companies which considered other Spanish Ibex35 energy companies (Acciona, Endesa, Iberdrola, Naturgy, REE, Repsol and Siemens Gamesa).

This analysis was conducted using criteria similar to those used in the definition of the previous policy (2016-2018):

- The comparison benchmark used was 90% of the market median.
- This benchmark (90% of the market median in 2018) will be the maximum limit that the remuneration of the directors could reach after the three years of the policy (2019-2021).
- The positioning of the Directors with respect to this benchmark is the criterion that was considered to establish their proposed remuneration for the years 2019-2021.

In the case of Directors in their capacity as such, the analysis led to the following conclusions:

- The total remuneration of the Enagás Board for this item, which includes both the remuneration for attending the Board and the remuneration for sitting on the Committees, is aligned with the objective positioning below the benchmark (90% of the median by 2018) of the energy market under consideration.
- The second conclusion of the analysis is that the market remains stable compared to 2014 both in terms of amounts and structure (components).

#### **Remuneration proposal for 2019, 2020 and 2021.**

- c) The 2016-2018 remuneration policy put forward a transition plan that entailed a gradual increase in remuneration in each of the years 2016-2018 with the aim of aligning the remuneration positioning of Enagás Directors as such to 90% of the 2014 median of the companies taken as reference.
- d) Since 2014 until the present day, the market has therefore remained stable and the remuneration of Enagás' directors as such remains in line with the objective positioning (90% of the median for 2018) of the energy market under consideration. For this reason, the proposal is to maintain the amounts received by Directors in 2018, with regard to the different elements of compensation, for 2019, 2020 and 2021, so that **there will be no increase in remuneration for directors in respect of such matters during the three years of this Policy.**

#### **Individual remuneration for directors and maximum annual limit for directors' remuneration for this item**

As provided for under article 529 septdecies of the Corporate Enterprises Act and article 36 of the Articles of Association, the Board of Directors will pass a resolution determining how remuneration is divided for each remuneration item and for each one of the Directors, taking into account the duties and responsibilities attributed. Without prejudice to the resolutions adopted in this sense by the Board, at the proposal of the Appointments, Remuneration and Corporate Social Responsibility Committee, the Board understands that the allocation by item and the remuneration amount for each director will be that stated below. Nevertheless, the Board, in line with the stated provisions, can change, during the Policy's period, the amounts allocated to each item, without exceeding the maximum remuneration figure for the Board as a whole approved by the General Meeting in any case.

Individual Directors' Remuneration for 2019 according to their positions their attendance to Board meetings and their respective Committees shall be: (i) A fixed annual amount of 100,000 euros for Board membership; (ii) An annual variable amount of up to 30,000 euros, depending on attendance to Board meetings; (iii) A fixed annual amount for membership in Board Committees of 25,000 euros; (iv) A variable annual amount of up to 5,000 euros, depending on attendance to Committee meetings; (v) A fixed annual amount of 15,000 euros for serving as Chair of each Committee; (vi) A fixed annual amount of 15,000 euros for serving as Independent Leading Director. In order to determine, in accordance with these individual remunerations, the maximum amount of remuneration of the entire Board for this item in 2019, 2020 and 2021 - which must be approved by the Meeting as part of this Policy in accordance with Article 529 septdecies of the Corporate Enterprises Act - it has considered: the maximum number of Directors determined by Article 35 of the Articles of Association, which was fourteen in 2019 and increased to sixteen in 2020 following approval by the General Meeting, (ii) that there will be eleven ordinary meetings of the Board each year and four for each of the Committees and (iii) the maximum number of members of the Committees, which was six for the Appointments, Remuneration and Corporate Social Responsibility Committee

and five for the Audit and Compliance Committee in 2019 and increased to seven for both in 2020 following approval by the General Meeting. The resulting figures have been rounded up slightly.

Thus, the maximum amount of annual remuneration to be paid to all the Directors in that capacity, which is the amount proposed by the Board to the GSM for approval under Article 529 septdecies.1 of the Corporate Enterprises Act and Article 36 of the Articles of Association, is 2,241,000 euros for 2019, and 2,600,000 euros for 2020 and 2021.

#### **F) REMUNERATION OF EXECUTIVE DIRECTORS FOR THEIR POSITION AS SUCH FROM 2019 TO 2021.**

This is the remuneration to be received by the two Executive Directors (Executive Chairman and Chief Executive Officer) for discharging their executive duties and due to their contracts approved by the Board of Directors in accordance with the requirements established in article 249.3 of the Corporate Enterprises Act.

#### **Analysis of current positioning.**

As described above, a new analysis has been conducted on the remuneration position of Executive Directors with respect to a group of companies which considered other Spanish Ibex35 energy companies (Acciona, Endesa, Iberdrola, Naturgy, REE, Repsol and Siemens Gamesa).

This analysis was conducted using criteria similar to those used in the definition of the previous policy (2016-2018):

- The comparison benchmark used was 90% of the market median.
- This benchmark (90% of the market median in 2018) will be the maximum limit that the remuneration of the directors could reach after the three years of the policy (2019-2021).
- The positioning of the Directors with respect to this benchmark is one of the criteria was considered to establish their proposed remuneration for the years 2019-2021. Other criteria that considered in establishing the proposed remuneration are: the evolution of the contribution of the position and the person, consistency with the evolution of the rest of the management team, the results of the group.

The analysis showed that, in the case of Executive Directors, the positioning with respect to the maximum benchmark (90% of the market median in 2018) enables the evaluation of increases in the years 2019-2021 as described in the following section.

#### **Remuneration proposal for 2019, 2020 and 2021.**

Under the premise of maintaining continuity with the 2016-2018 policy, a remuneration proposal for 2019-2021 was prepared with the following bases:

- Maintain the level of contribution to existing social security plans.
- Keep the ILP described in section A) above;
- Maintain, during the three years of the period, the remuneration for the Executive Directors for their membership of the Board set for 2018 and described in section B) above;
- Enable the possibility of applying increases in fixed remuneration in the terms set out below.

**There will be no change in fixed remuneration for 2019 vs. that established for 2018.**

For 2020 and 2021, the Board is granted the possibility, at the behest of the Appointments and Remuneration Committee, of agreeing on specific increases in the fixed remuneration of the executive directors. Increases to be agreed shall be justified on the basis of the following criteria:

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

These potential increases associated with 2020 and 2021 may not exceed 10% of the fixed annual remuneration for the Executive Chairman and the Chief Executive Officer.

In addition, an attempt will be made to adapt the potential increases that are carried out, adjusting the relativity of the remuneration of the Executive Chairman and Chief Executive Officer to 55%.

These increases in remuneration shall be duly broken down in the Annual Directors' Remuneration Report, which is submitted annually to an advisory vote by the General Shareholders' Meeting.

Subsequently, in accordance with article 528 octodecies.1 of the Spanish Corporate Enterprises Act, the following are detailed: the annual fixed remuneration amount for the Executive Chairman and the Chief Executive Officer and the changes in the 2019-2021 period; the different parameters for fixing variable components and the main terms and conditions of their contracts, paying particular attention to their duration, compensation for early severance or termination of the contractual relationship and exclusivity, post-contractual non-competence, permanence and loyalty pacts.

#### **4. Executive Chairman.**

##### **Remuneration for being a Director.**

From 2019 to 2021, the Executive Chairman will receive the remuneration corresponding to his condition as Director under the terms described in section B) above. The Chairman, in his capacity as Executive Director, cannot be a member of either of the two Board Committees.

##### **Fixed remuneration**

In accordance with the aforementioned proposal, the fixed annual monetary remuneration of the Chairman for the period covered by this Policy will be 1,000,000 euros in 2019. For 2020 and 2021, the Board is granted the possibility, at the behest of the CNR, of agreeing, subject to justification, on an increase of up to 10% of the fixed annual remuneration.

Furthermore, in the terms of the contract approved by the Board, the Chief Executive Officer receives an annual fixed remuneration in kind for items that are normal in these cases and similar to those of the entire management team of the Company (vehicle, medical insurance, etc.). The Executive Chairman is also an insured participant in the "Company Directors' Insured Pension Plan", established by the company for its management team by means of a mixed group insurance policy for pension commitments, including benefits in the event of survival, death and disability, which the company has signed with an insurance firm.

Based on the information made public by the company for other purposes, the Executive Chairman received the following amounts for these items in 2018: payments in kind amounting to 173 thousands of euros; a life insurance premium totalling 47 thousands

of euros; contributions to the Directors' Pension Plan amounting totalling 240 thousands of euros.

For the period 2019-2021, there are not expected to be any changes in the items that make up the fixed annual remuneration in kind, and possible differences in their amount will arise from the application at each moment of the price increases and, where appropriate, of the valuation rules that apply to them.

The Executive Chairman is a member of the group insured by the civil liability policy that covers the contractual and non-contractual liabilities that correspond to the activities undertaken in their posts.

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

### **Variable annual remuneration.**

The Chairman has been acknowledged the right to receive an annual variable bonus as the annual variable remuneration for meeting the objectives established by the Board of Directors at the proposal of the Appointments, Remuneration and Corporate Social Responsibility Committee for the corresponding year. The variable bonus cannot exceed 60% of the annual fixed monetary remuneration in any case.

At the start of each year included in the Policy, the Board will approve the objectives applicable to the Executive Chairman for such purposes and, at the end of the year, the Board, at the proposal of the Committee, will assess the Level of Achievement of the objectives and determine the annual variable remuneration corresponding to the Chairman.

At the proposal of the CNR, the Board has already established the objectives that apply in 2019 to the Executive Chairman for these purposes, consisting in general terms of the following:

- 1.- An improvement in the Company's financial results, with growth in after-tax profit.
- 2.- Consolidation of the company's regulated revenue.
- 3.- Consolidation of the Company's Strategic Plan, specifically as regards its international development.
- 4.- Development of Corporate Social Responsibility and Good Governance initiatives.

### **Long-term variable remuneration (ILP 2019-2021).**

The Executive Chairman will be the beneficiary of 2019-2021 Long Term Incentive in the terms indicated in section A) above and which are reproduced herein as they affect him.

It must be remembered that the ILP will not have a direct effect on the Executive Chairman's remuneration in 2019, 2020 and 2021, without prejudice to how the accounting is handled by the Company for the proportional part of the theoretical maximum of the same in each year.

In 2022, 50% of the Long Term Incentive will be settled, and the other 50% will be deferred to 2023, thus the Executive Chairman will be paid the Incentive according to his Level of Attainment of targets over the multi-year period. He will receive all this Incentive in the form of shares, and he will be obliged to maintain the shares received in 2022 for two (2) years, and those received in 2023 for one (1) year. In 2024, the Executive Chairman may freely dispose of the shares received.

If the minimum degree of achievement of objectives is not met, the Incentive shall amount to zero.



## **Main conditions of the Executive Chairman's contract.**

For the purposes of article 529 octodecies, the main terms and conditions of the contract with the Executive Chairman are stated below.

The relationship between Enagás and the Executive Chairman is governed by a "Service provision contract for the position of Executive Chairman", approved by the Board of Directors in accordance with all the requirements envisaged in article 249.3 of the Spanish Corporate Enterprises Act. The contract is aimed at regulating the rights and obligations for the parties as a result of the position of Executive Chairman, which corresponds to Mr Antonio Llardén Carratalá since his appointment by the Board on January 24, 2007. The contract stipulates the period during which the Executive Chairman performs his duties as such.

The contract regulates the services provided by the Executive Chairman when carrying out his functions and those of the Company. The sections above describe the corresponding remuneration in detail. The contract also regulates the circumstances for termination. In the event of voluntary termination by the Company for any reason, not associated with any serious blame or breach by the Executive Chairman, or breach of contract by the Company, the former will have the right to a compensation of two years of fixed annual remuneration, understood as the fixed annual remuneration received by the Executive Chairman at the time of termination, the remuneration in kind and the last variable annual remuneration received. The compensation for this item was fixed at three years but the Chairman reduced this to one year in 2016 to better conform with the best practices of good governance.

The contract contains an exclusive dedication agreement for the Executive Chairman, which stipulates that the latter cannot provide services of any kind to third parties or form part of any other company or legal firm without the explicit authorisation of the Board. No economic compensation for the Executive Chairman is envisioned for this concept. Neither does the contract include an economic compensation for arrangements of non-competition after contract termination. The permanence and loyalty of the Executive Chairman are motivated by the participation in the "Company Directors' Insured Pension Plan", described above.

## **5. Chief Executive Officer.**

### **Remuneration for being a Director.**

From 2019 to 2021, inclusively, the Chief Executive Officer will receive the remuneration corresponding to his condition as Director under the terms described in section B) above. The Chief Executive Officer, in his capacity as Executive Director, cannot be a member of either of the two Board Committees.

### **Fixed remuneration**

In accordance with the aforementioned proposal, the fixed annual monetary remuneration of the Chief Executive Officer for the period covered by this Policy will be 500,000 euros in 2019. For 2020 and 2021, the Board is granted the possibility, at the behest of the CNR, of agreeing, subject to justification, on an increase of up to 10% of the fixed annual remuneration.

Moreover, under the terms of the contract approved by the Board, the Chief Executive Officer will receive an annual fixed remuneration in kind for the usual items in these types of benefits and similar ones to those for the Company's management team (car, medical insurance, etc.). Furthermore, the Chief Executive Officer is also an insured participant in the "Company's Directors' Pension Plan" which the Company established for its management team by means of a mixed group insurance policy. In addition to pension

obligations, the cover provides benefits in the cases of life expectancy, death or disability, which the Company has signed with an insurance company.

Based on the information made public by the company for other purposes, the Chief Executive Officer received the following amounts for these items in 2018: payments in kind amounting to 22 thousands of euros; a life insurance premium totalling 1 thousands of euros; contributions to the Directors' Pension Plan amounting totalling 149 thousands of euros.

For the period 2019-2021, there are not expected to be any changes in the items that make up the fixed annual remuneration in kind, and possible differences in their amount will arise from the application at each moment of the price increases and, where appropriate, of the valuation rules that apply to them.

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

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

#### **Variable annual remuneration.**

The Chief Executive Officer has been acknowledged the right to receive an annual variable bonus as the annual variable remuneration for meeting the objectives established by the Board of Directors at the proposal of the Appointments, Remuneration and Corporate Social Responsibility Committee for the corresponding year. The variable bonus cannot exceed 60% of the annual fixed monetary remuneration in any case. This bonus is determined in the manner described for the Executive Chairman.

- 1.- An improvement in the Company's financial results, with growth in after-tax profit.
- 2.- Consolidation of the company's regulated revenue.
- 3.- Consolidation of the Company's Strategic Plan, specifically as regards its international development.
- 4.- Development of Corporate Social Responsibility and Good Governance initiatives.

#### **Long-term variable remuneration (ILP 2019-2021).**

The Chief Executive Officer will be the beneficiary of 2019-2021 Long Term Incentive in the terms indicated in section A) above and which are reproduced herein as they affect him.

It must be remembered that the ILP will not have a direct effect on the Chief Executive Officer's remuneration in 2019, 2020 and 2021, without prejudice to how the accounting is handled by the Company for the proportional part of the theoretical maximum of the same in each year.

In 2022, 50% of the Long Term Incentive will be settled, and the other 50% will be deferred to 2023, thus the Chief Executive Officer will be paid the Incentive according to his Level of Attainment of targets over the multi-year period. He will receive all this Incentive in the form of shares, and he will be obliged to maintain the shares received in 2022 for two (2) years, and those received in 2023 for one (1) year. In 2024, the Chief Executive Officer may freely dispose of the shares received.

If the minimum degree of achievement of objectives is not met, the Incentive shall amount to zero.

## **Main conditions of the Chief Executive Officer's contract.**

For the purposes of article 529 octodecies, the main terms and conditions of the contract with the Chief Executive Officer are stated below.

The relationship between Enagás and the Chief Executive Officer is governed by a "Service provision contract for the position of Chief Executive Officer", approved by the Board of Directors in accordance with all the requirements envisaged in article 249.3 of the Spanish Corporate Enterprises Act. The purpose of the contract is to regulate the rights and duties of the parties derived from the position of Chief Executive Officer that corresponds to Mr Marcelino Oreja Arburúa since his appointment by the Board on September 17, 2012. The contract stipulates the period during which the Chief Executive Officer performs his duties as such.

The contract regulates the duties of the Chief Executive Officer and those of the Company. The sections above describe the corresponding remuneration in detail. The contract also regulates the circumstances for termination. In the event that the Company freely decides to terminate the contract for whatever reason, as long as this is not due to a breach or being guilty of any actions by the Chief Executive Officer or because the Company has failed to comply with its contractual obligations, the Chief Executive Officer will be entitled to an indemnity equivalent to two years' salary of his annual fixed remuneration, understood as that held by the Chief Executive Officer at the time of the termination of employment plus the remuneration in kind and the last annual variable remuneration received.

The contract establishes an exclusivity arrangement for the Chief Executive Officer, through which he cannot provide services of any nature to third parties or participate in or form part of another company or legal entity without the Board's express authorisation. No economic compensation for the Chief Executive Officer is envisioned for this concept. The contract includes a non-competition arrangement after its termination, which expires two years afterwards. As compensation for this non-competition agreement, the company shall pay the Chief Executive Officer 80% of the fixed annual remuneration for each of the years contemplated by the agreement. Nonetheless, the resulting amount shall be subtracted from the amount in his favour in the "Directors' Insured Pension Plan". The Chief Executive Officer's permanence and loyalty are incentivised through his participation in the aforementioned "Company's Directors' Pension Plan".

## **6. Executive Director contracts (Executive Chairman and Chief Executive Officer)**

The contracts with the Chairman and with the Chief Executive Officer can be amended when necessary to comply with the provisions of article 249.3 of the Spanish Corporate Enterprises Act.

### **(D) ANNUAL CEILING ON BOARD REMUNERATION.**

The maximum total amount that the Company may pay its directors in each of the three years covered by this Policy shall be the sum of the following items:

- D) Maximum amount of the remuneration to be paid to all the Directors in their capacity as such, which amounts to the maximum annual amount of 2,241,000 euros for 2019, and 2,600,000 euros for 2020 and 2021.
- E) The amount to be paid to Executive Directors in application of the various remuneration items listed and explained in section 2.C of this Policy.
- F) The amount of the compensation referred to in headings 2.C.1 and 2.C.2 of this Policy in the event of termination with a right to compensation of any of the executive directors, as well as the amounts that could be paid to the Chief Executive Officer corresponding to compensation for post-contractual non-competition

agreements during the term of this Policy.

## **E) COMPANY POLICY FOR REMUNERATION OF MEMBERS OF THE MANAGEMENT COMMITTEE AND REST OF THE MANAGEMENT TEAM.**

This Policy, which is submitted for the approval of the Meeting for the purposes of article 529 novodecies of the Corporate Enterprises Act, does not cover the remuneration policy that the Company will follow for members of the Management Committee and the rest of the Management team. This is without prejudice to the fact that changes in the remuneration of the members of the Management Committee must be submitted to the Board for approval in accordance with the provisions of article 249 bis of the Capital Enterprises Act.

However, to the extent that the entire remuneration policy of the Company should be considered as a whole, in this section the Board informs the Meeting of the policy that, as with the proposal for the Executive Directors, will apply to the members of the Management Committee (nine currently) and the Managers (thirty-seven currently).

The CNR, with the collaboration of the independent consultant Willis Towers Watson, extended the analysis of the remuneration positioning to the members of the Management Committee and the rest of the Management team.

### **Analysis of current positioning.**

As described above, a new analysis was conducted on the remuneration positioning of the management team with respect to a group of companies proposed by the independent advisor in which Spanish Ibex35 energy companies were considered.

This analysis was conducted using criteria similar to those used in the definition of the previous policy (2016-2018):

- The comparison benchmark used was 90% of the 2018 market median.
- This benchmark (90% of the market median in 2018) will be the limit that the remuneration of the management team could reach after the three years of the policy (2019-2021).
- The positioning of the management team with respect to this benchmark is one of the criteria was considered to establish their proposed remuneration for the years 2019-2021. Other criteria that considered in establishing the proposed remuneration are: the evolution of the contribution of the position and the person, consistency with the evolution of the rest of the management team, the results of the group.

### **Remuneration proposal for 2019, 2020 and 2021.**

Apply annual increments that enable fulfilment of the target positioning (90% of market median of 2018) at the end of the financial year 2021.

Reduce the individual annual increase to a maximum of 20%, with respect to 30% of the 2016-2018 policy.

The annual increases applied must have the approval of the Board at the proposal of the Appointments, Remuneration and CSR Committee and must be justified based on the following criteria:

- The evolution of the contribution of the position and the person
- Consistency with the evolution of the rest of the management team

- The results of the group
- Market benchmarks

In addition, during the 2019-2021 period, the company undertakes to carry out a detailed analysis of salary fairness from a gender perspective or any other fairness issue included in the Enagás diversity commitment deemed appropriate, with proposals, where appropriate, of action plans deemed necessary.

The changes in the financial terms for the Management Committee members must be approved by the Appointments, Remuneration and Corporate Social Responsibility Committee and the Board in accordance with the provisions of article 249 bis of the Spanish Corporate Enterprises Act. These changes will be made in accordance with the general policy set forth by the CNR for this purpose.

Changes in the economic conditions of the rest of the management team will be implemented in accordance with the general policy set by the Company.