



Board Diversity and Director Selection Policy of Enagás, S.A.

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Board Diversity and Director Selection Policy of Enagás, S.A.

1. Introduction and purpose

- The Board of Directors of Enagás, S.A. ("**Enagás**" or the "**Company**") is legally entrusted with the **non-delegable power** of determining the general policies and strategies of the Company and of the Group of which it is the parent company ("**Enagás Group**" or "**Group**") and, in particular, the approval and supervision of the selection procedures of its members.

In this regard, the Recommendations of the Good Governance Code of listed companies (the "**Good Governance Code**") stipulate that the Board of Directors of listed companies should approve a policy aimed at promoting an appropriate composition of the Board of Directors, a power which has likewise been provided for in the Rules and Regulations of the Organisation and Functioning of the Board of Directors of the Company.

- Pursuant to the foregoing, at its meeting on December 21, 2020, the Board of Directors of the Company agreed to approve this *Board Diversity and Director Selection Policy of Enagás, S.A.* (the "**Policy**"), which shall form part of the corporate governance system of the Company, replacing the Policy hitherto in force as of September 19, 2016.
- This Policy brings together the main aspects and commitments of the Company in terms of the diversity, selection and appointment of Directors, and has as its **purpose** the establishing of the procedure and criteria which shall be taken into account by the Enagás Board of Directors during the selection processes that involve the appointment or re-election of the members of the Enagás Board of Directors, all in accordance with applicable legislation and best practices of corporate governance.

2. General principles

- In line with the **principles of corporate governance and the corporate values** of the Company, the bodies with competence in this area must take the following principles into account at all times during the selection processes for members of the Board of Directors:
 - Principle of **diversity in the composition of the Board**. In the application of this principle, the Board of Directors shall ensure that during the selection procedures for its own members, applicants possess training of an appropriate level and in the appropriate field, in the pursuit of a diversity in terms of aspects such as age, disability or professional training and experience which would contribute to a broader vision for the Board of Directors regarding the issues with which it engages, likewise ensuring that the selection processes favour gender diversity to guarantee an even balance between men and women. Likewise, efforts will be made to adopt measures calling upon the Company to have a significant number of senior female directors.
 - The principle of **non-discrimination and equal treatment**, so that the selection procedures for members of the Board of Directors are not subject to implicit bias which could entail any discrimination of any kind, whether due to race, sex, age, disability, etc.
 - **Compliance with laws in force and with the Enagás corporate governance system; likewise, with the recommendations and principles of good**

governance adopted by the Company.

3. Subjective scope of application

- **All candidates to be appointed Director and the members of the Enagás' Board of Directors who are put forward for re-election, and likewise, the Secretary and Vice Secretary of the Board of Directors,** shall be subject to this Policy.
- In cases where the **Director** is a **legal person**, the natural person appointed as his or her representative must fulfil the legal requirements established for members of the Board of Directors, shall be subject to the same responsibilities, and shall answer jointly with the legal person acting as Director, being considered one and the same for the purposes of this Policy.

4. Selection procedure

4.1. Bodies responsible for the selection of candidates

4.1.1. Board of Directors

- In accordance with the legislation in force, and the Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagás, the following powers regarding the selection of Directors **shall be the responsibility of the Board of Directors:**
 - The approval and modification of this Policy.
 - The preparation of a report justifying the competence, experience and merits of the proposed candidate for appointment or re-election as Director, which shall always accompany any proposed appointment or re-election, and which shall accompany the document from the General Shareholders' Meeting or from the Board itself.
 - The proposals for the appointment or re-election of Non-Independent Directors which are submitted to the General Shareholders' Meeting, as well as appointments adopted by the Board by virtue of its legally-bestowed powers of co-option.
 - To ensure that the general principles governing the selection of Directors are respected, and in particular, those concerning diversity of gender, age, experience and knowledge, and concerning non-discrimination.

4.1.2. Sustainability, Appointments and Remuneration Committee

- The following capacities, among others, will be the responsibility of the **Sustainability, Appointments and Remuneration Committee of Enagás**, without prejudice to the capacities of the Board of Directors regarding the selection of its members:
 - To evaluate the skills, knowledge and experience needed on the Board of Directors. To this end, it shall determine the functions and capacities required of the candidates to fill each vacancy, and evaluate the precise amount of time and degree of dedication necessary for them to effectively perform their duties, as well as the maximum number of boards of which they may reasonably form part, while overseeing that the Non-Executive Directors have sufficient time available to properly perform their functions.

- To review the structure of the Board of Directors, the criteria for the renewal of Directors required under the Articles of Association, the addition of new members and any other aspects relating to its composition that it deems appropriate, providing the Board of Directors with the proposals that the Committee considers fit.
 - To draw up and update a matrix with the necessary competences of the Board and which defines the skills and knowledge of the candidates for Directors, in particular executive and independent Directors.
 - To establish a goal concerning the representation of the less-represented gender on the Board of Directors and to prepare guidelines on how this goal can be attained.
 - To forward to the Board of Directors proposed appointments of Independent Directors for them to be designated by co-option or subject to the approval of the General Shareholders' Meeting, as well as on proposals for their re-election or removal by the General Shareholders' Meeting.
 - To report on the proposed appointments of the remaining Directors for them to be designated by co-option or subject to the decision of the General Shareholders' Meeting, as well as on proposals for their re-election or removal by the General Shareholders' Meeting.
 - To report to the Board of Directors concerning proposals for the removal of Directors when situations arise that affect them and which may compromise the good name and reputation of the Company, according to prevailing laws or the internal regulations of the Company.
 - To announce the appointment or stepping down of the Secretary and Vice Secretary of the Board of Directors, with the aim of safeguarding its independence, impartiality and professionalism.
 - To draw up and review the criteria that must be utilised for the composition of the Board and for the selection of those nominated as Directors, ensuring at all times that their access to the Board does not affect the Company's status as technical transmission operator, pursuant to the provisions of applicable hydrocarbons regulations.
 - To annually verify that this Policy is adhered to, reporting to the Board of Directors accordingly.
- The Committee may request **internal assessment**, and likewise, the attendance of directors of the Company and its Group, as deemed necessary in order to carry out its functions within the framework of this Policy.

4.1.3. Other positions involved

- The **Chairman of the Board of Directors and the CEO** of the Company may be consulted by the Sustainability, Appointments and Remuneration Committee regarding the appointment of Executive Directors.

- Moreover, any Director may suggest directorship candidates to the Sustainability, Appointments and Remuneration Committee for their consideration.
- The **Secretary to the Board of Directors**, in exercising the functions for which he is responsible in accordance with the law, the Articles of Association of the Company and the Rules and Regulations of the Board of Directors, shall ensure that the actions taken by the Board of Directors regarding the appointment and re-election of Directors is in compliance with applicable legislation, with the Articles of Association, and all other internal legislation, and that they bear in mind the recommendations regarding good governance which apply to the Company.

4.1.4. Collaboration of independent experts

- The Director selection process shall involve the collaboration of an **independent expert**, in order to ensure the greatest possible **objectivity** of said process.
- In the case of external advisors, the Sustainability, Appointments and Remuneration Committee shall pay special attention to the independence of the advisor and make sure there are no conflicts of interest.

5. Candidate requirements

5.1. Categories of Board of Directors members

- Pursuant to the provisions of the Law and the Rules and Regulations of the Organisation and Functioning of the Board of Directors of the Company, the Board of Directors of Enagás shall be composed of Directors of the following categories:
 - **Internal or Executive Directors:** directors who perform senior management functions at the Company or its Group, whatever the legal connection they may have with it. When a Director performs management functions, and simultaneously is or represents a shareholder of significance or who is represented on the Board, that Director shall be considered an Executive or Internal Director under the Rules and Regulations of the organisation and functioning of the Board.
 - **External or Non-Executive Directors:** shall be, in turn:
 - **Proprietary Directors:** directors who hold a shareholding interest equal to or greater than that which is considered significant under the law or have been appointed on account of their status as shareholders, even if their shareholding is less than said amount, as well as those who represent said shareholders.
 - **Independent Directors:** External Directors who meet the requirements for independence set out in the Law and in the Rules and Regulations.
 - Furthermore, the members of the Board of Directors shall include **Other External Directors**, i.e. those Non-Executive Directors who cannot be considered either Independent or Proprietary Directors.
- In line with the Principles of the Enagás *Corporate Governance Policy*, the Board of Directors of the Company shall ensure that in its composition, the **Independent Directors hold a wide majority** over the Executive Directors, and that the **percentage of Proprietary Directors among all the Non-Executive Directors** does not exceed the proportion of Company capital represented by said Directors and the rest of the capital, without prejudice, as the case may be, to the adaptation of this criterion

to the terms of the applicable recommendations for good governance adopted by the Company.

5.2. Director selection requirements

- The members of the Board of Directors must possess the **skills, knowledge and experience** required to carry out their duties, taking into account the skills required by the Board of Directors and its composition as a whole.
- Based on the foregoing, the Director selection procedures shall take into account at least the following criteria:
 - **Suitable professional knowledge and experience:** appointments are limited to persons of recognised prestige and who possess knowledge and experience suited to the exercise of their functions.
 - **Requirements derived from the Hydrocarbons Sector Law:** candidates must be able to satisfy the independence requirements demanded by Enagás' appointment as independent gas transmission network manager.
 - **Requirements for Independent Directors:** in addition to the previous criteria, which shall be applied to all Directors, regardless of their category, the persons **selected in the category of Independent Directors** must meet the requirements for independence under the provisions of the applicable law at all times, and the additional conditions for independence, as the case may be, stipulated in the company's internal regulations.
 - **Commitment to fulfilling the duties and obligations of Directors:** proposals for re-election of current members of the Board of Directors shall take into account the commitment demonstrated by the Directors during the year in which they held office, in fulfilling the **duty of diligence and the duty of loyalty**, and all the regulations to which, in their condition of Directors and, where applicable, as shareholders or high-ranking member of the company, they are subject under the *Internal Code of Conduct in Matters Relating to Securities Markets*, the *Enagás Group Code of Ethics*, the *Code of Conduct of the Technical Manager of the Spanish Gas System* and other laws or procedures derived from their application. Likewise, it will be judged whether their actions in the exercising of their office has been in good faith and in the best company's interest.
- The Board of Directors shall ensure that proposals for the appointment or re-election of Directors **encourage diversity** within the Board, whereby they must focus on preferably incorporating women and people who due to their nationality or experience have an international professional profile, in accordance with the company's strategy. The Director appointment or re-election proposals should pursue the goal of having at least 40% of total Board places occupied by women directors by 2022.
- In addition to the above requirements, the selection processes for Enagás Directors shall at all times take into account any other conditions, where applicable, determined by the company's Sustainability, Appointments and Remuneration Committee and the applicable laws.
- The process of selecting candidates to sit on the Audit and Compliance Committee shall take into account the special features required by law and the recommendations of the

supervisor, and it will be ensured that all its members have knowledge and experience in accounting, auditing and risk control and management, both financial and non-financial, and also technical knowledge of the sector to which the company belongs in such other areas as may be appropriate for the Audit and Compliance Committee to perform its duties, without prejudice to the requirements of geographical origin, gender and other diversity requirements to be taken into account.

- In the selection process for the Sustainability, Appointments and Remuneration Committee, candidates will be assessed regarding their knowledge and experience in areas such as strategic analysis and evaluation of human resources, selection of Directors and senior managers, performance of senior management functions or design of remuneration policies and plans for Directors and senior executives, without prejudice to any other diversity requirements that should be assessed.

5.3. Rules regarding incompatibilities and disqualification

- **Directors**, nor, as the case may be, the natural person representing a legal person acting as Director, **cannot be**:
 - Non-emancipated minors, those who are legally unable, those disqualified under the Insolvency Law prior to the expiry of the disqualification period established by the sentence for the declaration of bankruptcy, those convicted of crimes against freedom, against heritage or against the socio-economic order, against public safety, against the Administration of Justice or for any kind of dishonesty; likewise, those whose position prevent them from engaging in business.

Civil servants with positions in Public Administration whose duties are related to the activities of the companies involved, judges, magistrates, and other individuals with a legal conflict of interest, also cannot be Directors.
 - Natural persons or legal persons who hold the post of Director in more than 5 (five) companies whose shares are admitted to trading on national or foreign markets.
 - Natural persons or legal persons who exercise control or rights in a company which produces or commercialises natural gas, or any other natural persons or legal entities whose presence on the Board of Directors, in accordance with applicable legislation regarding Hydrocarbons, could affect the status of the Company as transmission network manager.
 - Those subject to incompatibilities, legal prohibition, or incapacity in accordance with the requirements established in the applicable legislation and in the rules of corporate governance of Enagás, including those whose interests are in any way opposed to those of the Company or its Group.
- In the case of the **re-election of Directors**, those who find themselves in any of the following circumstances cannot be re-elected as Directors:
 - Those who have committed a serious breach of their obligations as Directors.
 - When the reason for which they were appointed as Directors no longer exists, in particular:

- When the reason for which they were appointed as Executive Directors no longer exists.
- When a shareholder represented by Proprietary Directors sells their stake in full, or when said shareholder reduces their stake to a level which requires the reduction of the number of Proprietary Directors.
- When Independent Directors cease to meet the conditions required by Law in each category.

6. Policy supervision

- The **Board of Directors** shall periodically evaluate the efficiency of this Policy and shall adopt appropriate methods to remedy any possible flaws, implementing any modifications it deems necessary.
- Without prejudice to the foregoing, the **Sustainability, Appointments and Remuneration Committee** shall annually verify that this Policy is adhered to, reporting to the Board of Directors accordingly.

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