

# 2020

# Annual Report





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## Consolidated Management Report



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# About our Consolidated Management Report

[GRI 102-1, GRI 102-5, GRI 102-12, GRI 102-50]

## Standards and principles used

The Consolidated Management Report includes the non-financial information statement and complies with the requirements of Directive 2014/95/UE on non-financial information and diversity, as well as with associated Spanish legislation (Law 11/2018) and has been prepared by the Board of Directors on February 22, 2021. [GRI 102-32]

The following standards and principles were used in preparing this 2020 Annual Report:

- ▶ *GRI Sustainability Reporting Standards*, comprehensive option. These guidelines from Global Reporting Initiative (GRI) define the principles and content for compiling sustainability reports, and are subjected to GRI Context Index Service. The content of the report has been verified by EY. [GRI 102-56]
- ▶ The principles in the Integrated Reporting Framework, published by the International Integrated Reporting Council, IIRC ([www.theiirc.org](http://www.theiirc.org)), for which Enagás participated in the Integrated Reporting Pilot programme.
- ▶ The principles of standard AA1000: inclusivity, materiality, responsiveness and impact.

- ▶ The Sustainable Development Goals approved by the United Nations General Assembly, which Enagás integrates in its strategy and are set out in the section '[Enagás in 2020](#)'.
- ▶ The ten principles of the UN Global Compact, as set out in the Appendix '[Global Compact content index](#)'.
- ▶ Recommendations of the Task Force on Climate Related Disclosures (TCFD). See Appendix '[TCFD content index](#)'.
- ▶ The SASB (Sustainability Accounting Standards Board) reporting standard for the Oil & Gas - Midstream sector. See Appendix '[SASB content index](#)'.
- ▶ The core metrics and disclosures defined by the World Economic Forum in the report measuring stakeholder capitalism, which are detailed in Appendix '[World Economic Forum content index and metrics](#)'.
- ▶ Recommendations included in the 'Guide for the preparation of management reports of listed companies' of the CNMV.
- ▶ EFQM model criteria, in which Enagás maintains its +500 certification. See Appendix '[Content index according to the EFQM Model](#)'.

## Scope of the financial and non-financial information

The scope of this report includes the information on 2020 financial year of the Enagás Group (hereinafter 'Enagás'). The following criteria have been applied to the information reported herein:

- ▶ The financial information is presented in accordance with the consolidation principles applied in the annual accounts.

- ▶ Non-financial information relates to operations over which Enagás maintains control (companies consolidated in the Consolidated Financial Statements in accordance with the full consolidation method). These companies are located in Spain. Start-ups are excluded from the scope, as their non-financial impact is not considered relevant. During 2017 and 2018, Enagás maintained control of the GNL Quintero regasification plant (Chile). To facilitate data comparability, the non-financial information for 2017 and 2018 has been recalculated excluding the GNL Quintero regasification plant (Chile). [GRI 102- 10, GRI 102-45, GRI 102-48, GRI 102-49]

For further details on the scope of the financial information, refer to the '[Consolidated Annual Accounts](#)', section 1.3 '[Consolidation principles](#)'.

## Reliability of non-financial information

Enagás has an internal control system over non-financial information that covers representative indicators of the areas of sustainability (environmental, social and governance). In 2020, Enagás carried out a review that focussed on continuous improvement of this internal control system to improve its alignment with the management of non-financial information, with the internal control system for financial reporting and with the COSO ESG risk management framework.

In 2020, the internal control system for non-financial information was externally reviewed by EY through an Agreed-Upon Procedures Report.

1. These start-ups (Efficiency for LNG applications S.L., Scale Gas Solutions S.L., Hydrogen to Gas, S.L., Sercomgas Gas Solutions, SEA, S.L., Bioengas Renovables, S.L., H2Green Global Solutions S.L. See the '[Corporate entrepreneurship and open innovation](#)' chapter) are in the early stages of developing their businesses, so their impact is not very significant (for example, they account for 2% of Enagás' workforce). Enagás will assess the impact of operations as its business and representation evolves, incorporating them into the scope of the non-financial information if relevant.

2. This affiliate was excluded from the scope as non-financial information was considered irrelevant after the loss of control in February 2019.



Interview with the Executive Chairman  
Antonio Llardén [\[GRI 102-14\]](#)

**"We are fully committed to decarbonisation and have brought forward our goal of being carbon-neutral to 2040"**

**How has Enagás' experience of 2020 been and how has it dealt with the health crisis?**

It has been a very intense and difficult year, in which COVID-19 has turned the world as we knew it upside down. With prudence and humility - because we are still in a very complex situation - we can say that Enagás, and the energy sector in general, has shown great resilience in the face of this crisis.

The Spanish Gas System has operated normally. Even in the most critical months, we have guaranteed the supply of energy under all conditions to homes, industry, residences, hospitals, and so on, as well as guaranteeing electricity production. It is a great source of pride for the whole Enagás team, we have contributed to Spain's well-being by providing an essential service with normalcy in such exceptional circumstances.

This has been one of our three priorities during COVID-19, along with ensuring the health, safety and well-being of people and contributing, to the best of our ability, to mitigating the economic and social impact of the pandemic.



To achieve this, we have relied on all the advances we had previously made in digitalisation, flexibilization and teleworking; these have allowed us to adapt quickly and efficiently to the pandemic, with a large majority of our employees teleworking in an entirely efficient way.

Due to the nature of our activity, the physical presence of employees has been necessary to guarantee operational continuity. Our Contingency Plan, with all kinds of specific measures, has been very effective. The company's good management has been recognised with an AENOR 'COVID-19 Action Protocol Certification'.

### In such an exceptional year, what would you highlight from the 2020 results?

In particular, the fact that, at a time of extremely high global uncertainty, Enagás has met the targets we set at the beginning of the year, both for profit and for dividends. We have now met our targets for fourteen consecutive years.

We have good outlook from now to 2026, as we have a stable and predictable new regulatory framework that is closed until then, so we have that horizon and an efficient and balanced Gas System. In this context, Enagás has a privileged position among European companies in terms of its ability to project a large part of its revenues over the next six years. This makes us reasonably confident about the targets we can set for the coming years.

And in terms of our investments, a clear milestone in 2020 was the commissioning of the European Trans Adriatic Pipeline (TAP) in which we have a 16% stake.

### What aspects of the year stand out from a financial perspective?

We closed the year with a very substantial liquidity position of 2,473 million euros, an amount sufficient to meet our financial needs and maturities for the coming years. This is very positive, as it represents some level of protection against the current environment of market tensions and uncertainty regarding the complexity of the post-COVID economic recovery.

In this regard, in 2020 we issued a 500 million euro bond maturing in 2032 and with an annual coupon of 0.375%. This issue was secured with the lowest interest rate achieved by a Spanish company for 10 years or more. This highlights our financial strength and low risk profile. 80% of our debt is at a fixed rate, with a very low financial cost of 1.9% and no significant maturities until 2022.

### In such a turbulent year for the markets, how have Enagás shares held up?

2020 has been a very complex year for the stock markets. High volatility has resulted mainly from the pandemic, but also from other geopolitical factors such as Brexit and the oil price war between Russia and Saudi Arabia.

In any case, if we match our stock market performance over the year with a base indicator such as dividend yield, Enagás shares have outperformed their benchmark index, the IBEX35. This is also a good indicator of the company's resilience.

### What can you say in this context about the company's dividend policy?

In 2020 we have increased our dividend by 5%, meeting our commitment. We are reaffirming and confirming the dividend policy we set to run through 2026; this is the best proof of our commitment to our shareholders and demonstrates that their remuneration is one of our strategic priorities.

We have a solid foundation upon which to achieve this: the solidity of our earnings outlook until 2026 and the slack in cash generation mean that even under all scenarios envisioned under our regular stress tests are compatible with our dividend policy.

### What about Enagás' international investments?

It has been a year of asset consolidation and a year in which natural gas supply has also been guaranteed in the countries in which we are present through our subsidiaries, which have responded well and resiliently to the health crisis. [\[GRI 102-14\]](#)

**"In the midst of the health crisis, we have ensured the smooth functioning of the Spanish Gas System, contributing at all times to energy security and people's well-being"**



**"We are currently promoting more than 45 decarbonisation projects involving green hydrogen and biomethane in collaboration with various Spanish companies"**

As I said, the most significant event was the start of commercial operation in November - after more than four years of construction - of the Trans Adriatic Pipeline (TAP), a key project for European energy diversity and security.

On a related note, through our Greek affiliate DESFA, in which we have Snam, Fluxys, the Copelouzos Group and the Greek government as partners, we have gained access to two new assets. In Greece, we have become a shareholder of the Alexandroupolis LNG plant through the acquisition of a stake in the company that is developing a floating storage and regasification unit for liquefied natural gas at this terminal. And in Kuwait, DESFA has been awarded the contract for the integrated management of the Al-Zour plant, one of the largest regasification plants in the world.

In the United States, Enagás holds a 30.2% stake in Tallgrass Energy, and although 2020 has been a difficult year for all companies, Tallgrass has been re-approaching its production, prices, demand and utilisation levels during the third and fourth quarters of the year. Our investment is long-term and we are confident in the company's profitability and value creation objectives.

**How did gas demand evolve?**

The Spanish Gas System operated normally and availability, both commercial and technical, was 100% 24 hours a day, every day of the year.

Natural gas consumption in Spain in 2020 was 3.1% higher than in 2018 and was the second highest since 2012, despite the COVID-19 crisis and the year being one in which the industry came to a standstill.

These data highlight the key role of natural gas in the decarbonisation process.

**Can you specify Enagás' role in the ecological transition process?**

We are fully committed to decarbonisation. Our objective is to continue promoting it realistically, with clear priorities and without ever forgetting energy security. There, I am sure, natural gas continues to be essential and will be so for the next 15 or 20 years.

We are convinced that decarbonisation will be a key lever to reactivate the economy through specific projects on renewable gases, sustainable mobility, energy efficiency, and so on. These will boost economic growth and competitiveness, as will innovative technological solutions, such as green hydrogen.

We are currently promoting more than 45 decarbonisation projects involving green hydrogen and biomethane in collaboration with various Spanish companies. Many of them have been submitted as bids to the Ministry for Ecological Transition and the Demographic Challenge and to the Ministry of Industry, Tourism and Trade, as part of the Recovery, Transformation and Resilience Plan that will guide the application of EU Next Generation funds.

Some of these projects are already starting to become a reality. For example, 'Green Hysland' in Mallorca has the support of IDAE (Spain's Institute for Energy Diversification and Savings) and is the first green hydrogen project in a Mediterranean country selected to receive European funding.

Furthermore, in 2020 progress has been made towards a favourable framework with the Spanish government's approval of the Hydrogen Roadmap.

**Enagás is a leading company in sustainability. How has the health crisis impacted your health strategy and your decarbonisation goals?**

Sustainability is more than ever a strategic priority, and our decarbonisation targets have not suffered with the COVID-19 crisis. On the contrary, they have been strengthened: we have just brought forward our commitment to be carbon neutral by 2040 and we have increased the ambitiousness of our emissions reduction targets.

In order to meet these objectives, we have set out our decarbonisation strategy, based on emission reductions and the subsequent offsetting of those emissions that, for technical reasons, cannot be reduced. [GRI 102-14]



For years, we have been working on sustainability in three dimensions: environmental, social and corporate governance. This is a year in which we have put a great focus on social issues and, in particular, on our employees. Their health and well-being, physical and psychological, and our commitment to quality employment has been and remains a top priority for the company.

All this commitment and work is reflected in Enagás' good positioning in the leading sustainability indices. In 2020 our company was recognised as a global leader in its sector in the Dow Jones Sustainability Index (DJSI) for the fifth consecutive year, with the Gold Class distinction. We have also been included in the 'CDP Climate Change' A List, with the highest rating in our sector.

### What else can you highlight as regards human resources and talent management?

In 2020, we have maintained employment in the company and have even expanded the workforce. We have also signed the Third Collective Bargaining Agreement for the Enagás Group for the period 2020-2023, which provides a stable framework for these three years.

This year, Enagás ranked among the top 100 companies in Spain for reputation, according to Merco (Spain's Corporate Reputation Business Monitor). We remain well positioned among Actualidad Económica's '100 Best Companies to Work For' and, more recently, we have received the Top Employers seal for the eleventh consecutive year. In addition, we have been awarded the maximum qualification, 'level A of Excellence' in work-life balance as a 'Family-Responsible Company' (EFR).

Our efforts to promote diversity have led us to rank third globally in the Bloomberg Gender Equality Index in 2020 and to be among the Equileap 2019 Top 100 companies in the world for gender equality.

### To finish, would you like to point out any other relevant topic or issue?

I would like to emphasise that another of Enagás' priorities has been to do our bit to mitigate the economic and social impact of the health crisis and contribute to a recovery without leaving anyone behind.

The company has joined charitable initiatives such as the 'Cruz Roja Responde' (Red Cross Responds) campaign to deliver essential medical supplies to people in vulnerable situations, and 'La Cena de Navidad más Grande' (The Biggest Christmas Dinner) by Acción contra el Hambre (Action against Hunger), which we have joined both corporately and as individual employees of Enagás. And we have promoted pioneering initiatives such as the urgent call for Positive Energy+, together with the main Spanish energy companies, in which we received almost 400 proposals and projects to contribute to recovery through innovation.

It has been a very tough year with many challenges for everyone, both personally and professionally, and I would like to highlight the commitment and enormous effort made by the Enagás team, for which I would like to express my special and personal thanks once again.

I would also like to thank the Board of Directors for their crucial role this year and for their great involvement in the company's strategy and management.

The Enagás Board of Directors has approved this Annual Report, which represents the renewal of our commitment to the ten principles of the Global Compact, and at the same time, reflects our contribution to achieving the United Nations Sustainable Development Goals. [\[GRI 102-32\]](#)

Finally, due to the health situation, in 2020 we held our General Shareholders' Meeting in a virtual format for the first time in the history of Enagás. This year, we also obtained certification as a Sustainable Shareholders' Meeting. We were not able to thank our shareholders in person for their continued commitment as we would have liked, and I would like to thank them for their support, on behalf of myself and the Board of Directors, and reiterate our commitment to them in 2021. [\[GRI 102-14\]](#)

**"In a very tough year with many challenges for everyone, I would like to highlight the commitment and enormous effort made by the Enagás team"**



# Enagás in 2020

## Sound financial and liquidity position

**444 M€**

NET PROFIT

**16.0%**

FFO (last 12 months)/Net Debt

**859.2 M€**

Net investments

**4,288 M€**

Net debt

**2,473 M€**

Liquidity

Rating

**BBB+**

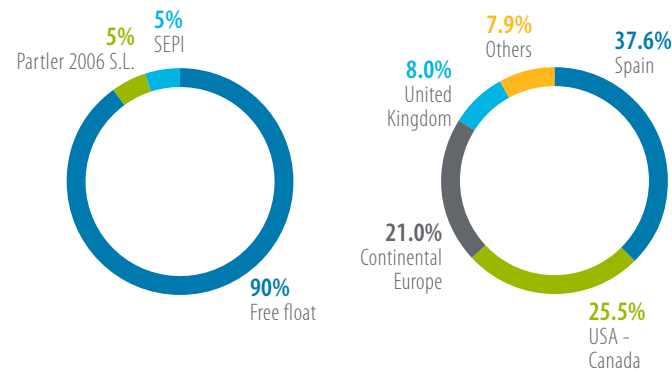
Standard & Poor's

**BBB+**

Fitch

## Attractive and sustainable shareholder remuneration

Distribution of capital



**+5%** DIVIDEND PER SHARE (€1.68)

**€ 17.97** SHARE AT 31/12/2020

## Growth

**+45**

PROJECTS AIMED AT DECARBONISATION (green hydrogen and biomethane)

**14**

START-UPS invested in by Enagás Emprende

## Sustainability

**1,330**

PROFESSIONALS

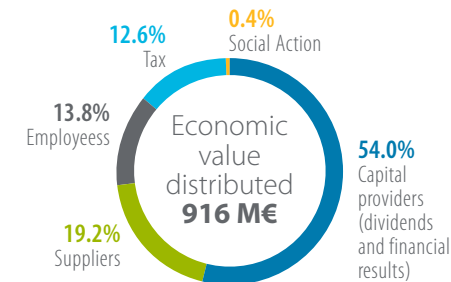
**29%** women and

**2%** increase in workforce vs. 2019

**-32%**

CO<sub>2</sub>e EMISSIONS reduction vs. 2019

Contribution to society [GRI 201-1]



Emission reduction targets of CO<sub>2</sub>e (vs 2018):

**-5%**

in 2019-2021

**-15%**

in 2025

**-41%**

in 2030

**-65%**

in 2040

Indices

**87**

DJSI score (Gold class)

**A**

CDP climate change score

## Efficiency

**359.9 TWh**

NATIONAL GAS DEMAND

[GRI 302-2]

**100%**

commercial availability

**100%**

technical availability

**238**

Unloadings of methane tankers at regasification plants

**231.3 TWh**

unloaded from ships

**13.3 TWh**

of tanker load utilisation

**220.8 TWh**

of regasification

**~95%**

of storage capacity under contract as of December 31

Important circumstances arising after year-end: see '[Consolidated Annual Accounts](#)', section 4.9 'Subsequent events'.





# Our contribution to the SDG

Enagás, as a leading company in sustainability, is committed to the achievement of the Sustainable Development Goals, which represent the Agenda for Humanity 2030 and which address several fundamental human rights.

At Enagás, we have identified and prioritised the Sustainable Development Goals to which we contribute directly, both through our key business activities and our Sustainability Strategy (see the ['Our commitment to the energy transition'](#) chapter):

## Our contribution

Ensure access to affordable, reliable, sustainable and modern energy for all



**We work on new energy solutions for a low-carbon economy, such as renewable gases: biomethane and hydrogen. We also work on energy efficiency and emissions reduction, promoting, among others, natural gas in transport.**

Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation



**Our purpose is to improve the competitiveness of the countries in which we operate, and contribute to the energy transition and decarbonisation process by developing and managing energy infrastructures.**

Take urgent measures to combat climate change and its impacts



**Energy efficiency is a key area for Enagás. We continue to work and set targets for reducing emissions and energy intensity at each of our facilities.**

## Targets linked to variable remuneration, commitments and degree of progress

**Targets.** We have set targets for investment in the development of renewable gases and reduction of emissions linked to the variable remuneration of our professionals (see the ['Strategy/Targets linked to variable remuneration'](#) chapter). We have also set ambitious long-term emission reduction targets that constitute our path towards carbon neutrality in line with the European Union's commitment (see the ['Climate action and Energy efficiency'](#) chapter).

**Degree of progress and impact.** The energy efficiency measures implemented in recent years have enabled us to halve our carbon footprint since 2014. We have also contributed to the reduction of third party emissions:

- › The use of liquefied natural gas (LNG) in ships reduces CO<sub>2</sub> emissions by 18%. Within the framework of the LNGashIVE project (see the ['Our commitment to the energy transition'](#) chapter), it is estimated between 2-4 million tCO<sub>2</sub> will be avoided in 2030.
- › The use of natural gas in the rail sector will reduce transport emissions by 20% by recovering traffic from road transport.
- › Enagás also promotes the development of renewable gases, which will contribute to the total decarbonisation of all these uses and increase the economic competitiveness derived from the use of existing infrastructures for hydrogen transport (see the ['Our commitment to the energy transition'](#) chapter).



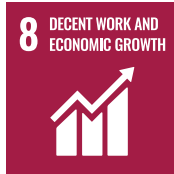
## Our contribution

Achieving gender equality and empower all women and girls



**We promote projects to identify and develop talent in women, which has gradually allowed the company to increase the presence of women in its workforce and in management positions.**

Promote inclusive and sustainable economic growth, employment and decent work for all



**We believe people and culture play a key role in allowing us to meet our targets. In this sense, we are focused on attracting and retaining the best talent, and creating working environments that enable us to continue to transform ourselves and bring about creative solutions in order to form part of a more sustainable future.**

**Enagás carries out SDG awareness campaigns and includes SDG in several of its face-to-face training courses for its professionals**

Likewise, with our management models we contribute to the achievement of other SDG such as:

- **ODS 15 (Terrestrial ecosystems):** Managing natural capital is a key aspect for Enagás. We control and minimise our environmental impact, improving the use of natural resources and developing measures aimed at preserving biodiversity (see the '[Natural capital and biodiversity management](#)' chapter).

## Targets linked to variable remuneration, commitments and degree of progress

**Targets.** We have set targets to increase the presence of women on the Board of Directors, in Management and among the workforce, linked to the variable remuneration of our professionals (see the '[Strategy/ Targets linked to variable remuneration](#)' chapter).

We also have clear commitments to people and diversity, which are reflected in our Human Capital Management policy and our diversity guidelines.

**Degree of progress and impact.** Our progress in these areas is reflected in the gradual increase in the percentage of women at different levels of the organisation as well as in the recognition obtained both in terms of gender equality and work-life balance, diversity and talent management (see the '[People](#)' chapter).

- **ODS 17 (Partnerships):** Dialogue and collaboration with our stakeholders allow us to establish partnership for the creation of shared value and, therefore, to achieve the objectives set.

As a result of Enagás' commitment to achieving the SDG, the company conducts awareness campaigns on the subject and includes the SDG in several of its face-to-face training courses for professionals (Sustainability and Value Chain courses).

In the chapter '[Creation of value for our stakeholders](#)', best practices that are aligned with the SDG mentioned here are included.



# 1

## Our business model





# Our purpose and activities

Our purpose is to improve the competitiveness of the countries in which we operate, and contribute to the energy transition and decarbonisation process by developing and managing energy infrastructures.

Enagás, a midstream company with 50 years of experience and independent European TSO (*Transmission System Operator*), is an international reference in the development and maintenance of gas infrastructure and in the operation and management of gas networks. [\[GRI 102-2\]](#)

Gas infrastructures are a core element in the energy transition towards decarbonisation. In addition, natural gas is of great importance for improving competitiveness, as it allows for the introduction of efficient industrial technologies which improve the intensity of energy usage and competitiveness in the industry, generating direct and indirect employment.

At Enagás we provide our experience to offer new energy solutions that contribute to a low-carbon economy: biogas/ biomethane and hydrogen (see the '[Renewable gases](#)' section).

**At Enagás we use our experience to offer new energy solutions that contribute to a low-carbon economy**

## 1972

Enagás is founded.

## 2000

Enagás is appointed as Technical Manager of the Spanish Gas System.

## 2002

Enagás is listed on the stock exchange.

## 2009

Enagás is named the sole transporter for the primary gas transmission trunk network.

## 2010

Acquisition of the Gaviota underground storage facility and 40% of the BBG Plant (Bilbao).

## 2011

First international acquisition: TLA Altamira plant (Mexico).

## 2012

International acquisition of the GNL Quintero plant (Chile) and Gasoducto de Morelos (Mexico). Certification as European TSO.

## 2013

Acquisition of Naturgas. International acquisition of Estación de Compresión Soto La Marina (Mexico).

## 2014

International acquisitions: TGP (Peru), TAP (Europe) and Coga (Peru).

## 2015

Acquisitions: increased share in TGP (Peru) and Swedegas (Europe).

## 2016

Acquisitions: increased share in TGP (Peru), Saggas (Spain) and Quintero (Chile).

## 2017

Acquisitions: increased share in Coga (Peru).

## 2018

International acquisition of the operator DESFA. Sale of stake in Swedegas.

## 2019

International acquisition of Tallgrass Energy LP (USA).

## 2020

**Completion of the TAP construction (Europe). Acquisition: increase of Tallgrass Energy LP (USA).** [\[GRI 102-10\]](#)



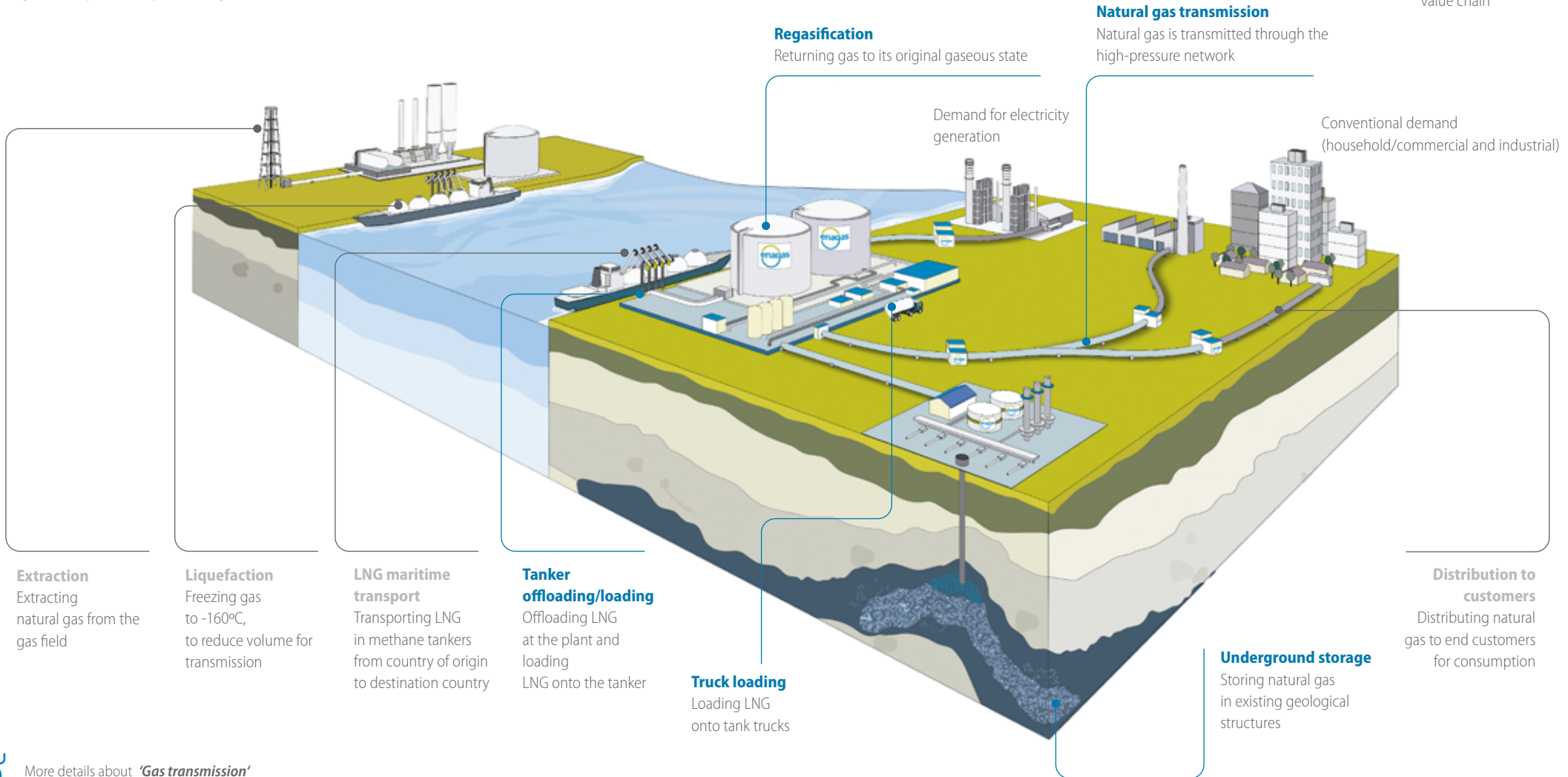
# Value chain

[GRI 103-1, GRI 103-2, GRI 103-3]

## Gas network operation

(Technical Manager of the Spanish Gas System, certified as independent European TSO)

● Activities carried out by Enagás on the gas value chain

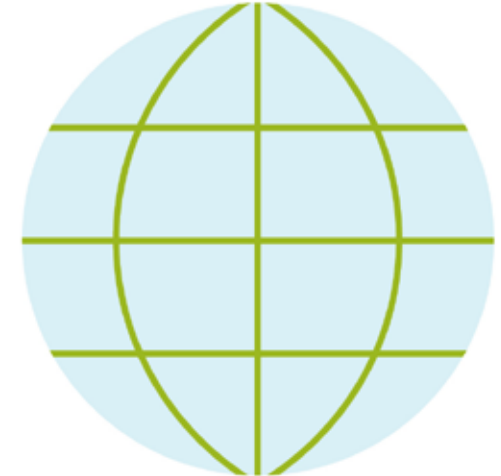


More details about 'Gas transmission' are available on the [corporate website](#)



# Mission, vision and values

The company's mission, vision and values, as well as its policies and strategy, are reviewed and approved by the Board of Directors.  
[GRI 102-16, GRI 102-26]



## Mission

To develop and manage global gas infrastructure in a secure, efficient and sustainable manner; complying responsibly with prevailing legislation and helping guarantee supply, particularly in our role as the Technical Manager of the System in Spain; offering our experience, knowledge and best practices to create value for our stakeholders.

## Vision

To be a national and international standard bearer in the development and management of gas infrastructures, promoting their use by offering innovative services that contribute to sustainable development.

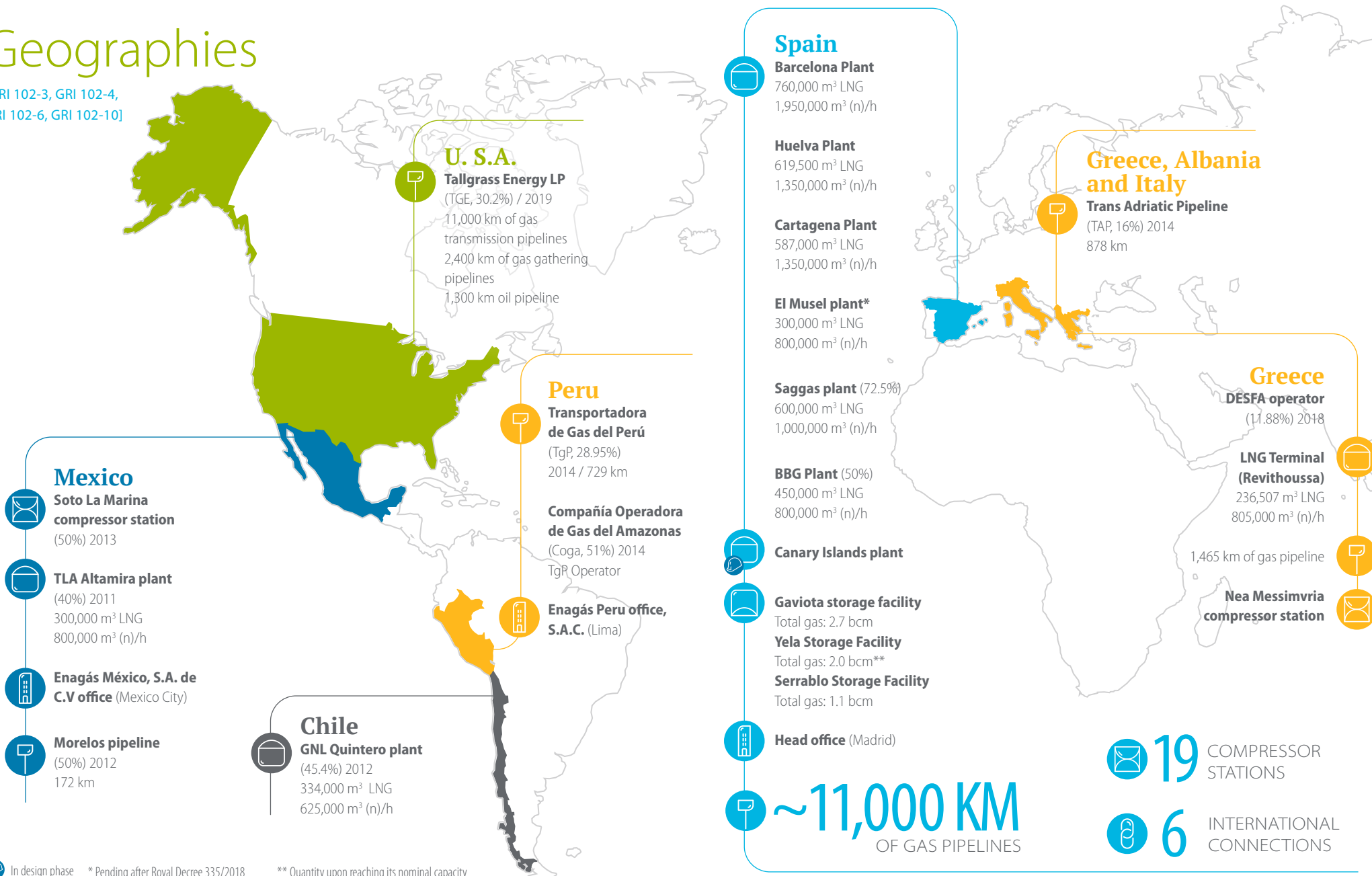
## Values

- Efficiency.
- Transparency.
- Innovation.
- Integrity.
- Sustainability.
- Safety.
- Teamwork.



# Geographies

[GRI 102-3, GRI 102-4, GRI 102-6, GRI 102-10]



## Mexico

**Soto La Marina compressor station**  
(50%) 2013

**TLA Altamira plant**  
(40%) 2011  
300,000 m<sup>3</sup> LNG  
800,000 m<sup>3</sup> (n)/h

**Enagás México, S.A. de C.V office** (Mexico City)

**Morelos pipeline**  
(50%) 2012  
172 km

## Chile

**GNL Quintero plant**  
(45.4%) 2012  
334,000 m<sup>3</sup> LNG  
625,000 m<sup>3</sup> (n)/h

## U. S. A.

**Tallgrass Energy LP**  
(TGE, 30.2%) / 2019  
11,000 km of gas transmission pipelines  
2,400 km of gas gathering pipelines  
1,300 km oil pipeline

## Peru

**Transportadora de Gas del Perú**  
(TgP, 28.95%)  
2014 / 729 km

**Compañía Operadora de Gas del Amazonas**  
(Coga, 51%) 2014  
TgP Operator

**Enagás Peru office, S.A.C.** (Lima)

## Spain

**Barcelona Plant**  
760,000 m<sup>3</sup> LNG  
1,950,000 m<sup>3</sup> (n)/h

**Huelva Plant**  
619,500 m<sup>3</sup> LNG  
1,350,000 m<sup>3</sup> (n)/h

**Cartagena Plant**  
587,000 m<sup>3</sup> LNG  
1,350,000 m<sup>3</sup> (n)/h

**El Musel plant\***  
300,000 m<sup>3</sup> LNG  
800,000 m<sup>3</sup> (n)/h

**Saggas plant (72.5%)**  
600,000 m<sup>3</sup> LNG  
1,000,000 m<sup>3</sup> (n)/h

**BBG Plant (50%)**  
450,000 m<sup>3</sup> LNG  
800,000 m<sup>3</sup> (n)/h

**Canary Islands plant**

**Gaviota storage facility**  
Total gas: 2.7 bcm  
**Yela Storage Facility**  
Total gas: 2.0 bcm\*\*  
**Serrablo Storage Facility**  
Total gas: 1.1 bcm

**Head office** (Madrid)

## Greece, Albania and Italy

**Trans Adriatic Pipeline**  
(TAP, 16%) 2014  
878 km

## Greece

**DESFA operator**  
(11.88%) 2018

**LNG Terminal (Revithoussa)**  
236,507 m<sup>3</sup> LNG  
805,000 m<sup>3</sup> (n)/h

1,465 km of gas pipeline

**Nea Messimvria compressor station**

**~11,000 KM**  
OF GAS PIPELINES

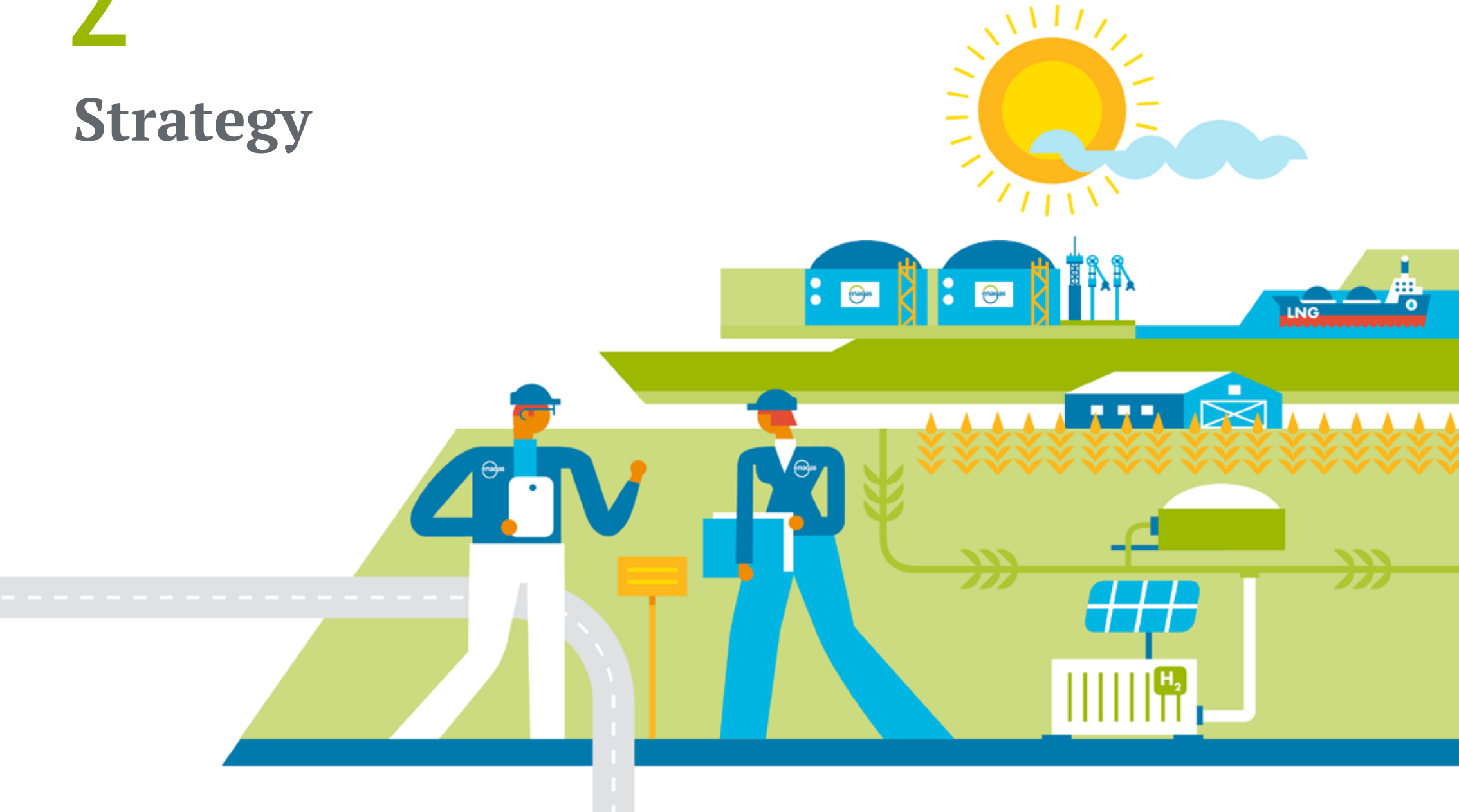
**19** COMPRESSOR STATIONS

**6** INTERNATIONAL CONNECTIONS



# 2

## Strategy





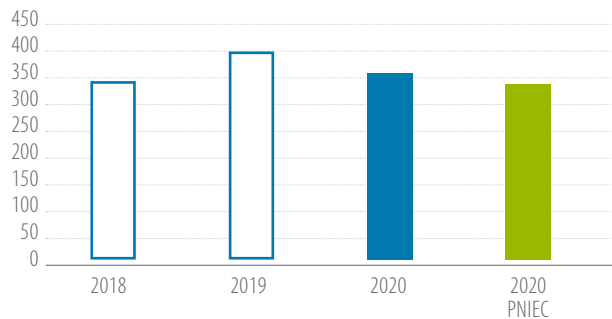


# Operating context

In 2020, despite the marked impact of COVID-19 and a relatively warm year, gas demand has proved resilient, with domestic demand more than 5% above the target scenario forecast by the Spanish National Integrated Energy and Climate Plan (PNIEC) and without resulting in higher emissions.

## Gas demand in Spain, 2018-2020

[GRI 302-2]



Source: Prepared by the authors based on data from Enagás GTS, CORES and PNIEC.

Demand for natural gas has remained robust, demonstrating its essential role in many of the production processes that are carried out. In addition, gas infrastructures, especially regasification and storage capacity, have made it possible to take advantage of extraordinarily low international prices. These, among other factors,

have contributed to the fact that prices in Spain in 2020 were 35% lower than in 2019 and almost 60% lower than in 2018.

Combined-cycle plants are gaining prominence as a back-up for renewables once coal-fired power generation has been reduced to a token role. Fuel substitution, together with other factors, has allowed emissions from the electricity sector to be 35% below the value of the PNIEC's target scenario in 2020, and are closer today to the value forecast for 2025 than that expected for 2020.

For all these reasons, natural gas will continue to maintain its key role in guaranteeing energy supply, making the energy transition possible.

At European level, these three trends can be observed in relation to the natural gas sector:

- ▶ Demand for natural gas in the European Union will remain stable until 2030.
- ▶ Natural gas is positioning itself as a complement to renewable power generation and as a facilitator of the energy transition, providing flexibility to the system.
- ▶ The replacement of coal-fired power plants with gas-fired plants will be a short/medium-term solution for countries with policies of phasing out coal or nuclear generation. Coal-fired power plants produced 378 TWh in 2020, while gas-fired power plants contributed 529 TWh to European power supply over the same time period. This is 40% more than coal, continuing the trend change that occurred in 2019 when gas overtook coal for the first

time. The use of natural gas with lower levels of carbon emissions per unit of energy produced relative to coal should result in a significant reduction in European carbon emissions levels.

On a related note, in the field of renewable gases, in 2020 the European Commission (EC) adopted a dual strategy for the

## Demand for natural gas in Spain has been higher than in 2018

development of large-scale renewable hydrogen with the goal of installing at least 6 gigawatts of electrolyzers to produce up to one million tonnes of renewable hydrogen by 2024, and at least 40 gigawatts of electrolyzers by 2030, to produce up to ten million tonnes of renewable hydrogen. Spain, for its part, approved the 'Hydrogen Roadmap', which includes national targets for the installation of 4 gigawatts of electrolyzers in 2030 and an intermediate milestone in 2024 to have an installed capacity of between 300 and 600 MW (see the '[Our commitment to the energy transition](#)' chapter).

The European biomethane market is still in its infancy and shows a clear upward trend. The number of plants in Europe exceeded 800 in 2020, with facilities present in 18 countries. In 2020, 17% of Europe's gas for transportation was from renewable sources.



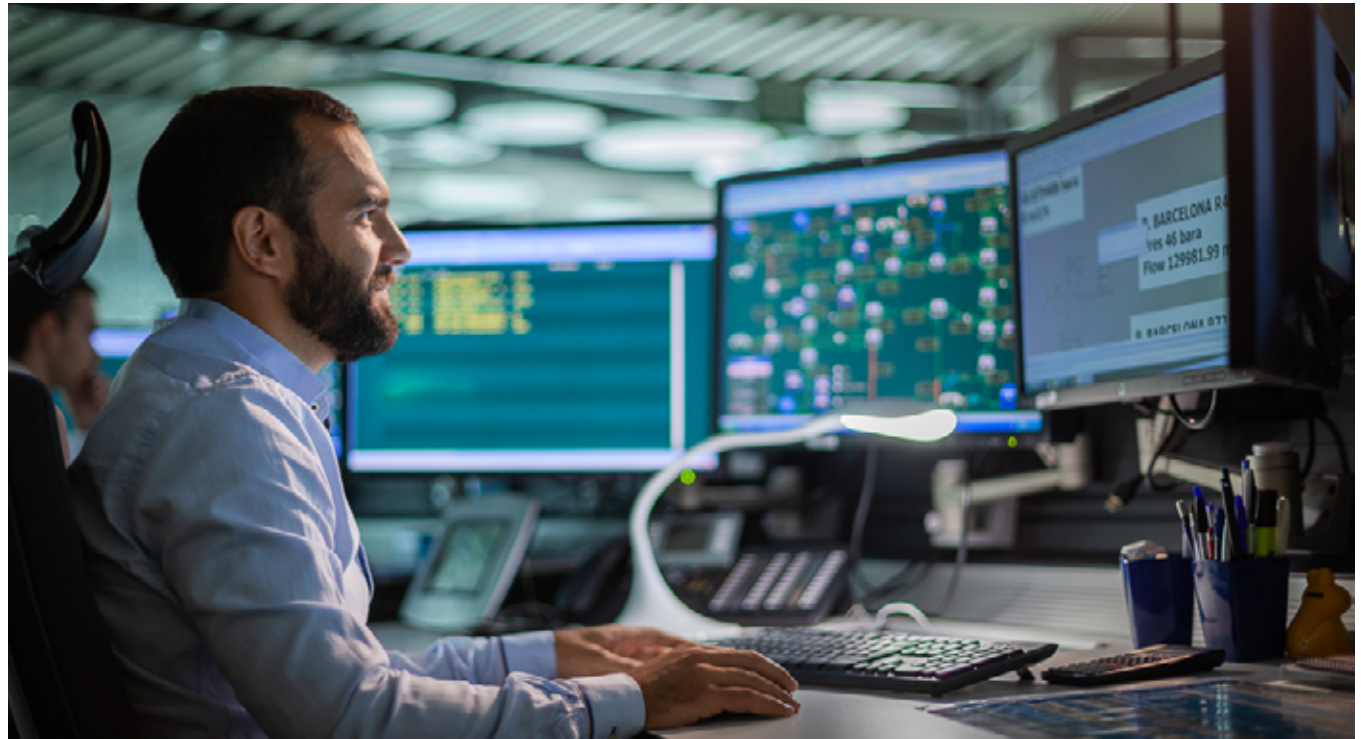
## Regulatory framework in Spain 2021-2026

In 2019, the new 2021-2026 regulatory framework was approved, a stable and predictable framework developed by an independent regulator (National Commission of Markets and Competition (CNMC)):

This is a transparent regulatory framework, which establishes a period of six years without intermediate revision. It establishes a methodology that includes:

- Remuneration linked to net assets during this regulated period to compensate investment, with a financial remuneration rate in the period of 5.44%.
- Remuneration for continuity of supply linked to the long-term availability of the assets of the Gas System with adequate maintenance, whereby the income established for 2020 for this concept will progressively decrease to 20% by the end of the 2026 regulatory period.
- Incentives to extend the life of assets through remuneration at OPEX standards, with a margin for efficiency. In this respect, Enagás could maintain 50% of the efficiencies and, once its useful life is at an end, its extension will be compensated with this concept of remuneration, with a long-term, progressive formula.
- Investments in the system (not included in the regulated asset base) with an interest rate of 5.44% on debts and two years' amortisation for investments over 250,000 euros.

This new regulatory framework supports climate and energy targets by establishing incentives to keep the gas system infrastructure available, and to fulfil the role assigned by the Spanish National Integrated Energy and Climate Plan for



### Gas infrastructure is necessary for the development of renewable gases and to achieve a climate-neutral energy system in the European Union at the lowest cost

natural gas and renewable gases in the energy transition process. This shows that the use of existing gas infrastructure is essential if advances are to be made in energy transition at the lowest cost.

### Roadmap 2025-2040

Green hydrogen, along with electrification, is the European Union's major energy challenge for the complete decarbonisation of the economy in the long-term. In Spain, within the Strategic Energy and Climate Framework, the long-term decarbonisation strategy recognises that the non-electric element of the energy mix will account for almost half of energy demand in the climate-neutral scenario. For this reason, the Hydrogen Roadmap considers renewable hydrogen to be a key sustainable solution for the decarbonisation of the economy and sets among its objectives to mobilise 8,900 million euros in investments by 2030, to install 4 GW of electrolyser power by 2030 and for 25% of industry hydrogen consumption to be



renewable by 2030. In line with its commitment to climate objectives, Enagás is working on more than 45 projects to contribute to the ecological transition (see the '[Renewable Gases](#)' section).

It is already projected that hydrogen will be competitive in all its applications by the end of the decade, and will begin its roll-out in the industrial and transport sectors. Costs of around €1-2/kg of hydrogen will be reached in the medium-term, much earlier than expected a few years ago, in the countries with the largest renewable resource bases. Due to its high solar and wind power generation potential, Spain aspires to become an exporter of renewable hydrogen to the rest of Europe, and could even become a transit country for green hydrogen from North Africa.

Recent studies confirm that pipelines represent the most efficient form of long-distance transport for hydrogen as well. Compared to the alternatives (transportation by ship in the form of liquid hydrogen, ammonia, or organic liquid carriers), the cost estimates for new hydrogen pipelines as well as for the adaptation of the existing network have improved with respect to studies carried out years ago.

The European Hydrogen Strategy recommends making good use of the opportunities for adaptation offered by existing gas networks and storage facilities; they can form the basis of the future trans-European hydrogen network, connecting the main centres of production and consumption. Enagás, together with the main European TSOs, is already working to prepare for the development of a trunk network dedicated to moving green hydrogen beginning in 2025. Called the European Hydrogen Backbone, this network would comprise 23,000 km by 2040 (75% adapted existing pipelines and 25% new sections). This European hydrogen trunk network would require an investment of 27 to 64 billion euros, at a cost of between 0.09-0.17 euros per kg and per 1000 km, which will allow hydrogen to be transported efficiently over long distances.

# Strategic priorities

Given this operating context, Enagás has defined the following strategic priorities for the coming years:

## Strategic priorities

### Sustainable growth guaranteeing role as TSO in the process of decarbonisation and energy transition

#### GROWTH AREAS

##### New businesses:

- Renewable gases (biomethane/hydrogen)

##### Core business

- Development of gas infrastructure
- Regional positioning (subsidiaries)
- Injection of renewable gases into the network

##### Expanded core business

- Operation of floating and liquefaction infrastructure
- Small scale development
- Services for affiliates and third parties

### Sustainability

#### Energy efficiency and emissions reduction

- Minimising the environmental impact of our operations

#### People and culture

- Attracting and retaining talent
- Creation of sustainable working environments

#### The role of natural gas and renewable gases in the energy model

- New uses for natural gas
- Development of clean energies (biomethane/hydrogen)

### Creation of value for our stakeholders

#### LONG-TERM DIVIDEND SUSTAINABILITY

#### Financial sustainability of the Gas System, financial strength and discipline

- Evolution of net debt
- FFO/net debt ratio stand-alone

#### International activity

- Contribution of international investments to net profit
- Contribution of international affiliates to cash flow

#### Solid cash flow generation

### Natural gas key to energy transition

Natural gas and renewable energies will lead the transition towards a low-carbon energy mix



## 2021-2026 Outlook

In the period 2021-2026 there are two stages during which Enagás will adjust the pace of investment to the environment:

- From 2021 to 2023, when the foundations for future growth and the role of TSOs in the European decarbonisation process will be established, Enagás will focus on the following areas:
  - Investment mainly limited to domestic regulated business.
  - Consolidation of existing investments, with a focus on Tallgrass and the Trans Adriatic Pipeline.
  - Monitoring of the arbitration process regarding the Gasoducto Sur Peruano (GSP).
  - Possibility of asset rotation for assets with limited growth potential.
  - Leverage reduction.
- From 2024 to 2026, Enagás will accelerate the sustainable investments upon which the company is already working:
  - Regulated investment for the decarbonisation of the grid.
  - Investment in other projects associated with decarbonisation, with a focus on renewable gases (transformation), technological innovation (seed & venture capital) and digitalisation (fibre optics).
  - Growth in investment in decarbonisation projects in line with the climate objectives of the countries where we are present.

## Investment in domestic regulated business

Decarbonisation opens up new opportunities in our regulated business in the short-term in the period 2021-2026:

- Decarbonisation of existing assets (see the '[Climate action and energy efficiency](#)' chapter).
- Extension and technological updating of our core business with investments in useful life extension and new services, as well as digitalisation.
- Hybridisation of infrastructures and new developments in hydrogen storage and carbon capture and storage (CCS) solutions: adaptation to at least 10% hydrogen blending.

## Trans Adriatic Pipeline (TAP)

The start-up of the Trans Adriatic Pipeline in November 2020 marked the end of four and a half years of construction on a project of extraordinary complexity and magnitude, which will provide Enagás with stable cash flow and high profitability. Thanks to this project, natural gas is already flowing into the Snam network in Italy, as well as into the Greek network operated by Desfa.

<b>Total Enagás investment (16%)</b>	213 million euros
<b>Average P&amp;L contribution 2021-2026</b>	45 million euros a year
<b>Average cash flow contribution from 2023 onwards</b>	45 million euros a year
<b>IRR</b>	11%



## Investment in Tallgrass Energy

In line with our strategic priorities, the investment by Enagás in Tallgrass Energy (TGE) is a strategic transaction of Enagás' core business, which reinforces the sustainability of the dividend in the medium to long-term.

This transaction was made through a strategic agreement with two of the world's main infrastructure investors (Blackstone and GIC), partners with excellent track records and recognised prestige in the industry and with a strong presence in the United States. Enagás participates as an industrial partner in the Consortium, given that TGE's core business is in line with Enagás' experience. In this way, Enagás' capabilities and experience of international expansion will strengthen the future development of TGE.

In relation to the governance model, Enagás has customary minority rights and a presence on the Board of Directors, which give Enagás influence on decision-making as regards finance and operations.

With this participation, Enagás has the possibility of sharing its knowledge in green and renewable gases and other services for midstream assets, and becomes a reference for the Spanish oil and gas industry in the United States, giving Spanish suppliers access to the midstream market in that country.

## Gasoducto Sur Peruano

On July 2, 2018, Enagás filed a request with ICSID<sup>1</sup> to initiate arbitration against the Peruvian government in relation to the dispute over its investment in Gasoducto Sur Peruano (GSP), under the terms of the Agreement for the Promotion and Reciprocal Protection of Investments signed between the

Republic of Peru and the Kingdom of Spain ('Peru-Spain APPRI'). The arbitration proceedings are ongoing according to the established procedural calendar. According to the procedural timetable approved by the Arbitration Tribunal, the legal advisers estimate that the award finalising the arbitration proceedings should be issued by the end of 2022. The Company is at the disposal of the Peruvian State to reach an amicable agreement to terminate the arbitration proceedings.

## Investment criteria

We extend our criteria for solvent investment to all areas of the business, incorporating sustainability:



### Results

**Steady and predictable cash flow, with attractive returns.**



### Risk profile

**Similar risk in regulated and non-regulated businesses.**



### Corporate governance

**Strategic role as an industrial partner, actively participating in asset management.**



### Partners

**Alliances with local partners with complementary capabilities.**



### Core business

**Value creation in the main areas of expertise: LNG, transmission and storage.**



### Sustainability

**Contributing to decarbonisation of the economy and improving air quality.**

1. International Centre for Settlement of Investment Disputes



# Targets linked to variable remuneration

[GRI 102-35, GRI 102-36, GRI 102-37]

The strategic priorities are established as company objectives linked to the variable remuneration of all Enagás professionals, including the Chairman and CEO, thus linking remuneration to economic, environmental and social objectives.

Moreover, Enagás has a long-term incentive plan in place, requiring the fulfilment of objectives aligned with strategic priorities,

thus linking remuneration to the commitment to long-term management.

In 2020, the Sustainability, Appointments and Remuneration Committee, in light of the unusual situation caused by COVID-19, approved the introduction, in the annual list of objectives, of an additional company objective relating to the management of COVID-19 (with a weighting of 10%), and to increase the weighting of the Sustainability objective from 10% to 15%.

Over the year, we met the established objectives and we are making progress towards our long-term objectives.

In 2021, the new Long-Term Incentive Plan 2022-2024, which provides continuity to the current ILP, will be submitted to the General Shareholders' Meeting for approval. This new ILP will incorporate a number of improvements aligned with corporate

## Sustainability is one of the objectives linked to the variable remuneration of all employees, the weight of which has increased in 2020 over previous years

governance and proxy adviser recommendations. The main terms of the new Plan will be published in the next Annual Directors' Remuneration Report.

See details of the **objectives of the 2019-2021 ILP and the 2020 yearly targets** in the ['Annual Directors' Remuneration Report'](#).





## Targets linked to variable remuneration

Strategic priorities	2019–2021 Long-Term Incentive Plan targets (% weighting)	Yearly targets 2020 (% weighting)	Meeting 2020 targets (%)
Shareholder remuneration	Guarantee of total return for Enagás shareholders (30%). <ul style="list-style-type: none"> <li>• Relative TSR: Enagás position in the ranking of the Comparison Group.</li> <li>• Absolute TSR</li> </ul>	Improve the company's financial results (30%). <ul style="list-style-type: none"> <li>• Profit after tax at 31.12.2020.</li> </ul>	100%
Regulated assets	Consolidation of cash flows as a driver for solvency and ensuring a dividend payment for Enagás shareholders (25%). <ul style="list-style-type: none"> <li>• Accumulated results corresponding to the Company's Funds From Operations (FFO)</li> </ul>	Strengthening regulated revenues through: (20%) <ul style="list-style-type: none"> <li>• Efficiency</li> <li>• Small scale development</li> <li>• Digitalisation boost</li> </ul>	100%
International growth	Consolidation of cash flows contributed by affiliates to the shareholder (Enagás Group) (35%). <ul style="list-style-type: none"> <li>• Accumulated cash flows received from affiliates (Dividend)</li> </ul>	Consolidation of the company's Strategic Plan through: (25%) <ul style="list-style-type: none"> <li>• Consolidation of international business</li> <li>• Diversification, services rendered and entrepreneurship</li> </ul>	92%
Sustainability	Guarantee of sustainable and organic growth through the fulfilment of initiatives contained in the Sustainability Plan (10%). <ul style="list-style-type: none"> <li>• Average reduction in CO<sub>2</sub> emissions in the 2019-2021 period vs. 2018</li> <li>• Percentage of women</li> <li>• Investment associated with the increased presence of renewable gases in the energy mix</li> </ul>	Promoting sustainability and good governance through: (15%) <ul style="list-style-type: none"> <li>• Positioning Enagás vis-à-vis socially responsible investors</li> <li>• Action on climate change: absolute emissions reductions vs. 2019</li> <li>• Promoting diversity and equality of opportunity, people and cultural transformation</li> </ul>	100%
COVID-19		Managing the COVID-19 crisis through: (10%) <ul style="list-style-type: none"> <li>• Company response to the situation arising from COVID-19</li> <li>• Actions to improve resilience</li> <li>• Valuation of COVID-19 crisis management impact on sustainability and stakeholders</li> </ul>	100%

[GRI 102-35, GRI 102-36, GRI 102-37]

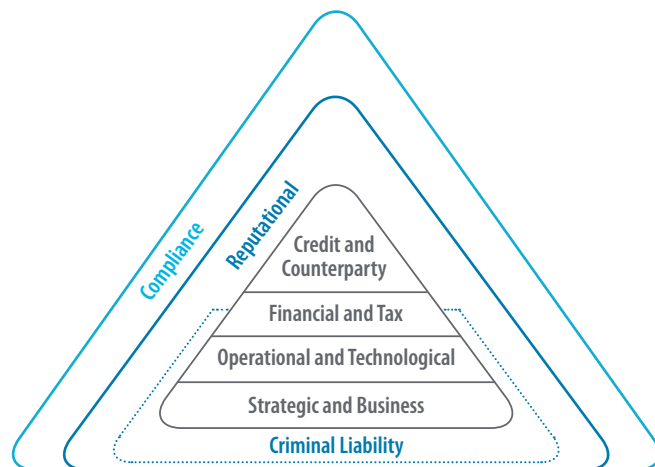


# Risk management

[GRI 102-11, GRI 102-15, GRI 102-29, GRI 102-30, GRI 102-31, GRI 201-2]

The Enagás Group has established a risk control and management model aimed at ensuring the achievement of the objectives of the company in a predictable manner and with a medium-low profile for all of its risks. This model is perfect for adapting to the complexity of a globalised competitive environment and a complex economic backdrop. This model is based on five aspects:

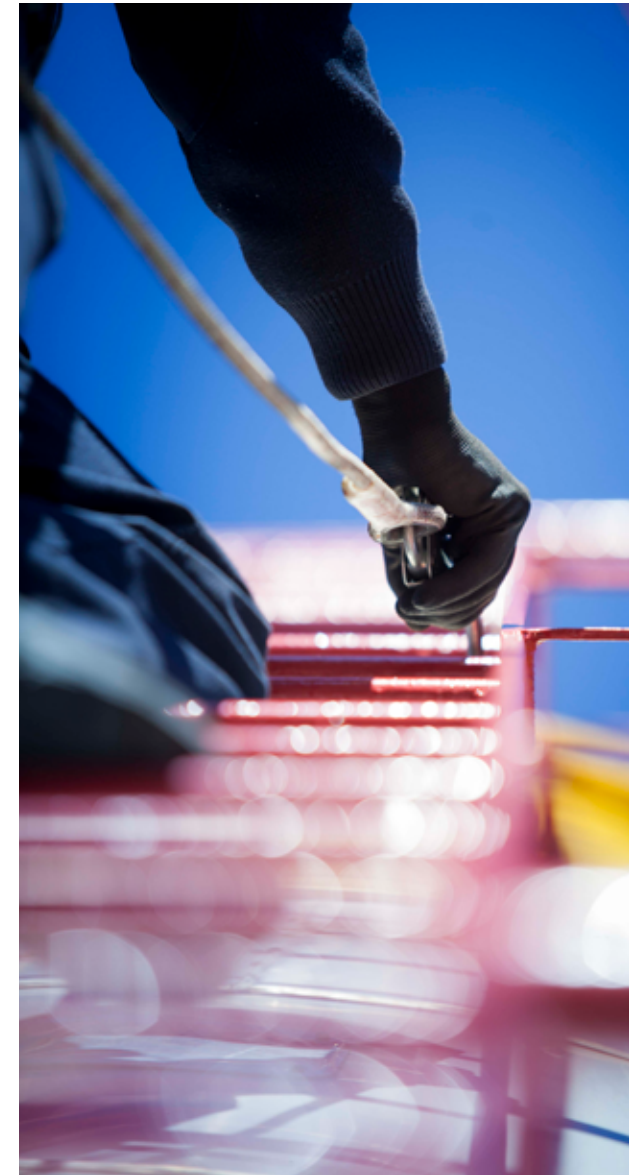
1. The consideration of different types of risks depending on their nature. These categories are: Strategic and Business, Operational and Technological, Financial and Tax and Credit and Counterparty. There are other more cross-domain types of risk: Reputational, Compliance and Criminal Liability. The methodologies used for risk measurement differ depending on each type.



2. The segregation and independence of the functions of risk control and management at the company, in three 'lines of defence':

- On the one hand, the business units that are responsible for the risks they take on when conducting their ordinary business activities, and are therefore responsible for identifying and measuring them.
- Moreover, there is a risk control and management area responsible for: (i) ensuring that the risk control and management system functions properly, (ii) active participation in the development of the risk strategy and definitions of impacts on their management, and (iii) ensuring that the control and management systems adequately mitigate risks.

**Enagás' risk control and management model allows the company to adapt to the complexity of the environment and the economic backdrop**







- Lastly the internal audit function is responsible for monitoring the efficiency of controls in relation to identified risks.

	1st line of defence - Business units	2nd line of defence – D. Sustainability and Risks	3rd line of defence - Internal audit
<b>Governance</b>		Define the regulatory framework and governance.	
<b>Risk profile</b>	Identify the risks they assume in their ordinary activity.	Define a taxonomy of risks and advise the business units on identifying risks.	
	Assess and measure risks following the established measurement methodologies.	Establish the risk measurement methodologies and the risk consolidation and reporting system.	
	Define risk control and management measures.	Validate the measurements made by the business units.	Verify and monitor the risk function and established control activities.
	Define actions to correct failure to comply with risk limits.	Provide a global and homogeneous vision of risks, reporting to Senior Management and Governing Bodies.	
<b>Risk appetite</b>		Inform the Governing Bodies of the risk appetite and its associated limit structure.	
		Validate measures and strategies for correcting any non-compliance.	

- 3. The existence of certain governing bodies with responsibilities in the process of risk control and management in the company:

### Governing Bodies

Board of Directors

Audit and Compliance Committee

Risk Committee

- The Board of Directors is responsible for approving the risk control and management policy. Other responsibilities with respect to risks are delegated in the Audit and Compliance Committee.
  - The Audit and Compliance Committee mainly supervises the efficiency of the risk control and management systems and evaluates the risks to the company (identification, measurement and establishment of measures for their management).
  - The Risks Committee establishes the overall strategy for risks, the limits of global risk for the company, and reviews the level of exposure to risk and the corrective actions, should there be any non-compliance.
4. Establishing a risk appetite framework which defines the risk levels considered acceptable and that are in line with established business objectives and the market environment in which the company's activities are carried out.
5. Transparency in the information provided to third parties, guaranteeing its reliability and rigour.

[GRI 102-11, GRI 102-15, GRI 102-29, GRI 102-30, GRI 102-31, GRI 201-2]



This risk model includes a comprehensive analysis and regular monitoring of all risks, allowing them to be adequately controlled and managed.

The existing model is completed by carrying out specific risk analyses that facilitate the decision-making process based on risk-profitability criteria in those strategic Enagás Group initiatives, new businesses or initiatives of special relevance. Risk Control carries out this analysis on an independent, transversal (covering all types of risks) and homogeneous basis (following the same methodologies as in the global risk measurement).

The Enagás Risk Map is shown below. It sets out in detail the main risks to which the Enagás Group is exposed (over a three-year time horizon). It also shows the main emerging long-term risk, which concerns the 'role of natural gas in the future energy mix'. This risk is due, among other factors, to climate change.

All risks arising from climate change are explained in detail in the '[Climate Action and Energy Efficiency](#)', chapter, in line with TCFD recommendations.

Similarly, risks related to natural capital are detailed in the '[Natural Capital and Biodiversity Management](#)' chapter.

## The Risk Map sets out the main risks to which the Enagás Group is exposed, including those associated with climate change

[GRI 102-11, GRI 102-15, GRI 102-29, GRI 102-30, GRI 102-31, GRI 201-2]

### Corporate Risk Map

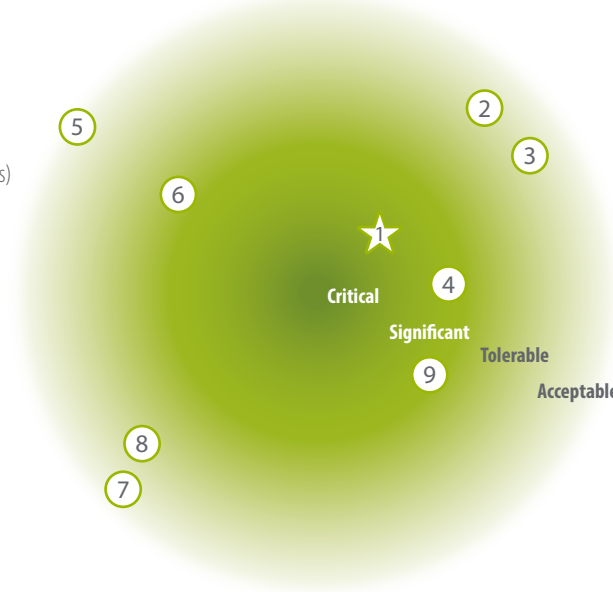
[GRI 102-11, GRI 102-15, GRI 102-29, GRI 102-30, GRI 102-31, GRI 201-2]

#### Operational and Technological Risks

- 5. Industrial risks in infrastructure operation
- 6. Cybersecurity (industrial and corporate systems)

#### Strategic and Business Risks

- 1. Role of natural gas in the future energy mix (long-term effect)
- 2. Commercial risk and demand
- 3. Risk in the development of infrastructures
- 4. Legal risk



#### Financial and Tax Risks

- 7. Financial risks (interest rate, exchange rate and liquidity)
- 8. Tax risks

#### Reputational Risks

- 9. Direct reputational risks

#### Terms:

- ☆ Long-term effect
- Short-term effect (3-year time horizon)



## Details of the main risks

[GRI 102-11, GRI 102-15, GRI 102-30]

Type of risk	Risk description	Risk level <sup>(1)</sup>	Control and management measures
<b>Strategic and Business risks</b>			
<b>1. Role of natural gas in the future energy mix (long-term effect)</b>	The policies and regulatory measures for decarbonising the energy models of the countries where the Enagás Group operates introduce uncertainty regarding the role of natural gas in the future energy mix in the medium and long-term.	<b>Significant</b>	<ul style="list-style-type: none"> <li>The company is actively working to mitigate this risk by encouraging new uses where natural gas contributes significantly to decarbonisation: marine, rail and heavy road transport.</li> <li>In addition, the company is committed to renewable gases (biomethane and hydrogen) to move towards carbon neutrality and decarbonise sectors that are difficult to electrify, such as transport or high-temperature industry and energy storage.</li> </ul> See the chapter ' <a href="#">Our commitment to the energy transition</a> '.
<b>2. Commercial risk and demand</b>	In some of the markets in which the company operates, revenues are affected by capacity arranged through contracts and/or changes in demand.	<b>Acceptable</b>	<ul style="list-style-type: none"> <li>Internal analysis about the evolution of demand, gas system capacity, inter alia.</li> <li>Participation in projects to promote the use of natural gas.</li> <li>Development of strategic commercial plans, detailed studies of potential markets for LNG, renewable gases (biogas, hydrogen, among others), and generation and development of new projects.</li> </ul> See the chapter ' <a href="#">Our commitment to the energy transition</a> '.
<b>3. Risk in the development of infrastructures</b>	<ul style="list-style-type: none"> <li>New infrastructure developments are subject to obtaining licences, permits and administrative authorisations. The development of these complex processes could adversely affect the company.</li> <li>The execution of infrastructure projects may give rise to unforeseen circumstances resulting in missed deadlines or deviations from initially planned investment costs.</li> </ul>	<b>Acceptable</b>	<ul style="list-style-type: none"> <li>Ongoing working relationship with public administrations. Monitoring processes of the required procedures.</li> <li>Contingency plans established to address unforeseen deviations.</li> </ul>
<b>4. Legal risk</b>	The financial results of the company may be affected by the uncertainties related with the different interpretation of contracts, laws or regulations which the company and third parties may have, as well as the results of any law suits undertaken.	<b>Significant</b>	<ul style="list-style-type: none"> <li>Management and monitoring of court cases.</li> <li>Monitoring of existing situation with corresponding administrative authorities.</li> </ul>

(1) The risk map represents the residual risk, i.e. the risk considering the effectiveness of the established management and control measures (risk transfer to insurance companies or mitigation measures). Level of Risk: Acceptable / Tolerable / Significant / Critical.



## Type of risk

## Risk description

## Risk level <sup>(1)</sup>

## Control and management measures

### Operational and Technological risks

#### 5. Industrial risks in infrastructure operation

In the operation of the infrastructure for transmission, regasification plants and underground storage facilities, accidents, damage or incidents involving loss of value or lost profits may occur.

Acceptable

- Emergency, maintenance and continuous improvement plans, the existence of control systems and alarms that guarantee service continuity and quality.
  - Quality, prevention and environmental certifications and redundancy of equipment and systems.
  - Insurance policy contracts.
- See the chapters '[Financial and operational excellence](#)', '[Health and safety](#)' and '[Natural capital and biodiversity management](#)'.

#### 6. Cybersecurity (industrial and corporate systems)

Damage to corporate and industrial systems as a result of attacks by third parties.

Tolerable

- Development and updating of the Cybersecurity Master Plan including specific action measures.
- See the '[Health and safety](#)' chapter.

### Financial and Fiscal risks

#### 7. Financial risks (interest rate, exchange rate and liquidity)

- Volatility of interest and exchange rates, as well as movements in other financial variables that could negatively affect the company's liquidity.
- Boosting sustainable finance and its impact on the company's financing conditions.

Acceptable

- Hedging through derivative contracts to establish an optimal debt structure.
  - Natural hedging through financing in the business's functional currency.
  - Taking out credit lines with unconditional availability and temporary financial investments.
  - Monitoring of sustainable finance regulation, contact with investment entities, financing and rating agencies, etc.
- See the '[Financial and operational excellence](#)' chapter.

#### 8. Tax risks [GRI 207-2]

- Possible changes to tax legislation that could affect the company's results.
- Possible differences in interpretation of the tax legislation in force in the countries in which the Group is present that may diverge from the criteria held by Enagás and its tax advisors. Possible defects of form.

Acceptable

- Consultancy services provided by tax specialists.
  - Monitoring of Principles of action that govern compliance with tax obligations, avoiding risks and tax inefficiencies.
- See the '[Ethics and integrity](#)' and the '[Financial and operational excellence](#)' chapter.

### Reputational risks

#### 9. Direct reputational risks

Possible deterioration of the perception or image of the Enagás Group from the different stakeholders.

Significant

- Fluent and direct communication with stakeholders.
  - Permanent monitoring of information published in the media and social networks.
  - Action plans.
- See the '[Materiality and Sustainable Management Model](#)' chapter.

[GRI 102-11, GRI 102-15, GRI 102-30]

Credit and Counterparty Risks: In application of IFRS 9 since January 2018, a provision has been made for the expected loss from this type of risk.

(1) The risk map represents the residual risk, i.e. the risk considering the effectiveness of the established management and control measures (risk transfer to insurance companies or mitigation measures). Level of Risk: Acceptable / Tolerable / Significant / Critical.



# 3

## Our commitment to the energy transition





# Sustainability Strategy

The Enagás Sustainability Strategy supports the company's strategy, and is linked to short and long-term variable remuneration. This strategy sets out the three drivers upon which the company relies to address the energy transition process and thus move towards a more sustainable energy model:

05/2020

Enagás has signed the Manifesto for a sustainable economic recovery. This initiative, supported by the European Green Pact, is committed to a recovery for a more sustainable and robust economy, leading to a more prosperous, sustainable, healthy and resilient society.

## Sustainability drivers



### Energy efficiency and emissions reduction:

We must minimise the environmental impact of our operations by means of solutions that enable us to reduce our energy consumption, thereby minimising our carbon footprint.  
See the ['Climate action and energy efficiency'](#) chapter.



### People and culture:

We must be able to attract and retain the best talent, creating working environments that enable us to continue to transform ourselves and bring about creative solutions to form part of a more sustainable future.  
See the ['People'](#) chapter.



### The role of natural gas and renewable gases in the energy model:

We have faith in the promotion of new uses for natural gas and the development of clean energy projects, such as biomethane and hydrogen.  
See sections on ['Renewable Gases'](#) and ['Sustainable Mobility'](#) in this chapter.



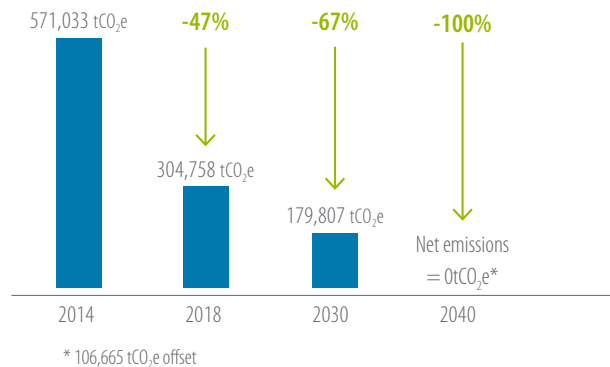


# Decarbonisation and carbon neutrality

[GRI 102-15, GRI 201-2, GRI 305-5]

In line with the increase in the European Union's emissions reduction target (-55% in 2030 vs. 1990), and due to the progress made by Enagás in reducing emissions in recent years (see the '[Climate Action and Energy Efficiency](#)' chapter), the company is bringing forward the carbon neutrality target to 2040, while also making the intermediate targets more ambitious. It has thus defined the following roadmap for decarbonisation:

## Carbon neutrality by 2040



These emission reduction targets include the Global Methane Alliance's methane emission reduction commitment, and are defined according to science-based criteria. In 2040 emissions will have been reduced by 81% compared to 2014, while the company will also have become carbon neutral.

This decarbonisation roadmap will be approached in line with the mitigation hierarchy:

- Reduction of emissions by prioritising the implementation of measures with the greatest impact on our emissions:
  - Improved operational efficiency at machine and system level with new technologies.
  - Use of gas from renewable sources for self-consumption of natural gas.
  - Electrification of natural gas consumption.
- Subsequent offsetting of emissions that cannot technically be reduced:
  - Carbon capture and storage solutions.
  - Study of alternatives to reach carbon neutrality in the points where the previous options are not possible and/or profitable (offsetting - reforestation).

To achieve this reduction in emissions, Enagás has identified and planned specific actions:

Direct CO <sub>2</sub> e emissions (scope 1)	CO <sub>2</sub>	<ul style="list-style-type: none"> <li>• Turbo-compressor electrification plan: the main measure that will reduce 43% of the emissions needed to meet the targets.</li> <li>• Improved energy efficiency in the operation of the Gas System.</li> </ul>	More than 50 energy efficiency projects per year
	CH <sub>4</sub>	<ul style="list-style-type: none"> <li>• Campaigns for detection, quantification and reduction of leaks.</li> <li>• Reduction in venting.</li> </ul>	
Indirect CO <sub>2</sub> e emissions (scope 2)	100% Guarantees of renewable origin and self-generation.		

See the '[Climate action and energy efficiency](#)' chapter.



# Renewable gases

[GRI 102-15, GRI 201-2, GRI 203-1, GRI 203-2]

Enagás promotes the development of renewable gases as new key solutions for the energy transition through its subsidiary, EnaGasRenovable.

Non-electric renewable energies (hydrogen and biomethane) are indispensable energy vectors that contribute to the development of a circular economy and to the energy transition process, helping advance towards carbon-neutral economy.

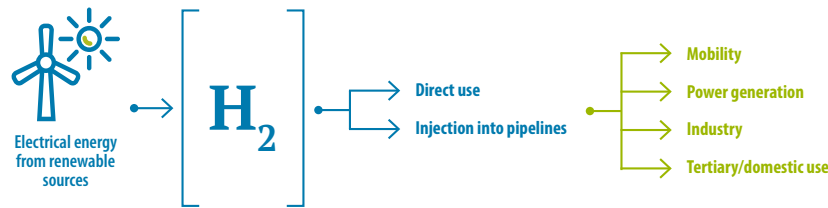
These non-electric renewable energies can also be transported via the existing gas network infrastructure, maximising their use. In this way, renewable gases will provide the energy system of the future with the necessary flexibility and resilience, guaranteeing security of supply, helping promote the connection of the gas and electricity sectors and enabling complete decarbonisation.



See the [Enagás informational video on renewable gases](#).

## Green hydrogen

Green hydrogen, which is obtained from electrical renewable energy, is an energy vector for the future and a key solution for storing renewable energy. It also has multiple applications, as it can be used in all energy sectors (industry, mobility, domestic-commercial and electricity generation).



Enagás' infrastructure portfolio has sufficient capacity and geographical structure to connect the potential production and consumption points. In this regard, Enagás is working on adapting to hydrogen transport by evaluating and testing equipment and materials, taking safety and regulatory aspects — and certain other questions — into account.

Enagás is also simulating the capacity of the gas pipeline network for hydrogen injection, and analysing the possibility of transporting pure hydrogen in one of the existing pipeline network splits.

Enagás' technical specifications, required for the construction of pure hydrogen pipelines, are being reviewed and modified. Work is also being done on identifying potential geological structures for seasonal underground storage of this new energy vector, and also on developing a roadmap to ensure that this infrastructure is viable by 2026, in accordance with sustainable development needs of the new 'Hydrogen Economy'.

In fact, Enagás is one of the eleven European gas infrastructure companies driving the European Hydrogen Backbone plan

for the development of a specific hydrogen transmission infrastructure.

Enagás is also developing specific projects focused on producing green hydrogen. Enagás aims to promote renewable hydrogen through projects aimed at decarbonisation and a just and inclusive transition, drivers throughout its value chain, which contribute to the development of the industry, towards creating sustainable jobs and, whenever possible, are developed jointly with other partners.

Along these lines, Enagás has presented 30 renewable hydrogen development projects as 'driver projects' for a Just and Inclusive Energy Transition as part of the Recovery, Transformation and Resilience Plan.

Enagás' roadmap for promoting hydrogen is as follows:

- Development of industrial demonstration projects: initial projects as a seed for the development of a value chain built around green hydrogen.

**Enagás promotes the development of renewable gases, such as green hydrogen and biomethane, as new energy solutions that are key to the decarbonisation process, and in order to bring about a circular economy**





- ‘Green Hysland’ project: a project that has been recognised by the European Commission as a strategic project for the deployment of green hydrogen in Europe and selected to receive a 10 million euro grant. It aims to produce at least 300 tonnes of renewable hydrogen from solar energy per year in Mallorca to be used in mobility (bus fleets, rental vehicles, etc.), to generate heat and power in commercial and public buildings, and to supply auxiliary power to ferries and port operations. Furthermore, as a demonstration, injecting part of the hydrogen produced into the island’s gas network is being considered. It is expected that this will reduce the island’s annual CO<sub>2</sub> emissions by up to 20,700 tonnes. The proposal is being coordinated by Enagás and promoted by Acciona, Cemex Redexis and IDAE, and is part of a reindustrialisation plan in Lloseta.

## Enagás has presented more than 45 green hydrogen and biomethane projects in collaboration with a number of different Spanish companies

- Project at the Enagás plant in Cartagena: this is the first instance of hydrogen injection in an operational gas network in Spain. It allows the carbon footprint of the regasification plant to be reduced, and allows Enagás to gain experience in managing mixtures of natural gas with hydrogen. The project has been planned in two phases: firstly a technological demonstration (already operational), to inject renewable hydrogen into fuel gas for flare pilot burners, and subsequently a scaling phase, to eliminate 100% of the self-consumption of gas and associated carbon dioxide emissions.



- Developing technology and R&D&I projects: initiatives for the study and research of hydrogen technologies (R&D&I projects) across their value chain, promoting its own initiatives and working alongside other companies, research centres and national, European and international universities.
- SUN2HY project developed with Repsol: development of technology capable of transforming solar energy into chemical energy to produce 100% renewable green hydrogen. The process is direct, with no external input of electrical energy, and reduces the carbon footprint by more than 90% compared

to other conventional processes. This is a new and disruptive project, which aims to achieve a competitive price for hydrogen by displacing current solutions that are less efficient. The Catalonia Energy Research Institute (IREC), the University Institute of Electrochemistry of the University of Alicante, the Aragon Hydrogen Foundation and the engineering company Magrana are all taking part in the project, which is financed by the Centre for the Development of Industrial Technology and the European Union. After the first pilot phase, the challenge is to achieve a commercial and competitive technology. [\[GRI 102-15, GRI 201-2, GRI 203-1, GRI 203-2\]](#)



- ▶ Projects for the decarbonisation of all economic sectors, especially in regions where the energy transition will have the greatest impact, helping to develop local hydrogen economies which can also be extrapolated to other regions.
- Production plant in La Robla, León: a project jointly promoted by Enagás and Naturgy in León to develop the largest hydrogen plant in Spain, which will produce up to approximately 9,000 tonnes of renewable hydrogen per year, from a 400 MW photovoltaic plant and an electrolyser of up to 60 MW, to cover local consumption, gas network injection and to enable future export to north-western Europe. The project, which has been submitted as part of the application for projects of common European interest (IPCEI), will make it possible to reduce CO<sub>2</sub> emissions, as it is based on the production and use of green hydrogen, and will therefore encourage greater assimilation of renewable energies into sectors that are difficult to electrify.
- ▶ Power-to-gas projects for closer connections between the gas and electricity sectors: integration of the electricity and gas sectors to optimise the efficiency of the national energy system, storage back-up, making use of the potential curtailment associated with the massive penetration of electric renewable energies included in the National Integrated Energy and Climate Plan.

## Biomethane

Biogas obtained from waste is a source of renewable, local and storable energy, with a positive impact on employment and the rural economy. After a process of cleaning and CO<sub>2</sub> separation, the biogas transforms into biomethane: a totally renewable gas, of equivalent quality to natural gas,

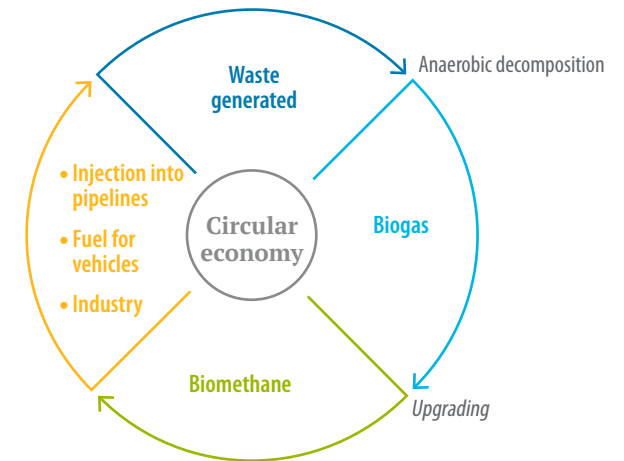
that can be injected into the transmission network. The Valdemingómez plant in Madrid is the first example in Spain of this type of use with injection into the gas network, in this case by Enagás.

Enagás promotes the development of biomethane that can also be used as a sustainable fuel in the form of Bio-CNG (compressed natural gas) and Bio-LNG (liquefied natural gas) in light and heavy vehicles.

Enagás also supports start-ups from its 'Enagás Emprende' programme and start-ups that focus on promoting renewable gases, such as 'BioEnGas' (see the [Corporate entrepreneurship and open innovation](#) section).

Enagás has presented 16 biomethane development projects as 'driver projects' to meet the demographic challenge and the fight against depopulation. Particularly notable among these projects is the one promoted by Enagás Emprende's start-up, Bioengas, and Suma Capital. This is a pioneering project to develop and inject biomethane in a network. The project aims to produce and inject approximately 20 GWh of biomethane per year into the Spanish gas system, which would reduce emissions by around 30,000 tonnes of CO<sub>2</sub> equivalent. This project is the first of its kind to be carried out in Spain by a private initiative. The upgrading process, which is required to convert biogas into biomethane, will be carried out in a biogas plant located in the province of Burgos. The promoting companies will collaborate with two other companies for the implementation of the project: Biogasnalía, a waste manager and owner of the biogas plant in Burgos, and AGF Ingeniería de Procesos, a firm in charge of the design and execution of the facility.

[\[GRI 102-15, GRI 201-2, GRI 203-1, GRI 203-2\]](#)





# Sustainable mobility

[GRI 102-15, GRI 203-1, GRI 203-2]

Enagás is committed to decarbonising transport by promoting the use of natural gas and renewable gases in mobility.

Natural gas plays a very important role in ensuring security of supply and competitiveness, including for energy-intensive sectors, such as heavy industry or heavy transport, where electrification is not a solution today. In the field of transport, it is positioning itself as one of the most sustainable fuels, key to reducing emissions and improving air quality.

The use of natural gas as a fuel for transport would allow for NOx emissions to be reduced by 80-90%, CO<sub>2</sub> emissions to be reduced by 20-30% and SOx emissions and particles by practically 100% compared to traditional fuels. This makes natural gas a sustainable alternative for mobility and heavy, maritime and rail transport.

Its contribution is particularly important in the case of maritime transport, as it allows vessels to adhere to new environmental regulations set forth by the International Maritime Organisation (IMO) and European Directive 2016/802.

As part of our commitment to innovation, at Enagás, we have made technical adaptations to our liquefied natural gas (LNG) plants which are now ready to offer new services related to the role of gas as a fuel, such as bunkering (supplying fuel for ships). In addition, we are promoting these new uses through our coordination in projects such as '[CORE LNGas hive](#)' and 'LNGhive2', as well as through our participation in other projects with European CEF funds in the railway field, such as the RAILNG project and the retrofitting of a freight locomotive to use LNG.

The European Union will allocate around 27 million euros to the implementation of two projects in Spain through the Connecting Europe Facility (CEF) mechanism, which promotes more sustainable and efficient transport. Specifically, the European Commission will support a number of initiatives, including the development of two new projects for the supply of LNG to ships (bunkering) in the ports of Barcelona and Algeciras, coordinated by Enagás. These projects are part of the 'LNGhive2' institutional strategy, managed by Puertos del Estado, aimed at promoting the development of the LNG market as marine fuel and to ensure supply in ports, in compliance with European Directive 2014/94 on alternative fuels.

In the railway sector, Enagás was one of the participating companies in the first LNG rail traction pilot test in Europe, and by implementing the Railway Roadmap set out with Renfe, the company is working with all segments of rail traction to retrofit diesel vehicles for natural gas in business areas where electrification would be unprofitable.

Enagás is currently developing several projects: the 'BIORAIL' project, which will test different motorisation technologies with a mixture of renewable gas and hydrogen; the 'H2rail' project for introducing fuel cells for railway traction; and lastly, the San Pedro tunnel project to carry out real tests and analysis of hydrogen and LNG leaks in railways.

Moreover, hydrogen is the new energy vector that offers countless possibilities for energy consumption, storage and mobility. It is a real, clean and sustainable alternative to

07/2020

**Enagás receives support from the European Union for the development of 16 LNG, biogas and hydrogen vehicle supply points. The company is coordinating the ECO-Net Project, which aims to contribute to transport decarbonisation by introducing LNG, biogas and green hydrogen. The project has an overall budget of approximately 13 million euros, and includes the construction of 16 alternative fuel supply points for heavy vehicles and passenger cars over a period of up to three years. These supply points — 15 LNG and one hydrogen (the first in Spain at 700 bar pressure) — will be distributed along the Spanish corridors of the Trans-European Transport Network.**

**Enagás' LNG plants are adapted to offer new services related to the role which natural gas plays as a fuel, such as bunkering**



traditional energy sources and therefore, using it as a vehicle fuel also helps towards sustainable mobility.

Enagás has developed Spain's first 700 bar hydrogen refuelling station, as part of a comprehensive project, located in northern Madrid, jointly promoted with Toyota España and Urbaser. This collaborative initiative also includes the commissioning of 12 Toyota Mirai (100% hydrogen fuel cell electric vehicle) units based in Madrid, in what is a pilot commercial hydrogen initiative for Spain.

[GRI 102-15, GRI 203-1, GRI 203-2]

## Corporate entrepreneurship and open innovation

Enagás has put in place a programme of corporate entrepreneurship and open innovation for the purpose of supporting and fostering new ideas and innovative business projects which, in accordance with our strategy, will enable us to create value and diversify the business. This programme allows us to gain an early foothold in disruptive technologies and start-ups that are aligned with the improvement of efficiency, competitiveness and sustainability in the energy sector against the current backdrop of energy transition.

The 'Enagás Emprende' programme seeks projects inside and outside the company related to the company's future strategy

## Hydrogen is an energy vector that offers countless possibilities for energy consumption, storage and mobility

to drive the energy transition through new business models and disruptive technologies. It is structured along the following lines:

- ▶ Corporate entrepreneurship: development of business projects and ideas based on Enagás' technical, economic and market-related skills.
- ▶ Venture Capital: investing in and supporting start-ups.
- ▶ Open Innovation: incorporation of projects and technologies supported by capabilities external to Enagás.

'Enagás Emprende' studies and analyses each proposal on an individual basis and offers acceleration programmes tailored to the needs of each project, which can vary from financial resources, conducting technical pilot testing, co-development and support for commercial development, among others.

Thanks to the support of 'Enagás Emprende', eight internal Corporate Entrepreneurship projects have become start-ups:

For further details on the **Enagás Emprende Programme**, visit the [corporate website](#)





## Start-ups from corporate entrepreneurship



A start-up offering consultancy services for gas detection and quantification, assisting their customers to comply with environmental laws and regulations, improve their carbon footprint and achieve greater efficiency in their business operating processes.



A start-up with innovative, technically validated technology for environmentally friendly cold energy transport, encouraging large companies requiring cold energy to set up in the vicinity of LNG plants.



A start-up that invests in small/medium-scale NG/LNG infrastructure (bunkering, service stations, vehicular natural gas, etc.) and in the design, execution, operation and maintenance for third parties, commercialising its capacity and providing logistics services. This start-up has become a shareholder of the LNG plant in Ravenna (Italy) to collaborate in the development of small-scale liquefied natural gas (LNG) in the Mediterranean. It has also launched eleven refuelling stations for natural gas vehicles.



A transport start-up dedicated to environmentally sustainable last-mile logistics in which the entire vehicle fleet is powered by alternative energy sources (natural gas, electricity, hydrogen, etc.).



Support services for shippers in their daily operations. Provides services for the entire process, ranging from obtaining a licence number to ship gas in Spain to back office services, reporting to official entities and training on the gas system.



A start-up that manages gas metering processes, based on latest-generation artificial intelligence algorithms (Analytics and Machine Learning). The new metering models will have the capacity for self-learning and will be available through a platform in the cloud.



A start-up focusing on the development and operational management of biomethane plants from agricultural waste, livestock and other origins, to promote the circular economy and generate green energy in the framework of the energy transition.



A start-up that develops, manufactures and markets small and medium-scale hydrogen generators by electrolysis using its own PEM (Proton Exchange Membrane) technology, and which also offers associated operation and maintenance services.



In addition to the internal projects mentioned, Enagás Emprende has also invested in six external start-ups:

## External start-ups



[www.seabenergy.com](http://www.seabenergy.com)

English circular economy start-up that designs and markets small-scale plants for installation in buildings, using organic waste generated on site to transform it into green energy, water and fertiliser.



[www.dualmetha.com](http://www.dualmetha.com)

French start-up with proprietary technology for modular biogas plants that manage multiple types of waste, mainly agricultural; the objective of which is to generate bio-methane to inject into the gas network.



[www.helioprod.com](http://www.helioprod.com)

Start-up originating from the first Dual Metha modular plant pilot project; the project, named a prize winner by the French state agency Ademe, featured eight solid digestion tanks with a capacity of 250m<sup>3</sup> each.



[www.hygengroup.com](http://www.hygengroup.com)

Latvian start-up that has developed a CNG (Compressed Natural Gas) fuelling system that allows the rapid refuelling of vehicles in situ, in homes or workplaces. Hygen's com-compressors are based on a patented technology that provides greater durability and reliability.



[www.trovanttech.com](http://www.trovanttech.com)

A start-up which specialises in the development of technologies based on biological processes for the treatment and re-use of organic waste, to turn it into valuable products. A start-up focused on the biogas and biomethane sector.



[www.solatom.com](http://www.solatom.com)

A start-up that designs, develops and installs solar modules that are easy to transport and install for industries. These give them the ability to provide a sustainable and economical alternative to the fossil fuel boilers currently used in factories.

## 04/2020

Together with Red Eléctrica, CLH, Iberdrola, BP, EIT InnoEnergy, Acciona, Capital Energy and DISA, Enagás promoted the **Positive Energy+** initiative to contribute to mitigating the economic and social impact of COVID-19 from the standpoint of energy and through innovation.

## 03/2020

Enagás has launched Klima, a venture capital fund aimed at acquiring interests in technology companies in the field of energy transition, through an alliance with Alantra. The focus is on Spanish and European companies in the B2B (business to business) segment that operate in attractive and high-growth segments of the energy sector, such as: energy storage, energy efficiency, renewable gases (hydrogen and biogas), carbon capture, sustainable mobility, etc.

It is a fund which has a naturally positive impact, as it invests in companies that favour the reduction of CO<sub>2</sub> emissions. By design, it incorporates the best SRI (Socially Responsible Investment) practices both in affiliates and in the internal processes of the fund manager.



# Digital transformation

Enagás' digital transformation has enabled the company to continue operating normally throughout 2020, an exceptional year because of the impact of the pandemic. Enagás has made great strides in this area, for example through the implementation of Enagás Digital Workplace. Through this programme, new, more agile and flexible work scenarios with the emphasis on co-working have been adopted so as to add new technologies and habits to the day-to-day, allowing professionals to continue to carry out their work remotely, without interruption.

A Data Governance Policy has also been approved, with a strong emphasis on the value of data to help in decision-making.

Progress has also been made in defining the transformation roadmaps for the different areas of the company, focusing on the generation of value and efficiency, prioritising customers and

employees, and leveraging the potential of new technologies. In 2020, Enagás has advanced in the digitalisation of the Technical Manager of the System, and there has been further process automation across many different domains of the company. We have also developed tools based on advanced analytics and artificial intelligence capabilities that allow us to evolve towards a more predictive and prescriptive maintenance of our infrastructures. We are also transforming the way our employees work in the field, focusing on improving their day-to-day work, bringing them on board from day one in designing the solution which they can use to work in a more autonomous and flexible way.

All of this is aligned with our strategic framework, through which we pursue the development of digital capabilities, efficiency in our value chain, and sustainability in our revenues. In fact the company is already monetising value from this approach.

**The digital transformation has enabled Enagás to continue its business as usual in a year marked by the COVID-19 crisis**



# Technological innovation

Technological innovation at Enagás is focused on two areas: [\[GRI 203-1\]](#)

- Improving the different aspects of the company's present activities, such as energy efficiency and self-generation of energy, the measuring of gas and analysis of its components, operational safety and the materials and equipment necessary for its activity. The most relevant projects worked on in 2020 were: the project to measure fugitive methane emissions (see the '[Climate Action and Energy Efficiency](#)' policy), a pilot project to neutralise water odour with methanol in underground storage facilities, and a project for autonomous nitrogen generation at the Huelva plant.
- The analysis and development of technology that, in the short and medium-term future, may add value to the company's own infrastructures and/or know-how, such as production, analysis, certification and transport of synthetic natural gas, biogas, biomethane and hydrogen. (See the '[Renewable gases](#)' section).

In 2020, the amount invested in technological innovation amounted to 2.5<sup>1</sup> million euros, 33% of which corresponds to projects related to renewable energy. [\[GRI OG2\]](#)

1. This figure comprises the costs associated with the approved projects (amount entered as R&D expenses in the '[Other operating expenses](#)' section of the Consolidated Annual Accounts), procurement of R&D, personnel expenses and the purchase of equipment and instruments.



See the [Data Governance Policy](#) on the [corporate website](#)



# 4

## Creation of value for our stakeholders







## Against a backdrop dominated by the pandemic, Enagás' response has been based on Resilience, Recovery and Reinvention



The COVID-19 crisis has highlighted the importance of sustainability for companies such as Enagás.

We are able to deliver on our stakeholders' demands by having a strategy in which sustainability is integrated and having made commitments to them through our policies. This helps us to mitigate the negative effects of this health crisis on society, especially on the most vulnerable.

This response is structured in three phases: Resilience, Recovery and Reinvention. In the most difficult moments of the healthcare crisis, Enagás adopted an initial resilient approach, and focused its efforts on protecting the safety, health and well-being of its professionals and other stakeholders, guaranteeing the security of natural gas supply, and mitigating the social and economic impact on society, helping the most vulnerable members of

our communities (see the ['People'](#) and ['Local communities'](#) chapters).

The next stage has been Recovery. Here we have sought to revive our economy, ensuring no one is left behind, seeking to maintain and reinforce our purpose and our commitments to key stakeholders:

- Maintaining and even increasing employment during the pandemic, with 24 new professionals and the signing of the new collective bargaining agreement (see the ['People'](#) chapter).
- Speeding up payment to our suppliers and providing them with proper safeguards in terms of their contracts, so they can in turn feel confident about their jobs (see the ['Supply Chain'](#) chapter).

- Making sure our customers enjoy the highest possible standards of efficiency and safety in operations, to cope with the fall in demand for natural gas, with 70% of the gas arriving in Spain by ship (see the ['Financial and operational excellence'](#) chapter).
- Keeping our dividend payment pledges for our small and large shareholders (see the ['Financial and operational excellence'](#) chapter).
- Working with regulatory bodies to make the gas system more competitive, and meet the challenges of decarbonisation through the Green Deal, the Climate Change and Energy Transition Act, etc. (see the ['Climate Action and Energy Efficiency'](#) chapter).

To address the Reinvention which lies ahead, we are stepping up our commitment to decarbonisation, not only in our activities,

### The COVID-19 crisis has highlighted the importance of sustainability for the company

but also through the increased use of alternative fuels such as liquefied natural gas (LNG) in transport and the development of renewable gases (see the ["Our Commitment to energy transition"](#) and ['Climate action and energy efficiency'](#) chapters).

What this means is that sustainability has become more important than ever for our company. Because of this, we have updated our materiality matrix, as shown below, following the sustainable management model and the stakeholder management procedure.



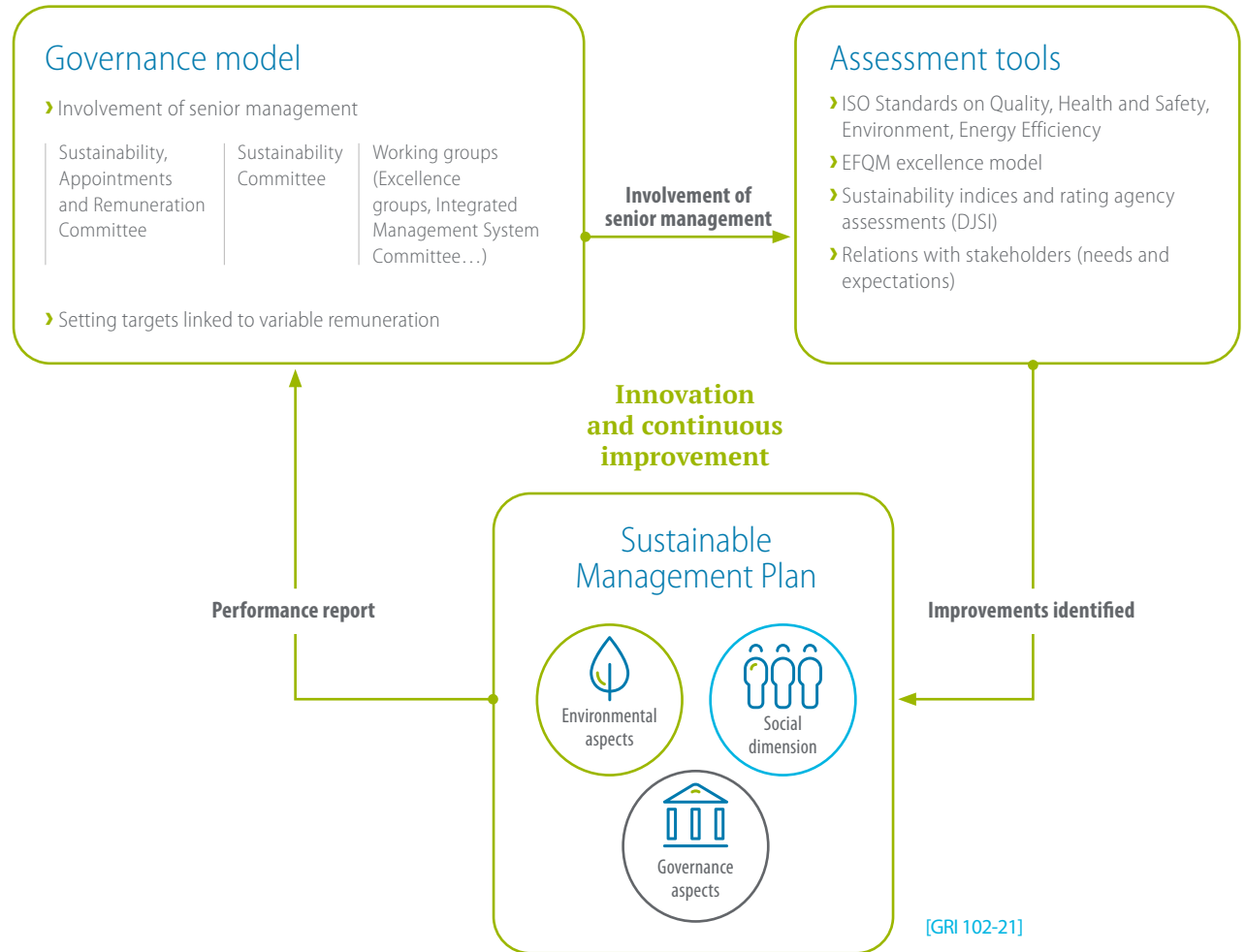
## Sustainable Management Model

The Enagás Sustainable Management Model establishes the company's responsibilities as regards sustainability governance and defines the assessment tools for identifying the lines of action that are set out in the Sustainable Management Plan.

The Sustainability, Appointments and Remuneration Committee (CSNR) is the highest body with responsibility for sustainability (economic, environmental and social impacts). The Sustainability Committee, made up of members of the Management Committee, reports to this committee and is responsible for approving initiatives in this matter (by delegation from the CSNR). [\[GRI 102-29, GRI 102-31\]](#)

At executive level, the Chief Executive Officer is responsible for managing the company's business, under the supervision of the Chairman, who is responsible for driving the company forward and the ongoing coordination of its activities.

Under the umbrella of the Chief Executive Officer and as a general rule, the Finance Department is responsible for managing financial matters, while the Human and Corporate Resources Department is responsible for environmental and social matters. [\[GRI 102-18, GRI 102-19, GRI 102-20\]](#)





## Materiality analysis and stakeholder management

Enagás defines its stakeholder map by identifying the different groups that are influenced by and exert influence on the company's activities, based around the company's Strategy. Every year, internal supervisors at Enagás review these groups and their segmentation, the relationship channels with each of them, according to the company's strategy and organisational model. By this means, the stakeholder relationship model is defined:

[GRI 102-21, GRI 102-42, GRI 102-43, GRI 102-44, GRI 102-46, GRI 207-3]

**We establish processes of dialogue and collaboration with our stakeholders to identify their needs and expectations**

### Enagás stakeholders

### Relationship channels

#### Regulatory bodies (state, local and international)

- Regular meetings (face-to-face, telephone, e-mail)
- Corporate website

#### Investors (investment fund managers, rating agencies, analysts)

- Regular meetings (face-to-face, telephone, e-mail)
- Roadshows
- Corporate website
- Shareholder Information Office
- Free shareholder helpline
- Electronic mailbox
- Meetings with minor shareholders and analysts

#### Employees (professionals, social organisations)

- Regular meetings (face-to-face, e-mail)
- Corporate Intranet
- In-house magazine 'Azul y Verde'
- Electronic newsletter 'Ráfagas'
- Internal communication campaigns
- Ethics Channel
- Opinion surveys and associated improvement plans

#### Customers (distributors, shippers, transmission companies, direct consumers in the market)

- Account managers
- Regular meetings (face-to-face, telephone, e-mail)
- Main Control Centre
- SL-ATR
- Spanish Gas System Monitoring Committee
- Corporate website: SL-ATR 2.0 portal and SITGAS portal
- Customer newsletter
- Meetings with customers (Shippers' Day)
- Customer satisfaction surveys and associated improvement plans
- Service desk

#### Partners (business partners, strategic business partners and company management)

- Coordinators of affiliated companies
- Regular meetings (face-to-face, telephone, e-mail)
- Governing Bodies

#### Media (general, economic, specialised in the sector, specialised in sustainability)

- Regular meetings (face-to-face, telephone, e-mail)
- Corporate website
- Media hotline
- Media mailbox

#### Suppliers (critical and non-critical)

- Regular meetings (telephone, e-mail)
- Corporate website: supplier portal
- Supplier platform
- Contractor Access System
- Supplier mailbox

#### Financial institutions

- Regular meetings (face-to-face, telephone, e-mail)

#### Associations and foundations (from the energy/gas sector, from social, environmental, ethical (sustainability) areas, in education and culture, health and development cooperation)

- Regular meetings derived from participation in groups and forums (face-to-face, telephone, e-mail)

[GRI 102-40, GRI 102-42, GRI 102-43]



## Materiality

[GRI 102-21, GRI 102-44, GRI 102-46, GRI 102-47]

Enagás identifies and prioritises material topics in the company's direct operations, according to the level of importance these have for Enagás and its stakeholders. This is based on the company's activities, the strategy and operating context, as well as on the needs and expectations of its stakeholders. During 2020, and against the backdrop of the pandemic, Enagás used the identification and prioritisation procedure to review its stakeholders' expectations:

**In the context of the COVID-19 crisis, Enagás has updated its materiality matrix**

► External consultation to assess to what extent stakeholders attached importance to each issue. It performs this consultation whenever there are significant changes to the context (strategic update, crisis, etc.). Enagás has identified the expectations of its stakeholders and relevant issues associated with the impact of COVID-19 through the stakeholder relations channels.

► Consultation with governing bodies to assess the level of importance of issues for Enagás. This consultation is carried out annually through the validation of material topics and their prioritisation by the governing bodies (Sustainability Committee, Sustainability, Appointments and Remuneration Committee).

The material topics, and the result of the materiality matrix update exercise carried out in 2020, are shown below.

## Material topics in the Enagás value chain

Enagás has identified eight material topics in the Governance, Social and Environmental aspects:



Enagás ensures the company's sustainability by managing these aspects in its value chain, viz., both in its direct operations and in the operations of third parties with whom it has relationships: suppliers and affiliates.





Enagás considers human rights as a material issue included in the areas of Ethics and Compliance, People (labour rights), Local communities (rights of communities), Health and Safety and Management of natural capital and biodiversity (right to use natural resources) (see the ['Respect for human rights'](#) chapter).

The following chapters explain how we are creating value for our stakeholders through our performance in each material issue, including corporate governance, the supply chain and management of affiliates as key transversal aspects for value creation.

### Update of the Enagás materiality matrix

As a result of the update exercise carried out in 2020 due to the COVID-19 crisis, stakeholders now attach greater importance to all issues across the board.

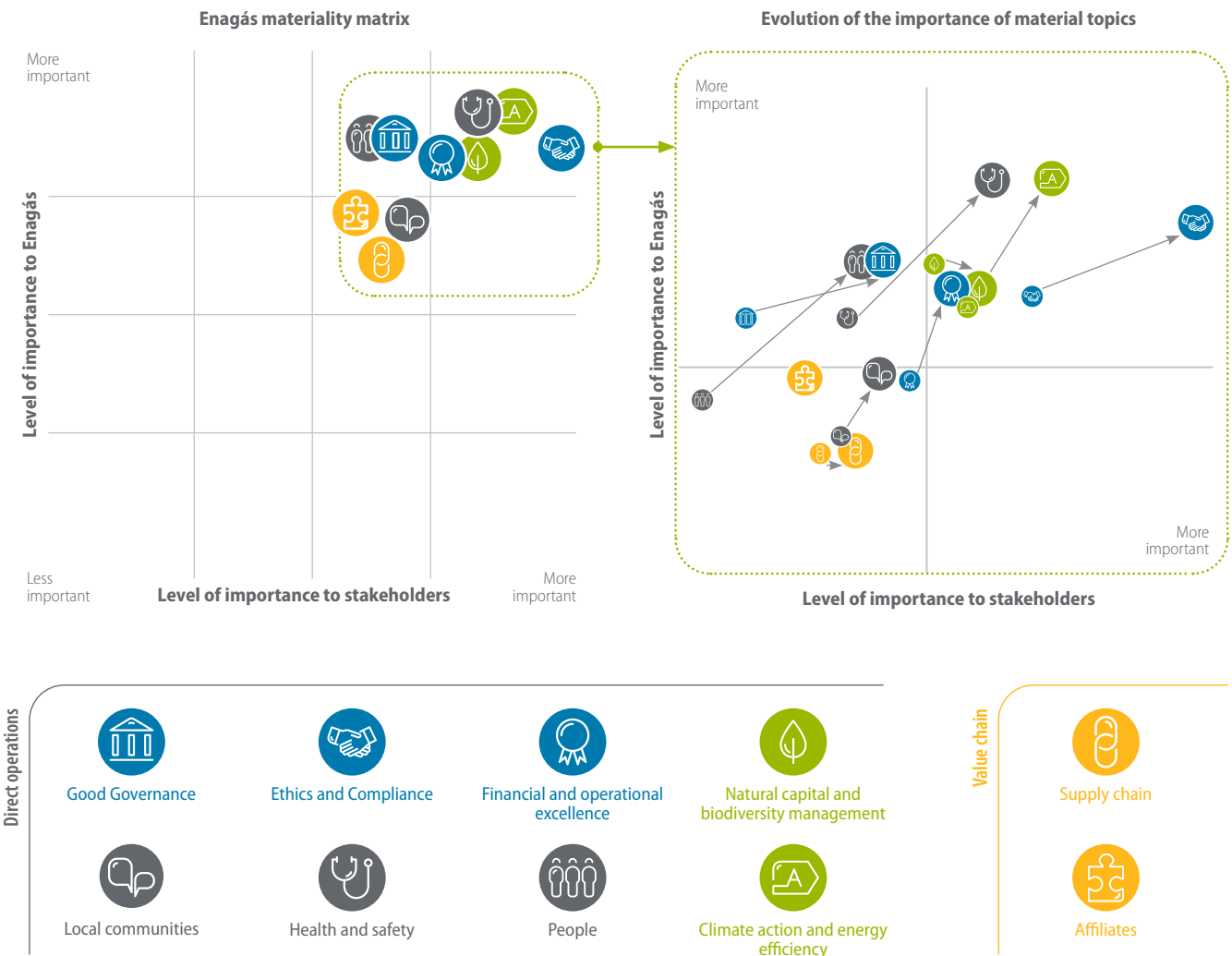
The most important increases concerned the issues of Health and Safety and People, in the social dimension, and Climate action and energy efficiency, in the environmental dimension, both for stakeholders and for Enagás. It should be noted that stakeholders attached more importance than ever before to the issue of Ethics and Integrity; in fact it continues to be the most important issue for stakeholders.

Another important part of this update has been the increased importance of sustainable management in the value chain, especially in affiliates.

[GRI 102-21, GRI 102-44, GRI 102-46, GRI 102-47]

## Update of the Enagás materiality matrix

[GRI 102-44, GRI 102-46, GRI 102-47]





# 4.1

## Good Governance

[GRI 103-1, GRI 103-2, GRI 103-3]

Good governance is a primary concern for the company, as is reflected in the Enagás Sustainability and Good Governance Policy.

### 25%

WOMEN  
on the Board of Directors  
[GRI 405-1]

### 18%

WOMEN  
in the Management  
Committee  
[GRI 405-1]

### 16

MEMBERS  
of the Board of  
Directors

### 69%

INDEPENDENT  
DIRECTORS

### 48%

QUORUM  
at 2020 GSM

This policy confirms that a good governance model allows us to create value in the short, medium and long-term for shareholders, customers, suppliers and other stakeholders. It also strengthens the company's control environment, reputation and credibility for third parties.

The key areas on which our governance model is structured are the company's strategy and objectives (see the '[Strategy](#)' chapter), the structure and functioning of the governing bodies (independence, diversity, etc.), performance and the system of incentives for decision-making.

### Sustainable Management Plan

#### Main lines in 2020

- › Review of the evaluation process of the Board of Directors.
- › Updating and approval of the Regulations governing the activities of the Audit and Compliance Committee, as well as the Regulations of the Board of Directors, in order to adapt them to the recommendations made in the revision of the Good Governance Code of listed companies.
- › Enhanced Board training in key areas of company strategy.
- › Certification of the 2020 Enagás General Shareholders' Meeting as a sustainable event in accordance with the ISO 20121:2013 standard.

#### 2021 lines

- › Planning for the 2021 and 2022 Board renewals, taking into account good governance recommendations regarding the number of Board members (reduction of Board size) and gender diversity on the Board (40% women).



## Board of Directors and Committees

[GRI 102-18, GRI 102-22, GRI 102-23]

Name of the Director	Position on the Board of Directors	Type of Director	Position on the Audit and Compliance Committee	Position on the Sustainability, Appointments and Remuneration Committee
Antonio Llardén Carratalá	Chairman	Executive		
Marcelino Oreja Arburúa	Chief Executive Officer	Executive		
Martí Parellada Sabata	Director	Other external	Member	
Isabel Tocino Biscarolasaga	Director	Independent	Chairwoman	
Ana Palacio Vallelersundi	Independent Leading Director	Independent		Chairwoman
Antonio Hernández Mancha	Director	Independent		Member
Patricia Úrbez Sanz	Director	Independent		Member
Santiago Ferrer Costa	Director	Proprietary		Member
Luis García del Río	Director	Independent	Member	
Rosa Rodríguez Díaz	Director	Independent	Member	
Gonzalo Solana González	Director	Independent		Member
Ignacio Grangel Vicente	Director	Independent		Member
José Blanco López	Director	Independent	Member	
José Montilla Aguilera	Director	Independent	Member	
Cristóbal José Gallego Castillo	Director	Independent		Member
SEPI - Sociedad Estatal de Participaciones Industriales (represented by Bartolomé Lora Toro)	Director	Proprietary	Member	
Rafael Piqueras Bautista	General Secretary		Secretary	Secretary

06/2020

The General Shareholders' Meeting approved the 2019 accounts, the management report and all business listed on the Agenda. Enagás' 2020 General Shareholders' Meeting was certified for the first time as a sustainable event in accordance with the ISO 20121:2013 standard and was held in a virtual format.

See the *Regulations of the Organisation and Functioning of the Board of Directors of Enagás* on the [corporate website](#)





## Board structure: independence and diversity

[GRI 102-18, GRI 102-22, GRI 405-1]

The Regulations of the Organisation and Functioning of the Board of Directors of Enagás includes conditions which must be met by Board members in order for them to be considered independent. An additional target has been defined to have at least half of the Board consisting of independent directors.

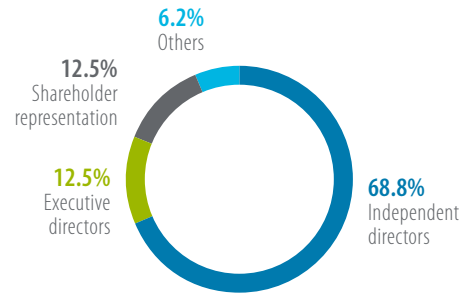
In 2020, the Enagás Board of Directors increased the number of independent directors to 68.8%.

The policy for the selection of Directors sets out the principles on which the selection processes for members of the Board of Directors are based:

- The principle of diversity of knowledge, gender and experience.
- 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.

Enagás' commitment to promote gender diversity on the Board is also reflected in the target of 30% of women on the Board included in the Long-Term Incentive Plan 2019-2021, which will be updated in the next Long-Term Incentive Plan 2022-2024 in line with the new CNMV recommendations to reach 40%. By this means, Enagás will make

### Board of Directors



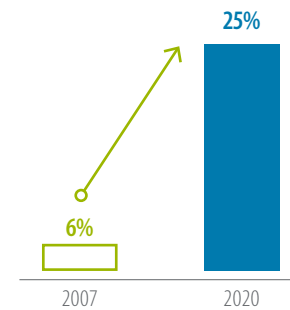
further progress in line with the focus on continuous improvement set out in its corporate policies.

With regard to diversity of knowledge and experience, the Enagás Board of Directors was evaluated by an independent external assessor who concluded that the Board presents an appropriate balance of knowledge and experience that allows it to fulfil the company's strategy and given the context of its markets.

For this purpose, the skills, knowledge and experience of each of the members of the Board of Directors have been studied to ensure the fulfilment of strategic priorities.

Moreover, the Board of Directors of Enagás covers other relevant abilities and experience for the development of the business, for instance, in the fields of business and management, economics, legal and tax, finance and capital markets, human resources, infrastructure, computing and technology, and marketing and sales. Cybersecurity and computing and technology abilities have also been added to the 2019 evaluation. [GRI 102-27]

### Proportion of women on the Board of Directors



**Enagás maintains a percentage of 68.8% independent directors and is working to align its next Long-Term Incentive Plan with the new recommendations of the CNMV to achieve 40% women on the Board of Directors**



See the **Board Diversity and Director Selection Policy** on the [corporate website](#)





## The Board's skills matrix includes Sustainability competences

Skills, knowledge and professional experience of the Board of Directors [GRI 102-27]

	Audit and Compliance Committee									Sustainability, Appointments and Remuneration Committee						
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Engineering (Qualification and extensive experience as a practising engineer).	X	X		X	X				X	X		X				
Industry / Sector (Extensive experience in administration, management and control in major energy companies).	X	X		X	X	X		X		X	X	X		X	X	X
Public / Regulatory institutions (Extensive experience acquired through direct exposure to regulators and related institutions).	X	X	X	X	X	X	X	X	X	X	X			X	X	X
Corporate Governance (Experience in positions of oversight (Chairman of the Board / Director on the Board of Directors of listed companies / specific management roles in large or listed companies)).	X	X		X	X	X		X	X	X	X			X	X	X
Auditing / Accounting (Extensive experience acquired in positions of senior management (CEO, CFO) in listed companies and/or holding management positions in an accounting firm).		X	X	X	X		X	X	X	X	X			X	X	
Risk control and management (Relevant experience in related positions (Risk Officer, internal auditor, internal control positions, monitoring/risk/internal control committees).		X		X	X	X		X	X	X	X			X	X	X
Corporate Social Responsibility and Environment (Extensive experience in administration, management and control in companies operating in sectors exposed to high environmental impact or broad experience in roles of strategic management of social and/or environmental issues. Multi-year academic experience in this field).		X		X	X		X		X	X		X	X	X	X	X
International expansion / Multicultural environment (Previous experience working for multinational or domestic companies in a position with significant international exposure).	X	X		X	X	X			X	X	X	X	X	X	X	X
Business / Management (Previous experience as a senior manager in other companies).		X		X	X	X			X	X	X		X	X		X
Cybersecurity.													X			
Computing and technology.		X		X	X				X	X		X				



## Functioning of the Board

[GRI 102-28]

Enagás' Sustainability and Good Governance Policy establishes compliance with national and international recommendations and best practices in the area of corporate governance, in aspects such as the training and assessment of Directors, as one of its commitments.



See the **Sustainability and Good Governance Policy** on the [corporate website](#)

Every year, an assessment of the Board is performed with the participation of an independent external expert. The evaluator has been rotated in 2020. This assessment is performed objectively and from a best-practice viewpoint by means of questionnaires completed by all members of the Board. The conclusions of this phase are checked in interviews with the same Directors.

The aim is to sustain and bolster the performance of the Board of Directors.

The results of the latest assessment on the functioning of the Board reached the following conclusions:

- The directors express their satisfaction with the performance and discharge of responsibilities of the board of directors and its committees.
- Among other matters, the directors highlight the climate of dialogue and debate at the meetings, the transparency and quality of the information provided, the accuracy of the minutes, and the performance of the chairman, the chief executive officer and the secretary of the board.

## Among the critical issues addressed in 2020 by the Board of Directors, are those related to environmental, social and good governance aspects

- Similarly, the directors believe that the board should continue to focus on oversight of strategy and risk.

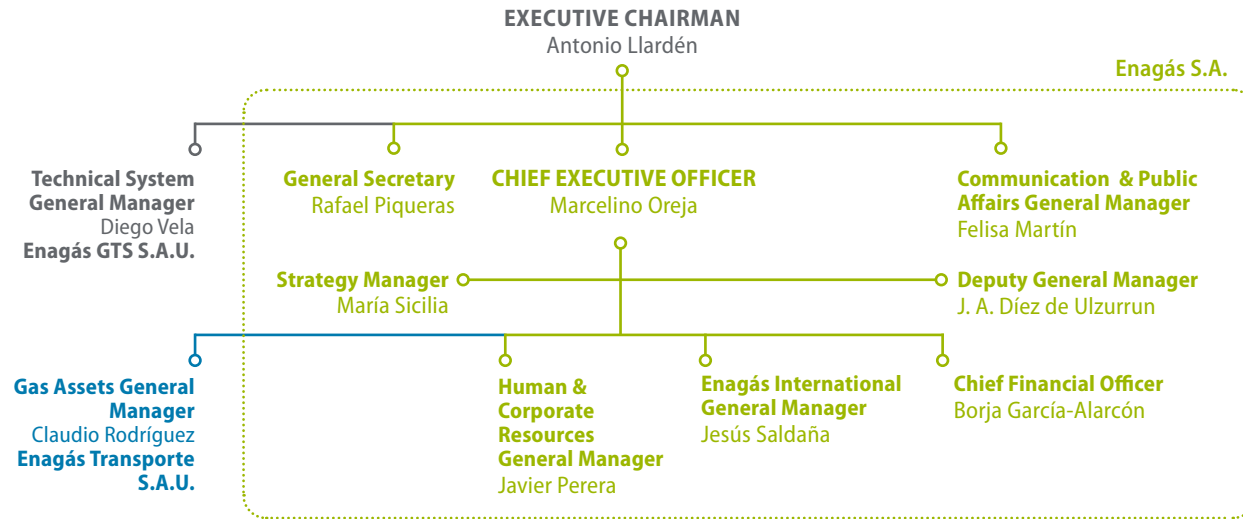
Twelve meetings of the Board were held in 2020 with an attendance of 100%, and the following critical issues were addressed:

[GRI 102-21, GRI 102-33, GRI 102-34]

Topic	Type	Resolution
Sustainability Challenges	Corporate Governance, Environmental and Social	Unanimously approved
Transparency in non-financial information and diversity	Corporate Governance, Environmental and Social	Unanimously approved
Annual Risks Report	Corporate Governance	Unanimously approved
Monitoring of the Company's contributions to social action and corporate volunteering	Social	Unanimously approved
COVID-19 Crisis Management aimed at ensuring the health and safety of employees, infrastructure integrity, security of supply and contribution to stakeholders	Social	Unanimously approved
<i>Diversity and Inclusion with a specific focus on gender diversity and fair pay</i>	Social	Unanimously approved
Decarbonisation strategy: carbon neutrality target setting	Environmental	Unanimously approved



## Management Committee



## Remuneration of the Board of Directors

[GRI 102-35, GRI 102-36, GRI 102-37]

The Enagás Board of Directors is empowered to adopt resolutions on Directors' remuneration. The Sustainability, Appointments and Remuneration Committee proposes the remuneration criteria, within the limits set forth in the Articles of Association and pursuant to the decisions taken at the General Shareholders' Meeting. The Committee also monitors the transparency of remuneration. Thus, in 2019, the General Shareholders' Meeting approved the Directors' Remuneration Policy for 2019-2021 with the following characteristics and following

the criteria of independence, involvement of stakeholders (the remuneration report is put to a consultative vote at the General Shareholders' Meeting) and internal and external assessment.

In 2021, the new Directors' Remuneration Policy 2022-2024 will be submitted for approval by the General Shareholders' Meeting. It maintains continuity with the fundamental premises of the previous policies while also incorporating technical improvements.





## Long-Term Incentive Plan 2019-2021

[GRI 102-35, GRI 102-36, GRI 102-37]

<b>Eligibility</b>	Members of the Management Committee and the rest of the management team: 48 participants
<b>Type of Plan</b>	Plan for delivery of shares and cash linked to the goals of the Strategic Plan. A minimum reference of shares is established for each segment: 100% Executive Directors, 80% Management Committee and 60% Managers
<b>Duration</b>	Period of goal measurement and permanence: 3 years
<b>Conditions for receiving the incentive</b>	<ul style="list-style-type: none"> <li>• Achievement of the four outlined targets (see the 'Strategy' section)</li> <li>• Length of service in the Group</li> </ul>
<b>Achievement scales</b>	<ul style="list-style-type: none"> <li>• An achievement scale is established for each goal with:             <ul style="list-style-type: none"> <li>• A minimum achievement level, below which no remuneration is paid</li> <li>• A 100% achievement level, for which 100% of the initial target remuneration is paid</li> <li>• The maximum total remuneration may not exceed 125% of the initial target remuneration</li> <li>• Intermediate levels are calculated using linear interpolation</li> <li>• In the case of absolute TSR, no reward can be given for non-compliance with the target, in which case the total maximum incentive would change from 125% to 85%.</li> </ul> </li> </ul>
<b>Incentive level</b>	The incentive is expressed as a percentage of the fixed remuneration for 2019 or a number of times the fixed remuneration amount, in a way that allows segmentation by management level. Annual incentive: 50% for Executive Directors, 45% for the Management Committee and 30% for Managers
<b>Clawback clauses</b>	In the event of certain circumstances coinciding, the Board may, if suggested by the Committee, claim part or all of the remuneration paid.
<b>Malus clauses</b>	Allowing the partial or total cancellation of deferred amounts pending payment.
<b>Share settlement, deferral and holding period</b>	<ul style="list-style-type: none"> <li>• Once the period for measuring targets has elapsed, the 1st payment date (50% of incentive) will take place.</li> <li>• The 2nd payment date (50% deferred) will take place on the first anniversary of the 1st payment date.</li> <li>• A holding period of two years is proposed for the shares received on the 1st payment date, and of one year for the shares received on the 2nd payment date.</li> </ul>

## Remuneration of the Board of Directors in 2020 [GRI 102-35, GRI 102-36, GRI 102-37]

The remuneration of the members of the Board of Directors for their membership of the Board and those corresponding to the Chairman and the Chief Executive Officer for the exercise of their executive functions during 2020 have been approved in detail by the General Shareholders' Meeting held on March 29, 2019 as part of the 'Directors' Remuneration Policy for 2019, 2020 and 2021 financial years', approved as Item 7 of the Agenda.

The Group has outsourced its pension commitments with respect to its senior managers through a mixed group insurance policy for pension commitments, including benefits in the event of survival, death and employment disability. The Executive Chairman and the Chief Executive Officer are part of the group covered by this policy and of the total premium paid for this during the year, 372 thousands of euros corresponded to them.

The members of the Senior Management also form part of the group insured under the mixed group insurance policy for pension commitments. The total premium paid for the same during the financial year amounts to 649 thousands of euros.

The two executive directors are beneficiaries of the Long-Term Incentive Plan 2019-2021 approved by the General Shareholders' Meeting on March 29, 2019 under item 8 of the Agenda. In said meeting, a total of 118,635 rights relating to shares were assigned. Said rights do not constitute acquisition of shares until the programme finalises, the final bonus depending on the degree to which the programme objectives have been met.

Members of Senior Management (members of the Management Committee) are equally beneficiaries of the Long-Term Incentive Plan 2019-2021. As approved by the General Shareholders' Meeting, the Board of Directors has assigned them a total of 160,236 rights relating to shares as well as an incentive in cash amounting to 950 thousands of euros. Said rights do not constitute acquisition of shares or collection of



any amounts until the programme has finalised, the final bonus depending on the degree to which the programme objectives have been met.

The aforementioned remuneration, broken down for each member of the Board of Directors, without taking into account insurance premiums, is as follows: [\[GRI 102-35, GRI 102-36, GRI 102-37\]](#)

## Remuneration of the Board of Directors [\[GRI 102-35\]](#)

(thousands of euros)

### Board members

	2019	2020 <sup>(5)</sup>
Mr Antonio Llardén Carratalá (Executive Director) <sup>(1)</sup>	1,847	1,886
Mr Marcelino Oreja Arburúa (Chief Executive Officer) <sup>(2)</sup>	937	957
Sociedad Estatal de Participaciones Industriales (Proprietary Director) <sup>(4)</sup>	160	160
Mr Luis García del Río (Independent Director) <sup>(4)</sup>	160	160
Mr Martí Parellada Sabata (External Director) <sup>(4)</sup>	160	160
Mr Luis Javier Navarro Vigil (External Director) <sup>(3)(4)</sup>	44	
Mr José Blanco López (Independent Director) <sup>(3)(4)</sup>		69
Ms Rosa Rodríguez Diaz (Independent Director) <sup>(4)</sup>	160	160
Ms Ana Palacio Vallelersundi (Independent Leading Director) <sup>(4)</sup>	190	190
Ms Isabel Tocino Biscarolasaga (Independent Director) <sup>(4)</sup>	175	175
Mr Antonio Hernández Mancha (Independent Director) <sup>(4)</sup>	160	160
Mr José Montilla Aguilera (Independent Director) <sup>(3)(4)</sup>		69
Mr Gonzalo Solana González (Independent Director) <sup>(4)</sup>	160	160
Mr Cristóbal José Gallego Castillo (Independent Director) <sup>(3)(4)</sup>		69
Mr Ignacio Grangel Vicente (Independent Director) <sup>(4)</sup>	160	160
Ms Patricia Úrbez Sanz (Independent Director) <sup>(3)(4)</sup>	115	160
Mr Santiago Ferrer i Costa (Proprietary Director) <sup>(4)</sup>	160	160
<b>TOTAL</b>	<b>4,588</b>	<b>4,855</b>

(1) The remuneration for the Executive Chairman for the 2020 financial year was approved in detail by the General Shareholders' Meeting on March 29, 2019, as part of the "Directors' Remuneration Policy for 2019, 2020 and 2021." During 2020, the Executive Chairman received fixed remuneration in the amount of 1,000 thousands of euros and variable remuneration in the amount of 600 thousands of euros; he also received 130 thousands of euros for Board membership and other remuneration in kind amounting to 156 thousands of euros (the changes in remuneration in kind with respect to previous years is exclusively a result of measurement differences without there having been any additional items included in the remuneration). Thus, the combined amounts totalled 1,886 thousands of euros. In addition, he was also the beneficiary of a life insurance policy with a premium of 66 thousands of euros for the year. The Group has outsourced its pension commitments with respect to its senior managers through a mixed group insurance policy for pension commitments, including benefits in the event of survival, death and employment disability. The Executive Chairman is one of the beneficiaries covered by this policy, and of the total premium paid during the year, 236 thousands of euros correspond to the Executive Chairman. The Executive Chairman is a beneficiary of the Long-term Incentive Plan 2019-2021 approved at the General Shareholders' Meeting held on March 29, 2019. Item 8 of its Agenda states that the meeting assigned him a total of 79,090 performance shares. These shares do not entail an acquisition of the shares until the end and settlement of the programme and the final remuneration depends on the level of achievement of the goals of the programme. As a result of settlement of the 2016-2018 Long-term Incentive, approved by the General Meeting of Shareholders held on March 18, 2016, as item 8 on the Agenda, in 2019 the Executive Chairman received 54,669 gross shares in Enagás S.A. The Executive Chairman is subject to the obligation to maintain the shares received for a period of two years from handover. Once that period has elapsed, the shares will be freely available. The fixed remuneration of the Executive Chairman remains unchanged since 2017.

(2) The remuneration for the Chief Executive Officer in 2020 was approved in detail by the General Shareholders' Meeting on March 29, 2019 as part of the "Directors' Remuneration Policy for 2019, 2020 and 2021 financial years". During 2020, the CEO received fixed remuneration in the amount of 500 thousands of euros and variable remuneration in the amount of 300 thousands of euros; he also received 130 thousands of euros for Board membership and other remuneration in kind amounting to 27 thousands of euros (the changes in remuneration in kind with respect to previous years are exclusively a result of measurement differences without there having been any additional items included in the remuneration). Thus, the combined amounts totalled 957 thousands of euros. In addition, he was also the beneficiary of a life insurance policy with a premium of 0.9 thousands of euros for the year. The Chief Executive Officer is also a beneficiary of the mixed group insurance policy for pension commitments, and the share of the premium corresponding to the Chief Executive Officer for this policy amounted to 136 thousands of euros for the year. The Chief Executive Officer is a beneficiary of the Long-term Incentive Plan 2019-2021 approved at the General Shareholders' Meeting held on March 29, 2019. Item 8 of its Agenda states that the meeting assigned him a total of 39,545 performance shares. Said rights do not constitute acquisition of shares until the programme finalises, the final bonus depending on the degree to which the programme objectives have been met. As a result of settlement of the 2016-2018 Long-term Incentive, approved by the General Meeting of Shareholders held on March 18, 2016, as item 8 on the Agenda, in 2019 the Chief Executive Officer received 21,759 gross shares in Enagás S.A. The Chief Executive Officer is subject to the obligation to maintain the shares received for a period of two years from handover. Once that period has elapsed, the shares will be freely available. The fixed remuneration of the CEO remains unchanged since 2018.

(3) On June 30, 2020, Mr José Blanco López, Mr José Montilla Aguilera and Mr Cristóbal José Gallego Castillo were appointed Director. On March 29, 2019 Mr Luis Javier Navarro Vigil resigned as Director and Ms Patricia Úrbez Sanz occupied his position.

(4) The remuneration for these Directors relating to Board and Committee membership was approved in detail by the General Shareholders' Meeting on March 29, 2019 as part of the "Directors' Remuneration Policy for 2019, 2020 and 2021".

(5) The remuneration of Directors in 2020, broken down by sex, amounted to 348 thousands of euros for men and 171 thousands of euros for women (calculated as the average remuneration). The difference is due to the fact that the Executive Directors, Chairman and Chief Executive Officer, are men.



# 4.2

## People

[GRI 103-1, GRI 103-2, GRI 103-3]

People management is a key area for the company, since, as reflected in the Enagás Human Capital Management Policy, talent management enables the company to equip itself with the resources required for the deployment of its strategy.

### 2%

INCREASE  
in the workforce  
compared to 2019  
[GRI 203-2]

### 46.6

TRAINING HOURS  
per employee (818 euros  
per employee)  
[GRI 404-1]

### 82%

OF THE WORKFORCE  
underwent a performance  
assessment  
[GRI 404-3] <sup>1</sup>

### 53

INTERNAL  
PROMOTIONS  
(38% women)

### 37.1%

FEMALE  
managers and pre-managers<sup>2</sup>

The key aspects that we address in our people management model are the structure and sizing of our organisation (workforce), the stability and quality of employment, our professional development

programmes and compliance with labour rights and special attention to the areas of diversity, work-life balance and non-discrimination.

### Sustainable Management Plan

#### Main lines in 2020

- › Signing of the Enagás Group's third collective bargaining agreement 2020-2022.
- › Approval of Enagás' corporate guidelines on the right to digital switch-off.
- › Renewal of the Equality in the Workplace seal.
- › Establishment of the Diversity and Inclusion Strategy.
- › Preparation of a gender equality and pay equity study, and establishment of a derived action plan.
- › Online training on generational diversity.
- › Adhesion to the Teleworking Charter promoted by the Másfamilia Foundation.
- › Establishment of a global listening strategy 2020-2021: launch of employee climate and experience surveys.

#### 2021 lines

- › Adaptation of Enagás' Equality area to the new developments contained in the new regulatory framework.
- › Establishment of a Diversity and Inclusion Policy for the company
- › Implementation of the action plan linked to the employee's life cycle, as defined along the various lines of the diversity and inclusion strategy.
- › Continuation of the listening strategy by launching various consultations to improve the employee experience, such as an EFR survey for the valuation of social benefits and work-life balance, and pressing onwards to monitor the areas for improvement detected in the 2020 surveys.

1. Performance evaluation linked to their professional development and the increase in their fixed remuneration. For employees outside the collective bargaining agreement, this performance evaluation will also be linked to variable remuneration.

2. In a management position.



## Our professionals

The following outlines the distribution of Enagás' 1,330 professionals by country, age group, job category and gender.

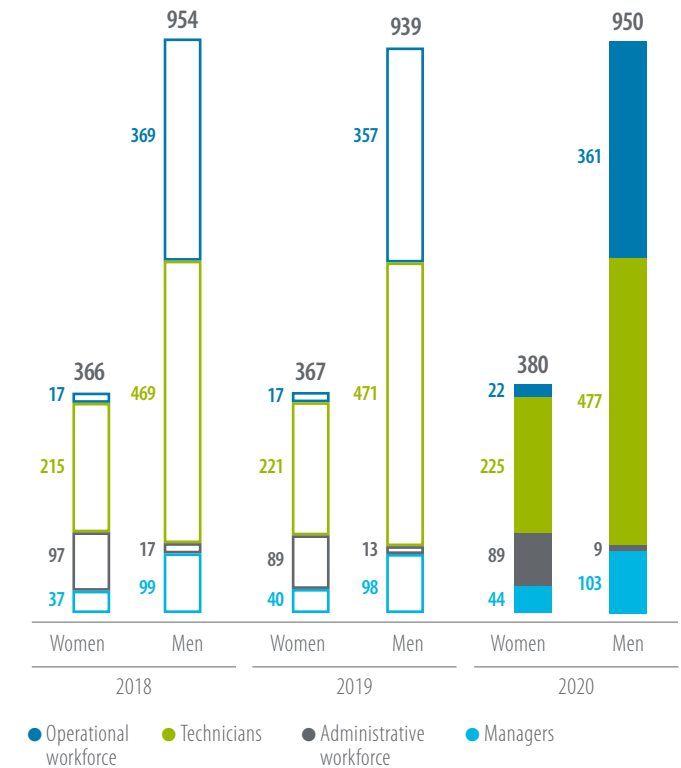
### Number of employees by country<sup>1</sup> [GRI 102-8]

Country	2018	2019	2020
Spain	1,300	1,288	1,314
Other countries	149	18	16
Peru	3	3	3
Mexico	9	8	6
Sweden	2		
Switzerland	1	1	1
Belgium	3	3	4
Chile	1	1	1
France	1	1	
Greece		1	1
<b>TOTAL</b>	<b>1,320</b>	<b>1,306</b>	<b>1,330</b>

(1) Including the employees at start-ups that are fully consolidated in the financial information and that have been excluded from the scope of the non-financial information (See the '[About our Consolidated Management Report](#)' section), the number of employees would rise to 1,357 (388 women and 969 men). See section 2.1 '[Operating profit, b\) Personnel Expenses](#)' of the Consolidated Annual Accounts.



### Number of employees by job category and gender [GRI 405-1]



In 2020, there were 165 new recruitments, 72% being people aged under 35 and 27% women. [GRI 102-10, GRI 401-1]



## Stable, quality employment

Enagás maintains stable, quality employment levels with high percentages of permanent and full-time contracts.

### Percentage of employees by type of contract, working hours and gender [GRI 102-8]

	2018			2019			2020		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<b>Full-time</b>	92.9%	99.6%	<b>97.7%</b>	92.6%	99.5%	<b>97.5%</b>	94.7%	99.3%	<b>98.0%</b>
<b>Permanent contract</b>	98.0%	96.2%	<b>97.5%</b>	97.0%	97.4%	<b>97.3%</b>	96.3%	96.5%	<b>96.5%</b>

### Average annual number of permanent and temporary contracts broken down by age, both full-time and part-time

	Permanent contract			Temporary contract		
	Full-time	Part-time	Total	Full-time	Part-time	Total
<b>&lt;=35 years</b>	237	1	<b>238</b>	36	1	<b>37</b>
<b>36-55 years</b>	798	25	<b>823</b>	6	0	<b>6</b>
<b>&gt; 55 years</b>	214	1	<b>215</b>	0	0	<b>0</b>

### Average annual number of permanent and temporary contracts broken down by sex, both full-time and part-time

	Permanent contract			Temporary contract		
	Full-time	Part-time	Total	Full-time	Part-time	Total
<b>Women</b>	337	22	<b>359</b>	13	0	<b>13</b>
<b>Men</b>	912	5	<b>917</b>	29	1	<b>30</b>

### Average annual number of permanent and temporary contracts broken down by job category, both full-time and part-time

	Permanent contract			Temporary contract		
	Full-time	Part-time	Total	Full-time	Part-time	Total
<b>Management</b>	138	2	<b>140</b>	0	0	<b>0</b>
<b>Technicians</b>	671	10	<b>681</b>	17	0	<b>17</b>
<b>Administrative workforce</b>	92	7	<b>99</b>	0	1	<b>1</b>
<b>Operational workforce</b>	348	8	<b>356</b>	25	0	<b>25</b>





In addition, at the end of 2020, 5 professionals were hired through temporary employment agencies and 56 interns were working at Enagás.

The commitments undertaken by Enagás in its Human Capital Management Policy, and the measures and actions implemented, translate into high levels of satisfaction and motivation, as reflected by the low turnover rate, the results of the survey on workplace climate and the awards received by the company in this area.

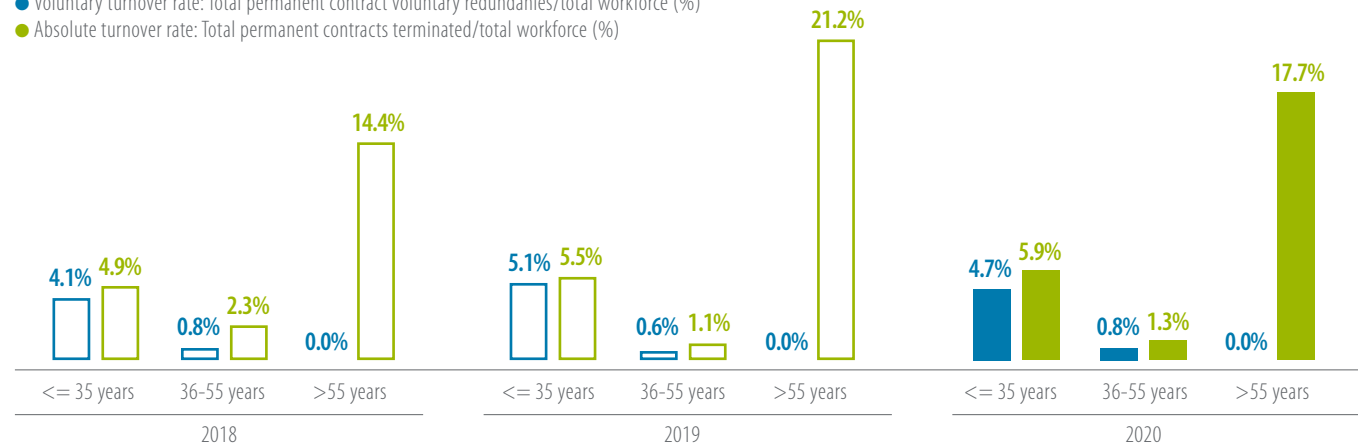
Enagás has not carried out any restructuring in recent years, nor does it plan to do so. However, for years it has had a programme of planned redundancies that guarantees the adequate transmission of the company's expert knowledge. In 2020, two involuntary redundancies were carried out at the company<sup>1</sup>. [GRI 102-10]

## Voluntary and absolute turnover rate by gender [GRI 401-1]

	2018			2019			2020		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<b>Voluntary turnover rate</b>	2.8%	0.7%	<b>1.3%</b>	2.5%	0.9%	<b>1.3%</b>	3.0%	0.8%	<b>1.4%</b>
<b>Absolute turnover rate</b>	5.7%	4.4%	<b>4.8%</b>	5.1%	5.4%	<b>5.3%</b>	4.6%	5.1%	<b>5.0%</b>

## Voluntary and absolute turnover rate by age group [GRI 401-1]

- Voluntary turnover rate: Total permanent contract voluntary redundancies/total workforce (%)
- Absolute turnover rate: Total permanent contracts terminated/total workforce (%)



See the **Human Capital Management Policy** on the [corporate website](#)

1. Two men, one in the 'technician' professional category and aged <=35, and another in the 'operator' category aged 36-55. In 2019 there was an involuntary redundancy (a male in the professional category of technicians aged between 36 to 55 years old).



## 2020

Enagás has an Agility Programme to drive an agile transformation at the company; this means identifying, facilitating and methodologically accompanying agile initiative work teams and ensuring a common language and awareness of cultural change at the organisation (Agility Hub). Within this framework, actions have been taken to transform the organisation and simplify processes (agile transformation of the internal audit, creation of an agile project office in the area of infrastructure management, etc.). Agile 'scrum' methodologies have also been used in business projects, and work has been done to disseminate an agile company culture and to set out training schedules. In addition, a community of practice has been set up, CoP Agile Culture, which, with the help of a network of facilitators and volunteers, aims to support employees in adapting new ways of working.

## New ways of working

Enagás promotes the cultural change and internal transformation of the company by putting people at the centre of all initiatives that take place. It also promotes new ways of working based on collaboration, transversality, empowerment and the implementation of new management methodologies. These initiatives focus on three areas:

- Culture and behaviours that encourage more flexible and collaborative working models. This area includes a programme launched in 2020 that aims to improve the employee experience throughout their life cycle at the company. Its starting point was a listening survey, in addition to the opinion survey that Enagás conducts every two

years (see the '[Satisfaction and motivation of professionals](#)' section of this chapter).

- Work organisation and methodologies that allow challenges to be faced in a more innovative and creative way. Enagás has set out training schedules (see the '[Training](#)' section of this chapter), as well as creating communities of practice and communication activities.
- Flexibility by providing people with new spaces, technological tools and intelligent ways of working. This has allowed us to continue operating our infrastructures as normal in the COVID situation (see the '[Digital Transformation](#)' chapter).

Within this framework, the Corporate Guidelines on the Right to Digital Switch-Off were approved in 2020, with a positive impact on people's productivity and well-being. The principles within which Enagás frames its actions are: respect for employees' rest time after the end of the working day and awareness about digital disconnection, with actions at all levels of the organisation to promote good practices related to the use of digital tools.

See the [Corporate Guidelines on the Right to Digital Switch-Off](#) on the [corporate website](#)





## Knowledge of internal talent

[GRI 404-3]

Evaluation of the performance and skills of our professionals means that we can know our internal talent and guide their training and professional development effectively. Performance assessment allows the identification of strengths and areas of development of professionals regarding the performance of their work and on which the different development plans are developed. The competences and behaviours of professionals are evaluated annually, among others, based on corporate values. The results of these evaluations are linked to their professional development and the increase in their fixed remuneration and, in the case of professionals outside the collective bargaining agreement, in their variable remuneration.

The management team's performance evaluation process is carried out under a 360° approach. In addition to an assessment by the manager, an upward assessment is incorporated through the teams assessing their managers, as well as a peer review of the group by employees of the same professional category.

Additionally, for Directors, an assessment is made by the Management Committee. In 2020, 86 people from the management team were evaluated under this comprehensive approach. Moreover, competencies are evaluated through Development Centre workshops, in which participants get feedback on the strengths and areas for development.

## Percentage of professionals who have received performance assessment by professional category and gender

		2018	2019	2020
<b>Management</b>	Women	82.4%	95.0%	97.7% <sup>(1)</sup>
	Men	87.7%	91.8%	100.0% <sup>(1)</sup>
<b>Technicians</b>	Women	86.6%	91.4%	92.9%
	Men	71.3%	70.1%	70.0%
<b>Administrative workforce</b>	Women	63.7%	61.8%	64.0%
	Men	100.0%	92.3%	77.8%
<b>Operational workforce</b>	Women	45.0%	41.2%	40.9%
	Men	90.8%	91.0%	91.4%
<b>TOTAL</b>		<b>80.5%</b>	<b>81.1%</b>	<b>82.0%</b>

(1) In 2020, 100% of managers received a performance appraisal. However, the women's category includes a manager who was promoted at the end of the year and whose evaluation was carried out with reference to her previous category (technician).

## Professional development programmes

The information obtained from the different evaluations of professionals is used to design customised development plans adapted to the needs identified. On the one hand, development programmes are promoted through on-the-job experience. With this in mind, internal rotation programmes are fostered so that new knowledge can be applied to real situations, and participation in transversal projects or temporary assignments can also be taken advantage of. In 2020, there were 115 internal movements (promotions, horizontal transfers and international transfers). 43% of hirings selected internal candidates. Fourteen interns also stayed on at the company.

On a related note, there is room for mentoring and/or coaching programmes (four professionals participated in coaching programmes). In addition, professionals in the company have received training and are certified in coaching; they are therefore qualified to carry out internal coaching processes.

Lastly, an extensive programme of training actions are available on the corporate training portal and these are offered both face-to-face as well as via e-learning.

In addition, there have been two career models at the company. On the one hand, there is the management career, where you are promoted vertically to positions of greater responsibility and based on team management. On the other hand, there is the technical career, aimed at creating and identifying experts in those areas of knowledge that are critical for Enagás.



## Training [GRI 404-2]

Enagás is committed to training its professionals from when they join the company and throughout their professional career.

Training begins with the Enagás Welcome Plan, which includes communication and training activities. It includes e-learning training on aspects such as the Code of Ethics, a crime prevention model, a corruption prevention model, human rights and equality, among others, which are compulsory for all professionals, and face-to-face training on the Enagás value chain that offers professionals a global vision of the Company's business.

In addition, and depending on the type of work carried out by the new employee, a training plan has been designed in areas related to operations, maintenance and administrative management.

The company's face-to-face training is offered at the Enagás Training School where over 10% of the workforce participate as trainers in different programmes. This face-to-face training in the classroom and in the workplace is complemented by e-learning, mobile training, communities of practice, etc.

### Over 3,700 training courses given

Enagás has established personalised training schedules for each of the company's professional profiles and levels with the aim of training everyone so that they can carry out their day-to-day duties. There are therefore schedules of a markedly technical nature, based on knowledge (where we have a corporate schedule); others on safety, environment and quality; and another on operation and maintenance. Others are based on competencies that try to develop more attitude-related skills and behaviours necessary for each level. The training associated with these training schedules

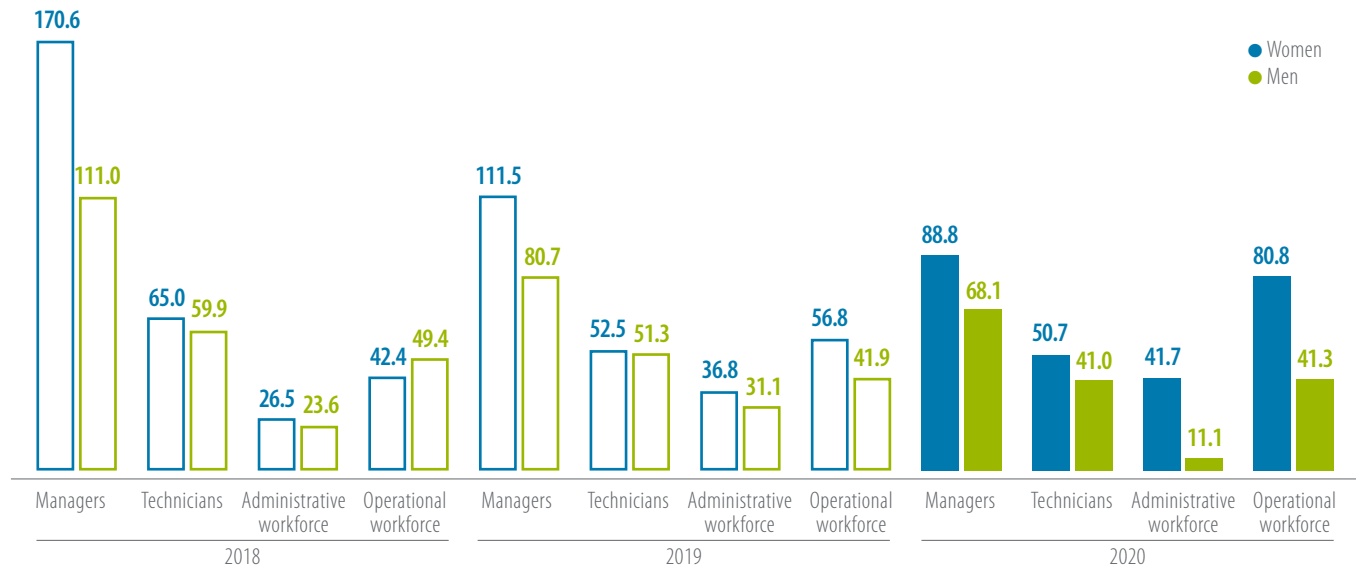
(training counted as compulsory) represents 15.2% of the training hours and 2.6% of the economic investment per employee.

In 2020, and in line with the culture of new ways of working that Enagás is promoting, training schedules have been set out by working method, allowing knowledge to be acquired at different levels based on the experience and practice of each person (fundamentals, facilitator and expert). This enables the principles/standards and fundamental concepts of the method to be understood and allows people to participate in projects/initiatives that are carried out using this method. Three levels have therefore been established in each schedule based on the person's experience and practice: Fundamentals, Facilitator and Expert. Some of the schedules that have been created are *Scrum*, *Kanban*, *Lean Kaizen*, *Devops*, and more.

Enagás assesses the satisfaction of professionals who have received training, which in 2020 increased to 9.1 out of 10.

Within the framework of the Enagás Knowledge Management Model, and to promote the dissemination and transfer of critical knowledge generated within the company, especially in Infrastructures, a series of initiatives have been embarked upon, including the design of a knowledge transfer procedure linked to the changeover plans and the recording of videos on the transfer of expert knowledge.

## Hours of training received by professional, by professional category and gender [GRI 401-1]





## Total hours of training by professional category [GRI 404-1]

	2018	2019	2020
<b>Management</b>	17,363	12,370	10,381
<b>Technicians</b>	46,315	35,761	30,797
<b>Administrative workforce</b>	3,146	3,678	3,831
<b>Operational workforce</b>	22,197	15,941	16,497

## Diversity and inclusion

The corporate guidelines on diversity and equal opportunities define the principles by which Enagás frames its actions in this area.

These principles include the integration of diversity in the main human resources processes such as access to employment, personal progress and professional development and promotion. It also reflects the company's commitment to the promotion of policies and measures to enhance shared responsibility and work-life balance of its professionals. In the same way, Enagás extends this commitment to all its stakeholders, paying special attention to suppliers and contractors as indispensable partners in achieving the company's business objectives (see the '[Supply chain](#)' chapter).

In order to achieve this commitment, Enagás, aware of the richness that the confluence of different knowledge, skills and experiences brings to the organisation, has set out its Diversity and Inclusion Strategy based on the following pillars:



### Gender

To guarantee equal treatment and opportunities in the hiring, development and growth of men and women; to promote an environment and conditions in which all people aspire to, and are able to, achieve positions of responsibility.



### Functional

To make progress in the integration of people with disabilities (physical, sensory, intellectual) into the workplace.



### Generational

To encourage different generations to work together in a favourable environment, to mix, to find common ground and to contribute their best, being true to themselves, both as individuals and as high-performing teams.



### Cultural

To take advantage of the multiculturalism inherent to companies (different nationalities) to improve the employee experience, using the differences in habits, language and thinking that this implies, rather than letting these be a barrier to achieving team integration and goals.



### Thinking

To create a culture and professional environment where the uniqueness of beliefs, education, skills, thinking and preferences contributes to enhancing employee innovation, sound decision-making and commitment.



### LGTB+

To make visible, integrate and normalise LGBTQ+ groups in the professional environment, improving their inclusion regardless of their sexual orientation, identity and gender expression.





## Gender diversity

In the area of gender diversity, Enagás guarantees equal opportunities for men and women.

To this end, it has an Equality Plan that sets out a framework for action to promote effective equality, equity, merit, personal progress, shared responsibility and work-life balance among all professionals.

Enagás is promoting measures aimed at increasing the participation of women in positions of responsibility, such as the 'Women with Talent' development programme, participation in the 'Promociona Project', or the mentor initiative promoted by the Chairman of the company. Another is the Women in Networking initiative,

to encourage female leadership and create a space for dialogue and debate between female managers and pre-managers of the Company.

In addition, Enagás has joined the 'Progesa Project' in collaboration with the CEOE, which aims to provide high-potential women with the tools and skills necessary to boost their professional careers and assume positions of high responsibility in the future.

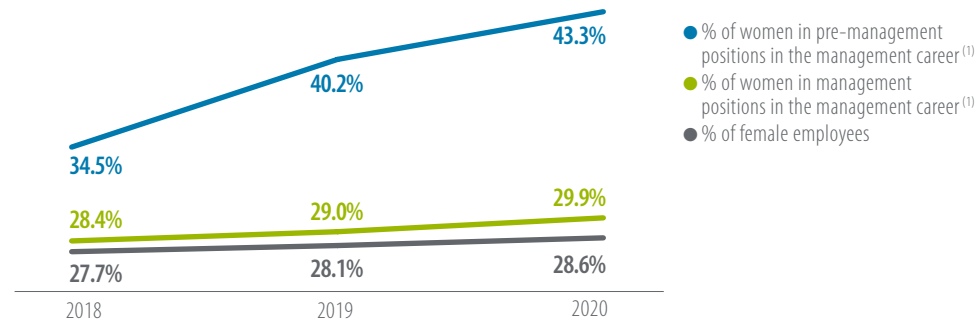
In relation to gender diversity in the company's organisational structures, 16% of organisational positions considered to be STEM<sup>1</sup>-related and 19% of positions that directly contribute to revenue generation are filled by women.

The Enagás remuneration model factors in considerations of equality and non-discrimination, establishing differences due solely to the worker's position in the organisation and professional experience. Furthermore, the Enagás Collective Bargaining Agreement sets out different salary levels based exclusively upon objective work criteria. In 2020, Enagás' minimum wage was 1.7 times the national minimum wage in Spain.

[GRI 202-1]

## Evolution of women in the workforce and in management positions

[GRI 102-8, GRI 405-1]



## 2020

Enagás renews its 'Equality in the workplace Award' granted by the Spanish Ministry of Equality. This award is valid for three years and demonstrates Enagás' level of excellence in equality.

(1) In 2019, a new career model, the technical career, was implemented aimed at creating and identifying experts in those areas of knowledge that are critical for Enagás. Therefore, for the purpose of calculating the percentage of women in management and pre-management positions, the workforce included in that technical career are excluded.

1. Science, Technology, Engineering and Mathematics.



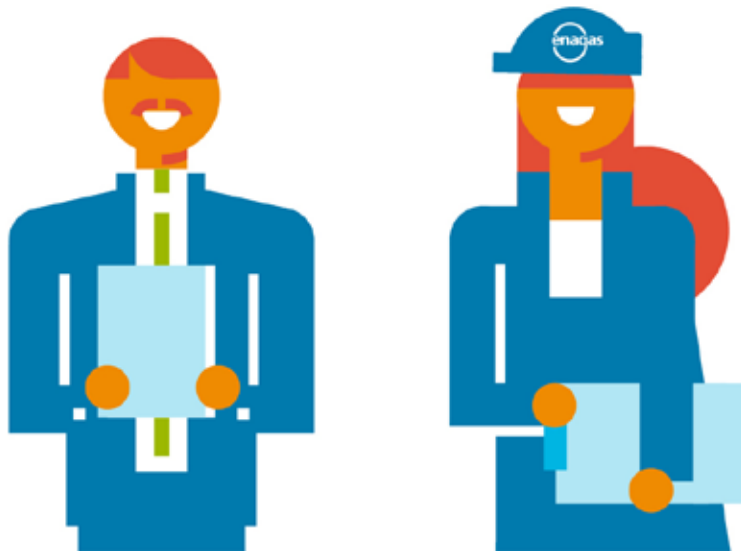
## Evolution of the relationship between basic salary<sup>1</sup> of women and men by professional category [GRI 405-2]

	2018	2019	2020	
<b>Management</b>	Executive Chairman and Chief Executive Officer	N.A. <sup>(2)</sup>	N.A. <sup>(2)</sup>	N.A. <sup>(2)</sup>
	Other members of the Management Committee	0.84 <sup>(3)</sup>	0.85 <sup>(3)</sup>	0.89 <sup>(3)</sup>
	Other managers	0.94	0.92	0.90
<b>Technicians</b>	0.98	0.99	1.00	
<b>Administrative workforce</b>	0.99	1.03	1.08	
<b>Operational workforce</b>	0.90	0.92	0.87	
<b>TOTAL</b>	<b>0.96</b>	<b>0.97</b>	<b>0.97</b>	

(1) The ratio of women to men is included, calculated as the average of the annual basic salary of all professionals in Spain with an indefinite contract, both full-time and part-time (99.2% of the workforce). In the case of part-time workforce, the basic salary has been extrapolated to a full-time salary for comparability.

(2) There are no women in this professional category.

(3) Unrepresentative data, as there are less than 3 employees in this category for one of the genders.



The wage gap in 2020 was 0.97 (2.5% difference between men's and women's base salary).

Although, when analysing the salary gap by professional category, the difference in the category of 'other members of the Management Committee' shrank in the last financial year, this data is not representative as there are only two women in this category, compared to seven men.

The difference in the Other managers category (0.90) is due to a greater presence of men in this category (69%), as well as a greater seniority of males in this category with respect to females. In this regard, Enagás is making great efforts in developing talent aimed at female managers and pre-managers, as well as promoting women to positions of responsibility.

The difference in the category of operational workforce (0.87) is explained by a greater presence of men (94%) with an average seniority greater than that of women (an average of 14.9 years for men compared to 7.5 years for women). In this regard, Enagás is promoting the incorporation of women in the operational workforce category through initiatives such as the search for female profiles in vocational schools. 47% of female operators are under 35 years of age, increasing the number of female operators in this age range by 63% in 2020.

Likewise, the difference in salary in the administrative category (1.08) is due to the fact that this is a category occupied mostly by women (91%) in which men nevertheless have more seniority than women (18 vs. 15 years of average seniority, respectively).



## Evolution in remuneration<sup>1</sup> by professional category, age and gender

[GRI 405-2]

	2018 <sup>(2)</sup>	2019 <sup>(3)</sup>	2020	
<b>Professional category</b>				
<b>Management</b>	Executive Chairman and Chief Executive Officer	1,581,114	2,538,714	1,603,997
	Other members of the Management Committee	512,737	864,647	597,860
	Other managers	116,808	173,763	145,614
<b>Technicians</b>	57,900	67,311	64,713	
<b>Administrative workforce</b>	40,538	45,920	45,089	
<b>Operational workforce</b>	47,802	52,462	52,957	
<b>Age category</b>				
<= 35 years	49,946	52,124	51,541	
36-55 years	72,078	83,225	75,514	
> 55 years	88,710	108,166	96,597	
<b>Gender</b>				
<b>Female</b>	63,235	72,563	68,159	
<b>Male</b>	73,438	85,319	77,598	

(1) Average remuneration that includes: variable remuneration, per diems, payments to long-term savings plans and any other item, such as overtime. This takes into consideration all professionals in Spain with a permanent contract, both full-time and part-time, who have remained in the company throughout the year (94.9% of the workforce). In the case of part-time workforce, the basic salary has been extrapolated to a full-time salary for comparability.

(2) The data for 2018 have been recalculated to homogenise the items included in the reported remuneration with those of other years.

[GRI 102-48]

(3) In 2019, the long-term incentive plans (2016-2018) were settled, significantly increasing the remuneration of the company's employees. The allocation of these incentive plans was structured according to the professional category's degree of contribution to the established targets.

## Evolution in remuneration<sup>1</sup> by professional category and gender

[GRI 405-2]

		2018 <sup>(2)</sup>	2019 <sup>(3)</sup>	2020	
<b>Management</b>	Executive Chairman and Chief Executive Officer	Women	N.A. <sup>(4)</sup>	N.A. <sup>(4)</sup>	N.A. <sup>(4)</sup>
		Men	1,581,114	2,538,714	1,603,997
	Other members of the Management Committee	Women	439,230 <sup>(5)</sup>	738,332 <sup>(5)</sup>	549,740 <sup>(5)</sup>
		Men	533,739	900,736	611,609
	Other managers	Women	125,554	158,421	132,106
		Men	138,003	180,542	151,781
<b>Technicians</b>	Women	59,128	63,166	61,657	
	Men	64,973	69,208	66,130	
<b>Administrative workforce</b>	Women	44,026	46,118	45,548	
	Men	47,030	44,627	40,808	
<b>Operational workforce</b>	Women	42,916	45,324	45,158	
	Men	51,401	52,741	53,314	
<b>TOTAL</b>	<b>Women</b>	<b>63,235</b>	<b>72,563</b>	<b>68,159</b>	
	<b>Men</b>	<b>73,438</b>	<b>85,319</b>	<b>77,598</b>	

(1) Average remuneration that includes: variable remuneration, per diems, allowances, payments to long-term savings plans and any other item, such as overtime. This takes into consideration all professionals in Spain with a permanent contract, both full-time and part-time, who have remained in the company throughout the year (94.9% of the workforce). In the case of part-time workforce, the basic salary has been extrapolated to a full-time salary for comparability.

(2) The data for 2018 have been recalculated to homogenise the items included in the reported remuneration with those of other years. [GRI 102-48]

(3) In 2019, the long-term incentive plans (2016-2018) were settled, significantly increasing the remuneration of the company's employees. The allocation of these incentive plans was structured according to the professional category's degree of contribution to the established targets

(4) There are no women in this professional category.

(5) Non-representative data, as there are less than three professionals in this professional category.





## Generational diversity

The company is a partner of the Generation and Talent Observatory which encourages innovation and promotes active policies of generational diversity based on values and ethics. Enagás has signed a collaboration agreement to disseminate best practices in this area as part of Capital Radio's Human Resources forum, and has sponsored and

collaborated in various studies: 'General diversity diagnostics: analysis of intergenerational talent at companies', 'Intergenerational leadership' and 'Intergenerational health and well-being'. In 2020, online training was provided for all employees on generational diversity, deepening the intergenerational culture present at the company.

## Number of employees by age and professional category [GRI 102-8, GRI 405-1]

	2018				2019				2020			
	<=35 years	36-55 years	> 55 years	Total	<=35 years	36-55 years	> 55 years	Total	<=35 years	36-55 years	> 55 years	Total
<b>Management</b>	6	113	17	<b>136</b>	2	119	17	<b>138</b>	3	119	25	<b>147</b>
<b>Technicians</b>	176	413	95	<b>684</b>	172	413	107	<b>692</b>	173	422	107	<b>702</b>
<b>Administrative workforce</b>	12	69	33	<b>114</b>	8	67	27	<b>102</b>	10	66	22	<b>98</b>
<b>Operational workforce</b>	79	243	64	<b>386</b>	84	229	61	<b>374</b>	88	229	66	<b>383</b>
<b>Total</b>	<b>273</b>	<b>838</b>	<b>209</b>	<b>1,320</b>	<b>266</b>	<b>828</b>	<b>212</b>	<b>1,306</b>	<b>274</b>	<b>836</b>	<b>220</b>	<b>1,330</b>

## Functional diversity

Enagás is working to promote the social inclusion of people with disabilities. This has included direct hires (seven people on workforce<sup>1</sup>) as well as indirect job creation for people with serious disabilities through partnership agreements with special employment centres and foundations, not to mention corporate volunteering initiatives (see the '[Social Investment](#)' chapter), and measures taken to increase disability awareness and training.

In addition, Enagás has taken action to improve accessibility for people with disabilities, such as the progressive elimination of architectural barriers at our facilities and the 'AA' accessibility level of our corporate website.



Equality at Work accolade since 2010



Bequal Plus Seal for the company's commitment to the social inclusion of people with disabilities



Adherence to the Diversity Charter (plurality at the company)



Endorsement of the UN Women's Empowerment principles

1. There were ten people with disabilities on the workforce in 2019.



## Work-life balance and shared responsibility

[GRI 201-3, GRI 401-2]

For Enagás, work-life balance means reconciling employees' needs and interests with those of the company.

Enagás has held the EFR company certificate since 2007, having obtained the highest score, Level A for Excellence in work-life balance, in 2019. The company has over 120 reconciliation measures that favour the professional and personal development of all employees; these also help to balance the different dimensions of each person's life and meet their social and healthcare needs as well as those of their immediate family.



**Family-Responsible Company,  
Level A for Excellence**

Some of the relevant reconciliation measures available to our employees are as follows:

### Family

- Flexible Remuneration Plan: includes health insurance, childcare, travel card and training.
- Study support for employees' children.
- 80% subsidy on special schooling expenses for employees who have children with disabilities.

- 'Día sin Cole' (No School Day) programme and subsidised urban summer camps for employees' children on workdays throughout the school year.
- Specific measures for female workers who are victims of gender-based violence.
- Subsidy for the purchase or rental of vehicles powered by compressed natural gas (CNG).
- Alares Family Support Programme:
  - 'miAsistente' (myAssistant) personal manager, which takes care of all necessary day-to-day procedures and information.

### Enagás has over 120 work-life balance measures that favour the professional and personal development of all professionals

- Free assistance with various administrative processes, such as procedures for vehicle purchase and sale, procedures for the birth of a child, renewal of driving licences, applications for or renewal of licences and visas, applications for certificates and reports and procedures involving municipal records.
- Free service for selecting domestic helpers and healthcare personnel.
- Services for making online wills and living wills, expert legal advice, signings before a notary public and registrations.
- Specialised treatment (physiotherapy, speech therapy) and 56 free hours of home help service in the event of convalescence, illness or accident.

### Work flexibility

- Flexibility in start times and lunch break.
- Flexible working (teleworking)<sup>1</sup>
- Shorter workday during the summer and every Friday throughout the year.
- Division of annual leave into a maximum of three periods.

### Quality employment

- Annual medical check-up and flu vaccine campaigns.
- 90% subsidy on the cost of private medical healthcare insurance for employees and 100% for their children. Medical cover on international trips.
- Meal subsidies (canteens, financial aid, restaurant vouchers).
- Temporary disability allowance: payment of 100% of the fixed gross annual salary in the event of illness, accident or parental leave and childcare.
- Access to a programme of discounts and exclusive prices on a wide range of online products, services and leisure.
- Pension plans for employees with two years' effective or recognised service.
- Healthy eating corner at head office.
- Help towards sports activities.

1. For all items supported by this modality



05/2020

Enagás is launching the fourth year of its 'Gestionando hijos' ('Managing Children') educational skills training programme. The aim of these sessions is to facilitate the acquisition of knowledge in the field of education, assisted by experts and great communicators in this field. This programme can be completed by employees with or without children, as it allows them to acquire skills for their personal and professional life.

## Social benefits most used by employees

[GRI 201-3, GRI 401-2]

	% of costs borne by the company	% of workforce taking advantage of benefits
Meal subsidies (financial assistance and restaurant vouchers)	100%	93.0%
Group death and disability insurance <sup>(1)</sup>	100%	100%
Healthcare insurance for employees and their dependants	92.6%	93.6%
Pension plans <sup>(2)</sup>	90.6%	89.2%

(1) Social benefit for newly recruited employees, with less than two years' service. Subsequently, this benefit was included in the Pension Plan.

(2) Benefit for employees with at least two years' service at the company.

Furthermore, Enagás improves and extends paid leave beyond the provisions of current labour regulations (death of a close relative, illness, special circumstances, etc.).

[GRI 401-3].

### Maternity/paternity leave taken in 2020



### Retention rate<sup>(1)</sup>



### Return-to-work rate in 2020<sup>(2)</sup>



(1) Total number of employees who have returned from parental leave/total number of employees who were scheduled to return to work following parental leave.

(2) Total number of employees retained 12 months after returning to work following parental leave/total number of employees who returned to work the previous year.

## Collective bargaining [GRI 102-41]

In 2020, the company signed the Enagás Group's third collective bargaining agreement to provide the company with a framework of employment stability over a three-year period in line with the current socio-economic context and the needs and development of the company.

In addition, Enagás enters into collective bargaining and carries out regular consultations with the workers' legal representation regarding working conditions, remuneration, dispute resolution, internal relations and issues of mutual concern. In 2020, a working group was set up with the company's social representatives to address issues related to teleworking, working hours and labour flexibility.

## Percentage of employees covered by collective bargaining agreements by professional category<sup>(1)</sup>

	2018	2019	2020
Technicians	31.0%	29.9%	28.8%
Administrative workforce	87.7%	86.3%	84.7%
Operational workforce	100.0%	100.0%	100.0%
<b>TOTAL</b>	<b>52.9%</b>	<b>51.2%</b>	<b>50.2%</b>

(1) These data refer to professionals in Spain.

See the *Enagás Group Collective Bargaining Agreement 2020-2022* on the [corporate website](#).





## Satisfaction and motivation of professionals [GRI 102-21]

Enagás conducts workplace climate surveys in Spain every two years. In 2020, the latest work climate survey had a 73% participation rate, maintaining overall employee satisfaction at 82%. In addition, the sustainable engagement index has improved three points since its previous instantiation, to 91% (88% in 2018), and is ten points above comparable external standards.

In line with the company's projects, in 2020 the survey added a well-being index, encompassing physical, social, emotional and financial dimensions; an index on diversity and inclusion to survey employees' perceptions of the culture promoted

by the company in this area; and a question on COVID-19, allowing us to find out how employees perceive the company's management during the health crisis.

As conclusions of the survey, it is worth highlighting the improvement in the results compared to the survey carried out in 2018, and the high marks in the 'internal relations', 'Management' and 'digitalisation' categories, placing all three as drivers of sustainable commitment. Improvement plans based on the survey results will be defined in 2021.

This climate survey is part of the Enagás Global Listening Strategy 2020-2021 being carried out by the company. In addition, and within the framework of this strategy, in 2020 the 'Pulse Employee Experience' survey was conducted to identify areas for improvement and strengths during the employee

life cycle in order to act on them and maximise the employee experience at the company. In 2021, an EFR survey will be carried out to measure the knowledge, use, satisfaction and assessment by professionals of the different work-life balance measures and social benefits available to them.



In 2021, Enagás received the Top Employer certification for the eleventh consecutive year.



# 4.3

## Ethics and integrity

[GRI 103-1, GRI 103-2, GRI 103-3]

Ethics and integrity are of the utmost importance to our stakeholders and also to the company, as reflected in the Code of Ethics and Compliance Policy.

### 5

COMMUNICATIONS received via the Ethics Channel

### 95%

OF EMPLOYEES received training on the Code of Ethics

### 86%

OF EMPLOYEES have undergone training on the Corruption Prevention Model

[GRI 205-2]

### 94%

OF EMPLOYEES have received training on the Crime Prevention Model

ENAGÁS IS COMMITTED **to resolving**

ALL COMMUNICATIONS RECEIVED.

Guaranteeing the honest behaviour of our professionals, and of the third parties with whom we form relationships; even when this behaviour is not set out in the legislation, is one of our priorities. This commitment allows us to guarantee appropriate decisions are made, creating trust in our stakeholders and facilitating the sustainability of the business.

The key aspects of our ethics and integrity model are Enagás' applicable policies, standards and procedures. These, based on the company's Code of Ethics, constitute the Compliance, Crime Prevention and Corruption Prevention Models, as well as the distribution of the same.

### Sustainable Management Plan

#### Main lines in 2020

- › Training and dissemination of the new Code of Ethics.
- › Updates to the Procedure for Managing the Offering and Acceptance of Gifts.
- › Updates to the Spain Crime Prevention Model and the Mexico Crime Prevention Model, in accordance with the latest legislative reforms regarding criminal matters carried out in each jurisdiction.
- › Continuation of training for the rest of the employee groups on the Corruption Prevention Model.
- › Prior analysis for future external certification of the Corruption Prevention Model.

#### 2021 lines

- › Pre-audit of the Corruption Prevention Model system for future external certification.
- › Approval and implementation of the antitrust model.
- › Training in antitrust matters for employees who carry out activities related to this subject.
- › Development of a reporting procedure within the framework of the Crime Prevention Model.
- › Approval and publication of a Crime Prevention Policy.
- › Development of a penalties procedure in relation to third party due diligence (within the framework of the Compliance Model).
- › Internal audit to analyse the degree of penetration of the Code of Ethics in the culture of the organisation and third parties and the reporting process for breaches of the Code of Ethics.
- › Effectiveness review for the controls of the Corruption Prevention Model.



## Code of Ethics

The Enagás Code of Ethics (Enagás Group Code of Ethics and Enagás GTS Code of Conduct) sets out the conduct that is expected from all professionals in the company, irrespective of their responsibilities and their geographical or functional location.

- ▶ The Enagás Group's Code of Ethics is structured in accordance with the company's values and includes Enagás' principles in matters related to each of its values.
- ▶ The purpose of the Enagás GTS Code of Conduct is to ensure that the duties of the Technical Manager of the System are carried out independently of the rest of the Group's activities.

The Enagás Group's Code of Ethics is implemented through policies, guidelines, standards, procedures and controls.

Enagás has the following procedures in place associated with the Code of Ethics:

- ▶ Procedure for the functioning of the Ethical Compliance Committee.
- ▶ Procedure for managing the offering and acceptance of gifts, which states that professionals who offer or receive gifts over a specific value are obligated to report those gifts. This procedure has been updated in 2020, establishing as a general rule that payments in kind - or any other benefit that, due to its value, properties or circumstances, is more than purely symbolic (estimated value in excess of 50 euros) - may not be made, offered or received.
- ▶ Procedure for management of consultations and reporting regarding irregularities or breaches of the Code of Ethics in order to encourage compliance with the Code of Ethics and the regulations that govern its implementation. For this purpose, the company enables Enagás employees and the company's suppliers, contractors and those who collaborate with it or act on

its behalf, including business partners, to resolve any doubts or to report any irregularities or breaches through one of the following channels or any other means the company may set up in the future (Ethics Channel), informing the party who made the report of the status of their report at all times. [\[GRI 102-17, GRI 207-2\]](#).

The Ethical Compliance Committee, functionally and directly dependent on the Board of Directors' Audit and Compliance Committee, has competencies relating to the Code of Ethics.

In 2020, five notifications were received through the Ethics Channel: [\[GRI 205-3\]](#)

- ▶ Four internal notifications: two concerning harassment in the workplace, one concerning misconduct and one concerning equality. All of them were dismissed after analysis.
- ▶ An external notification regarding workplace harassment was dismissed as being outside the scope of the Code of Ethics. It was transferred to the affiliate to which it referred, which has handled it appropriately.

No breaches of the Code of Ethics or other company policies were identified in 2020.

See the **Code of Ethics and Policies** section on the [corporate website](#) [\[GRI 102-16\]](#)



### Ethical Channel correspondence



Electronic mailbox: [canal.etico@enagas.es](mailto:canal.etico@enagas.es)



Post addressed to the Chairperson of the Ethical Compliance Committee



Form available on the corporate Intranet



## Compliance Model

The Enagás Compliance Model is managed by a specific functional area, which is supported by synergistic functions and other corporate support areas including the participation of local compliance officers located in certain countries where Enagás operates.

The Enagás Compliance Model is built around the Compliance Policy and its associated regulations:

- ▶ The Compliance Policy sets out a series of compliance commitments that all company professionals must comply with, irrespective of their professional category or the country where they carry out their activities.
- ▶ The General Compliance Standard develops what is set out in the Compliance Policy and the Enagás Code of Ethics. It outlines the compliance responsibilities that, according to each professional category, are assigned to Enagás' professionals.

The model sets out a double reporting line for compliance: one through the corporate areas and the other managed by Compliance Officers at the different subsidiaries in countries in which they have been appointed. The compliance function thus coordinates compliance risks globally, avoiding information losses and inconsistencies.

## Crime Prevention

As part of the Compliance Model, Enagás has a Crime Prevention Model that acts as the core of the company's criminal compliance, notwithstanding the existence of policies, procedures and controls that illustrate its content and 'contribute to preventing crimes being committed by any person who is part of Enagás as well as, in their respective

areas of relation, by contractors, suppliers, business partners and any third party that collaborates with or acts on their behalf.'

The Crime Prevention Model in Spain includes the following elements:

- ▶ Criminal risks, taking into account the activities carried out by the company and its exposure to the commission of different crimes. These include Money Laundering, establishing specific controls to prevent and detect possible acts that could cause this risk to become a reality.
- ▶ Roles and responsibilities defined by a governance structure aligned with Art. 31 bis 2.1 and 2 of the Criminal Code. The role of the Head of Compliance has thus been redefined with regard to the reception, prior study and investigation of complaints, as has the Audit and Compliance Committee of the Board of Directors and the Criminal Prevention Body.
- ▶ Map of criminal risks and activities exposed to those risks.
- ▶ Inventory of controls, both general and specific, that help prevent potential crimes from being committed at Enagás.
- ▶ Disciplinary system articulated around compliance with the Code of Ethics which ensures compliance with the model via disciplinary measures.

In addition, Enagás has specific Crime Prevention Models for Mexico and Peru, adapted to each country's local regulations governing the liability of legal entities for the commission of crimes.





## Anti-fraud, corruption and bribery

Enagás has an Anti-Fraud, Corruption and Bribery Policy in place which reflects the company's vehement opposition to the committing of illicit or unlawful acts and its firm will to combat and prevent them, for the purpose of fulfilling its 'zero tolerance' principles.

The Enagás Crime Prevention Model includes risks related to corruption, such as bribery, influence peddling and corruption in business, among others. Enagás has considered that these criminal risks, in addition to forming part of the Crime Prevention Model, should be included in the specific category

of corruption risk in the Enagás risk model. All activities in Spain have been analysed for these risks and the company has put in place controls and guidelines for action in order to prevent and mitigate those risks. [GRI 205-1]

The Enagás Corruption Prevention Model is based on the ISO 37001 standard on anti-bribery management systems, and is laid out in the Enagás Anti-Fraud, Corruption and Bribery Policy, and in internal regulations. This standard establishes the following general control measures to prevent corruption:

### Within the framework of the Compliance Model, Enagás has a Crime Prevention Model that is the core of the company's criminal prevention

The Company also makes it easy for Enagás employees, as well as its suppliers, contractors, and those who collaborate with the Company or act on its behalf, including its business partners, to consult doubts and report irregularities via:

- Electronic mailbox: [canal.etico@enagas.es](mailto:canal.etico@enagas.es).
  - Communication channel on the corporate intranet.
  - Post addressed to the chairperson of the Ethical Compliance Committee.
- In addition to the formal channels, Enagás professionals can always:
- Go to their immediate hierarchical superior.
  - Contact the person in charge of specific Compliance functions in their area.
  - Personally address the Head of Compliance ([compliance@enagas.es](mailto:compliance@enagas.es)).

No cases of corruption have been identified in the company in 2020. [GRI 205-3]



See the **Anti-fraud, Corruption and Bribery Policy** on the [corporate website](#).







## Responsible tax practice

[GRI 207-1, GRI 207-2, GRI 207-3]

Enagás adopts a focus of responsible tax practice based on prudence and aligned with the recommendations set out in the OECD Guidelines for Multinational Enterprises.

The Responsible Tax Practice Policy sets out the strategy and principles that must guide the conduct of all employees, senior managers and directors of Enagás, as well as third parties with whom the company has relationships.

Enagás adheres to the Code of Good Tax Practices, and presented the Fiscal Transparency Report in line with the company's commitment to tax transparency.

Moreover, in accordance with the public reporting commitments set out in the Responsible Tax Practice Policy, the company has published in this report the total tax contribution and the taxes paid in the different jurisdictions where the company operated through affiliates (see the ['Financial and operational excellence'](#) chapter).



Consult the [Responsible Tax Practice Policy](#) on the [corporate website](#).

## European Transparency Register

[GRI 102-13]

The company is enrolled in the European Transparency Register, to which it periodically reports information on its activities and resources in order to contribute to the improvement and progress of European Union legislative and regulatory frameworks, especially in those developments that have a direct or indirect impact on the gas transmission and storage business, liquefied natural gas, renewable gases and the Spanish and European gas industry in general.

Enagás has three professionals participating part-time in different activities related to the transparency register, including a permanent representative in Brussels. In 2020 the annual costs were less than 200,000 euros, distributed as follows: personnel expenses (79%), membership fees (13%), consultancy costs (5%), office and administrative costs (2%), operating costs (<1%) and representation, communication and public relations costs (<1%).

Similarly, Enagás is a member of and participates in commercial associations, business associations and groups such as chambers of commerce and think tanks as a sponsor for these initiatives. The amount allocated in 2020 was 644,515 euros.

## Main contributions to lobbying actions

	Gas for Climate	GIE (Gas Infrastructure Europe)	ERGaR (European Renewable Gas Registry)
<b>Association</b>	Consortium of European TSOs and other associations promoting the development of renewable and low-carbon gases	European association of low-carbon and renewable gas infrastructure operators	European registry of renewable gases to allow cross-border trade
<b>Total contribution</b>	~ €110,000	€20,000	€5,000
<b>Contributions designated for lobbying actions</b>	~ €15,800	~ €5,200	~ €2,900



## Training in and dissemination of ethics and compliance [GRI 205-2]

In 2020, training was updated on the Code of Ethics, which is structured according to the company's values and covers issues of particular relevance such as the fight against fraud, corruption and bribery, fiscal responsibility and respect for human rights, among other topics. The online training on the Code of Ethics is aimed at all company employees and has been completed by 94.7% of them. It is a tool to prevent irregularities, including those that could involve the commission of crimes.

### In 2020, Enagás employees received online training on the Code of Ethics and the Corruption Prevention Model

The training on the Corruption Prevention Model carried out in 2019 for members of the Management Committee and managers has been extended in 2020 to all other employees in an online format. This training has been completed by 86.4% of employees. [GRI 205-2]

In addition, in recent years, Enagás has provided training on the Crime Prevention Model, which has been completed by 93.9% of employees. The course includes general information on the Crime Prevention Model and practical cases related to the most relevant crimes related to the company's activity, and professionals are provided with a Crime Prevention Manual. This manual includes a description of each criminal risk and behavioural guidelines for its prevention.





# 4.4

## Financial and operational excellence

[GRI 103-1, GRI 103-2, GRI 103-3]

Financial and operational excellence is one of our main concerns, given that the efficient management of the company's assets is one of the key strengths for the sustainability of the business in the short, medium and long-term.

### 1.68 €

DIVIDEND PER SHARE  
in 2020

### 444 M€

OF NET PROFIT

### 4,288 M€

NET DEBT  
(4.8x net debt/adjusted EBITDA)

### 1.9%

FINANCIAL COST  
OF DEBT

The key aspects on which we focus are sustaining our excellent results over time, a financing strategy based on diversification, and driving operational excellence through continuous improvement programmes, digitalisation, corporate entrepreneurship and the efficiency plan.

### Sustainable Management Plan

#### Main lines in 2020

- > 444 M€ net profit (PAT) (+5.1%) (PAT target met)
- > 174.8 M€ in affiliate profit (before PPA) <sup>(1)</sup>
- > 687.4 M€ in Funds from Operations (FFO) (-8.9%)
- > 859.2 M€ of net investments
- > +5% dividend in line with target

#### 2021 lines

- > Dividend €1.70/share (+1% vs. 2020)
- > Net profit ~ 380 M€
- > Intensification of the overhead savings and control plan.
- > Solid cash generation that will allow us to reduce net debt and continue to maintain a solid, optimal balance sheet structure.

(1) These figures are included in the Alternative Performance Measures Report, available at:

[https://www.enagas.es/enagas/es/AccionistasElInversores/InformacionEconomicoFinanciera/Medidas\\_Alternativas\\_de\\_Rendimiento\\_\(APM\).](https://www.enagas.es/enagas/es/AccionistasElInversores/InformacionEconomicoFinanciera/Medidas_Alternativas_de_Rendimiento_(APM).)



## Financial excellence

### 2020 Results

Results in line with the targets set for 2020.

In M€	2019	2020	% variation
<b>Total revenue</b> <sup>(1)</sup>	1,151.1	1,084.0	-5.8%
<b>EBITDA</b> <sup>(2)</sup>	994.8	942.9	-5.2%
<b>EBIT</b> <sup>(2)</sup>	643.7	614.6	-4.5%
<b>Net profit (PAT)</b> <sup>(1) (3)</sup>	442.6	444.0	5.1%

(1) Figures from the income statement of the Consolidated Annual Accounts of the Enagás Group for financial year 2020.

(2) These figures are included in the Alternative Performance Measures Report, available at:

[https://www.enagas.es/enagas/es/AccionistasElInversores/InformacionEconomicoFinancieraMedidas\\_Alternativas\\_de\\_Rendimiento\\_\(APM\)](https://www.enagas.es/enagas/es/AccionistasElInversores/InformacionEconomicoFinancieraMedidas_Alternativas_de_Rendimiento_(APM)).

(3) 546.9 million euros profit before tax, which includes the result of investments accounted for using the equity method, which is recorded net of tax effect. The breakdown of net profit per country is as follows: Spain 449.6 M€, Chile 23.8 M€, Peru 40.2 M€, Mexico 13.8 M€, Greece 8.9 M€, Switzerland 14.5 M€, U.S.A -4 M€.

### Evolution of the share price

At the close of the 2020 financial year, the Enagás share stood at 17.97 euros, representing a share capitalisation of 4,706.7 million euros.

Over the course of 2020, Enagás shares have performed worse (-21.00%) than the national index, the Ibex 35 (-15.45%) and the European sector index, EuroStoxx Utilities (+7.85%).

During 2020, the price of the Enagás share peaked at 26.26 euros (February 21), with a low of 15.46 euros (March 16). Enagás'

average daily trading volume in 2020 was 7% lower than in 2019, with the daily average in 2020 standing at approximately one million shares traded per day.

### Financing strategy

Enagás has maintained its policy of improving the financial expenses associated with debt, seeking to lengthen the average life of the debt and hedge interest rate and foreign currency risks.

Leverage and liquidity	2019 <sup>(4)</sup>	2020
<b>Net debt</b> <sup>(2)</sup>	3,755 M€	4,288 M€
<b>Net debt/EBITDA (adjusted)</b> <sup>(1) (3)</sup>	3.9x	4.8x
<b>FFO/Net debt</b> <sup>(3)</sup>	20.1%	16.0%
<b>Financial cost of deb</b> <sup>(2)</sup>	2.1%	1.9%
<b>Liquidity</b> <sup>(2)</sup>	2,717 M€	2,473 M€

(1) EBITDA adjusted by dividends received from affiliates.

(2) Figures from the income statement of the Consolidated Annual Accounts of the Enagás Group for financial year 2020.

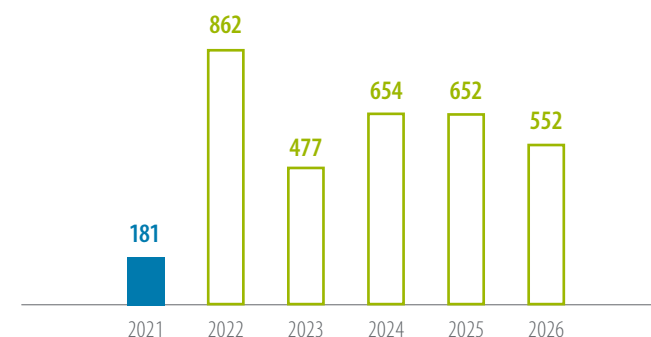
(3) These figures are included in the Alternative Performance Measures Report, available at: [https://www.enagas.es/enagas/es/AccionistasElInversores/InformacionEconomicoFinanciera/Medidas\\_Alternativas\\_de\\_Rendimiento\\_\(APM\)](https://www.enagas.es/enagas/es/AccionistasElInversores/InformacionEconomicoFinanciera/Medidas_Alternativas_de_Rendimiento_(APM)).

(4) GNL Quintero pro forma data: contribution by equity method

### Bond issue

In 2020, Enagás has completed the issue of 500 million euros in bonds maturing in 2032 and with an annual coupon of 0.375%. The company, which did not have significant maturities until 2022, has taken advantage of favourable market conditions to finance itself at a historically low rate and bring forward the refinancing. This transaction has been sealed with the lowest interest rate achieved by a Spanish company for a period of ten years or more. It also represents the lowest interest rate achieved by a utility for an issue in euros for that period.

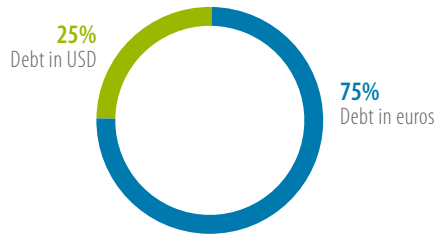
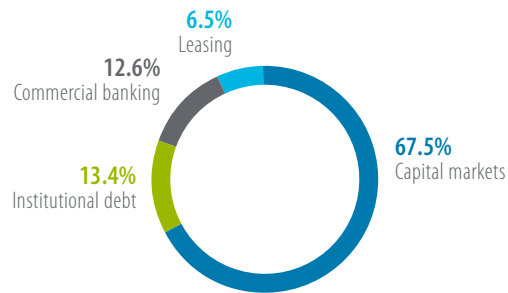
### Debt maturity (M€)



**+80% fixed-rate debt with no significant maturities until 2022**



## Debt type



## Sustainable credit

In December 2019 Enagás transformed its 1,500 million-euro syndicated credit line into a sustainable one by linking its price to the reduction of CO<sub>2</sub> emissions (see the '[Climate action and energy efficiency](#)' chapter). This credit line is held by 11 national and international financial institutions, has a limit of 1,500 million euros – not currently drawn down – and matures in December 2024.

## Total tax contribution [GRI 203-2]

The total tax contribution made by Enagás in 2020 amounted to 253 million euros, of which 59% corresponded to input taxes<sup>1</sup> (149 million euros) and 41% to taxes collected<sup>2</sup> (104 million euros).

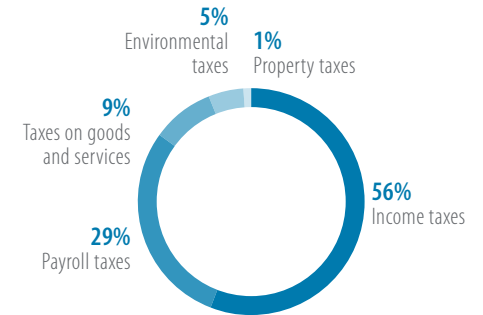
The total tax contribution is calculated using the cash method and taking into account the globally integrated entities and joint operations (see section "[1.3 Consolidation principles, a\) Consolidation methods](#)" of the Consolidated Annual Accounts).

Tax paid in 2020 corresponded almost entirely (99%) to tax paid in Spain<sup>3</sup>.

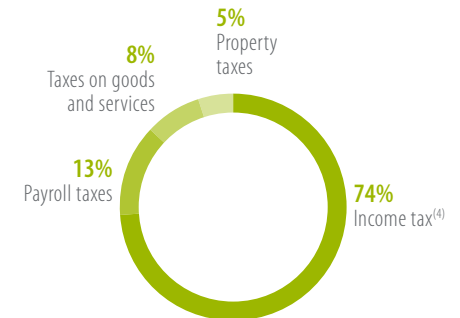
## Total tax contribution of the Enagás Group (M€)



## Taxes collected



## Taxes borne



1. Input taxes are those taxes that the company has paid to public administrations of the different states in which it operates. These taxes are those that have entailed an effective cost for Enagás, such as corporate income tax and environmental taxes.  
 2. Taxes collected are those that have been paid on behalf of other taxpayers as a result of Enagás' economic activity, without entailing a cost to the Company other than its management.  
 3. The additional contribution of national and international affiliate companies accounted for using the equity method was 141 million euros, of which tax borne was 86 million euros and tax collected was 55 million euros.  
 4. Including the following items: Corporate income tax, Tax on Economic Activities and movable capital income retentions.



## Contribution country by country

[GRI 203-2, GRI 207-4]

Below is a breakdown of the Enagás Group's tax contribution country by country in 2020 including the tax jurisdictions of Spain, Mexico, Peru, Chile and the United States, companies that are fully and proportionally consolidated (see the ["1.3 Consolidation principles, a\) Consolidation methods"](#) section of the Consolidated Annual Accounts).

### Tax contribution by country in 2020

Jurisdiction	Average number of employees	Revenue									Profit before corporate income tax	Corporate Income Tax paid (cash basis)	Corporate income tax accrued in the current year <sup>(1)</sup>	Tangible assets other than cash and cash-equivalent instruments
		Foreign intercompany	Domestic third parties/ linked parties	Foreign Third Parties										
				Germany	Belgium	France	Kuwait	Morocco	Mexico	Portugal				
Spain	1,326	2,429,685	1,064,270,934	3,451	360,000	25,552	97,750	249,557	35,284	1,496	432,414,874	106,249,783	105,120,952	4,470,903,288
Mexico	7	379,577	-	-	-	-	-	-	-	-	- 301,123	35	- 247	453,164
Peru	4	664,955	-	-	-	-	-	-	-	-	- 398,913	-	22,270	626,325
USA	-	-	-	-	-	-	-	-	-	-	- 8,159,970	-	- 3,164,607	-
Chile	1	-	-	-	-	-	-	-	-	-	- 206,221	-	- 4,208	-

(1) In Spain, the difference between the effective rate and the nominal rate is due to the application of deductions to the tax base (R&D&I and double taxation).

In the other jurisdictions (Mexico, Peru, United States and Chile), this difference is due to i) their status as holding companies, with exempt income (dividends); or ii) companies with an immaterial level of income. Taxation in these jurisdictions is carried out through equity-accounted affiliates, the details of which are not included in this scope.



## Operational excellence

### Commercial logistics hub

Due to its geo-strategic location, Spain is in a privileged position in terms of the liquefied natural gas (LNG) market, as it has a wide range of origins, both for domestic consumption and for exporting natural gas to Europe. Spain has the highest number of regasification plants of any European country, and has a meshed network of gas pipelines. This gives the country great capacity for storage, transmission and operational flexibility.

Given this situation, and after more than fifty years of experience in developing, maintaining and operating regasification plants and transmission pipelines, Enagás positions itself as one of the most reputable transmission companies in Europe in terms of facility efficiency. Our terminals are now recognised as among the most efficient in Europe, with availability of over 99%.

At Enagás, we make our facilities available to customers, providing both traditional LNG logistics services - such as ship unloading, regasification, LNG transfer to ships and truck loading - and the new small scale and bunkering services for which we are adapting our terminals, implementing the latest technologies that will position the Spanish Gas System as a 'logistics hub' for Europe in the gas market.

### The Spanish Gas System

Enagás was certified as an Independent Network Operator (TSO: Transmission System Operator) by the European Commission in 2012, securing its positioning as a European sector leader. It also works as the Technical Manager of the System following the publication of the Hydrocarbons Law. This means it is responsible for the operation and technical management of the Basic Network and the secondary transmission network, guaranteeing the continuity

and security of the natural gas supply as well as proper coordination between access points, storage facilities, transmission and distribution.

Enagás has been carrying out the majority of its activities in Spain since its founding in 1969. It has built up a meshed network of more than 12,000 km of high-pressure gas pipelines, facilitating access to gas from almost every point on the Iberian Peninsula. The company holds stakes in six of the seven regasification plants in the Iberian Peninsula (four terminals owned outright and two part-owned), and has three underground storage facilities. As the main transmission company, Enagás has developed the main infrastructure facilities of the Spanish Gas System, making it a leader in security and diversification of supply and consolidating its presence on the international stage.

### LNG terminals

Enagás is one of the companies with the most LNG terminals in the world. We are pioneers in the development, maintenance and operation of this type of infrastructure, and our knowledge and experience have made us international leaders in the sector.

Our terminals have a unique logistical position: their placement between the Atlantic, Cantabrian and Mediterranean catchment areas favours sea transmission and the diversification of LNG sources and destinations. In addition, as regards emissions, Spain is the entry point for a possible ECA (Emission Control Area), an area that could be declared particularly vulnerable to pollution, and where the growth of the small-scale market could be a solution.

At Enagás, we offer a vetting service for the assessment and inspection of methane tankers, both in the large and small-scale sectors. [\[GRI 103-1, GRI 103-2, GRI 103-3\]](#)

## At the forefront of technology and efficiency

**100%**

commercial availability at all LNG terminals

**> 3,500 m<sup>3</sup>/h**

average loading ratio of ships at all our plants

### Zero operational losses from boil-off

during tanker loading operations

### Minimum coefficient of shrinkage

in operations

### Maximum flexibility

in the allocation and adjustment of slots for tanker offloading and loading

### Terminals ready to receive the largest LNG tanker ships in the world

Q-Max with up to 266,000 m<sup>3</sup> of LNG

[\[GRI 103-1, GRI 103-2, GRI 103-3\]](#)

See the **Annual Report on the Spanish Gas System** on our [corporate website](#).





## Commercial services in Spain

At Enagás, we are working to provide our customers with the set of services we provide, in accordance with current regulations. The Third-Party Network Access (ATR) services that we provide at our facilities are fundamentally classified as:

- Liquefied natural gas (LNG) services
- Natural gas (NG) services
- Gas measurement services
- Other services
  - Calibration/testing laboratories, accredited by the Spanish National Accreditation Body (ENAC):
    - Gas Quality
    - Volume of gas
    - Pressure and temperature instrumentation
  - Other services related to infrastructures.

As our work is carried out in a regulated environment, the Regulation and its implementation form the basis of our plans moving forward. For this reason, it is worth noting that in the last year, the last regulatory pieces necessary to establish the new regulatory framework that applies to the Spanish Gas System have been released. On December 23, 2019 the CNMC<sup>1</sup> therefore published Circular 8/2019, which set out the methodology and conditions for access and capacity allocation in the natural gas system. On January 17, 2020, the CNMC published Circular 2/2020, setting out the natural gas balance rules. Lastly, on July 20, Circular 6/2020 was published, establishing the methodology for calculating tolls for transmission, local networks and regasification, and CNMC Resolution 11272 of September 22, 2020 establishing access

1. National Commission of Markets and Competition.

tolls for the transmission, local networks and regasification networks from October 2020 to September 2021.

This entire regulatory system represents the foundations for bringing about a major change in the management/marketing model of the Spanish Gas System, with significant changes such as single-plant management, management of the virtual balance tank, as well as the marketing of new services such as LNG storage in tanks or liquefaction. Also included is the marketing of products located in a particular terminal, such as tanker truck loading services or marketing of aggregate products, i.e. a single contract for example for the unloading of a ship and storage and regasification of the unloaded LNG. Changes are also included in the gas balance management model, in an attempt to minimise operators' risks in the event of fraudulent moves by any shipper; capacity is allocated through market mechanisms which, on numerous occasions, end up entailing auctions.

However, owing to regulatory changes, Enagás, as a company with excellent standards of operation and infrastructure use, has made its best efforts to adapt to this new management model in order to provide a quality service, both during the transition period defined up to September 30, 2020, and for the definitive implementation of the model made on October 1, 2020.

In 2020, commercial availability was at 100% and technical availability was at 98.6%. This year's activity has also been influenced by the world health crisis caused by COVID-19, with a significant reduction in the demand for gas, as well as by the entry into force of the Virtual Balance Tank (TVB) model. This was evidenced by a gas volume of 129 TWh being unloaded at Enagás terminals, a decrease of -6% more than the gas unloaded in 2019. Likewise, regasification has been decreased accordingly, -5% compared to 2019, to 123 TWh.

Because of the above, the use of LNG storage has stood at an average ratio of 46%, which has meant a decrease in stored LNG of -29% with respect to 2019.

With regard to the truck loading service, 8.9 TWh have been reached, in line with activity in 2019. Meanwhile, capacity contracting in underground storage facilities remains at levels above 99.8%.

## Customer management

Our customers are transmission companies, shippers, distributors and the direct consumers in the market (consumers which connect directly to our facilities), to which Enagás supplies a wide range of LNG services, transmission and underground natural gas storage.

**242**  
shippers

Spain	73%
United Kingdom	8%
Switzerland	8%
Portugal, Belgium, Denmark, Italy, France and Germany	2% - 1% each country
Other	<1%

[GRI 103-1, GRI 103-2, GRI 103-3]

See the **list of our customers** on our [corporate website](#).







Enagás regularly evaluates the satisfaction of its customers and professionals (see the ['People'](#) chapter) through satisfaction surveys, the results and associated improvement plans being reported to those same stakeholders. In the case of customers, the results obtained in 2020 were as follows:

## Customer results in 2020 [\[GRI 102-21, GRI 102-42, GRI 102-43, GRI 102-44\]](#)

			Number of responses out of the total	Assessment of services rendered	Services
Business operation	Enagás as transmission company	Shippers	40/60	8.8/10 <sup>(2)</sup>	Capacity management and viability analysis, infrastructure operation and programming, etc.
		System operators (transmission and distribution companies)	4/8	8.6/10	
	Enagás as Technical Manager of the System <sup>(1)</sup>	Shippers	71/174	8.5/10	Programming, operations, distribution and balances, etc.
		System operators	5/16	9.0/10	

(1) Data from the customer satisfaction survey sent out in December 2019. This survey was not sent out in December 2020, as we aim to adapt its content to the draft requirements established by the CNMC to establish incentives for the Technical Manager of the Gas System and effects on remuneration (draft published in December 2020). The satisfaction survey is scheduled to be sent out in the first quarter of 2021.

(2) The satisfaction target set for 2020 was 8.3/10.

In 2020, Enagás resolved 100% of the 166 formal complaints it received from customers<sup>1</sup>. Most of these arose as part of the process of adapting to the new CNMC circulars establishing the new methodology and conditions for access and capacity allocation in the natural gas system and the natural gas balancing rules.

In terms of managing customer's information privacy, Enagás has a privacy policy and complies with the General Data Protection Regulation (GDPR). In 2020, Enagás did not receive any complaints related to privacy or loss of customers' personal data (nor did it receive any complaints in this area in 2019).

In 2020, the Technical Manager of the System (TSM) set up a Transparency Committee, in which the different agents of the sector are represented, with the aim of ensuring TSM transparency and compliance with its Good Practice Guide, ensuring that it responds to agents' various needs. As part of this new approach to customer service, a specific email inbox has been set up for customers, as well as a contact form for queries, suggestions and requirements.

[\[GRI 103-1, GRI 103-2, GRI 103-3\]](#)



Consult the *improvement plans associated with satisfaction surveys* on the [corporate website](#).



See the *Information Privacy Policy* on the [corporate website](#).

<sup>1</sup>In 2019, 95 formal complaints were received (100% resolved during the year). The 2019 figure has been recalculated to homogenise the criteria with 2020 and improve public information provided regarding customer relations. [\[GRI 102-48\]](#)



## Asset management: continuity of the business and resilience

In 2020, Enagás carried out a critical analysis of its operating processes under different crisis scenarios to secure business continuity and resilience at the company in the short and medium-term, as well as to improve its infrastructure response capacity.

To this end, a Business Continuity Action Plan has been set out with actions implemented during the year in the areas of organisation, processes and culture, with the following objectives:

- Provide organisational resilience mechanisms to maximise the availability of resources and provide greater flexibility to meet operational needs in the event of a new situations where resources may be unavailable (new scenario due to COVID-19).
- Guarantee autonomy in asset management, minimise external dependencies (contractors and suppliers) and simplify and

improve critical business processes to enable business continuity in the event of an emergency situation due to COVID-19.

- Strengthen communication, collaboration and cross-company interaction to help teams maintain contact and their sense of connection.

All of this is complemented with the promotion and acceleration of other identified initiatives that already form part of other company programmes. This will allow us to provide a better response to the new needs arising from the situation created by COVID-19 (definition of ISO 55001 Asset Management, Digitalisation Plan, Knowledge Management, etc.).

In 2021, Enagás will continue to take actions that contribute to guaranteeing business continuity and resilience at the organisation and that allow us to get ahead of any possible new scenarios caused by COVID-19.

## Pipeline integrity

Enagás carries out inspection and maintenance work to ensure the integrity of its gas infrastructures, making sure they remain in proper condition. The company sets out integrity plans each year based on the risk involved in the activities to be carried out in the gas pipelines. These activities include:

- Internal inspections with smart tools to find anomalies in gas pipelines. During 2020, 10.8% of Enagás' gas pipeline network was inspected internally.
- Indirect external inspections to locate defects in the anti-corrosive coating of gas pipelines.
- Excavations (test pits) for the direct evaluation of anomalies identified through inspections (internal and/or external indirect).
- Complementary safety activities to detect incidents within the gas pipeline right-of-way (observation by car, observation by foot, aerial observation and leak detection). In 2020, more than 83,000 km of gas pipelines were monitored.

## Continuous improvement programmes

Enagás uses methodologies such as *Lean-Kaizen* and *Design Thinking*, among others, to identify innovative solutions focused on efficiency and process improvement, thus generating disruptive results in the short-term. Along these lines, and in order to face new challenges for the company, since 2018, multidisciplinary teams have been working on cross-cutting projects with a high results impact in processes such as gas metering and LNG truck loading, among others.

During 2020, progress in this area focused on promoting coordination and communication between the different teams, guaranteeing greater cross-company involvement and efficiency in management through the development and implementation of digital *Kaizen* panels. [\[GRI 103-1, GRI 103-2, GRI 103-3\]](#)





# 4.5

## Health and Safety

[GRI 103-1, GRI 103-2, GRI 103-3]

Health and safety is one of Enagás' values, as is reflected in the Company's Health and Safety, Environment and Quality Policy.

### 0.12

LOST TIME  
INJURY SEVERITY RATE  
(own workforce +  
contractors) [GRI 403-9]

### 100%

OF ACTIVITY  
CERTIFIED under ISO 45001  
[GRI 403-1]

### 4.62

LOST TIME INJURY  
FREQUENCY RATE  
(own workforce + contractors)  
[GRI 403-9]

### 8,507

TRAINING HOURS  
in health and safety  
[GRI 403-5]

### 3.37%

RATE OF ABSENTEEISM  
[GRI 403-9]

From an overall safety perspective, the Company seeks the involvement of leaders and the development of a behavioural model for health and safety that guarantees the operation and maintenance of the facilities, processes and equipment, in safe conditions, so that people can carry out their work in optimal health and safety conditions.

The key aspects that we address in our approach to overall health and safety are the management of occupational risk prevention, including road safety, crisis management, industrial safety and major accidents and emergencies, information security and the health and well-being of professionals.

### Sustainable Management Plan

#### Main lines in 2020

- › ISO 45001 certification: occupational health and safety management systems.
- › Digitalised Integrated Management System: SYSMAC.
- › Updating the Enagás Crisis Management Manual.
- › COVID-19 Action Protocol Certification.
- › Mindfulness training programme.

#### 2021 lines

- › Minimising the impact of COVID-19 on the company's operations.
- › Effective incident management (improved analysis of accident rates).
- › Validation of the Resilient Management Model.



## Health and Safety Management

### Action Protocol and Contingency Plan for COVID-19

[GRI 403-2, GRI 403-3, GRI 403-4, GRI 403-5, GRI 403-6]

During the COVID-19 crisis, Enagás implemented an action protocol aimed at ensuring the health and safety of its employees, the integrity of its infrastructures and security of supply.

The main health and safety measures adopted were as follows:

- ▶ Establishing isolation bubbles and maximising social distance for critical workforce; maintaining stable teams in all areas of the organisation.
- ▶ Intensified regular testing of our own workforce and regular contractors, as well as follow-up and contact tracing of our employees.
- ▶ Special focus on the emotional well-being and mental health of our employees.
- ▶ Weekly coordination meetings of the monitoring committee and employee representatives.
- ▶ Self-monitoring, with regular safety visits.
- ▶ Distribution of personal protective equipment (FFP2 and surgical masks, gloves and gels).
- ▶ Training, workshops and awareness-raising on basic health measures and dissemination of applicable legal information.
- ▶ Teleworking for positions that can perform all their duties through this modality.
- ▶ Continuous monitoring of the environment and follow-up of employee teams to protect their health and the organisation's work. For this purpose, a CO<sub>2</sub> measurement strategy and air quality analysis have been put in place.
- ▶ Risk analysis for all profiles and workplaces, together with a plan comprising measures focused on personal hygiene, organisational measures, protective equipment, psychosocial management and telework management.
- ▶ Management of vulnerable employees during COVID-19.
- ▶ Exchange of information on measures with stakeholders (public administrations, associations, contractors, workers' representatives, etc.).
- ▶ Health programme aimed at all employees (yoga, pilates, sports challenges, etc.).
- ▶ Unified consultation channel for both technical and medical matters.
- ▶ Ensuring the health of our collaborators through monitoring and actions relating to contractors.
- ▶ Implementation of hygiene measures, posters and signage in the buildings.
- ▶ AENOR certification of the COVID-19 Action Protocol, which recognises the efforts made by the company to protect the health and safety of its employees during the pandemic.

In addition, specific contingency and return plans have been set out, communicated and implemented for each type of infrastructure.





## Health and safety management system

The Enagás Group health and safety management system is certified under ISO 45001 and has procedures and systems that seek to prevent injuries and illnesses caused by working conditions in addition to the protection and health promotion of employees. This certification covers 100% of the professionals and contractors under this management system that work at Enagás infrastructure facilities. [\[GRI 403-1, GRI 403-7, GRI 403-8\]](#)

Enagás also has a Road Traffic Safety Management System certified in accordance with ISO39001. In this area, the company has a Mobility and Road Safety Plan, Road Safety Guidelines and a protocol for vehicle use. There is also a Sustainable and Safe Fleet Management Manual and a Guide to Good Road Safety Practices for fleet management.

Enagás promotes safety throughout its supply chain and requires OHSAS 18001/ISO 45001 certification as part of its approval process for suppliers of certain families of products or services. Furthermore, in order to guarantee the coordination of business activities and the coordination of health and safety on building projects, the company has the Enagás Contractor Access System (SACE) to manage the safety of its suppliers, contractors and the whole subcontracting chain. This system offers contractors the operating safety procedures applicable to the risks involved in the works they perform. [\[GRI 403-7\]](#)

Employees and contractors have access to various channels through which they can participate in and consult the operation, implementation and assessment of the management system. These include the bulletin board, workforce letters, forms, meetings, internal memos, informational pamphlets, posters and/or electronic communications, as well as any other

method that can be documented and guarantees receipt by the intended recipient. Additionally, there are cross-company and cascading communication channels that also cover health and safety issues.

Enagás has various employee representative bodies where employees may exercise their participation and consultation rights. Different committees comprise health and safety officers and management representatives. The Health and Safety Committees meet every three months, while the Group and Enagás Transporte SAU Intercentre Health and Safety Committees<sup>1</sup> meet with a frequency set out in the Collective Bargaining Agreement. There is also a suggestion box on the Intranet, which is available to all employees. [\[GRI 403-4\]](#)

## Awareness

In 2020, a total of 8,507 hours of health and safety training were provided for company employees. [\[GRI 403-5\]](#)

Health and Safety training is a key part of any preventative action to improve worker protection from the hazards present in daily operations. This is why Enagás has designed a training schedule for all different job profiles at the company that sets out the specific training activities needed for each risk group. Most notably in 2020, these activities include training on risks and preventive measures related to COVID-19, health and safety at work, and risks and measures related to teleworking.

During the 2020 financial year, health and safety communication and awareness actions have focused on risks and measures related to COVID-19. More than 100 messages have been sent to all Enagás workforce through the corporate mailbox with general recommendations, information on travel

04/2020

To mark World Day for Safety and Health at Work, celebrated on April 28, and given the exceptional circumstances this year, Enagás organised an online game in a 360° environment based on the 'escape room' concept, with the aim of highlighting occupational risk prevention.

procedures, risk assessments, procedures and recommendations for returning to the office, promotion of health programmes, and so on. [\[GRI 403-6\]](#)

Enagás is also providing training to all its contractors through the SACE platform. This training is complementary to the face-to-face chats at infrastructure facilities where particularly hazardous work may be carried out. 5,642 hours of training were provided to contractors through the SACE platform, which is equivalent to 2,821 training courses. [\[GRI 403-5\]](#)

1. The Health and Safety Committees are statutorily established for centres with more than 50 workers. In centres with fewer than 50 workers in which there is a Prevention Delegate, health and safety meetings are held regularly.

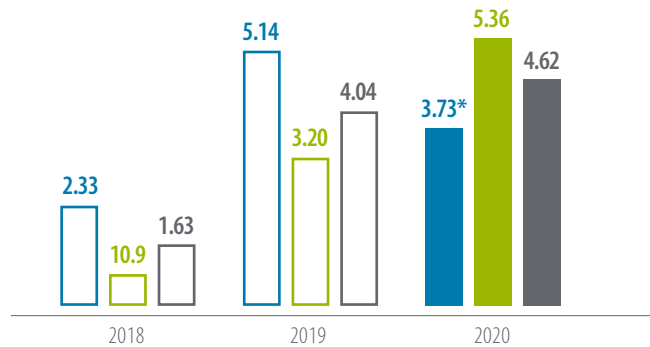




## Safety indicators [\[GRI 403-9\]](#)

### Lost time injury frequency rate

Number of accidents causing injuries and sick leave per million hours worked. (Number of accidents leading to sick leave x 10<sup>6</sup> / number of hours worked).



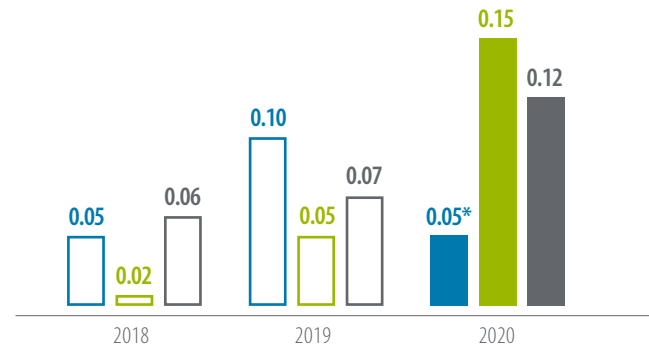
- Lost time injury frequency rate (own workforce)
- Lost time injury frequency rate (contractors)
- Lost time injury frequency rate (own workforce + contractors)

\* The lost time injury frequency rate by gender was 5.18 for males and 0.00 for females in 2020, 6.49 and 1.97 respectively in 2019, and 2.85 and 0.00 respectively in 2018. The lost time injury frequency rate by gender has been calculated with the exact number of hours worked for each gender in 2020, while in 2019 and 2018 it was calculated with the estimated number of hours worked based on the distribution of the workforce.

## Enagás' accident rates are below the energy sector average

### Lost time injury severity rate [\[GRI 403-9\]](#)

Number of days lost due to accidents per thousand hours worked. (Number of working days lost x 10<sup>3</sup> / number of hours worked).



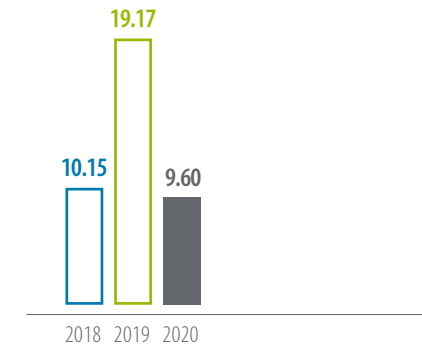
- Lost time injury severity rate (own workforce)
- Lost time injury severity rate (contractors)
- Lost time injury severity rate (own workforce + contractors)

\* The lost time injury severity rate by gender was 0.07 for males and 0.00 for females in 2020, 0.13 and 0.01 respectively in 2019, and 0.06 and 0.00 respectively in 2018. The lost time injury severity rate by gender has been calculated with the exact number of hours worked for each gender in 2020, while in 2019 and 2018 it was calculated with the estimated number of hours worked based on the distribution of the workforce.

In 2020 there were eight accidents with lost time among own workforce<sup>1</sup>, all of them in men and categorised as minor accidents by the Social Security Mutual Society. The main causes were overexertion and posture/ergonomic issues, as well as work with tools and equipment. Enagás has a procedure of lessons learned where the method of dissemination is established that uses a cascade approach so that it reaches all personnel at the company.

### Lost day rate [\[GRI 403-9\]](#)

Total cases with lost days (own workforce) / Total hours worked per 200,000



As regards reported workplace injuries, the rate per million hours worked is 6.06 for own workforce and 8.05 for contractors.

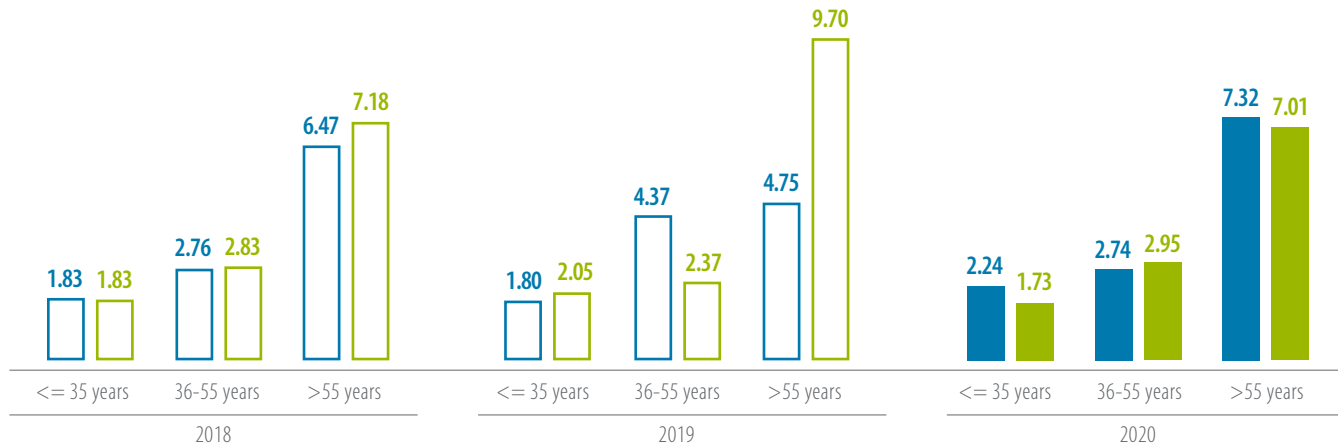
In 2020, Enagás continued to improve its contractor accident reporting control through greater works planning and control, as well as through internal audits of the works management. This improvement in the quality of the data explains the increase during the year in the frequency rate and lost time severity rate compared to previous years.

1. Eleven accidents occurred in 2019 (ten men and one woman) and five in 2018 (all men). In both years, all accidents were categorised as minor accidents.



## Absenteeism rate by age and gender [GRI 403-9]

Absenteeism hours x 100 / Theoretical hours (collective workforce x 1,682 hours)



In recent years there has been an increase in the rate of absenteeism among Enagás employees, mainly due to two causes. The first is an increase in the number of births among female employees (more than 180%), which are preceded by absences due to common pre-natal conditions; the second is an increase in long-term illnesses. In relation to the latter, Enagás has implemented various policies and measures to promote employee health, which has led to a decrease in the rate compared to the previous year (see the [‘Healthy company’](#) section).

### Occupational illnesses [GRI 403-10]

Through its evaluation systems for health and safety-related risks, Enagás has not identified workers at risk of work-related diseases.

## Risk assessments and incident handling [GRI 403-2]

Within its Health and Safety Management System, Enagás has a procedure for the identification of occupational hazards and subsequent risk assessment. Additionally, the following procedures are available:

- An internal procedure for occupational risk assessment using a method based on the Simplified Accident Risk Assessment System from the National Occupational Safety and Hygiene Institute, which is used for both routine and exceptional work. In the latter case, the methodology is associated with a special operational instruction that makes it possible to

quantify the magnitude of the existing risks and to define their correction priority.

- Procedures for the assessment of industrial risks based on different methodologies, such as HAZOP (Hazard and Operability Study), a risk and operability assessment technique that permits the identification of potential and operational risks produced by system deviations from design conditions; SIL (Safety Integrity Level), a technique for assessing safety levels by assigning the required safety integrity level to each instrumented safety function and verifying that it meets the safety requirements of that level; ‘What If’, a technique for easily identifying potential hazards, assessing the significance of hazards and the adequacy of existing safeguards; risk analysis methodology for facilities under the SEVESO Directive, a methodology for assessing explosion risk which enables the assessment of both the existence and likelihood of the formation of an explosive atmosphere and the existence and likelihood of activation for all possible sources of ignition.

- Safety inspections (planned observations and safety visits) and work permits are other procedural methods that make up Enagás’ management system.

Following any risk assessment, corrective actions are established to mitigate the relevant identified risks, and the effectiveness of the action is subsequently evaluated.

In addition, during 2020, jobs and locations have been subject to a COVID-19 risk analysis, as indicated by the relevant procedure from the Spanish Ministry of Health, as well as periodic self-monitoring checks to monitor the measures implemented.



Enagás has an internal procedure for reporting risks or anomalies that any worker may detect during the course of their activity. There are various channels for establishing these communications, such as Health and Safety Committees and meetings, workers' representatives, an electronic mailbox available to all employees, and coordination meetings with contractors, through the prevention service or those directly responsible, and a specific mailbox enabled on the SACE platform for contractors and suppliers.

If a situation involving an imminent, major risk is identified, professionals are obligated to stop working, remain in a safe location and notify their direct supervisor of the situation.

Enagás has a procedure for action, notification, investigation and statistical incident analysis (accidents resulting in sick leave, not resulting in sick leave, fatal, major and multiple, as well as incidents (including those in itinere).

If the following circumstances arise, a specialised investigation is carried out through a specific register:

- ▶ Incidents with a risk score above a specific level, established according to the method included in the procedure.
- ▶ By request of the Intercentre Health and Safety Committee and/or the Health and Safety Committee of the facility, the chain of command or the Prevention Service.

- ▶ Major or fatal accidents.
- ▶ Major accidents according to RD 840/2015.

Following the investigation, a report is produced including the causes of the incident, the potential risk assessment, the corrective actions identified, the persons responsible for carrying out and monitoring the corrective measures (including those that affect the risk assessment review or changes to the management system), as well as resources and timelines.

## Crisis and emergency management

Enagás has a stakeholders map for managing crises affecting infrastructures so that, in a hypothetical crisis situation, all key people as well as the channels and issues can be identified.

Enagás also has different procedures in place to respond to incidents in information systems, which include roles and responsibilities, steps to take to restore the operability of equipment and systems, recovery times, etc.

Enagás has updated the company Crisis Manual for quick and effective incident management, and has established numerous action committees to control incidents depending on the degree of severity and consequences of the different scenarios.

During this year, after acting on the basis of the scenario in our Crisis Manual for personnel unavailability, specific contingency plans have been drawn up.

## Information security

Enagás has a cybersecurity policy approved by the Board of Directors and targeted at efficiently managing the security of information processed by the company's IT systems, as well as the assets involved in these processes.

The Enagás information security management model is applicable to cybersecurity and is based on international and national regulations, in order to provide, through all means within its reach and in proportion to the threats detected, the resources required for the organisation to have an environment that is aligned with the established business and cybersecurity targets.

Additionally, as enhanced protection for the critical infrastructures operated by Enagás, a General Policy on the Integrated Security of Strategic Infrastructures has been defined in which the processes of physical and logical security have been combined for compliance with the Law governing the Protection of Critical Infrastructure (LPIC).

Enagás has a cybersecurity management model with segregation of duties between government and operation, as well as a Cybersecurity Master Plan. This Plan has been updated in 2020 in accordance with the requirements of Royal Decree 43/2021, which implements the Royal Decree-Law on Network and Information System Security.

## In 2020 Enagás updated its Cybersecurity Master Plan



See the **General Policy on the Integrated Security of Strategic Infrastructures** on our [corporate website](#)



See the **Major Accident Prevention Policy** on the [corporate website](#)

See the **Cybersecurity Policy** on our [corporate website](#)







In addition, in 2020 Enagás updated its Security Master Plan 2021-2023, placing special emphasis on the extraordinary situation caused by the COVID-19 pandemic and facilitating secure teleworking without affecting the company's normal operations, as well as discussing the company's inertia towards digitalisation and the growing migration to cloud solutions. Finally, the company is adapting its controls to the requirements of the government's future Spanish Critical Infrastructure and Essential Services Protection Certification scheme.

Enagás has been deploying its cybersecurity awareness and training strategy, reaching all workforce and carrying out a number of face-to-face and online activities intended to improve employee ability to detect and react to threats. Currently, Enagás has renewed the ISO 27001:2013 certification for its logistics and commercial systems, gas pipeline control systems and industrial control systems for each type of infrastructure that it operates.

### Cybersecurity incidents

As in previous years, Enagás' IT systems were not subjected to any successful attacks in 2020.

## Healthy Company [\[GRI 403-3, GRI 403-6\]](#)

Enagás has received the Healthy Workplace certification. The Integrated Healthy Management System encompasses aspects and information regarding the physical working environment, the psychosocial environment, personal health resources and community participation.

At Enagás, all job-specific risks with health impacts are assessed, and there are associated medical protocols to prevent and/or mitigate these impacts. [\[GRI 403-7\]](#)

In addition, there is an agreement with an external prevention service to provide coverage to the occupational medicine and health monitoring speciality at all centres. In 2020, the number of medical workforce at Enagás' head office was increased to respond to the demand arising from the COVID-19 health crisis, with two doctors, two qualified occupational nurses and an administrative assistant (initially there was one doctor and one qualified occupational nurse). At the Gaviota platform, there is also a qualified occupational nurse. Enagás also offers its employees private health insurance at a subsidised rate, and a physiotherapy service is offered for shift workers at gasification plants.

### Medical service actions [\[GRI 403-6\]](#)

Besides the specific medical check-up for each position, Enagás also carries out basic analytics, a cholesterol breakdown, prostate cancer check-ups for men over 45 years of age, an electrocardiogram and a colon cancer diagnostic test. Enagás has also implemented a programme to encourage professionals to gather the necessary knowledge to become promoters of their own health.

- ▶ 1,152 medical consultations for Enagás personnel (1,040 related to COVID-19), and 22 for external personnel.
- ▶ 5,629 COVID-19 tests for Enagás personnel and 2,385 tests for external personnel.
- ▶ 136 cases of vaccinations against flu, pneumococcus, hepatitis A and B, tetanus and typhoid.
- ▶ 1,207 health examinations.
- ▶ 961 examinations for high blood pressure and cardiovascular risk (including 231 blood tests and 26 blood pressure measurements in the medical service, both at specific times and in follow-up).

- ▶ 469 tests of early diagnosis of prostate cancer.
- ▶ 253 tests of early diagnosis of colon cancer.

With the aim of promoting a healthy lifestyle among employees, Enagás provides professionals with healthy and natural food at the head office and in infrastructure canteens. It also encourages exercise through programmes such as 'In Shape', also providing a locker room, showers and bicycle parking.

During 2020, and in the context of the health crisis, employees have been offered online mindfulness services, a 'With Good Energy' programme to improve emotional management, and classes in yoga, pilates, low-impact callisthenics, exercises to improve back health and pilates for pregnant women.

**During 2020, and in the context of the health crisis, employees have been offered online mindfulness services and various virtual classes, including yoga and pilates**



# 4.6

## Natural capital and biodiversity management

[GRI 103-1, GRI 103-2, GRI 103-3]

Natural capital and biodiversity management is one of the key areas for Enagás, as is reflected in the company's health and safety, environment and quality policy.



The control and minimisation of our impacts on the environment also produces direct internal benefits by improving the use of resources, ensuring the sustainability of our business and generating confidence in our stakeholders.

The key aspects that we address in our natural capital and biodiversity management model are as follows: an assessment of

natural capital and biodiversity's impacts and dependencies, process circularity (circular economy), monitoring and control of environmental issues (atmospheric emissions, spills and waste control, noise control, light pollution, water management, biodiversity) and the implementation of impact prevention and mitigation measures.

### Sustainable Management Plan

#### Main lines in 2020

- › Adherence to the Biodiversity Pact.
- › Biodiversity Strategy.
- › New waste management model (local managers and greater volume of waste subject to recovery and recycling treatment).
- › Raise awareness among contractors and Enagás professionals about sorting and recycling waste.
- › Programmes of environmental objectives and targets 2020.
- › Transparency in risk and water management (CDP Water).

#### 2021 lines

- › Biodiversity Plan.
- › Valuation and monetisation of biodiversity impacts.
- › Waste minimisation plan.
- › Zero waste certification.
- › Programmes of environmental objectives and targets 2021.
- › Transparency in risk and water management (CDP Water).
- › Water Management Plan.



## Natural capital and biodiversity management model

### Environmental certifications

Enagás undertakes its environmental commitments (as outlined in the Health and Safety, Environment and Quality Policy) via its environmental management system. 100% of Enagás activity is ISO 14001 certified.

Furthermore, the Serrablo and Yela storage facilities and the Huelva and Barcelona regasification plants are EMAS certified.

### Natural capital and biodiversity impacts and dependencies

Enagás assesses natural capital's dependencies and impacts in order to identify actions that enable us to minimise our environmental impact.

The environmental impacts are shown below, ordered by relevance and their origin, as well as the main actions Enagás carries out to prevent and reduce them.

Energy consumption (natural gas and electricity) is key to carrying out our work and is therefore our main natural capital dependency, alongside the land on which our infrastructures are located. It is also the source of our main environmental impact: greenhouse gas emissions. Within the framework of its ISO 50001-certified energy management system, Enagás analyses the most significant energy consumption in terms of facilities and equipment, as well as their dependence on the main variables, enabling us to establish and prioritise the energy efficiency initiatives with the greatest impact (see the '[Climate Action and Energy Efficiency](#)' chapter).

These environmental impacts are analysed through environmental assessments in the case of construction, operation and maintenance activities.

	Environmental aspects (impacts)	Origin of impacts	Main preventative actions and impact mitigation
<b>Most relevance</b>	<b>Gas emissions</b> <ul style="list-style-type: none"> <li>• CO<sub>2</sub> emissions</li> <li>• CH<sub>4</sub> emissions</li> <li>• NOx, HCFCs, CO, SOx emissions</li> </ul>	Energy consumption for the operation, construction and maintenance of infrastructures (transmission, storage, regasification)	<ul style="list-style-type: none"> <li>• Energy efficiency</li> <li>• Emissions offsetting</li> <li>• Preventive maintenance</li> <li>• Emission reduction targets linked to variable remuneration paid to employees</li> </ul>
<b>Medium relevance</b>	<b>Waste</b> <ul style="list-style-type: none"> <li>• Non-hazardous waste</li> <li>• Hazardous waste</li> <li>• Spillage</li> </ul>	Infrastructure maintenance	<ul style="list-style-type: none"> <li>• Recycling and re-use</li> <li>• Spillage prevention measures</li> <li>• Waste recycling and re-use targets</li> </ul>
	<b>Seawater withdrawal</b> (returning the water in similar conditions)	Regasification plant operations	Use water for cooling before returning to the sea
	<b>Impact on biodiversity</b>	Construction and operation of infrastructures	Ecosystem restoration and preservation
<b>Least relevance</b>	<b>Consumption of water from the municipal network and ground or surface water sources</b>	<ul style="list-style-type: none"> <li>• Firefighting systems</li> <li>• Irrigation</li> <li>• Sanitation</li> </ul>	General plan to reduce the consumption of water in facilities
	<b>Noise pollution</b>	Infrastructure operation	Silencers, insulation
	<b>Light pollution</b>	Infrastructure operation	Reduction of night-time lighting



Environmental monitoring is carried out through audits, environmental surveillance programmes, assessments of legal compliance at all facilities and monitoring of environmental indicators and improvement plans.

What is more, for infrastructure construction projects, and based on their type and on applicable regulations, environmental impact studies are carried out which include both the impacts themselves and the measures taken to mitigate them. All of this involves establishing consultation processes with stakeholders (see the '[Local communities](#)' section).

In these projects, Enagás carries out activities aimed at protecting and preserving flora and fauna, thereby mitigating any impact on biodiversity. Such activities start with on-site reconnaissance before any work commences in order to check for the presence or absence of species along the route. After construction work is complete, Enagás reclaims all the affected areas and reforests the area.

In 2020, a number of construction projects were carried out using the corridors of other existing infrastructures and existing accesses to the work area were also used, thus reducing the damage to soil and waters. These projects have reclaimed 100% of the affected land, returning it to its previous state as soon as possible after its alteration. This minimises the risk of erosion and helps re-establish the land's natural watershed, as well as the state of affected habitats and the landscape. In 2020, progress was made towards reclaiming 110,785m<sup>2</sup> of the 229,413m<sup>2</sup> disturbed. In 2021, Enagás will continue to work towards the reclamation of the remaining surface area. [\[GRI 304-2, GRI 304-3, GRI OG4\]](#)

In addition, Enagás conducts other analyses and studies, such as assessments of environmental risks associated with accidental scenarios. All of this enables us to identify the natural capital assets in which we have the greatest impact at facility level and to therefore prioritise environmental actions based on them.

As a result of the environmental risk assessments associated with accidental scenarios and their economic quantification (Law 26/2007), Enagás has provided a financial guarantee for the El Musel plant (hypothetical scenario of oil spillage into surface waters) and the underground storage facilities at Serrablo and Yela (the main hypothetical risk scenario is fire affecting wild species and habitats).

Enagás has conducted an assessment of natural capital based on an analysis of environmental materiality at infrastructure level. In certain cases, a more detailed assessment is conducted to analyse the ecosystem services of the environment. This is the case of the Landscape Integration Study that was carried out prior to the construction of the Euskadour Compressor Station and which resulted in the identification of revegetation and recovery measures for soils, vegetation and water courses, with more than 900 species planted. In 2021, a project will be undertaken to assess and monetise the environmental impacts of this facility, including the calculation of net debt and the identification of compensatory measures, where appropriate.

## 2020

Enagás shares knowledge and experience with seven other energy companies in a working group on natural capital and energy. The objective of this group is to work on the application of the Natural Capital Protocol in the energy sector in order to develop a common methodological framework for the identification, measurement and valuation of natural capital.

## Biodiversity strategy [\[GRI 304-2\]](#)

In 2020, in order to strengthen the commitment to biodiversity reflected in our Corporate Biodiversity Guidelines, we joined the Biodiversity Pact and set out our Biodiversity Strategy:

### Target set at no net loss of biodiversity for energy infrastructure construction and operation projects

Strategic drivers	Valuation and assessment of ecosystems and environmental matters that allows us to set out and prioritise our actions.
	Adopting nature-based solutions to preserve, restore and manage ecosystems and species, contributing to climate change mitigation, resilience and adaptation with benefits for nature.
	Collaboration with organisations, associations and companies to create shared value and maximise the impact of our actions.
	Raise awareness to encourage action both individually and collectively, helping to bring other companies and entities on board.

## Enagás has strengthened its commitment to biodiversity by signing the Biodiversity Pact and setting out its Biodiversity Strategy

Consult the [Health and Safety, Environment and Quality Policy](#) and the [Corporate Biodiversity Guidelines](#) on the corporate website





## Circular economy

At Enagás, we have signed the 'Circular Economy Pact', committing ourselves to promoting the transition towards a circular economy. To this end, we are working along the following lines:

### Actions aimed at process circularity: [GRI 306-2]

#### Energy use and reducing the carbon footprint of our own and third-party production processes

- Enagás' energy efficiency and emissions reduction plan, which has enabled us to reduce our carbon footprint by 32.3% compared to 2019 (see the '[Climate Action and Energy Efficiency](#)' chapter)
- Electricity generation projects for our own and third-party consumption, using renewable energies, cleaner technologies and more efficient processes, through which we generated 19% of the electricity consumed in 2020 (see the '[Climate Action and Energy Efficiency](#)' chapter).
- A project to take advantage of the residual cold produced by liquefied natural gas (LNG), making it possible for the residual cold produced during the regasification process at the Huelva plant to be channelled to refrigeration facilities. This provides a sustainable product freezing service, with energy savings of more than 50% in energy costs and a 90% carbon footprint reduction.

#### Use of renewable energy

- Promotion of the development of non-electric renewable energy sources, such as biogas/biomethane and hydrogen, for injection into the gas pipeline network, as well as the development of new services and uses of natural gas, launching more than 45 projects (see the '[Our commitment to the energy transition](#)' chapter).
- 100% of electricity consumption from guaranteed renewable energy beginning in 2020 (see the '[Climate Action and Energy Efficiency](#)' chapter)

#### Life cycle optimisation for products and facilities. Recovery and extension of the useful life of auxiliary materials and incorporation of eco-design criteria

- Reclamation plant for water with methanol at the Serrablo storage facility; depending on the amount of methanol present and under certain operating conditions, this will allow us to recover up to 98% of the water containing methanol, thus avoiding the generation of a substantial volume of hazardous waste.
- Extension of the useful life of oils and lubricants used in the equipment of its facilities by cleaning and filtering these products.
- Incorporation of eco-design criteria in construction projects.
- Use of the gas pipeline network route to install fibre optics.

#### Water saving and efficiency

- Rainwater capture systems in facilities used for fire suppression and irrigation.
- Replacement of lawns with native vegetation at facilities for more responsible water use, which will allow us to reduce water consumption by up to 80% at two of the facilities with the highest consumption.

#### Ecological remediation and ecosystem restoration

- Biodiversity Strategy: adopt nature-based solutions to preserve, restore and manage ecosystems and species, contributing to climate change mitigation, resilience and adaptation with benefits for nature.
- Reclamation and revegetation at 100% of infrastructure development projects with impacts on biodiversity.

#### Waste recovery and recycling

- Require waste managers to carry out waste recovery and recycling treatments.

#### Product reuse

- Donation of more than 145 unused computers and mobile devices for later reuse in 2020.
- The waste recovery and recycling treatments required of waste managers have enabled us to recover 70% of our waste in 2020 and 96% in the last quarter as a result of our new waste management model.

#### Raising awareness on the importance of moving towards a circular economy

- Introduction of the concept of circular economy in environmental training courses.
- Awareness-raising campaigns for contractors and Enagás professionals about separating and managing waste.



## Waste generation and management

Enagás has implemented a system of segregation, management, storage and delivery to authorised managers of hazardous and non-hazardous waste.

The waste generated by Enagás is mostly associated with the maintenance of facilities and equipment (activities that depend mostly on externalities), and is mostly liquid waste. [\[GRI 306-1\]](#)

This waste is managed by authorised waste managers outside the company's facilities. The company aims to recycle, recover and re-use this waste where possible. For this purpose, Enagás has implemented a new waste management model based on contracting with local managers and facilitating the achievement of high percentages of recovery/recycling treatments. Therefore, in its various contracts with waste managers, Enagás has set out the treatments to be applied to each waste product in line with applicable legislation and the company's commitments, which include the objective of treating (recycling/recovering) a percentage equal to or greater than 90% of all hazardous and non-hazardous waste. This will allow us to achieve the Zero Waste certification in 2021. To this end, we are setting out actions to increase the percentage of waste recovery in infrastructures and minimise waste generation. [\[GRI 306-2, GRI 306-4, GRI 306-5\]](#)

In 2020, the increase in non-hazardous waste generated over the previous year is due to the increase in septic tank sludge (non-industrial liquid waste), which represents 82% of Enagás' total non-hazardous waste, as it contains only organic material in its composition.

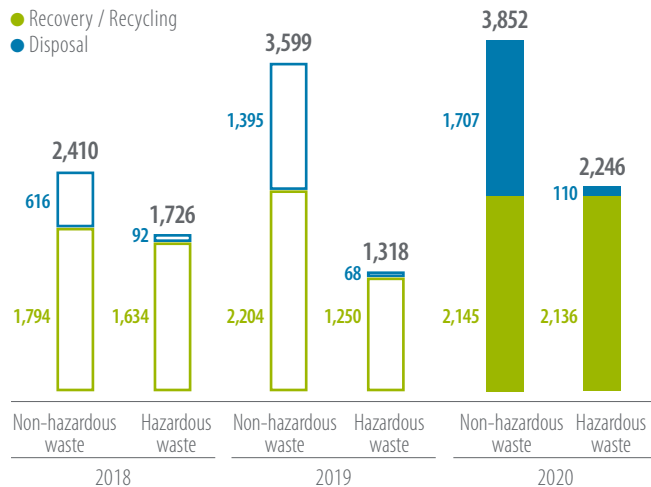
Most Enagás facilities, due to their isolated location and distance from urban areas, do not have the option to

discharge their waste water into a municipal sewerage network. For this reason, they need to have septic tanks and sealed reservoirs, which generate sludge that must be extracted and removed by an authorised manager. At facilities with septic tanks, Enagás uses a biological treatment, after which the treated water is discharged into a system of filtration ditches, at which point it is considered discharge.

### Enagás recycled/recovered 95% of the waste generated in the last quarter of the year thanks to its new waste management model

#### Waste generated and managed by type of waste (Tn)

[\[GRI 306-3, GRI 306-4, GRI 306-5\]](#)



This increase in the volume of septic tank sludge waste is the result of the generation of sludge at the Barcelona plant due to an incident, as well as the replacement at the Huelva plant of septic tanks with sealed reservoirs to prevent waste water leaching into the ground, which leads to greater sludge generation.

Barcelona, under normal conditions, does not generate this waste as it is one of the facilities that is connected to a sewerage disposal network, namely that of the Port of Barcelona. However, due to an incident in which the presence of sulphides was detected in the waste water, it was not possible to discharge it into the municipal network, and sludge was generated which had to be treated as waste. In addition, this sludge has not been able to receive recovery treatment (treatment that, in normal conditions, 100% of this waste receives) due to their composition. During 2020, work has been carried out to resolve this incident. It is expected to be definitively resolved in 2021 so that this waste will no longer be generated. Due to this incident in 2020, the volume of sludge under recovery treatment was 53%.

On a related note, hazardous waste has increased due to the greater generation of water containing methanol (liquid industrial waste), which represents 70% of Enagás' hazardous waste. This waste is generated in underground storage facilities during the extraction period. The extraction of gas is associated with the use of water contained in the wells. Therefore, this waste is generated in direct proportion to the storage extraction activity. In 2020, extraction activity was 83% higher than in the previous year, and consequently, the amount of this waste increased by 62%.

95% of hazardous waste has been subject to recovery treatment. Those that have been disposed of are of different types, many of which are difficult to recover (waste with THT and contaminated soils). Enagás is already working with waste managers to increase this percentage as much as possible.



## Non-hazardous waste generated and managed by nature of the waste and its origin (Tn)

[GRI 306-3, GRI 306-4, GRI 306-5]

Status	Scope of generation	Operation/ Treatment <sup>(1)</sup>	2018	2019	2020
Solids	Normal/main industrial activity	Recovery/ recycling	23.88	20.69	17.47
		Disposal	65.45	66.57	23.14
	Non-industrial <sup>(2)</sup>	Recovery/ recycling	322.95	344.77	434.62
		Disposal	81.68	42.84	25.60
Liquids	Normal/main industrial activity	Recovery/ recycling	7.00	35.50	15.70
		Disposal	74.69	137.18	177.04
	Non-industrial <sup>(3)</sup>	Recovery/ recycling	1,439.96	1,803.11	1,676.73
		Disposal	443.04	1,149.06	1,481.51

(1) Enagás differentiates between the following operations/treatments: Recovery/recycling (includes energy recovery, capture, recycling and other recovery treatments) and disposal (landfill disposal, incineration and other treatments).

(2) Includes domestic/municipal waste similar to that generated in homes and offices, such as MSW, paper and cardboard, plastics, metals, CDW from minor projects, batteries, toner, etc.

(3) Includes septic tank sludge (resulting from the treatment of wastewater in pits and sealed tanks)

## Hazardous waste generated and managed by nature of the waste and its origin (Tn)

[GRI 306-3, GRI 306-4, GRI 306-5]

Status	Scope of generation	Operation/ Treatment <sup>(1)</sup>	2018	2019	2020
Solids	Normal/main industrial activity	Recovery/recycling	31.76	33.71	73.34
		Disposal	19.44	11.26	13.47
	Ancillary industrial activity <sup>(2)</sup>	Recovery/recycling	3.38	6.85	6.94
		Disposal	7.11	2.48	14.04
	Non-industrial <sup>(3)</sup>	Disposal	0.03	0.04	0.02
Liquids	Normal/main industrial activity	Recovery/recycling	1,599.13	1,209.35	2,055.49
		Disposal	65.45	53.48	82.89

(1) Enagás differentiates between the following operations/treatments: Recovery/recycling (includes energy recovery, capture, recycling and other recovery treatments) and disposal (landfill disposal, incineration and other treatments).

(2) Includes contaminated soils produced by accidents and soaked sepiolite (clean-up material for small spills).

(3) Includes biohazardous waste from the Medical Service.



## Spill control

Enagás has preventive measures in place to avoid spills, such as the placement of containment buckets and trays. The following accidental spills occurred in 2020:

- 347 litres of oils
- 300 litres of water with methanol
- 120 litres of triethylene glycol
- 102 litres of cooling liquid
- 45 litres of water with hydrocarbons, diesel, hydrocarbon and sodium hypochlorite

Corrective actions include damage assessment, land decontamination and replenishment if necessary, removal and treatment by the waste management company and preparation of the incident report. By 2020, 99%<sup>(1)</sup> of the volume of these spilled liquids had no environmental impact thanks to these corrective actions.

(1) It has not been possible to decontaminate or treat 10 litres of water with hydrocarbons and sodium hypochlorite due to the nature of the spill.

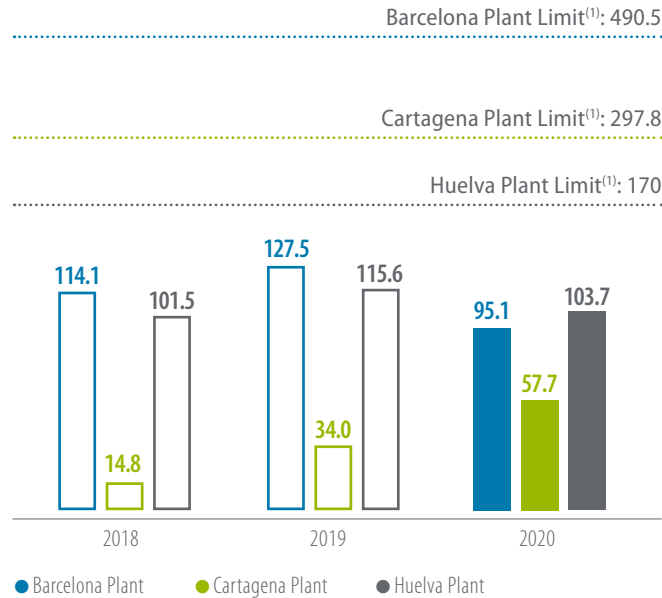
## Water management [GRI 303-1]

At Enagás, we do not consume water in our production processes. The company has therefore not stated significant aspects linked to water shortages in the yearly assessments that are conducted in line with the environmental management model.

The main withdrawal of water that Enagás carries out is that of seawater for use in floodwater and seawater vaporisers at regasification plants. This water is returned under the same conditions as those in which it is withdrawn (the temperature decrease is minimal and it does not affect the marine ecosystem). The volume of water taken is directly proportional to the quantity of gas regasified.

[\[GRI 303-3, GRI 303-4\]](#)

## Seawater withdrawn and returned to its source (hm<sup>3</sup>) [GRI 303-3]



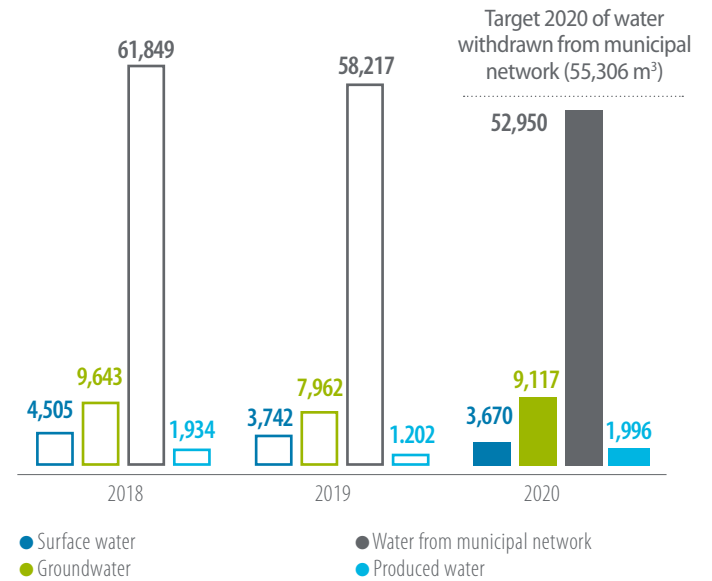
(1) Legal extraction limit established for each Regasification Plant

In 2020, seawater withdrawn at regasification plants was lower than in the previous year, in line with the lower level of activity at these facilities. Enagás is following a downward trend in terms of the intensity of seawater withdrawal:

## Seawater withdrawal intensity

	2018	2019	2020
Regasified gas (hm <sup>3</sup> /GWh)	0.0023	0.0021	0.0021

## Water withdrawn from other sources (m<sup>3</sup>) [GRI 303-3]



Enagás also draws water from other sources, mainly for sanitary use, irrigation and fire-fighting equipment. Of the 67,733 m<sup>3</sup> withdrawn in 2020 for these uses, 17,461 m<sup>3</sup> have been discharged, meaning that water consumption has totalled 55,643 m<sup>3</sup> (an amount that includes the 5,371 m<sup>3</sup> of seawater pumped at the Barcelona Plant for desalination). This amount represents only 0.02% of the total water withdrawn.

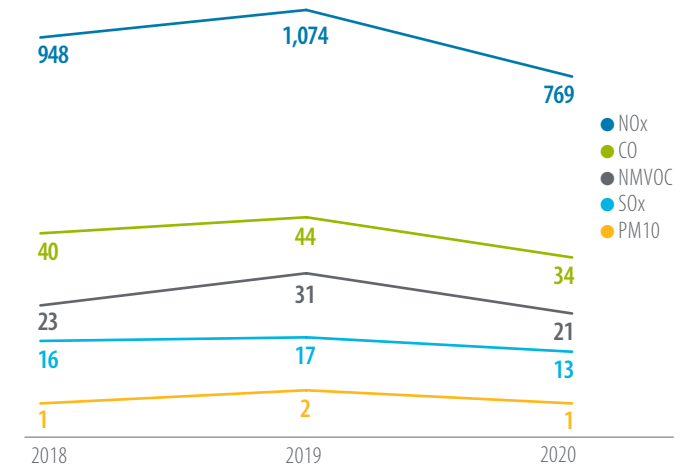
[\[GRI 303-2, GRI 303-4, GRI 303-5\]](#).

**In 2020, Enagás reduced its consumption of municipal water by 9%**





## Non-GHG emissions (t)



The company therefore has various measures aimed at reducing water consumption such as better techniques for irrigation and consumption of grey water. In 2020 we have managed to reduce the amount of water drawn from the municipal network by 9%, surpassing our own target (5%). Enagás has been implementing measures to reduce water consumption for years, as well as carrying out regular campaigns to publicise and raise awareness of this issue. This has enabled Enagás' water consumption to trend downwards. Additionally, in 2020, the health crisis' restrictions on the number of employees present in the facilities has contributed to lower consumption.

## Atmospheric pollution [GRI 305-7]

The main non-greenhouse gases emitted at our facilities are CO, SOx, NOx, PM10 particles and Non-Methane Volatile Organic Compounds (NMVOC). These emissions are produced

by the consumption of natural gas and diesel by various pieces of equipment and, therefore, are directly related to CO<sub>2</sub> emissions.

In 2020, emissions of these polluting gases have been reduced thanks to energy efficiency measures and CO<sub>2</sub> emissions reduction targets (see the '[Climate Action and Energy Efficiency](#)' chapter).

Enagás carries out regulatory and voluntary atmospheric checks (self-checks) at all its combustion sites. The control actions are as follows:

- ▶ Periodic regulatory inspections (conducted by an authorised inspection organisation (AIO)).
- ▶ Annual TESTO check (carried out with their own resources (Analysing team and Enagás employees)).

Both the regulatory inspections and the internal TESTO checks are planned annually for every facility as part of the 'Atmospheric Monitoring Programme'.

Noise at Enagás' facilities is produced by the operation of regulators, turbines, vaporisers and pumps, among others. All facilities carry out regular environmental noise measurements around their perimeter to ensure that noise levels remain within the limits established in applicable legislation. In those cases where deviations are found, corrective actions are implemented (acoustic screens, silencers, soundproofing, etc.).

With regard to light pollution, Enagás is also working to reduce night-time lighting at its compressor stations by keeping perimeter lighting to a minimum and by switching off the facility's lights at night.



# 4.7

## Climate action and energy efficiency

[GRI 103-1, GRI 103-2, GRI 103-3]

Improved energy efficiency and lower greenhouse gas emissions are major factors in reinforcing the vital role that natural gas will play in a low-carbon economy as a key element for achieving sustainable, safe and efficient energy.

### 32,932

tCO<sub>2</sub>e AVOIDED in 2020 through energy efficiency or emissions reduction measures

### +7%

SELF-GENERATION of energy from renewable, clean and efficient sources (vs. 2019) [GRI OG3]

### -32%

GREENHOUSE GAS EMISSIONS (scopes 1 and 2) vs 2019 (209,968 tCO<sub>2</sub>e)

### -24%

SCOPE 1 emissions vs. 2019 (208,314 tCO<sub>2</sub>e) [GRI 305-1]

### -95%

SCOPE 2 emissions vs. 2019 (1,654 tCO<sub>2</sub>e) [GRI 305-2]

The most relevant aspects that we address in our climate change management model are public commitment and the setting of targets, emissions reduction and offsetting measures, as well

as reporting on our performance and results, following TCFD (Task Force on Climate-related Financial Disclosures) recommendations.

### Sustainable Management Plan

#### Main lines in 2020

- › Annual campaign to detect, quantify and repair fugitive emissions in all our facilities (LDAR Campaigns).
- › 2020 Energy Efficiency and Emissions Reduction Plan.
- › Increase in the percentage of guaranteed-origin electricity consumption, reaching 100% from the second half of 2020.
- › Updating our decarbonisation strategy by increasing the ambitiousness of emissions reduction targets.
- › Assessment of international legislation on methane emissions and associated action plan at Enagás and its affiliates.
- › Adaptation and verification of the Carbon Footprint according to the new version of ISO 14064:2019.
- › Development of a computer application to record venting at transmission facilities.
- › Adherence to the OGMP2.0 (Oil and Gas Methane Partnership) framework for reporting methane emissions in line with the European Methane Strategy.

#### 2021 lines

- › Definition of the emissions offsetting strategy to achieve carbon neutrality by 2040.
- › Analysis and assessment for the establishment of scope 3 emissions reduction targets.
- › First reporting cycle to the OGMP2.0 (Oil and Gas Methane Partnership) framework on methane emissions, including methane targets, methane footprint per facility and action plan to achieve the Gold Standard level.
- › Development of projects and analysis of top-down methane emissions measurement and quantification methodologies to advance the reconciliation of bottom-up technologies in order to improve data uncertainty.



## Governance model for climate change management

At Enagás there is a governance structure led by the Board of Directors that supervises the company's climate change performance. The Sustainability, Appointments and Remuneration Committee, through the Sustainability Committee, approves and monitors the CO<sub>2</sub> emissions reduction targets linked to variable remuneration as well as initiatives that help achieve said reduction that are included in the Energy Efficiency and Emissions Reduction Plan.

Furthermore, the Audit and Compliance Committee supervises the efficiency of risk control and management systems and assesses the possible impact of climate change through the Risk Committee.

The Sustainability Committee is formed of the main Directorates of the company, among which the Strategy function is, that provides input for the identification of opportunities.

The Health and Safety, Environment and Quality Committee periodically assesses and manages issues related to climate change associated with business processes, impact assessment studies and the evaluation of environmental aspects.

There are also various working groups reporting to these committees, such as the Energy Efficiency and Emissions Reduction Group, responsible for drafting and monitoring the Energy Efficiency Plan and setting the company's emissions reduction targets, among other matters.

In terms of risk management, business units are responsible for risk identification and measurement, the risk function controls and manages risks and the Internal Audit Department function supervises the efficiency of the established risk controls (see the ['Risk management'](#) chapter).

## Risk management and opportunities arising from climate change

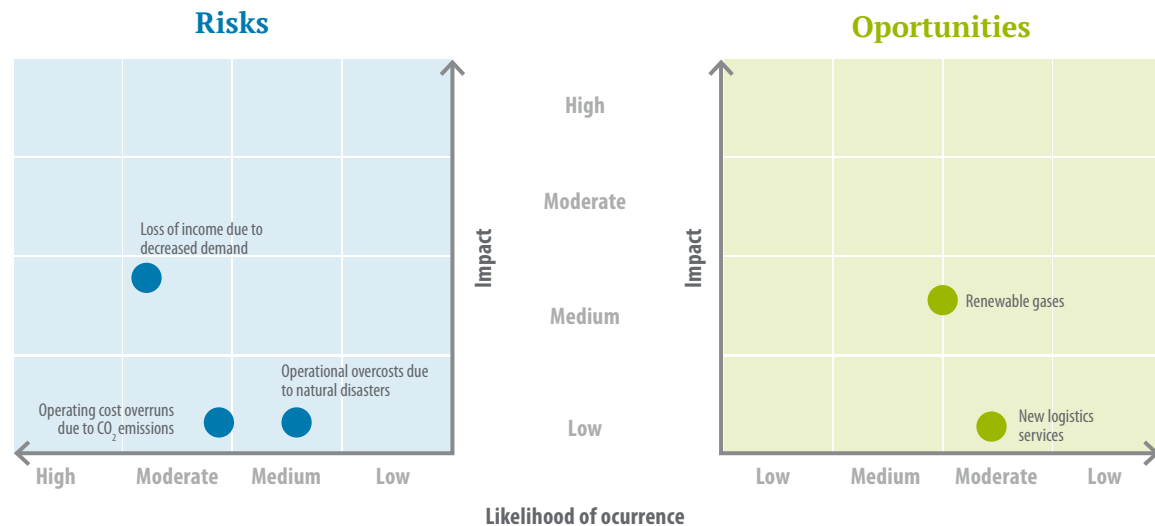
[GRI 102-29, GRI 102-31, GRI 201-2]

Risks derived from climate change are evaluated comprehensively in the Company's risk management model over the short-term horizon (3 years).

In addition, for the assessment of these risks in the long-term, 2030 is taken as the time frame (the first time frame for compliance with the objectives established in the Spanish Integrated National Energy and Climate Plan). In this way,



**In 2020 Enagás has been the only company in the world in the Oil & Gas sector included on the CDP Climate Change A List, which means it has achieved the highest score in this annual ranking**





risks from factors such as policies and regulatory measures that encourage the use of renewable energy sources, natural disasters or adverse weather conditions and volumes of CO<sub>2</sub> emissions and prices are identified and quantified.

According to the assessment, the effects of these risks would have a low economic impact on the company in 2030 (around 5-10% of profit). The effects of these risks can mainly be compensated by the opportunities the company has identified

both in the field of renewable gas development and in new natural gas logistics services.

For this climate change risk assessment, a 4°C temperature rise (business as usual) has been taken as the baseline scenario and a risk scenario of 1.5°C increase aligned with the Spanish Integrated National Energy and Climate Plan. In the case of the evaluation of physical risks (natural disasters), the risk scenario is a 6°C increase in temperature. [\[GRI 102-29, GRI 102-31, GRI 201-2\]](#)

Factors	Risk	Control and management measures
Volume of CO <sub>2</sub> emissions  CO <sub>2</sub> prices	<b>Operating cost overruns due to CO<sub>2</sub> emissions</b>	<ul style="list-style-type: none"> <li>• Short and long-term emissions reduction targets linked to variable remuneration.</li> <li>• Energy Efficiency and Emissions Reduction Plan.</li> <li>• Setting internal carbon prices.</li> <li>• Emissions offsetting programme.</li> </ul>
Policies and regulatory measures encouraging the use of renewable energies	<b>Loss of revenue due to decrease in demand / increase in financing costs</b>	<ul style="list-style-type: none"> <li>• Promotion of new services and uses of natural gas in transportation by road, rail and sea and in the industrial and household sectors.</li> <li>• Promotion of the development of gas from renewable sources (biomethane and green hydrogen) and their integration in gas infrastructures.</li> <li>• Promotion of the development of new technologies and infrastructures for the capture, transmission and storage or use of CO<sub>2</sub> and small-scale liquefaction.</li> <li>• Monitoring of sustainable finance regulation, contact with investment entities, financing and rating agencies, etc.</li> </ul>
Natural disasters or adverse meteorological conditions (floods, landslides, etc.)	<b>Operational cost overruns due to natural disasters</b>	<ul style="list-style-type: none"> <li>• Environmental certifications (ISO 14001 and EMAS.)</li> <li>• Emergency response action plans.</li> <li>• Procedures for the investigation and monitoring of incidents.</li> <li>• Development of demand scenarios that determine the infrastructure to develop in order to guarantee secure supply.</li> <li>• Material damage policy.</li> <li>• Emergency response action plan.</li> <li>• Insurance policy covering catastrophic damage.</li> <li>• Review of plans for adaptation to climate change in infrastructures.</li> </ul>

Opportunity	Lines of action
Renewable gases	Focus areas related to biomethane: <ul style="list-style-type: none"> <li>• Issuance of green certificates.</li> <li>• Measurement of gas quality: guaranteeing the quality of renewable gas before its injection into the gas network.</li> <li>• Stake in biomethane infrastructures (upgrading/connection to the transmission network).</li> </ul> With regard to green hydrogen, the main areas of focus are: <ul style="list-style-type: none"> <li>• Involvement in different European groups analysing the technical conditions for the introduction of hydrogen into gas networks.</li> <li>• Joint Ventures for technological development and the promotion of green hydrogen production and transmission infrastructures.</li> <li>• Projects under consideration are focused on the methanisation of hydrogen for its injection into the network, use in mobility and application in auxiliary machinery.</li> </ul>
New logistics services	<ul style="list-style-type: none"> <li>• Design and development of new services in infrastructures, turning them into logistical centres for LNG supply.</li> <li>• Development of other new services: bunkering (refuelling LNG, between tanks or from a satellite plant to a tank), small scale (refuelling small LNG tanks), bulk breaking (refuelling LNG into medium-sized tanks and trucks), parking gas (long-term storage of gas in tanks).</li> <li>• Extension of the tank refuelling service.</li> </ul>



## Emissions reduction targets [GRI 305-5]

In 2020, and after having reduced more than 63% of its greenhouse gas emissions since 2014, Enagás has brought forward its carbon neutrality target to 2040 and increased the ambitiousness of its science-based targets (see the '[Decarbonisation and carbon neutrality](#)' chapter), thus reinforcing the commitments that the company has adopted through its adherence to various international climate action initiatives:

- ▶ Science-Based Targets: we are committed to setting out targets based on science<sup>1</sup>.
- ▶ We Mean Business: we are committed to driving policies towards a low-carbon economy, setting a carbon price and reporting climate change information in corporate publications.
- ▶ Global Methane Alliance: we are committed to reducing methane emissions from our activity by 45% by 2025 and 60% by 2030 with respect to 2015 figures.
- ▶ Methane Guiding Principles: we have signed up to commitments on methane emissions reduction and transparency.

To achieve carbon neutrality by 2040, we have set out an ambitious emissions reduction roadmap, setting the following targets for 2018.

2019-2021  
**-5%**

target included in the Long-Term Incentive Plan, i.e. linked to the variable remuneration of all employees

2025  
**-15%**

target linked to sustainable credit conditions

2030  
**-41%**

target aligned with the 1.5°C scenarios

2040  
**-65%**

target aligned with the 1.5°C scenarios

These are targets set out using science-based target criteria. We will achieve these through the prioritisation of specific emissions reduction measures set out in our Emissions Reduction and Energy Efficiency Plan. These measures include:

- ▶ The electrification of turbo-compressors: a plan to replace gas turbo-compressors with electric engines from 2022.
- ▶ The detection and remediation of fugitive emission points using various field and airborne technologies.
- ▶ Improvement in the operation of the gas system.

In addition, we are keeping our emissions reduction targets linked to variable remuneration (see the '[Targets linked to variable remuneration](#)' chapter):

- Annual target management programme: since 2011 Enagás has been setting annual targets for energy consumption reduction and for self-generation of electrical energy from efficient, clean and renewable sources. In 2020, a global greenhouse gas reduction target and a specific methane reduction target were established, and both were 100% met.
- Long-Term Incentive Plan: Enagás has included emissions reduction targets in its Long-term Incentive Plan since 2016.

**Enagás has defined an ambitious emissions reduction path aligned with science-based target and links its objectives to the variable remuneration of its employees**

1. At the date of preparation of this report, SBTi had not yet set out a methodology for the Oil & Gas sector that covers Enagás' activities (midstream), although Enagás incorporates SBTi's main recommendations into its target-setting methodology.



## Our climate change performance

Enagás' carbon footprint is ISO 14064:2019 certified, and is registered in the carbon footprint record of the Spanish Ministry for Ecological Transition and the Demographic Challenge with the 'Calculate, reduce and offset' seal.



Enagás has reduced its scope 1 and 2 emissions by 32% compared to 2019, a percentage significantly higher than the decrease in demand for natural gas, which in 2020 fell by almost 10%. This reduction was made possible by the implementation of energy efficiency and emissions reduction measures that have enabled us to meet the targets set for 2020 included in the programme of annual objectives linked to variable remuneration.

Enagás' efforts to reduce emissions have been reflected in a significant improvement in the main intensity ratios, achieving a 25% reduction in 2020 compared to 2019 in the ratio of emissions intensity over national demand.

## In 2020 we reduced the emissions intensity ratio over national demand (tCO<sub>2</sub>e/TWh) by 25% compared to 2019

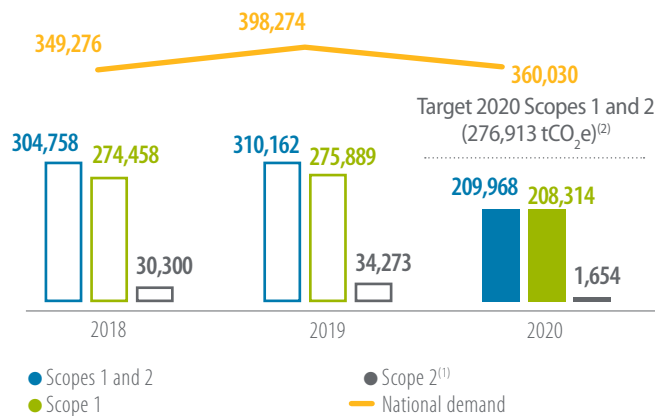
With regard to scope 1 emissions, the reduction in emissions from some of our main direct emission sources, such as gas consumption in turbo-compressors (-29%), gas consumption in process boilers (-8%) and fugitive emissions (-58%), have enabled us to achieve a 24% reduction.

Enagás has also reduced emissions from electricity consumption by 95% (scope 2) at its facilities. This reduction has been possible thanks to the following measures:

- From the second half of the year, an increase in the percentage of supplied electricity with guarantees of renewable origin in all facilities to 100%.
- Increased self-generation of electricity produced through efficient, clean and renewable sources (with an emissions factor of zero) by 7% over 2019.
- 3% reduction in electricity consumption thanks to greater efficiency in consumption.

## Scope 1 and 2 CO<sub>2</sub> emissions (tCO<sub>2</sub>e) and changes in national demand (GWh)

[GRI 305-1, GRI 305-2]



(1) Scope 2 calculated according to market-based methodology. Scope 2 data calculated according to location-based methodology are: 72,078 tCO<sub>2</sub>e in 2018, 81,883 tCO<sub>2</sub>e in 2019 and 60,429 tCO<sub>2</sub>e in 2020.  
 (2) Target for scope 1 set at 246,314 tCO<sub>2</sub>e and for scope 2 at 30,599 tCO<sub>2</sub>e.

## Emission intensity (scopes 1 and 2)

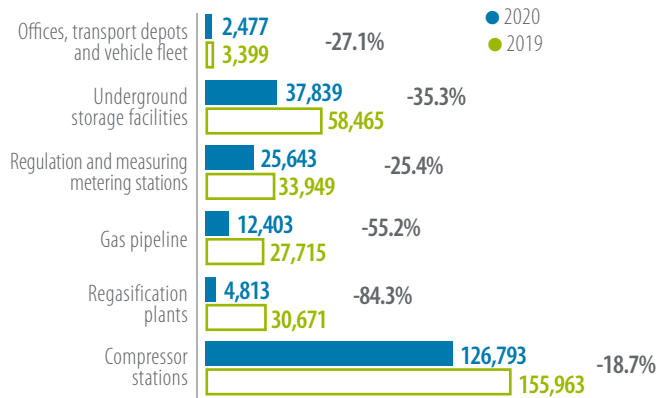
[GRI 305-4]

	2018	2019	2020
National demand (tCO <sub>2</sub> e/TWh)	873	779	583
Net profit (tCO <sub>2</sub> e/M€)	689	734	473
By employee (tCO <sub>2</sub> e/employee)	231	237	158
Gas departures <sup>(1)</sup> (tCO <sub>2</sub> e/GWh total gas departures)	0.79	0.76	0.56

(1) Total gas departures include the following items: 1) National market demand (conventional national and electricity sector); 2) International market demand (international departures and ship loading).



## Evolution of emissions (scopes 1 and 2) broken down by infrastructure 2019-2020

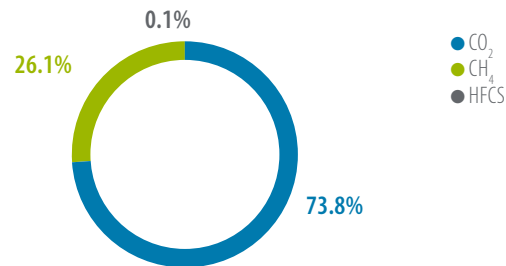


In terms of reductions obtained at the infrastructure level, the reductions in regasification plants (-84%), gas pipelines (-55%) and underground storage facilities (-35%) stand out. In the latter, the reduction is particularly significant when we take into account the large increase in activity at these facilities during the year (+126% gross extraction).

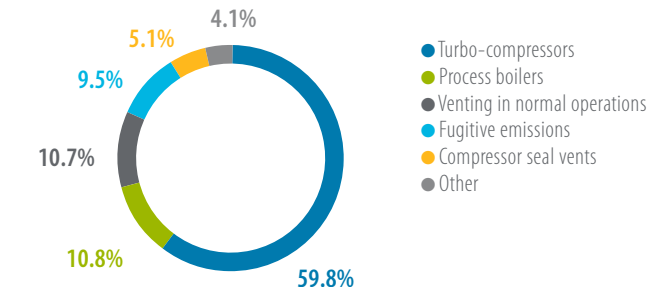
## Infrastructure activity data [GRI 302-2]

		Unit	Total 2019	Total 2020	2020 vs. 2019 (%)
<b>Regasification plants</b>	Regasified gas, tank and ship loading at regasification plants	GWh	138,882	132,579	-5%
<b>Compressor stations</b>	Compressed gas at compressor stations	GWh	177,520	133,561	-25%
<b>Underground storage facilities</b>	Total net injection underground storage facilities	GWh	12,714	8,935	-30%
	Total gross extraction from underground storage facilities	GWh	4,989	11,264	+126%

## Scope 1 and 2 emissions by gas type [GRI 305-6]



## Scope 1 and 2 emissions by source [GRI 305-1, GRI 305-2]





74% of Enagás' carbon footprint (scopes 1 and 2) corresponds to CO<sub>2</sub> emissions, generated mainly during the combustion of natural gas in stationary sources, i.e. turbo-compressors, boilers, flares, etc. Globally, emissions of this gas (CO<sub>2</sub>) have been reduced by 36% in 2020 compared to 2019.

Methane emissions, which account for 26% of the footprint (scopes 1 and 2), are mainly due to natural gas venting and fugitive emissions. Venting may occur as a result of operation and maintenance, operating safety, pneumatic valves and analysis equipment such as chromatographs. Fugitive emissions correspond to uncontrolled gas leaks in the equipment (flanges, connectors, etc.). Globally, emissions of this gas (CH<sub>4</sub>) have been reduced by 21% in 2020 compared to 2019.

60% of total footprint emissions (scopes 1 and 2) are generated by the self-consumption of natural gas in turbo-compressors in compressor stations and underground storage facilities. In this regard, Enagás has an ambitious Turbo-compressor Replacement Plan to progressively replace natural gas compressors with electric compressors, thereby significantly reducing emissions and helping to achieve the targets set out in the reduction roadmap.

### EU Emissions Trading System

59% of emissions included in the Carbon Footprint (scopes 1 and 2) are included in the EU Emissions Trading System (EU ETS).

In 2020, 50,233 emission rights were received through free allocation and 97,750 emission rights were purchased to cover the emission right requirements for the period.

[\[GRI 201-2\]](#)



## Energy Efficiency and Emissions Reduction Plan

At Enagás, energy efficiency plays a key role in emissions reduction and considerable efforts have been made in this regard. In recent years we have more than halved our CO<sub>2</sub> emissions thanks to the implementation of energy efficiency measures, in which we have invested around 70 million euros since 2008. [\[GRI 201-2\]](#)

During 2015-2020, the Energy Efficiency and Emission Reduction Plan has enabled 635,041 tCO<sub>2</sub>e to be prevented.

These emissions include the accumulated emissions prevented as a result of the measures of the Energy Efficiency and Emissions Reduction Plan implemented from 2015 to 2020.

We are working to ensure the continuous improvement of the energy efficiency of our infrastructures. For this reason, we have an energy management system certified according to the ISO50001 standard.





## Energy efficiency measures and emissions reduction measures implemented [GRI 302-4, GRI 302-5, GRI 305-5]

### Energy Efficiency and Emissions Reduction measures <sup>(1)</sup>

	Savings type	Energy savings achieved in 2020 (GWh)	Emission reductions achieved in 2020 (tCO <sub>2</sub> e)
Installation of a liquefied natural gas/boil-off gas heat exchanger at the Cartagena regasification plant to cool the boil-off gas before it enters the reliquefier, increasing its efficiency	Electric consumption savings	0.02	.. <sup>(2)</sup>
Thermal insulation improvements in boil-off areas at the Huelva regasification plant		0.06	.. <sup>(2)</sup>
Reduction of the amount of natural gas vented by gas analysers (e.g. chromatographs, etc.)	Natural gas savings	0.79	1,228.89
Detection and repair of fugitive emission points in regasification plants, underground storages and the transmission network		5.25	8,140.85
Electricity contract with 100% guarantee of renewable origin	N/A	(no energy saving)	23,562.05
<b>TOTAL</b>		<b>6.12</b>	<b>32,931.79</b>

(1) The table includes those emissions reduction or efficiency measures verified in 2020 and completed in the last quarter of 2019 or before the last quarter of 2020, considering that sufficient time has elapsed for savings to be measured.

(2) As we have a 100% Guarantee of Renewable Origin contract in 2020, the reduction is not considered to be in emissions, but only in energy savings.

## 2020

From the beginning of 2020, Enagás' largest consumption facilities have an electricity supply with a 100% Guarantee of Renewable Origin. From the second half of the year, the scope is extended to include all Enagás facilities. This means that 100% of electricity consumption from the grid has an emission factor of 0 as it comes from 100% renewable sources.

In 2020, the percentage of electricity with guarantee of origin from renewable sources out of total grid electricity consumption was 100% in facilities with the highest consumption since the beginning of the year (compared to 40% in 2019). For all other facilities, in the second half of the year, 100% of the electricity consumed by Enagás had guarantees of origin from renewable sources; thus, by the end of the year, all the electricity consumed by Enagás had an emission factor of 0.

In 2020, self-generation of electricity from renewable, clean or efficient sources has increased by 7% compared to 2019, representing 19% (39.9 GWh) of total electricity consumption. Part of the energy generated is delivered to the national grid and another part is consumed at Enagás' own facilities [GRI-OG3]. The energy sent back to the grid (27.7 GWh) helps reduce 8,599 tCO<sub>2</sub> for third parties, contributes to reducing the national electricity

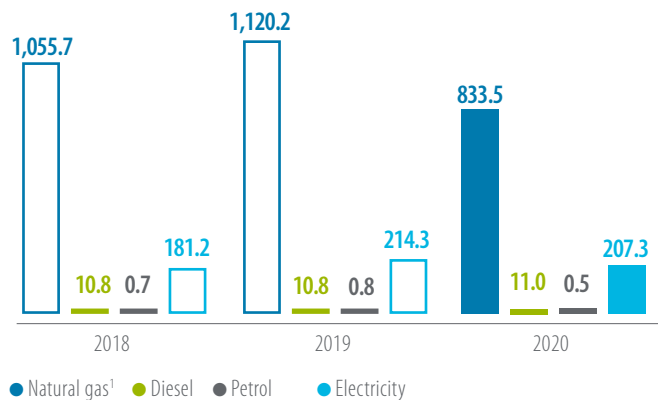
**Thanks to the 2020 Energy Efficiency and Emissions Reduction Plan, emissions equivalent to more than 10,000<sup>1</sup> cars have been avoided in one year**

mix factor and reinforces the principles of the circular economy, whereby Enagás' surplus electricity is used by third parties, thereby reducing their carbon footprint (see the '[Natural capital and biodiversity management](#)' section, under the '[Circular economy](#)' heading).

1. The calculation considers the emission factor 0.1667 kg CO<sub>2</sub>/km of a 'generic' car according to the most recent report published by the Ministry for Ecological Transition, based on travel of 15,000 km/year.



## Energy consumption (GWh/year) [GRI 302-1]



(1) Natural gas consumption does not include fugitive emissions, analyser venting, pneumatic valves, compressor venting or maintenance

Continuous improvement in the efficiency of our facilities, as well as specific energy efficiency measures, have allowed us to reduce the consumption of natural gas (our main energy source) by 26% despite the fact that national demand has decreased by almost 10%. As for electricity and diesel consumption, they have remained similar to 2019 values (-3% and +2% respectively).

On a related note, petrol consumption has decreased by 35% mainly thanks to the promotion of alternative fuels in the vehicle fleet, which has been certified as environmentally friendly. Enagás has a fleet renewal plan that aims to progressively incorporate CNG vehicles. By December 2020, Enagás had increased its proportion of fleet CNG vehicles by 13% and had almost three times the number of hybrid vehicles (plug-in and non-plug-in) compared to 2019.

## Energy intensity [GRI 302-3]

	2018	2019	2020
<b>National demand (GWh energy consumed/TWh)</b>	3.57	3.38	2.92
<b>Net profit (GWh energy consumed/M€)</b>	2.82	3.19	2.37
<b>By employee (GWh energy consumed /employee)</b>	945.68	1,030.67	791.16
<b>Gas departures (GWh energy consumed /GWh total gas departures)</b>	3.24	3.28	2.82

## Reduction of methane emissions [GRI 305-5]

In 2020, Enagás joined the OGMP2.0 (Oil and Gas Methane Partnership) framework for reporting methane emissions in line with the European Methane Strategy.

OGMP 2.0 is intended to serve as a framework for the European Commission for a legislative proposal regarding the measurement, reporting and verification of methane emissions from the energy sector. Enagás has actively participated in the proposal of the OGMP2.0 document and reporting template on behalf of the gas industry, and has drawn up an action plan to comply with the Gold Standard within the deadlines established both for the assets over which Enagás has operational control and for our affiliate companies.

11/2020



Enagás adheres to the OGMP2.0 (Oil and Gas Methane Partnership) reporting framework, a Climate and Clean Air Coalition initiative, led by the United Nations Environment Programme (UNEP), the European Commission and the Environmental Defence Fund. It aims to create a standard for measuring and reporting methane emissions, the so-called 'Gold Standard'.



The main initiatives in terms of methane emissions reduction that have enabled Enagás to achieve a 21% reduction in methane emissions compared to 2019 are detailed below:

- Detection, quantification and repair of fugitive emissions covering all our facilities (LDAR Campaigns). Until 2020, Enagás carried out measurements each year covering a percentage of the facilities and estimating the remaining unmeasured facilities.
- Performing a comparative study of different technologies and equipment for measuring fugitive emissions, identifying those that best respond to the reality of our facilities while increasing the accuracy of the measurements.
- Development of a digital application for recording and processing measurement and repair data in infrastructures, which has made it possible to increase the frequency of fugitive emissions monitoring (monthly), automate calculations in accordance with the UNE-EN ISO 15446 standard and build a dashboard.
- Integration from 2019 of the use of leak detection, quantification and repair equipment in Maintenance Plan, so that whenever an action is carried out on the equipment, the reduction and/or elimination of possible leaks is guaranteed.
- Development of a digital application to record venting in the transmission network. From 2021 onwards, this application will allow for the more detailed monitoring of transmission venting and obtain the information broken down in accordance with the OGMP2.0 reporting framework.

In addition, during 2020, Enagás participated in various European projects to reduce uncertainty in the quantification of emissions and the analysis of emissions in the LNG maritime transport chain.

Over the last year, Enagás has collaborated with European, international and industry authorities/associations to publish reports and studies, including the following:

- Preparation of the Methane Policy Recommendations sent to the European Commission and other authorities (ACER, FSR, UNEP, IEA, etc.).
- Joint publication with GIE and MARCOGAZ of the report [‘Guidelines for methane target setting’](#).
- Collaboration and preparation of documents on best practices for reducing methane emissions in the midstream and on detection and measurement technologies, including Enagás case studies available on the ‘Methane Guiding Principles’ website:
  - [‘Reducing Methane Emissions: Best Practice Guide Transmission, Storage, LNG Terminals and Distribution’](#) (case study 5 and case study 7).
  - [‘Reducing Methane Emissions: Best Practice Guide Identification, Detection, Measurement and Quantification’](#) (case Study 5 and case study 7).
- Report on other Enagás best practice case studies such as:
  - Publication in UNECE: [‘Enagás’ CH4 emissions reporting, mitigation and commitment’](#).
  - Publication in the Global Methane Initiative: [‘Enagás: Commitment to ‘Global Methane Alliance Targets’](#).

## 2020

**Enagás, as a member of the European Gas Research Group (GERG) Committee, has actively participated in a GERG Project focused on the assessment of different fugitive emissions measurement equipment (bottom-up technologies). To this end, tests were carried out at Enagás’ facilities on a test bench (valve, flange, threaded connection, free outlet) with different flow rates and various measurements in the field to evaluate the behaviour of five equipment under real conditions.**

In 2021, Enagás will continue to work to lead in the management of methane emissions, mainly along the following lines:

- Measurement<sup>1</sup>: during 2021, we plan to carry out different measurements using top-down methodologies (e.g. vehicles, drones, satellites) that will allow us to contrast the measurements we have been making using bottom-up technologies (cameras, quantifiers, etc.) and improve the level of uncertainty of the data. [GRI 305-5]

1. In 2020 the reported methane data corresponding to fugitive emissions as well as operational venting/maintenance/rod packaging of compressors at regasification plants corresponds with the detection and quantification of emissions using bottom-up methodologies. Specifically, the technology used consists of a combination of the use of ultrasonic cameras, laser and semiconductor sensors. The quantification is carried out using the correlation factors established in the UNE-EN ISO 15446 standard. Enagás, aware of the uncertainty associated with this data, is pursuing projects with top-down technologies to reconcile the data and, if necessary, adjust the emissions values.



- Calculation: Enagás will continue to collaborate with the European working group CEN TC234 WG14, which is developing a technical report for the quantification of methane emissions: 'Gas infrastructure - Assessment of methane emissions for gas transmission and distribution systems'.
- Reporting: within the framework of the OGMP2.0 initiative, three working groups have been created. Enagás will lead the group focusing on the reporting template to meet the requirements of the Gold Standard level. [\[GRI 305-5\]](#)

## Emissions offsetting

Enagás' decarbonisation strategy is based on prioritising measures to reduce emissions and subsequently offsetting emissions that cannot be reduced for technical reasons.

Enagás has therefore offset emissions from the regasification plants, the Euskadour compressor station, the corporate fleet and its head office.

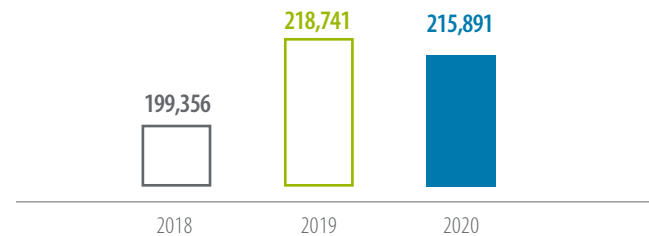
- Neutrality for regasification plants: these are key infrastructures for the security and diversification of supply, and their emissions have been reduced by more than 90% in recent years. Furthermore, they make up one of the priorities at a strategic level, as the company aims to position itself as a worldwide specialist in LNG.
- Neutrality for the Euskadour compressor station: it is the first compressor station that works with an electric motor. In addition, and as in the rest of the company's facilities, its electricity consumption comes from renewable sources.
- Neutrality of the corporate fleet: one of the strategic priorities of Enagás is the promotion of new uses of natural gas in transport. The corporate fleet is certified as environmentally friendly.

- Neutrality of the corporate head office: the corporate head office is the company's most representative building and has received the LEED Gold certification.

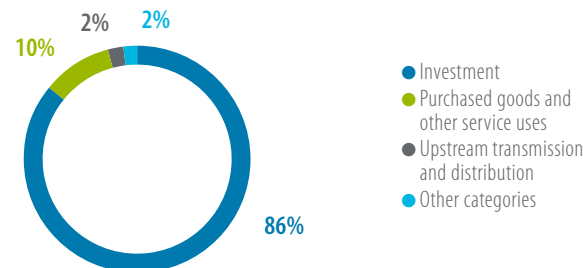
Therefore 6,604 tCO<sub>2</sub>e have been offset through carbon credits generated by a project to collect and use gas from landfills in Chile for power generation and by another reforestation project in Peru.

## Scope 3 emissions [\[GRI 305-3\]](#)

### Scope 3 emissions (tCO<sub>2</sub>e)



### Scope 3 emissions classification





## Scope 3 [GRI 305-3]

### ISO 14064: 2019 - Indirect emissions

		GHG Protocol - Scope 3	tCO <sub>2</sub> e	%
<b>Category 3: Emissions caused by transport</b>	Upstream transportation and distribution of goods	4 Upstream transportation and distribution	3,694 <sup>(1)</sup>	1.7%
	Downstream transportation and distribution of goods	9 Downstream transportation and distribution	NA <sup>(2)</sup>	
	Employee commuting	7 Employee commuting	475	0.2%
	Customer and visitor travel	6 Business travel	103	0.0%
	Business travel	6 Business travel	1,035	0.5%
<b>Category 4: Emissions caused by products used by the organisation</b>	Purchased goods by the organisation	1.1 Purchased goods and services- Purchased goods	6,254	2.9%
	Capital goods	2 Capital or production goods, for example equipment, machinery, vehicles, buildings, factories, etc.	2,786	1.3%
	Solid and liquid waste disposal	5 Waste generated in operations	661	0.3%
	Services used by the organisation	8 Upstream leased assets	NA <sup>(3)</sup>	
	Other service uses	1.2 Purchased goods and services - other services	15,182	7.0%
<b>Category 5: Indirect GHG emissions associated with the use of the organisation's products</b>	Product use phase	11 Use of sold products	NA <sup>(4)</sup>	
	Downstream leased assets	13 Downstream leased assets	NA <sup>(5)</sup>	
	End-of-life phase of the product	12 End-of-life treatment of sold products	NA <sup>(6)</sup>	
	Investment	15 Investment	185,700 <sup>(7)</sup>	86.0%
<b>Category 6: Indirect GHG emissions from other sources</b>		3 Fuel and energy related activities not included in scope 1 and scope 1	NA <sup>(8)</sup>	
		10 Processing of sold products	NA <sup>(9)</sup>	
		14 Franchises	NA <sup>(10)</sup>	
<b>TOTAL</b>			<b>215,891</b>	

(1) - This category excludes emissions from the transportation of LNG to Enagás' facilities. However, by 2021, Enagás plans to further evaluate these emissions in order to assess their materiality.

(2) - This category is not applicable to Enagás as our activity is limited to the transportation of natural gas, classified within the midstream segment. Enagás does not own the gas at any stage of the value chain and therefore does not transport or distribute downstream in the life cycle of natural gas. This downstream transportation and distribution activity corresponds to companies belonging to the downstream segment.

(3) This category is not applicable to Enagás as we do not operate any upstream leased assets.

(4) (6) (9) These categories are not applicable to Enagás as our activity is limited to the transportation of natural gas, classified within the midstream segment. Enagás is not the owner of the gas at any stage of the value chain and therefore does not sell gas or any other product and it is not responsible for emissions related to the use of the products, the final end life of the product or its processing. This product sales activity corresponds to companies belonging to the distribution segment (downstream).

(5) - This category is not applicable to Enagás as we do not operate any downstream leased assets.

(7) - Includes emissions from Enagás' affiliates, specifically Bahía de Bizkaia Gas; Compañía Operadora de Gas en Perú (COGA) and Transportadora Gas de Perú (TgP); Soto la Marina Compressor Station; Morelos Gas Pipeline; Planta de Regasificación de Sagunto (Saggas); GNL Quintero Regasification Plant; Desfa and Altamira LNG Terminal. Emissions from Trans Adriatic Pipeline are not included as the operational phase started in the last quarter of 2020; Tallgrass Energy is not included due to lack of data.

(8) - Emissions from energy production are included in scopes 1 and 2. It should be noted that Enagás has an electricity contract with 100% GO from the second half of 2020. Enagás also plans to further evaluate emissions from the production of fuels included in scope 1 by 2021.

(10) - This category is not applicable to Enagás because the company does not have franchises.



In 2020, Enagás adapted its Carbon Footprint to the new version of ISO 14064:2019. In this regard, although Enagás has been reporting and verifying its scope 3 emissions by an independent external party (reasonable assurance) since 2013, in 2020 a scope 3 materiality analysis was carried out on all our indirect emissions. Criteria for assessing materiality have included: 1) emission volume of each category relative to the total in the historical series 2016-2019; 2) level of influence; 3) access to information; 4) data accuracy; and 5) relevance.

As a result of the materiality analysis, the categories corresponding to 1) upstream transportation and distribution of goods; 2) purchased goods; 3) capital goods; and 4) investments have been classified as material. It should be noted that, although only four categories were identified as material for Enagás, the company is aware of the importance of emissions linked to the value chain and therefore we report all categories in a bid for transparency.

Globally, our scope 3 emissions are down slightly (-1.3%) compared to 2019. Regarding the analysis of material categories, emissions from upstream transportation and distribution of goods, purchased goods and capital goods have increased mainly due to the methodology update made per the new version of ISO 14064:2019, in which emissions estimates have been made for those suppliers who have not reported their emissions. However, this increase was offset by the decrease in emissions in the investments category (-7% vs. 2019), demonstrating the commitment of our affiliates to the fight against climate change. As for other non-material categories, the impact of COVID-19 has led to a decrease in emissions in some categories, mainly employee commuting (-64%) and business travel (-44%), where Enagás' firm commitment to teleworking has not only protected its employees against the risk of contagion, but has also contributed to reducing its emissions.

96% of our scope 3 emissions are concentrated in the categories of investments (86%), purchased goods and other

service uses (10%). The investment category includes the scope 1 and 2 emissions of our affiliates, in which Enagás does not have financial control but which nevertheless have significant emissions considering the percentage of ownership. The category of purchased of goods and other service uses (category of purchased goods and services of the GHG Protocol) includes emissions from the extraction, manufacture and transport of goods and services acquired through our suppliers as well as office paper consumption.

Enagás promotes the reduction of its scope 3 emissions by extending its emissions reduction commitments to its value chain through, for example, the following actions:

- ▶ Investments in affiliates: emissions reduction and energy efficiency measures are among the critical management standards that Enagás extends to its affiliates (see the ['Affiliate management'](#) chapter). In addition, during 2020, a due diligence analysis was conducted on climate action for all our affiliates in order to prepare a diagnosis and set out recommendations in three areas considered pillars in the fight against climate change: emissions reduction targets, calculation and reporting of methane emissions and evaluation of best practices for the reduction of methane emissions through the analysis of international legislation in this area.
- ▶ Purchased goods and other service uses: Enagás has several platforms for the approval and evaluation of its suppliers' performance. In this way, Enagás evaluates its main suppliers in terms of climate action and identifies working areas aimed at reducing its carbon footprint (see the ['Supply chain'](#) chapter). [\[GRI 305-3\]](#)

2020



In 2020, Enagás was included by CDP in the 'Supplier Engagement Leaderboard', obtaining an A in CDP's '2020 Supplier Engagement Rating'. This list recognises which are the best companies in the management and commitment to their suppliers in terms of climate change.



# 4.8

## Local Communities

[GRI 103-1, GRI 103-2, GRI 103-3]

Relations with local communities are of importance to the company since our activities impact the areas in which we operate. They encourage competitiveness in the industry, enhance energy supply security and create direct and indirect employment.

### 3.9

MILLION EUROS  
of investment in  
social action

### 0.87%

SOCIAL ACTION  
INVESTMENT with respect  
to net profit

### 14

CORPORATE  
VOLUNTEERING INITIATIVES

### 287

PROFESSIONALS  
took part in corporate  
volunteering initiatives

We carry out our activity guaranteeing the safety of infrastructure, minimising impacts on ecosystems and the population.

The most relevant aspects of managing relations with local communities are the identification of local stakeholders, the information and consultation processes we carry out in infrastructure development activities and action plans (social investment).

### Sustainable Management Plan

#### Main lines in 2020

- › Contribute, inasmuch as the company is able, to addressing the public health emergency and mitigating the economic and social impact of COVID-19 through monetary and in-kind donations, such as the donation of 2 million euros to the State the account opened at the Bank of Spain, or contributions to the local communities where Enagás operates.
- › Promotion of virtual volunteering initiatives in the face of the COVID-19 health crisis.

#### 2021 lines

- › Migration of the volunteering portal to a new version that includes new lines of action such as direct donations and pro bono work, among others.
- › Volunteering activities focused on improving the employability of vulnerable groups (e.g. victims of violence against women, people with disabilities, etc.).



## Local community management

### Identification of local stakeholders

In local communities where Enagás develops and operates infrastructure, the company's priority is to contribute to their social and economic development and to minimise environmental impact while guaranteeing safety.

For this purpose, the first stages of building, operation and maintenance projects involve analysis of the area in terms of social, economic and environmental aspects, from which local stakeholders are identified.

This enables stakeholder maps to be created for the management of crises and emergencies affecting infrastructure, in which key collectives, communication channels and relevant issues are identified (see the ['Health and safety'](#) chapter).

Furthermore, the needs analysis of the area enabled the identification of key collectives and associations (NGOs, local councils, etc.) which are an important source of information for understanding the local context and for the establishment of partnerships (see ['Social investment'](#) in this chapter).

### Information and consultation processes

Enagás conducts environmental impact studies for construction projects and assessment of environmental aspects for infrastructure operation and maintenance projects.

Environmental impact studies are open to public information and are also subject to processes of consultation in which stakeholders may voice their opinion and even propose modifications to a project. EMAS-certified facilities publish an annual report (Barcelona and Cartagena regasification plants and Yela and Serrablo underground storage facilities).

## Communication channels with local communities



Environmental inbox



Informative sessions



Corporate website



Consultation processes

In the case of gas pipeline construction projects, the route design already takes into account criteria for minimising the impact on local plant and animal wildlife, and for avoiding the occupation of private property. Where the latter is concerned, a regulated procedure is applicable in Spain which includes public information and consultation with the entities affected, which guarantees transparency in the construction of infrastructure and equal treatment before the law.

[GRI 413-2, GRI OG10]

In matters related to infrastructure safety, Enagás develops internal emergency plans, which include information on stored chemical substances, human and material resources, scenarios, emergency plans, liability, etc. These plans are registered with the local government authorities, which are responsible for communicating them to the community and creating an associated action plan.

Enagás also holds information sessions in local areas for the purpose of explaining details of projects that are being executed locally, and safety and environment-related issues, among others.

**One of Enagás' priorities is to contribute to socio-economic development in the local communities where it develops and operates its infrastructure**





## Social investment [GRI 413-1]

The objective of Enagás' social investment is to contribute to the social and economic development of local communities, giving priority to those regions in which it operates, through sustainable social action models.

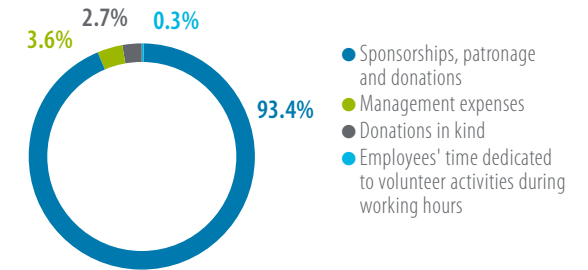
Through dialogue and collaboration with stakeholders, we maximised the positive social impact of our initiatives whether through volunteering, sponsorships, patronage or donations.



In 2020, this social investment amounted to a total of 3.9 million euros, mainly in specific solidarity initiatives to help alleviate the negative effects of the health crisis on society.

## 3.9 million euros of social investment during 2020, mainly in specific solidarity initiatives to help alleviate the negative societal effects of the health crisis

### Types of contributions



In 2020, Enagás prioritised solidarity initiatives in the form of donations and volunteering to help alleviate the negative societal effects of the health crisis, especially for the most vulnerable.



## Strategic social investment priorities

### Priority 1: Investment in communities

Enagás promotes the development of long-term collaboration initiatives, which contribute to the social and economic development of local communities, giving priority to those areas in which the company operates. For this purpose, it contributes economically and with time to social welfare, economic development, education and youth, health, art and culture, and the environment.



**Sustained, inclusive and sustainable economic growth, full and productive employment and decent work**

The initiatives implemented in this field cover the following aspects targeted by Sustainable Development Goal 8.

- › Employment
- › Economic inclusion
- › Non-discrimination
- › Development of abilities

### Priority 2: Commercial contributions to the community

Within the scope of its social actions, Enagás includes initiatives aimed at supporting research and the development of the gas sector, since natural gas is of great importance for improving competitiveness of industry, and therefore aids the creation of direct and indirect employment. For this purpose, economic contributions are made in the fields of economic development, education and youth, art and culture, and the environment.



**Ensure access to affordable, reliable, sustainable and modern energy for all**



**Build resilient infrastructure, promote sustainable industrialisation and foster innovation**

The initiatives implemented in this field cover the following aspects targeted by Sustainable Development Goals 7 and 9.

- › Energy efficiency
- › Investments in infrastructure
- › Environmental investments

12/2020

Enagás promotes the employability of vulnerable groups through training. Together with the Tomillo Foundation, training courses on digitalisation were given to young people and other socially disadvantaged people, with the aim of developing new digital skills demanded by the labour market. In addition, in collaboration with the Fundación Randstad and the Fundación José María de Llanos, five training workshops were held to promote the employability and social integration of women in vulnerable situations who have been victims of gender violence.

**Enagás' strategic social investment priorities are aligned with the Sustainable Development Goals**

[GRI 413-1]



## Priority 3: Donations to charity

Enagás engages in a number of specific collaborations as a reaction to emergencies taking place both in Spain and internationally. For this purpose, it makes contributions in cash and kind in the fields of social welfare, economic development, education and youth, health and the environment.



**Revitalise the global partnership for sustainable development**  
[GRI 102-12]

**In the international context, the initiatives are implemented in collaboration with local partners. In Spain, these initiatives are carried out in collaboration with entities and associations, for the purpose of fulfilling Sustainable Development Goal 17. In this way, and through partnerships with different stakeholders, Enagás contributes to achieving the other SDG in the following areas:**

- › Poverty
- › Hunger
- › Health
- › Education
- › Gender equality
- › Energy
- › Infrastructure
- › Reducing inequality
- › Climate change
- › Terrestrial ecosystems

[GRI 413-1]

## Sponsorships, patronage and donations [GRI 413-1]

Enagás collaborates economically with social welfare projects through:

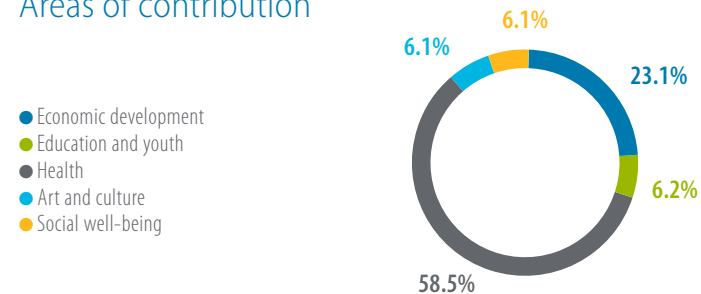
- › Sponsorships: institutional and/or sporting activities.
- › Patronage: social and cultural activities and initiatives.
- › Donations, which may be corporate or voluntary from employees.

The procedure for managing sponsorships, patronage and donations establishes the criteria for the reception, approval and follow-up of collaboration requests (financial contributions).

In 2020, monetary contributions amounting to 3.6 million euros have been made, of which 2.1 million euros are extraordinary contributions directed towards addressing the health crisis. Helping to mitigate the economic and social impact of COVID-19 has been one of Enagás' priorities in 2020.

The contributions have been distributed as follows:

### Areas of contribution





One of the company's most significant contributions to society was its collaboration with Public Administrations; specifically, its donation of two million euros to the State through the account opened at the Bank of Spain, made specifically as a direct contribution to address the public health emergency caused by COVID-19. Enagás is also collaborating with the Spanish Red Cross and has joined the 'Cruz Roja Responde' (Red Cross Responds) initiative to deliver essential health products to families in vulnerable situations and thus reduce the social impact of COVID-19 in Spain. Enagás has also carried out specific actions in the regions and municipalities in which it operates, with initiatives that provide a stable source of nutrition to families in situations of social exclusion, supply mobile communications hubs to homes for the elderly to facilitate communication with families, donate computer equipment to help reduce technological inequities between schoolchildren, and donate personal protective equipment for use by emergency services.

In 2020, donations in-kind had a total value of 105 thousands of euros. Particularly notable donations included the General Shareholders' Meeting providing nonperishable foodstuffs to the Madrid Food Bank Foundation and donations of computer equipment, communications terminals and protective health equipment (PPE, masks, hand gel, etc.).

In addition, the company has collaborated with Coronavirus Makers, a mutual aid network dedicated to the charitable production of medical equipment, made up of more than 15,000 volunteers. The company has donated PVC screens to make face shields for health workers and essential personnel.

In 2020, the company launched the urgent 'Positive Energy+' call for start-ups. It has promoted this pioneering Spanish initiative alongside other companies (Red Eléctrica, CLH, Iberdrola, InnoEnergy, Acciona, BP, Capital Energy and Disa) to contribute to mitigating the economic and social impact

of COVID-19 through innovation. The initiative received almost 400 projects in just 13 days, most of them in the 'decarbonisation and sustainability' category. Finally, 12 start-ups were selected to receive funding and other support such as pilot projects, technological co-development or venture customer status.

Lastly, Enagás affiliates have launched initiatives in the countries in which they operate to assist and collaborate with public administrations and health authorities. Most of these focus on the purchase and distribution of medical supplies and healthcare equipment.

### Corporate volunteering programme [GRI 413-1]

Enagás employees participate in the company's Corporate Volunteering programme 'En nuestras manos' ('In Our Hands'), giving up their time and bringing their skills and talent. There are two forms of cooperation:

- ▶ **Face-to-face corporate volunteering**, for which activities are carried out in collaboration with an association and overseen by the company. This type of initiative takes place during business hours. In line with corporate guidelines on diversity and equal opportunity, the company guarantees that participation in volunteering activities will not lead to work-related discrimination.
- ▶ **Virtual volunteering**, for which the company connects with volunteering opportunities through different associations by means of the corporate volunteering portal. A platform that strengthens and extends the existing programme. It encompasses special days organised by the company as well as over 1,200 national and international collaboration opportunities, both face-to-face and virtual, put forward by NGOs.

3/2020

**The company has also joined volunteer campaigns such as 'Letters against loneliness', an initiative to combat the isolation caused by coronavirus on elderly people in care homes, through letters written by Enagás professionals.**

In 2020, given the context of the health crisis caused by COVID-19, Enagás opted for virtual volunteering activities and those carried out by employees on an individual basis. During the year, 14 initiatives were carried out with the participation of 287 employees who volunteered a total of 625 hours. In terms of programme management costs and employee time during volunteer activities, this represents an investment of 149 thousands of euros by the company.



# 4.9

## Supply chain

[GRI 103-1, GRI 103-2, GRI 103-3]

Supply chain management is an increasingly relevant issue in the company's management, and this is reflected in the 2020 materiality analysis.

### 1,483

APPROVED SUPPLIERS

### 1,042

APPROVED SUPPLIERS ASSESSED regarding human rights, ethics, social and environmental matters

### 149

APPROVED SUPPLIERS AUDITED EXTERNALLY in financial, ethical, environmental and social aspects in the last two years

### 161

APPROVED SUPPLIERS ARE ASSESSED for climate action in the last two years

Appropriate supply chain management allows us to identify and manage the risks (regulatory, operational, reputational, etc.) associated with it, and to make good use of opportunities for collaboration and value creation shared with our suppliers.

### Sustainable Management Plan

#### Main lines in 2020

- › Update of the Supplier Code of Ethics in line with the new Enagás Code of Ethics.
- › Internal audit of the supplier approval and disqualification process.
- › Updated external evaluation of financial, ethical, reputational, environmental and social matters.
- › Simplification of the supplier invoice processing system to speed up times, automate tasks and improve communication with suppliers.

#### 2021 lines

- › Review of supplier management, approval and reliability processes in which ESG criteria (environmental, social and governance) will be integrated.
- › Update of the approval procedure and review of the criteria established in the critical supplier definition.
- › Continue to externally audit our suppliers in financial, ethical, environmental and social aspects.



## Our supply chain [\[GRI 102-9\]](#)

In order to work with Enagás, suppliers must undergo a strict approval process. The company currently works with 1,483 approved suppliers, which are classified in families according to the products or services they offer:

- Suppliers of works and services: IT & communication suppliers, engineering, etc. In 2020, 490 service providers carried out work at Enagás facilities. [\[GRI 102-8\]](#)
- Suppliers of supplies: electrical equipment suppliers, piping manufacturers, rotary machine manufacturers, manufacturers of instrumentation and control devices, among others.

Families of products or services are classified into levels according to their potential impact on the company's operations. In this manner, the suppliers of products and services whose failure or malfunctioning would entail a high risk or cost to the company's operations are designated major or critical (levels 1 and 2) suppliers.

Enagás has 909 approved critical suppliers. In 2020, we began working with 21 new suppliers and stopped working with 10 suppliers because they discontinued their activity, merged with third parties or for breach of contract. [\[GRI 102-10\]](#)

## Volume of supplier management

[\[GRI 203-2, GRI 204-1\]](#)

	Works and services	Supplies
<b>Number of orders</b>	3,909 (97% of which were local)	6,812 (99% of which were local)
<b>Order value (M€)</b>	144.3 (97% of which were local)	45.7 (64% of which were local)

## Supply chain risk management

Enagás has identified areas in supply chain management where there may be risks for the business and our stakeholders. These areas, which cover both economic, ethical, environmental and social aspects, form the basis for the assessments we perform on our suppliers in the different procurement processes. The areas analysed are: [\[GRI 308-2, GRI 414-2\]](#)

- Product and/or service quality.
- Financial situation, civil liability, economic dependence on Enagás.
- Health and safety.
- Ethics and compliance: criminal risks, ethical compliance, legal compliance, responsible tax practice.
- Human rights: labour rights (diversity, work-life balance, gender equality), respect for the principles of the United Nations Global Compact and the Universal Declaration of Human Rights, human rights compliance in the supply chain.
- Environment: emission intensity, environmental impact (resource consumption, waste generation, noise emissions, gas emissions, etc.), environmental safety (discharges, spills, pollution, etc.).

Enagás has a supplier management model that takes into account the company's goals in order to guarantee supply chain sustainability. These goals are translated into approval requirements depending on the level of risk in the economic, ethical, compliance, social and environmental aspects of the family of products and services to which each supplier belongs.

The requirements established in the supplier approval process are:

➤ For all suppliers:

- Have the capacity and resources to meet technical, quality, environmental and safety requirements, and upholding thereof over an extended period of time.
- Acceptance of the Enagás Code of Ethics.
- Respect the principles of the United Nations Global Compact and the Universal Declaration of Human Rights.
- Compliance with the quotas set out in the Spanish Rights of Persons with Disabilities Act<sup>1</sup>.
- Implementation of a Gender Equality Plan<sup>1</sup>.

➤ For suppliers of specific families of products or services:

- Quality, environmental and/or occupational risk prevention certification requirements for suppliers (required from 88.7%, 23.1% and 31.5% of Enagás suppliers, respectively).
- Policies or measures to promote work-life balance of employees or Family-Responsible Company certificate.

See the ***Ethical Principles and Behavioural Guidelines for Suppliers*** on the [corporate website](#).



1. Requisite set for companies with a workforce greater than that indicated by the applicable laws.



During the execution of the contract, Enagás assesses its suppliers in the aforementioned areas using different evaluation methodologies, taking into account criteria such as criticality and turnover, among others. The results of these assessments allow monitoring of the degree by which suppliers meet the targets scores, audit results and legal compliance, established for each assessment area, and to identify suppliers that pose a high risk to sustainability. For the latter, action plans are set out to mitigate such risks. [\[GRI 308-2, GRI 414-2\]](#)

## Enagás evaluates its suppliers in environmental, social, ethical and human rights matters using different methodologies

Methodology and areas of evaluation <a href="#">[GRI 102-21, GRI 102-42, GRI 102-43, GRI 102-44]</a>		Number of suppliers assessed in 2020 <a href="#">[GRI 308-1, GRI 414-1]</a>	Definition of high risk	Number of suppliers identified as high risk and for whom action plans have been defined
Internal assessment	Reliability assessment <sup>(1)</sup>	162	Suppliers with a score less than 50/100	13
	Human rights, ethical, social and environmental assessment	1,042	Suppliers with a score less than 30/100	228
	Climate action assessment <sup>(1)</sup>	161	Suppliers that do not measure or report their emissions	80
	Documentary and on-site safety audits of suppliers who conduct work at company facilities <sup>(1)</sup>	118	Suppliers with unfavourable audits	18
External assessment	Financial, reputational, ethical, environmental and social assessment	674	Suppliers with a score less than 50/100	319
	Cybersecurity scoring	686	Suppliers with high or very high risk of non-compliance and/or financial loss	132
	Consultation on human rights, ethics and compliance on reputational analysis platforms	1,483	Suppliers involved in legal non-compliance	43
	Audits on financial, ethical, environmental and social aspects <sup>(1)</sup>	149	Suppliers with non-conformities	96

(1) Los resultados de las evaluaciones realizadas se consideran válidos durante dos años.



# 4.10

## Affiliate management

The sustainable management of affiliates is an increasingly important matter, as reflected in the materiality analysis carried out in 2020.

Proper management of environmental, social and governance matters in our value chain allows us to anticipate risks and take advantage of opportunities for long-term value creation.

The most significant aspects of affiliate management are set out through the critical management standards and the internal audits that we carry out in our affiliates.

### Sustainable Management Plan

#### Main lines in 2020

- › Human rights and climate action due diligence assessment for affiliates.
- › Internal audit of the Crime Prevention Model of the SAGGAS regasification plant and of the Compliance Model and Risk Model of Trans Adriatic Pipeline.
- › Internal audit of processes and purchase controls at Transportadora de Gas de Perú, Compañía Operadora de Gas en Perú, the GNL Quintero regasification plant, Gasoducto de Morelos and the Soto de la Marina compressor station.
- › Cross-cutting implementation of a COVID Contingency Plan in coordination with Enagás.

#### 2021 lines

- › Development of action plans and recommendations on the basis of human rights and climate action due diligence assessment at affiliates.
- › Internal audit to evaluate the adequacy of internal control in the procurement processes in the Morelos gas pipeline and Transportadora de Gas del Perú, and in the human resources processes in the Morelos gas pipeline.
- › Internal audit to evaluate the adequacy of internal control in the corporate governance process at the SAGGAS regasification plant.





## Management model for affiliates

Enagás affiliates are managed autonomously. The Shareholders' agreements regulate the decision-making mechanisms to guarantee co-control of each company and the capacity to block relevant decisions. Enagás' influence and decision-making is exercised through leadership on Boards of Directors and other governing bodies (e.g. Remuneration Committee, etc.), appointing directors with extensive experience in the sector and the country.

However, Enagás has developed a management model for these companies that seeks to guarantee the target profitability of the business plans and their long-term sustainability, contributing Enagás' experience, knowledge and best practices as an industrial partner, while at the same time allowing affiliates to contribute to Enagás' growth, ensuring the objectives communicated to the market.

Enagás has an internal management team in each affiliate. In addition, Enagás guarantees the suitability of the managers of the affiliates for their positions by analysing and evaluating their profiles, as well as by appointing specialised Enagás profiles to key positions in the affiliates (seconded personnel).

**Enagás has defined critical management standards, based on its material topics, which it extends to its affiliates based on its level of influence**

### Critical management standards

Enagás actively manages its relations with the partners and managers of its affiliates.

The company has set out critical management standards, based on its material topics, which it extends to its affiliates according to their level of influence, and monitors them by setting out a plan of objectives for each affiliate to be implemented over a five-year horizon.

Critical management standards are transferred through working groups led by the specific managers of each affiliate, involving members of the General Management of Enagás who co-lead matters falling under their remit. These working groups are instrumental in aligning positions and ensuring the operability of the Board of Directors of the affiliate, where the decisions taken by consensus will be concluded in the groups.

Enagás has an Internal Monitoring Committee, established at the management level, which supervises the critical decisions of affiliates and reports quarterly on key matters to the Enagás Board of Directors.





## Critical management standards



### Financial and operational excellence

#### Financial excellence:

- Financial and cash planning and management
- Insurance
- Management control
- Taxation
- Financial reporting
- Accounting and administration

#### Operational excellence:

- Quality management system
- Operational efficiency
- Prioritisation of assets
- Maintenance management system
- Operation
- Warehouse management
- Customer service
- Affiliate programming management
- Measurement
- Distribution and balances



### Good Governance

- Procedure rules
- Board of Directors remuneration policy
- Company governance (agreements, working groups, etc.)



### Ethics and Compliance

- Code of conduct
- Crime Prevention Model
- Whistleblowing channel



### People

- Remuneration policy
- Contractual relations and trade union rights
- Negotiation and representation
- Human resources policy
- Human resource development (training and recruitment)
- Workplace climate



### Health and safety

- Asset protection
- Health and safety management system
- Emergency plan
- Risk analysis
- Health monitoring
- Cybersecurity



### Local communities

- Stakeholder management model
- Local development actions



### Natural capital and biodiversity management

- Environmental management system
- Conducting environmental impact assessments



### Climate action and energy efficiency

- Energy efficiency measures and emissions reduction



### Supply chain

- Contracting and reporting (procurement processes)
- Suppliers approval



### Other management standards

- Risk Map: identification and monitoring of risks
- Internal control (general control and process control)
- Internal audit

## Internal control in affiliates

Enagás, together with its business partners, is conducting internal audits of its affiliates in order to verify the solidity of internal controls associated with the processes at greatest risk for fraud, corruption and bribery, and is establishing control activities to strengthen these processes wherever necessary. It also monitors the local internal audit plans (Compañía Operadora de Gas en Perú, Tallgrass Energy, DESFA, Trans Adriatic Pipeline and GNL Quintero regasification plant), to ensure that the main risks of the affiliate are covered by the internal audits.

During 2020, we continued with the continuous process of complying with the audit plans approved by the different Committees to ensure maximum coverage of the processes with the highest risk. Examples include work on crime prevention and cybersecurity (SAGGAS regasification plant), compliance and risks (Trans Adriatic Pipeline) and review of procurement processes and controls (Transportadora de Gas de Perú, Compañía Operadora de Gas en Perú, GNL Quintero regasification plant, Morelos gas pipeline and Soto la Marina compressor station).



## Most significant actions carried out in our affiliates

During 2020, a year marked by the COVID-19 crisis, all Enagás affiliates operated normally, contributing to the security of supply in their respective countries. All the companies have implemented a contingency plan against COVID-19 in coordination with Enagás. To this end, remote working has been promoted and field work has been restricted to critical positions with protection and hygiene measures. In addition, we have promoted habitability solutions for critical personnel.

In addition, a due diligence analysis has been initiated in the areas of human rights and climate action in all affiliates, thus addressing two of the most critical areas in terms of sustainability. The analysis of conclusions together with recommendations to affiliates will take place during 2021 and will enable us to make progress in the creation of joint value with our affiliates.

The following is a list of the most significant actions carried out in our affiliates in recent years; all of them are aligned with the Enagás' strategy and sustainable management model.



For further information on Enagás' affiliates, please consult their corporate website



### USA

- [Tallgrass Energy](#)

### Mexico

- [TLA Altamira regasification plant](#)
- [Soto La Marina compressor station](#)
- [Gasoducto de Morelos](#)

### Peru

- [Transportadora de Gas del Perú \(TgP\)](#)
- [Compañía Operadora de Gas en Perú \(COGA\)](#)

### Chile

- [GNL Quintero regasification plant](#)

### Greece, Albania and Italy

- [Trans Adriatic Pipeline \(TAP\)](#)

### Greece

- [DESFA operator](#)

### Spain

- [SAGGAS regasification plant](#)
- [BBG regasification plant](#)



## Management standard

## Actions

### Health and Safety

- Contingency plan against COVID-19 in all companies, promotion of remote working and field work only in critical positions with protection and hygiene measures and habitability solutions for critical personnel.
- Preparation of the Cybersecurity Master Plan at the GNL Quintero regasification plant.
- Development of a Cybersecurity Plan for Compañía Operadora de Gas in Peru and Transportadora de Gas in Peru.

### Climate action and energy efficiency

- Ratification of the Reporting Framework OGMP 2.0 initiative (measurement and control of methane emissions) by the SAGGAS regasification plant and commitment to engagement with the Trans Adriatic Pipeline once it enters into operation.
- Development of the Strategic Carbon Plan 2021-2026 at the SAGGAS regasification plant.
- Noteworthy achievements in the reduction of emissions through the optimisation of operating processes, for example the optimisation of fuel gas consumption and the optimisation of the plant shutdown process at the Compañía Operadora de Gas in Peru.
- Methane footprint and setting of methane emission reduction targets at the TLA Altamira regasification plant.

### Operational and financial excellence

- Peer review process, with preparation of a report on areas of improvement for prioritisation in the Morelos pipeline.
- Preparation of the long-term Sustainability Plan for the GNL Quintero regasification plant.
- Review of the Maintenance Plan and audit of the project management system at the GNL Quintero regasification plant.
- Production of a Business Continuity Plan and Strategic Planning for 2021-2026 at the SAGGAS regasification plant.

### People

- Review of the organisational model of engineering and asset management in the Compañía Operadora de Gas in Peru.
- Signing of the collective bargaining agreement for the next three years at the GNL Quintero regasification plant.

### Supply chain

- Audit of the supply chain procedure at the TLA Altamira regasification plant and of the purchasing and procurement process at the GNL Quintero regasification plant.
- Analysis of segmentation by categories in the approval process at Compañía Operadora de Gas in Peru.
- Update of the purchasing procedure and associated communication plan in Transportadora de Gas del Perú.
- Testing of the redefined control activities in the purchases, external services and accounts payable processes of the regasification plant of SAGGAS.

### Ethics and Compliance

- Development of the Crime Prevention Model, the Code of Conduct and the Complaints Channel at the Morelos gas pipeline and the Soto La Marina compressor station.
- Review of the Code of Ethics at the GNL Quintero regasification plant.
- Creation of the Internal Audit function and implementation of the Risk Management Model at Compañía Operadora de Gas in Peru.

### Local communities

- Development of a social investment plan and a communication and community outreach strategy at the Soto La Marina compressor station and Morelos gas pipeline.



# 4.11

## Respect for human rights

By acting on each material topic, Enagás ensures that human rights are upheld where applicable to the context and activities of the company.

For this purpose, the company follows the roadmap set out by United Nations through its Sustainable Development Goals.

Enagás sets out its commitments to ensure compliance with Human Rights in its Human Rights Policy. These commitments are developed in the Enagás' Code of Ethics and the corporate policies that comprise it, aligning them with, inter alia: [\[GRI 102-12\]](#)

- United Nations International Charter of Human Rights.
- The International Labour Organisation (ILO) Declaration as well as the fundamental conventions (freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation) and the conventions concerning indigenous and tribal peoples.
- OECD Guidelines for Multinational Enterprises.
- The European Convention on Human Rights.

Enagás provides an online training programme for all employees so that they can learn the company's methods for ensuring compliance with human rights.



Consult the *Human Rights Policy of Enagás* on the [corporate website](#)

## Identification of rights and risk assessment

Human rights management is addressed using a continuous improvement approach aligned with our Sustainable Management Model. At Enagás, we differentiate between those human rights which, according to the risk assessments we perform each year, are applicable at different points in the company's value chain (Enagás' activities with management control, affiliates without management and supply chain control, and customers), including labour rights, safety, the environment, ethics and integrity, and fundamental rights. [\[GRI 412-1\]](#)

The assessments carried out annually are:

- Country-specific risk assessment (see the '[Strategy](#)' chapter)
- Corporate Risk Map (see the '[Risk management](#)' chapter)
- Safety risk assessments in posts and facilities (see the '[Health and Safety](#)' chapter)
- Environmental impact / environmental risk assessments (see the '[Natural capital and biodiversity management](#)' chapter)
- Supply chain assessments (see the '[Supply chain](#)' chapter).



In the assessments carried out in 2020, Enagás considers the level of risk to be low across the boards due to the measures that the company has implemented as part of its sustainable management model. Thus, Enagás has human rights risk prevention and mitigation plans in all the geographical areas in which the company operates (see '[Our business model](#)' and '[Geographies](#)' chapters), which include the main measures detailed below for each of the main issues named and aimed at the vulnerable groups identified<sup>1</sup>. These measures have been set out according to the company's capacity to influence the different points of its value chain.

During 2020, Enagás did not find any human rights violations, thus no remediation actions have been carried out.

## Human rights assessed in Enagás activities:

### Human Rights

### Measures to reduce the level of risk

#### Labour practices

#### The right to decent work and the rejection of forced, compulsory and child labour

Enagás guarantees stability and quality of employment, a commitment that is reflected in its Human Capital Management Policy. The Enagás Collective Bargaining Agreement prohibits the company from employing minors of under 16 years of age (Article 28 of the Collective Bargaining Agreement).

#### Right to rest and leisure

Enagás improves and extends the periods and conditions of rest and leisure established in current legislation (flexibility in start times and lunch break, intensive working days during the summer and every Friday throughout the year, division of annual leave into a maximum of four periods, etc.).

#### Right to family life

Enagás improves and extends paid leave beyond the provisions of current labour regulations (death of a close relative, illness, reduced working hours for childcare, special circumstances, etc.).

#### Freedom of association

Enagás employees can freely exercise their right to belong to trade unions in order to promote and defend their economic and social interests without this being the basis for discrimination, and any agreement or decision by the company contrary to this principle is deemed null and void (Article 64 of the Collective Bargaining Agreement).

#### Collective bargaining

Enagás has in place a collective bargaining agreement, in line with its human capital management policy (see the '[People](#)' chapter), and enters into collective negotiations and carries out regular consultations with authorised employee representatives.

#### Workplace non-discrimination and diversity

The company has in place a Diversity and Inclusion Strategy, an Equality Plan and a Prevention and Action Protocol at the disposal of its employees for any situation of workplace harassment. This protocol provides a confidential channel for reporting workplace harassment (canal.ético@enagas.es).

#### Fair and favourable remuneration

Part-time employees receive remuneration that is proportional to the salary of full-time employees, with identical employee benefits. In addition, in 2020, Enagás' minimum salary was 1.7 times the minimum inter-professional salary in Spain. [[GRI 202-1](#)]

#### Right to a safe working environment

Enagás' occupational risk prevention management system, certified under ISO 45001, provides mechanisms for identifying and preventing incidents (see the '[Health and Safety](#)' chapter).

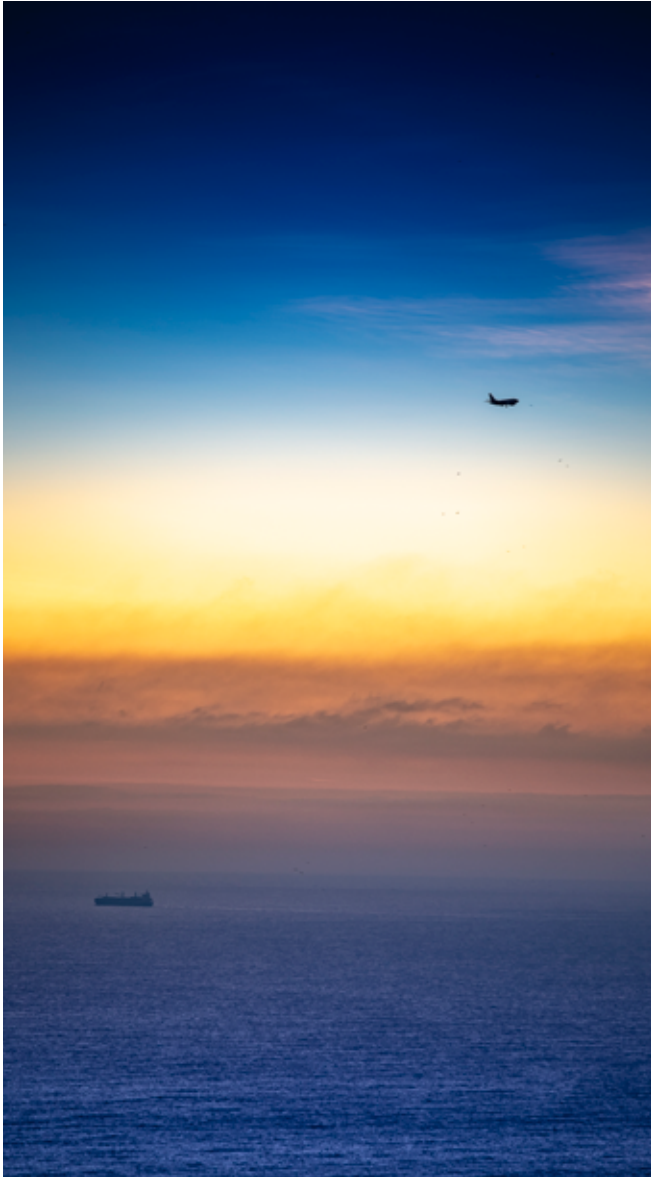
#### Right to life, liberty and security of person

The company exercises due diligence when rendering its services in order to prevent errors or omissions that could harm the life, health or safety of consumers or others who could be affected by the defective product. It also complies with national laws and relevant international guidelines.

#### Right to freedom of opinion, expression and information

Enagás has various clear and transparent internal communication channels that allow workers to communicate with senior management.

1. Within the framework of the risk assessments that Enagás carries out each year, vulnerable groups have been identified among the stakeholders - employees, local communities and suppliers - upon whom actions are focused.



## Human Rights

## Measures to reduce the level of risk

### Society and local communities

#### Right to use natural resources

The Enagás environmental system, certified under ISO 14001 and EMAS, provides the mechanism to mitigate the environmental impacts derived from the company's activities (see the '[Natural capital and biodiversity management](#)' chapter).

#### Rights of communities and indigenous people

Through its social action strategy, Enagás contributes to the socio-economic development of local communities, prioritising those areas where the company operates, through sustainable social action models, paying special attention to the most vulnerable communities such as indigenous or tribal populations.

#### Property rights, resettlement and compensation

Enagás' procedures relating to the development of infrastructure construction projects include criteria aimed at avoiding the occupation of privately owned areas and minimising potential relocation of local communities, applying procedures for information, consultation and fair compensation that guarantee transparency and equal treatment.

#### Prevention of abuse by security forces and prevention of cruel, inhuman or degrading treatment

Enagás ensures compliance with principles on respect for Human Rights by requesting to the security companies proof of membership to associations promoting respect for Human Rights. [\[GRI 410-1\]](#)

#### Privacy of information

Enagás has adapted its personal data control and management systems to the latest requirements incorporated by EU regulation 679/2018 (GDPR) and Law 3/2018 (LOPDGDD), in order to continue processing the personal information of its professionals with the maximum guarantees of respect for privacy and legal compliance.



## Human rights assessed in the supply chain:

### Human Rights

- › General human rights
- › Labour
- › Safety
- › Environment
- › Ethics and integrity

### Risk Management

Enagás ensures that its suppliers, and especially those with workers operating within Enagás' facilities, respect these human rights. We demand a commitment from them, we ask them for the necessary documentation and we conduct audits. (See the '[Supply chain](#)' chapter).

### Basic rights / Confidentiality of information

Enagás has adapted its personal data control and management systems to the latest requirements incorporated by EU Regulation 679/2018 (GDPR) and Law 3/2018 (LOPDGDD), in order to continue processing the personal information of its suppliers with the maximum guarantees of respect for privacy and legal compliance.

## Human rights assessed in affiliate companies without management control:

### Human Rights

- › General human rights
- › Labour
- › Safety
- › Environment
- › Ethics and integrity
- › Basic rights
- › Rights of indigenous peoples

### Risk Management

In our business agreements, we promote compliance with corporate policies (according to the degree of influence). Our management model for affiliate companies is based on the transfer of critical standards of management (see the '[Affiliates Management](#)' chapter), which include the necessary areas in order to guarantee respect for the following human rights:

- People management
- Ethics and Compliance
- Health and safety
- Local communities
- Environment
- Supply chain

Likewise, these areas are evaluated as critical aspects in due diligence processes.

## Human rights assessed in customers:

### Human Rights

### Basic rights / Confidentiality of information

### Risk Management

The Enagás Code of Ethics sets out diligent management of information as one of its guidelines of conduct. The company keeps a record of what information may be accessed by each person and for what purpose. In addition, Enagás has adapted its personal data control and management systems to the latest requirements incorporated by EU Regulation 679/2018 (GDPR) and Law 3/2018 (LOPDGDD), in order to continue processing its customers' personal information with the maximum guarantees of respect for privacy and legal compliance.

## Repair procedures and mechanisms

Enagás also has in place procedures for redress should there be non-compliance with any of the previously mentioned human rights, such as:

- › Procedure for the management of consultations and reporting regarding irregularities or breaches of the Code of Ethics (see the '[Ethics and Integrity](#)' chapter).
- › Self-protection and interior emergency plans, the incident and transmission network emergency response action plan and the procedures regulating it, the accident and incident management procedure and procedure for reporting them to stakeholders (crisis manual, incident reporting, etc.). (See the '[Health and Safety](#)' and '[Natural Capital and Biodiversity Management](#)' chapters).
- › Procedure for compensation and indemnity for the passage of gas pipelines on private property (see the '[Local Communities](#)' chapter).

Additionally, as mechanisms for redress, Enagás has in place an ethical channel (accessible to all stakeholders) and an Ethical Compliance Committee (see the '[Ethics and Integrity](#)' chapter). There are also corporate mailboxes available for specific areas.





# 4.12 Ranking on indices and certifications

Recognition for the Enagás sustainable management model.

**Enagás is the world leader in its sector in the Dow Jones Sustainability Index for fifth year running**

## Position

### Sustainability



Enagás has been a member of the United Nations Global Compact since 2003. The Progress Report has been at GC Advanced Level since 2011. The company has also been listed on the Global Compact 100 index since 2013.



Since 2008, the Annual Report has been externally audited and drafted under standard AA1000APS and the Global Reporting Initiative (GRI) guidelines. Since 2012, it has been written as per the principles of integrated reporting of the International Integrated Reporting Council (IIRC). Since 2020 it is drafted under the SASB (Sustainability Accounting Standards Board) reporting standard for the Oil & Gas - Midstream sector.



Enagás has been a member of the Dow Jones Sustainability Index World (DJSI) since 2008. It is classified Gold Class, and the company was identified as the leader of the Gas Utilities sector in 2020.



Enagás renewed its presence on the Eurozone 120 Euronext Vigeo index in 2020.



Enagás has been a member of the FSE4Good index since 2006.



Enagás has been a member of the STOXX Global ESG Leaders index since 2011.



Enagás has been a member of the Ethibel Sustainability Index Excellence Europe since 2009.



Enagás has held ISS's 'B Prime' rating since 2010.



Enagás has been a member of the MSCI 'Global Sustainability Indices' since 2010, with an AA rating in 2020.

### Quality and excellence



The Enagás management model has held the 'EFQM 500+ European Seal of Excellence' since 2012. In the 2018 assessment, the score was over 600 points. Enagás was also acknowledged as Ambassador of European Excellence in 2020.



Enagás holds ISO 9001:2015 certification for its processes of Technical Management of the System, Asset Management, Infrastructure Development and Information Systems Management. The company also holds SSAE 18 certification for Security of Supply of the System/Technical Management of Underground Storage Facilities Systems.

### Environment



Enagás has been listed in CDP's Climate Change and Water Security rankings since 2009. In 2020 it has been included in the A List (maximum rating) of leading companies in climate change management, being the only one in the Oil & Gas sector worldwide to obtain this rating. It has also been recognised as one of the leading companies for its commitment to suppliers.



Enagás holds the ISO 14001:2015 certification for its Gas Transmission and Storage Infrastructure Development processes, its Asset Management, the Enagás Central Laboratory and the corporate head office. The Huelva and Barcelona plants and Serrablo and Yela storage facilities also have EMAS verification. In addition, the Energy Management System of the companies Enagás S.A. and Enagás Transporte S.A.U. is certified according to ISO 50001:2018.



## Social



Enagás has held the 'EFR Certificate of Reconciliation' since 2007, having achieved level A of Excellence in 2019.



Since 2009, Enagás has been recognised as one of the Top Employers in Spain.



In 2020, Enagás has been included as the third global company leader in gender equality and promotion of equality according to the Bloomberg Gender-Equality Index.



The Occupational Risk Prevention and Management System for the Enagás Group Companies Enagás GTS, S.A.U., Enagás Internacional S.L.U., Enagás S.A. and Enagás Transporte S.A.U. is certified under ISO 45001:2018. Moreover, Enagás has held the healthy company certification since 2017 and has obtained the ISO 39001 road traffic safety management and the ISO 27001 information security management certification.



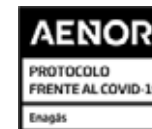
In 2015 Enagás received the Bequal seal for its commitment to the inclusion of the disabled in the company, having achieved the Plus category in 2019



Enagás has held the 'Equality in the workplace Award' since 2010, granted by the Spanish Ministry of Equality.



According to Equileap, Enagás was included in 2019 among the 100 global leaders in the promotion in gender equality in the workplace.



In 2020, Enagás received AENOR's 'COVID-19 Action Protocol Certification', which recognises the efforts made by the company to protect the health and safety of its employees in the face of the pandemic.



# 5

## Key indicators





## Economic indicators

### Economic performance and cost efficiency

[GRI 102-7]

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>EBITDA (million euros)<sup>(1)</sup></b>	596.0	636.2	701.3	780.8	885.5	934.3	995.9	939.8	900.5	948.8	1,110.3	1,060.7	994.8	<b>942.9</b>
<b>EBIT (million euros)<sup>(1)</sup></b>	408.3	433.1	484.7	530.9	585.9	618.4	649.8	589.6	602.0	651.7	732.1	691.0	657.4	<b>614.6</b>
<b>BDI (million euros)<sup>(2)</sup></b>	238.3	258.9	298.0	333.5	364.6	379.5	403.2	406.5	412.7	417.2	490.8	442.6	422.6	<b>444.0</b>
<b>Dividends (million euros)<sup>(2) (3)</sup></b>	143.0	155.3	178.8	200.1	237.0	265.7	302.4	310.4	315.1	331.4	348.1	354.8	371.3	<b>426.7</b>
<b>Net investment (million euros)<sup>(2)</sup></b>	508.6	776.9	901.6	796.3	781.4	761.4	531.4	625.0	530.2	912.2	328.5	-262.8	706.2	<b>859.2</b>
<b>Net debt (million euros)<sup>(2)</sup></b>	1,942.7	2,351.3	2,904.0	3,175.3	3,442.6	3,598.6	3,772.7	4,059.1	4,237.0	5,088.7	5,007.7	4,274.7	3,755.0	<b>4,287.7</b>
<b>Shareholders equity (million euros)<sup>(2)</sup></b>	1,344.8	1,456.1	1,593.4	1,738.8	1,867.4	2,014.9	2,118.4	2,218.5	2,318.9	2,373.7	2,585.6	2,658.7	3,170.1	<b>3,192.7</b>
<b>Assets (million euros)<sup>(2)</sup></b>	3,976.0	4,717.8	5,779.9	6,829.1	7,717.4	8,083.4	7,043.5	7,711.8	7,751.9	9,248.0	9,649.6	9,526.2	8,844.2	<b>9,008.9</b>
<b>Net debt/EBITDA (adjusted)<sup>(1) (4)</sup></b>	3.3x	3.7x	4.1x	4.1x	3.9x	3.8x	3.7x	4.2x	4.5x	5.2x	4.4x	4.0x	3.9x	<b>4.8x</b>
<b>Financial cost of debt<sup>(2)</sup></b>	4.3%	4.7%	3.3%	2.7%	2.8%	2.5%	3.0%	3.2%	2.7%	2.4%	2.2%	2.3%	2.1%	<b>1.9%</b>
<b>Headcount (December 31)<sup>(5)</sup></b>	985	1,008	1,046	1,047	1,126	1,178	1,149	1,206	1,337	1,337	1,307	1,320	1,306	<b>1,330</b>

(1) These figures are included in the Alternative Performance Measures Report, available at [corporate website](#).

(2) Figures reported in the Notes to the Consolidated Annual Accounts of the Enagás Group for each financial year.

(3) The figures reflect total dividends for the year (interim dividend + complementary dividend).

(4) EBITDA adjusted by dividends received from affiliates.

(5) In order to facilitate data comparability, the 'number of employees' indicator for 2017 and 2018 has been recalculated excluding the GNL Quintero regasification plant (Chile) (see '[About our Consolidated Management Report](#)').



## Stock market performance

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Share price (31 Dec) (€)</b>	19.99	15.56	15.43	14.92	14.29	16.14	19.00	26.19	26.00	24.12	23.87	23.61	22.74	<b>17.97</b>
<b>Dividend (€)</b>	0.60	0.65	0.75	0.84	0.99	1.11	1.27	1.30	1.32	1.39	1.46	1.53	1.60	<b>1.68<sup>(1)</sup></b>
<b>Market capitalisation (million euros)</b>	4,771.6	3,714.7	3,682.5	3,560.7	3,411.0	3,852.6	4,534.8	6,251.3	6,207.1	5,759.4	5,698.6	5,636.5	5,967.7	<b>4,706.7</b>
<b>Number of shares (million)</b>	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	262.0	<b>262.0</b>

(1) Distribution of the 2020 gross dividend of 1.68 euros per share is subject to approval at the General Shareholders' Meeting.

## Economic value generated and distributed [GRI 201-1]

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Economic value generated (EVG)</b>	901.5	1,000.80	1,154.80	1,199.30	1,261.9	1,227.2	1,221.6	1,218.3	1,384.6	1,342.2	1,182.7	<b>1,084.0</b>
<b>Economic value distributed (EVD)</b>	565.7	617.5	727.6	769.2	845.4	801.5	862	894.0	942.7	969.7	926.3	<b>916.1</b>
Suppliers	137.2	147.3	193.1	168.1	184.6	198.3	193.4	203.9	209.6	229.8	184.4	<b>176.3</b>
Society (tax and social action investment)	127.7	144.3	164.9	179.8	172.2	102.6	166.3	136.3	144.8	138.8	128.0	<b>118.7</b>
Investment in social action	0.8	1.3	2.2	1.6	1.6	1.6	1.9	2.2	2.0	2.0	2.0	<b>3.9</b>
Tax	126.9	143	162.6	178.2	170.6	101.0	164.4	134.1	142.8	136.8	126.0	<b>114.8</b>
Employees (personnel expenses)	60.7	67.2	67	79	82.3	84.7	96.3	108.8	128.9	131.2	125.2	<b>126.7</b>
Capital providers	240	258.7	302.6	342.4	406.3	415.9	406	445.1	459.5	469.8	488.7	<b>494.4</b>
Dividends paid to shareholders	178.8	200.1	237	265.7	302.4	310.4	315.1	331.7	348.6	365.3	371.3	<b>426.7</b>
Financial result	61.2	58.6	65.6	76.7	103.9	105.5	90.9	113.4	110.9	104.6	117.4	<b>67.7</b>
<b>Economic value retained (EVR)</b>	335.9	383.3	427.2	430.1	416.5	425.7	359.6	324.3	441.9	372.5	256.4	<b>167.9</b>



## Financial and non-financial ratings

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Standard &amp; Poor's</b>	AA-	AA-	AA-	AA-	AA-	BBB	BBB	BBB	A-	A-	A-	A-	BBB+	<b>BBB+</b>
<b>Fitch</b>	A2	A2	A2	A2	A2	A-	A-	A-	A-	A-	A-	A-	A-	<b>BBB+</b>
<b>Dow Jones Sustainability Index<sup>(1)</sup></b>	67	77	75	78	88	83	85	84	85	91	86	85	85	<b>87</b>
<b>CDP (transparency/performance)</b>	-	-	-	70/B	83/B	85/B	83/B	91/B	99/B	A	A-	B	A	<b>A</b>

(1) Enagás has been a member of the DJSI since 2008 and in 2020 led the gas utilities sector.

## Social indicators

### Corporate Governance

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Number of Directors</b>	15	13	15	15	13	13	13	13	13	<b>16</b>
<b>Independent Directors (%)</b>	53.3%	61.5%	60%	60%	62%	62%	54%	54%	62%	<b>69%</b>
<b>Board gender diversity (%)</b>	13.4%	15.4%	20%	20%	23%	23%	23%	23%	31%	<b>25%</b>
<b>Non-Audit Fees (%)</b>	27%	14%	3%	3%	4%	53%	18%	36%	34%	<b>39%</b>
<b>General Shareholders' Meeting quorum (%)</b>	57%	55.8%	53.1%	52.9%	54.8%	50.8%	45.6%	45.6%	51.0%	<b>48.2%</b>



## Supply chain

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Approved suppliers (no.)</b>	1,989	2,010	1,875	1,745	1,781	1,800	1,356	1,382	1,458	<b>1,483</b>
<b>Critical/approved suppliers (%)</b>	52.1%	51.8%	54.4%	59.1%	59%	59%	69.5%	65.3%	58.3%	<b>61.3%</b>
<b>Suppliers audited externally in financial, ethical, environmental and social aspects (No.)</b>	-	31	51	61	33	39	55	95	129	<b>149</b>
<b>Percentage of approved suppliers assessed in human rights, ethics, social and environmental aspects (%) <sup>(1)</sup></b>	-	-	25.05%	27.05%	26.6%	27.1%	52.4%	53.5%	65.1%	<b>70.3%</b>

(1) From 2011 to 2018, reference is made to the external assessment carried out by Enagás and from 2019 onwards to the internal assessment carried out by the company. [GRI 102-48]

## Ethical compliance and human rights

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Reports received via ethics channel (No.)</b>	-	2	2	4	4	3	2	5	1	<b>5</b>
<b>People trained in issues related to ethical compliance (cumulative figure) (No.)</b>			128	200	1,217	1,214	1,206	1,228	1,223	<b>1,260</b>

## Human capital [GRI 102-7]

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Employees (No.)</b>	1,126	1,118	1,149	1,206	1,337	1,337	1,307	1,320	1,306	<b>1,330</b>
<b>Voluntary employee turnover (%)</b>	0.8%	0.46%	0.45%	0.69%	0.49%	0.63%	1.40%	1.32%	1.34%	<b>1.40%</b>
<b>Absenteeism (%)</b>	3.65%	2.33%	2.46%	2.50%	2.51%	2.89%	3.05%	3.26%	3.59%	<b>3.37%</b>
<b>Workforce gender diversity (%)</b>	22.47%	22.45%	22.8%	23.88%	26.78%	27.45%	27.16%	27.73%	28.10%	<b>28.57%</b>
<b>Board gender diversity (%)</b>	14.1%	15.9%	18.8%	20.0%	25.4%	24.8%	26.77%	27.21%	28.99%	<b>29.93%</b>
<b>Investment in training per employee (€)</b>	956	898	1,192	1,041	894	920	1,071	1,162	1,091	<b>818</b>
<b>Training per employee (hrs)</b>	48.9	45.8	52.0	59.6	49.8	61.8	65.6	61.6	51.9	<b>46.6</b>





## Customer satisfaction

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Rate of shippers satisfaction with transmission</b>	80%	82.5%	83%	82.2%	82.7%	84.3%	85.7%	89.4%	87.8%	<b>88.3%</b>
<b>Rate of satisfaction of transmission companies and distributors with transmission</b>	76.7%	78.3%	79%	77.1%	89.2%	84.7%	85.0%	81.2%	79.5%	<b>85.6%</b>
<b>Rate of satisfaction of shippers with the technical management of the Spanish Gas System</b>	76.7%	83.5%	80.5%	78.6%	78.3%	86.2%	83.9%	90.1%	84.8%	<b>84.8%<sup>(1)</sup></b>
<b>Rate of satisfaction of transmission companies and distributors with the technical management of the Spanish Gas System</b>	76.7%	78.7%	81.2%	72.6%	83.3%	79.2%	82.3%	89.4%	90.0%	<b>90.0%<sup>(1)</sup></b>

(1) Data from the customer satisfaction survey sent out in December 2019. This survey was not sent out in December 2020, as we aim to adapt its content to the draft requirements established by the CNMC to establish incentives for the Technical Manager of the Gas System and effects on remuneration (draft published in December 2020). The satisfaction survey is scheduled to be sent out in the first quarter of 2021.

## Occupational health and safety [\[GRI 403-9\]](#)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Lost time injury frequency rate (own workforce)</b>	7.51	9.01	5.31	4.69	3.86	1.80	7.84	2.33	5.14	<b>3.73</b>
<b>Lost time injury frequency rate (contractors)</b>	7.08	6.36	9.32	3.04	2.25	10.43	0.54	1.09	3.20	<b>5.36</b>
<b>Lost time injury severity rate (own workforce)</b>	0.07	0.37	0.25	0.53	0.14	0.08	0.38	0.05	0.10	<b>0.05</b>
<b>Lost time injury severity rate (contractors)</b>	0.2	0.28	0.36	0.11	0.07	0.11	0.02	0.02	0.05	<b>0.15</b>
<b>Work-related fatalities of own workforce (No.)</b>	0	0	0	0	0	0	0	0	0	<b>0</b>
<b>Work-related fatalities of contractor (No.)</b>	0	0	0	0	0	0	0	0	0	<b>0</b>



## Impact on local communities

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Social action investment/net profit (%)</b>	0.6%	0.4%	0.4%	0.4%	0.5%	0.5%	0.4%	0.5%	0.5%	<b>0.9%</b>
<b>Participation of employees in corporate volunteering initiatives (% of workforce)</b>		5%	8.5%	9%	15.1%	16.7%	26.9%	27.5%	25.0%	<b>21.6%</b>
<b>Time spent on volunteer work (hrs)</b>		400	640	866	1,404	1,475	2,395	2,430	2,483	<b>625</b>

## Environment

### Environmental management and fighting climate change

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Scope 1 CO<sub>2</sub> emissions (tCO<sub>2</sub>e) [GRI 305-1]</b>	264,679	387,651	479,175	537,092	272,728	263,540	266,357	274,458	275,889	<b>208,314</b>
<b>Scope 2 CO<sub>2</sub> emissions (tCO<sub>2</sub>e) [GRI 305-2]</b>	52,752	61,377	36,079	33,941	32,444	27,010	22,979	30,300	34,273	<b>1,654</b>
<b>Self-consumption of natural gas (GWh) [GRI 302-1]</b>	1,025	1,672	1,932.1	2,338.1	963.0	919.3	1,030.4	1,055.7	1,120.2	<b>833.5</b>
<b>Electricity consumption (GWh)<sup>(1)</sup> [GRI 302-1]</b>	201.5	186.7	150.0	143.1	148.3	160.5	192.0	181.2	214.3	<b>207.3</b>
<b>Electricity generation/consumption (%)</b>	1.9%	5.4%	6.8%	4.7%	8.0%	12.5%	11.0%	12.5%	17.1%	<b>19.2%</b>
<b>Waste generated (t) [GRI 306-3]</b>	3,722	3,913	3,455	2,189	3,823	3,981	2,813.8	4,136.2	4,916.9	<b>6,098.0</b>
<b>Waste recovered / recycled (%) [GRI 306-4]</b>	59%	48%	63%	15%	40%	61%	73%	83%	70%	<b>70%</b>
<b>Area occupied in protected areas (km<sup>2</sup>) [GRI 304-1]<sup>(2)</sup></b>			3.7	4	4	4	4	6.7	6.7	<b>6.7</b>

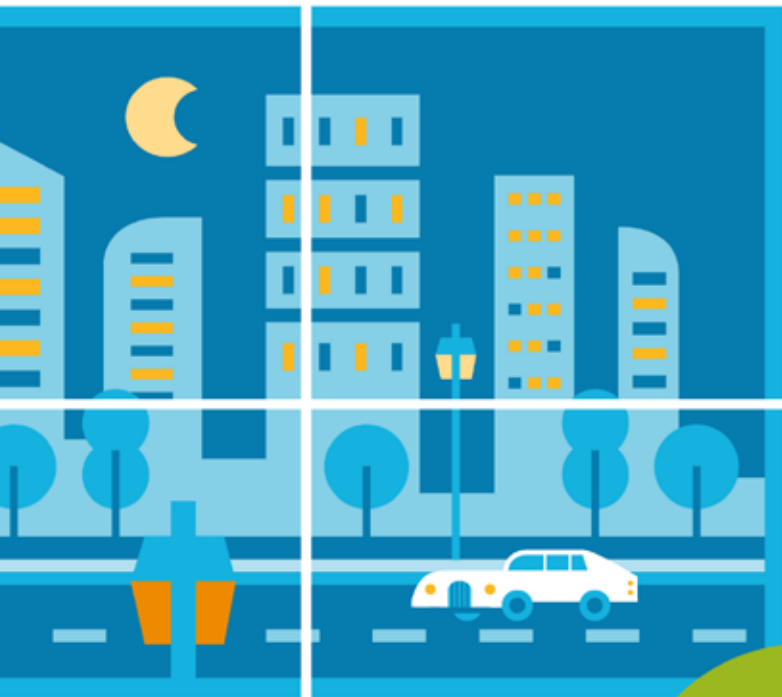
(1) Includes consumption from the network and from own generation sources.

(2) Protected Areas: Natura 2000 Network (SACs/SPAs), Ramsar wetlands and Biosphere Reserve. Data for 2018 and 2019 have been recalculated for comparability purposes, including the most recent two protection figures, which have been included in the scope of the information reported for the first time in 2020. [GRI 102-48]



# 6

## Appendices





## Non-financial and diversity reporting requirements (Law 11/2018)

The following are the requirements established by Law 11/2018 that are responded to in the Non-Financial Information Statement and in the Annual Corporate Governance Report included in the Consolidated Management Report:

### Non-Financial Information Statement

Requirements of Law 11/2018	Reporting framework	Page numbers
<b>General</b>		
Description of the business model	GRI 102-2, GRI 102-3, GRI 102-4, GRI 102-5, GRI 102-6, GRI 102-7, GRI 102-14, GRI 102-15	3-7, 12-15, 24-36, 133-138
Description of the group's policies with respect to environmental and social issues, respect for human rights and the fight against corruption and bribery, as well as those related to personnel	GRI 103-1 and GRI 103-2 for all material topics	46, 54, 69, 75, 83, 90, 98, 111, 117, 120, 125
The results of the group's policies applied to environmental and social issues, respect for human rights and the fight against corruption and bribery, as well as those related to personnel	GRI 103-2 and GRI 103-3 for all material topics	46, 54, 69, 75, 83, 90, 98, 111, 117, 120, 125
The main risks related to environmental and social issues, respect for human rights and the fight against corruption and bribery, as well as those related to personnel, linked to the activities of the group	GRI 102-11, GRI 102-15, GRI 102-29, GRI 102-30, GRI 102-31, GRI 201-2	26-28, 99-100
Non-financial key performance indicators	Internal framework: Quantitative indicators of non-financial nature	8, 133-138, 151-162



## Requirements of Law 11/2018

## Reporting framework

## Page numbers

### I. Information on environmental issues

#### Detailed information on the current and foreseeable effects of the company's activities on the environment

Detailed information on the current and foreseeable effects of the company's activities on the environment and, as the case may be, on health and safety	GRI 307-1, GRI 308-2	31, 90-110, 118-119
Environmental assessment or certification procedures	Internal framework: Qualitative description of environmental assessment and certification	91-92, 99, 102, 118-119, 130
Resources dedicated to the prevention of environmental risks	Internal framework: Qualitative description of the resources dedicated to the prevention of environmental risks at the company	31, 91-92, 99-101, 118-119
Application of the precautionary principle	GRI 102-11	24-28
The amount of provisions and guarantees for environmental risks	Internal framework: Qualitative description of the financial guarantees for environmental risks provided by the company	91-92, 99-101

#### Pollution

Measures to prevent, reduce or rectify carbon emissions that seriously harm the environment; taking into account any activity-specific form of air pollution, including noise and light pollution	Management approach (GRI 103-1, GRI 103-2 and GRI 103-3) in 'Climate Action and Energy Efficiency', management approach (GRI 103-1, GRI 103-2 and GRI 103-3) in 'Natural Capital and Biodiversity Management', (GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-6, GRI 305-7)	90, 97-98, 101-110
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#### Circular economy and waste prevention and management

Circular economy and waste prevention and management: measures of prevention, recycling, reuse and other forms of recovery and elimination of waste	GRI 306-2	93-95
Actions to combat food waste	Internal framework: Qualitative description of the non-materiality of food waste for Enagás	Given the company's activity and the material topics identified, food waste is not a relevant issue for the company

#### Sustainable use of resources

Sustainable use of resources: water consumption and supply according to local restrictions	GRI 303-3, GRI 303-4, GRI 303-5	96
Consumption of raw materials and the measures adopted to improve efficiency in their use	Internal framework: Qualitative description of the non-materiality of the consumption of raw materials	Enagás does not consume raw materials in its production process; only ancillary materials are used
Direct and indirect consumption of energy, measures taken to improve energy efficiency and the use of renewable energy	GRI 302-1, GRI 302-3, GRI 302-4, GRI 302-5	104-108



## Requirements of Law 11/2018

## Reporting framework

## Page numbers de página

### Climate change

Climate change: the important elements of greenhouse gas emissions generated as the result of the company's activities, including the use of the goods and services produced

GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4

101-104, 108-110

The measures adopted in order to adapt to the consequences of climate change

GRI 201-2

31, 101, 104-108

The voluntarily established long and short-term emission reduction targets to reduce greenhouse gas emissions and the measures implemented for this purpose

GRI 305-5

31, 101, 106-107

### Biodiversity protection

Biodiversity protection: measures taken to preserve or restore biodiversity

GRI 304-3

91-92

Impacts caused by activities or operations in protected areas

GRI 304-2, GRI 304-4, GRI OG4

91-92, 158

## II. Information on social and personnel-related issues

### Employment

Total number and distribution of employees by gender, age, country and professional category

GRI 102-8, GRI 405-1

55, 65

Total number and distribution of work contract modalities

GRI 102-8

56

Yearly average of permanent contracts, temporary contracts and part-time contracts by gender, age and professional category

Internal framework: quantitative description of contracts at year-end

56

Number of dismissals by gender, age and professional category

GRI 102-8, GRI 102-10

57

Average remuneration and its evolution by gender, age and professional category or equivalent

Internal framework: quantitative description of average remuneration and its breakdown

64

Gender pay gap, remuneration for equal work or average for the company

Internal framework: quantitative description of the pay gap

63-64

The average remuneration of directors and managers, including variable remuneration, expenses, compensation, payments to long-term savings plans and any other item by gender

Internal framework: quantitative description of the average remuneration of directors and managers and their breakdowns

51-53, 64

Implementation of policies related to the disconnection from work

Internal framework: Qualitative description of the actions related to disconnecting from work implemented at the company

58

Employees with disabilities

GRI 405-1

65



## Requirements of Law 11/2018

## Reporting framework

## Page numbers

### Organisation of work

Organisation of work hours	Internal framework: qualitative description of the organisation of work hours	56
Number of hours lost to absenteeism	Internal framework: quantitative description of the number of hours of absenteeism (including hours lost to common illness and accidents at work)	83, 87 74,848.1 hours' absenteeism in 2020 (79,359.8 in 2019, and 71,797.5 in 2018)
Measures aimed at providing work-life balance and promoting their shared use by both parents	GRI 401-2, GRI 401-3	66-67

### Health and safety

Health and safety conditions in the workplace	GRI 403-1, GRI 403-2, GRI 403-3, GRI 403-4, GRI 403-5, GRI 403-6, GRI 403-7, GRI 403-8	84-89
Work-related accidents	Internal framework: quantitative description of the number of accidents resulting in sick leave	86
Frequency and severity, by gender	Internal framework: lost time injury frequency rate (No. accidents with sick leave x 10 <sup>6</sup> / No. hours worked) and lost time injury severity rate (No. working days lost x 10 <sup>3</sup> / No. hours worked)	86
Occupational illnesses, by gender	GRI 403-10	87 Enagás has not identified occupational illnesses over the last three years

### Social relations

Organisation of social dialogue, including procedures for notifying and consulting employees and negotiating with them	GRI 102-41, GRI 102-43, GRI 403-1, GRI 403-4	43, 67, 85
Percentage of employees covered by collective bargaining agreements by country	GRI 102-41	67
Results of collective bargaining agreements, particularly in relation to occupational health and safety	GRI 403-4	67, 85

### Training

Training policies implemented	GRI 404-2	58, 60-61
Total number of hours of training courses by professional category	GRI 404-1	60-61



## Requirements of Law 11/2018

## Reporting framework

## Page numbers

### Universal accessibility for persons with disabilities

Universal accessibility for persons with disabilities	Internal framework: Qualitative description of the universal accessibility measures implemented at the company	65
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### Equality

Measures adopted to promote equal treatment and opportunities for men and women	GRI 401-3, GRI 406-1	61-65
Equality plans (Chapter III of Spanish Constitutional Act 3/2007 of March 22, for Effective Equality between Women and Men)	GRI 405-1	61-65
Measures adopted to promote employment	Internal framework: Qualitative description of the measures to promote employment adopted by the company.	55-61
Protocol against sexual harassment and harassment on the grounds of sex	GRI 102-17	70, 125-128
Integration and universal accessibility for persons with disabilities	GRI 405-1	65
Policy against any type of discrimination and, where appropriate, for managing diversity	GRI 406-1	61-65

### III. Information on respect for human rights

Application of due diligence procedures in relation to human rights	GRI 102-16, GRI 102-17, GRI 410-1, GRI 412-1, GRI 412-3	70, 125-128, 160
Prevention of the risks of violation of human rights and, where appropriate, measures to mitigate, manage and rectify any possible abuses committed	Internal framework: Qualitative description of the measures implemented to prevent the risk of human rights violations at the company	70, 125-128
Formal complaints for cases of violation of human rights	GRI 102-17	70, 125-128
Promotion of and compliance with the provisions of the fundamental conventions of the International Labour Organisation in relation to respect for freedom of association and the right to collective bargaining	GRI 412-2	70, 125-128
Elimination of discrimination in employment and occupation; the elimination of forced or compulsory labour and the effective elimination of child labour	Internal framework: Qualitative description of the measures implemented to eliminate discrimination in employment, eliminate forced labour and abolish child labour at the company and in the supply chain	125-128

### IV. Information relating to the fight against corruption and bribery

Measures adopted to prevent corruption and bribery	GRI 102-16, GRI 102-17, GRI 205-1, GRI 205-2, GRI 205-3	70-74
Measures to combat money laundering	GRI 205-2	70-74
Contributions to foundations and not-for-profit organisations	GRI 201-1, GRI 413-1	73, 111-116, 152





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## Reporting framework

## Page numbers

### V. Information about the company

#### The company's commitment to sustainable development

The impact of the company's activity on employment and local development	GRI 413-1	111-116
The impact of the company's activity on local communities and on the region	GRI 413-1, GRI 413-2, OG11	111-116, 160
Relations with key figures of local communities and modalities of dialogue with them	GRI 102-43, GRI 411-1, GRI 413-1, OG10	111-116
Association and sponsorship actions	GRI 102-13, GRI 413-1	73, 111-116, 152

#### Subcontracting and suppliers

Inclusion in the procurement policies regarding social issues, gender equality and environment	GRI 308-1, GRI 308-2, GRI 414-1, GRI 414-2	117-119
Consideration in supplier and subcontractor relations of their social and environmental responsibilities	GRI 308-1, GRI 308-2, GRI 414-1, GRI 414-2	117-119
Systems for supervision and auditing and their results	GRI 308-1, GRI 308-2, GRI 414-1, GRI 414-2	117-119

#### Consumers

Measures for the health and safety of consumers	GRI 403-7	84-85, 87-88
Complaint systems	Internal framework: qualitative description of the complaint systems in place	43, 81
Complaints received and their resolution	Internal framework: quantitative description of complaints received and their resolution	81

#### Tax information

Profits obtained by country	GRI 201-1	76, 134
Tax paid on profits	Internal framework: quantitative information on profits	77-78
Public subsidies received	GRI 201-4	145 In 2020, 1,197 thousands of euros of public subsidies corresponding to gas infrastructure investments were received, 568 thousands of euros in 2019 and 115 thousands of euros in 2018 (in all three years, 100% were received in Spain).



## Information from the Annual Corporate Governance Report

### Information from the Annual Corporate Governance Report

Company ownership structure

General Shareholders' Meeting

Company management structure

Related party and intragroup transactions

Risk control systems and management

Annual Corporate Governance Report



## Self-assessment of adoption of integrated reporting principles and elements

Together with other leading companies in international reporting, Enagás took part in a pilot programme of the International Integrated Reporting Committee (IIRC), the aim of which is to establish a common framework for the preparation of integrated reports and enable participants to share best practices. Up to and including 2017, Enagás was a member of the Integrated Reporting Business Network.

Enagás is committed to integrated reporting as a way of clearly and concisely presenting relevant issues affecting the company's capacity to create and maintain value in the present and future.

Since 2012, Enagás has been progressing towards an integrated report in its Annual Reports.

### Strategic focus and future orientation

The report reflects key strategic aspects such as the positioning of Enagás in the energy transition and the context of operation, which includes the outlook for the natural gas sector and the impact they will have on business, based on those established by the company's growth drivers.

In addition, our long-term vision is included, positioning the company with a sustainable business model, which is based on the role of natural gas as the key to achieving sustainable, safe and efficient energy, renewable gases and the creation of value in affiliate companies, as well as in areas such as digitalisation and corporate entrepreneurship and innovation.

The company also identified the main risks derived in the context of operation and of its business model. Furthermore, it includes the outlook from the Executive Chairman regarding the ability of the company to meet its long and short-term goals, providing an assessment of past performance and on future growth and strategies.

The commitment of leaders responsible for sustainability and opportunity and risk management, together with the performance and targets in each of the material topics, shows that the company is prepared to deliver its strategy, i.e. how to generate value in the present and in the future.

### Connectivity of information

The report reflects the relationship between different information blocks, primarily:

- ▶ The long-term vision, the context of operation and the business model, from which the company's perceived risks, opportunities, pillars of growth and strategy are derived.
- ▶ Strategy and Corporate Governance, through which we leverage opportunities and manage risks, all of which is aimed at creating value, while taking into account the impact on business and society.
- ▶ The company's short and long-term objectives, aligned with the strategic drivers and linked to employees' variable remuneration, through which we ensure compliance with the strategy.
- ▶ The management of risks and opportunities, along with their impact, and the controls and mitigating actions in various areas of management.

▶ Our value creation process, prepared in accordance with the capital model, includes in the different chapters the main inputs and impacts on the material topics generated by our activity (see the '[Creation of value for our stakeholders](#)' chapter). In addition, this section is linked to our contribution to the fulfilment of the Sustainable Development Goals (SDG), in which we prioritise the SDG to which we contribute with our activity, management models, corporate policies and guidelines as well as the goals, the degree of progress and impact (see '[Our contribution to the SDG](#)' chapter).

▶ Also included are navigation icons, external references with hyperlinks and cross-references that facilitate reading and understanding of the connections between different contents.

### Responsiveness and stakeholder inclusiveness [GRI 102-46]

Enagás' 2020 Annual Report targets its main stakeholders. The Enagás stakeholder map is aligned with corporate strategy.

**Enagás is committed to integrated reporting as a way of clearly and concisely presenting relevant issues affecting the company's capacity to create and maintain value in the present and future**



Enagás has identified its stakeholders classified according to the different areas of relationship, identified by material topics.

As in previous years, the 2020 Consolidated Management Report has been drafted applying the principles of standard AA1000: inclusivity, impact, materiality and responsiveness.

## Materiality and conciseness

[GRI 102-44, GRI 102-46]

The report contains all the necessary information to be able to respond to the information relevant to the main stakeholders.

Enagás' materiality analysis is aligned with the Company's Strategy. As a result of this analysis, Enagás identifies the material topics of the company's direct operations based on the main interests and concerns of stakeholders and Enagás. In 2020, in the midst of the COVID-19 pandemic, Enagás reviewed the expectations of its stakeholders and updated the relevance of these topics. This Report provides detailed information concerning each material topic in the respective chapters of the section '[Creation of value for our stakeholders](#)'.

In affiliates, based on the company's material topics, Enagás has identified the critical management standards that it assesses in each affiliate (see the '[Affiliates management](#)' chapter).

For the purpose of only including material topics in the Annual Report, the Consolidated Management Report and its detailed information was separated from the Consolidated Annual Accounts, Annual Corporate Governance Report and Annual Report on Directors' Remuneration. The Consolidated Management Report includes the more relevant data from these publications.

At the same time, the corporate website includes other aspects that constitute additional information (management models, policies, etc.).

## Reliability

Both the financial and non-financial information from 2020 was audited and verified, respectively, by the same auditors: EY.

EY audits the annual accounts and examines information relating to the ICFR system, expressing an opinion on its effectiveness.

EY also verifies non-financial information with a limited level of assurance and a reasonable level of assurance for the following indicators:

- Occupational health and safety indicators. Lost time injury frequency rate (own workforce) and lost time injury severity rate (own workforce).
- Human Resources indicators. Development of human capital, workforce and labour relations.

Enagás is continuing to review its indicators so as to achieve higher levels of assurance in the future.

**The Enagás' Annual Report contains all the necessary information needed to respond to the main stakeholders with information of relevance to them**

Furthermore, EY has also reviewed, through a Report on agreed-upon procedures, the internal control over non-financial information of the company.

## Comparability and consistency

The 2020 Consolidated Management Report takes account of the GRI Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the Oil & Gas G4 sector supplement. Therefore, it provides an internal and external benchmark for comparison based on internationally recognised principles and content.

Furthermore, the indicators included in the Consolidated Management Report 2020 are defined in such a way as to facilitate comparability with previous years' reports, including historical data, with explanations of the cause of any variations. In this regard, Enagás has recalculated the non-financial information for 2017 and 2018 excluding the GNL Quintero regasification plant (Chile) (see the '[About our Consolidated Management Report](#)' chapter). Likewise, comparability with other companies in the sector is also facilitated, using studies, sustainability indices or benchmarking projects as a reference.

Customer satisfaction surveys are standardised for the respondents in terms of structure and rating levels, to facilitate comparison with other companies in the energy sector. Enagás is also involved in a benchmarking project with natural gas transmission companies internationally to compare the occupational health and safety, and environmental indicators, among others.



## Integrated reporting framework content

Content element	Aspects included	Section	Pages
Overview of the organisation and its external environment	Activities and material topics	Our business model Creation of value for our stakeholders	11-15, 41-45
	Mission, vision and values	Our business model	11-15
	Supply chain description	Our supply chain	117-119
	Operating context	Geographies Operating context	15, 17-19
	Shareholder composition	Enagás in 2020	8
Governance	Corporate Governance structure	Board of Directors and Committees Management Committee	47, 51
	Board selection and self-assessment	Functioning of the Board	50
	Good corporate governance practices implemented	Good Governance	46-53
	Remuneration for the Board linked to value creation in the short, medium and long-term	Remuneration of the Board of Directors	51-53
Opportunities and risks	Management of opportunities arising from future outlook	Operating context Strategic priorities Our commitment to the energy transition	17-22, 29-39
	Management of risks associated with future outlook	Risk management Our commitment to the energy transition	24-39
	Management of opportunities and risks in the supply chain	Supply chain risk management	118-119
Strategy and resource allocation	Growth strategy	Strategic priorities	19-21
	Strategy	Our commitment to the energy transition	29-39
Business model	How Enagás creates value from its resources and business processes	Our contribution to the SDG Strategic priorities Sustainability strategy	9-10, 19-21, 30



Content element	Aspects included	Section	Pages
Performance	Sustainable Management Model	Creation of value for our stakeholders	41-45
	Key company performance indicators	Enagás in 2020 Key indicators	8, 133-138
	Performance in material topics measured by indicators	Good Governance People Ethics and integrity Financial and operational excellence Health and Safety Natural capital and biodiversity management Climate action and energy efficiency Local communities Supply chain	46-119
Outlook	The opportunities, challenges and uncertainties the organisation may encounter in pursuing its strategy	Operating context Our commitment to the energy transition	17-19, 29-39
	Risks associated with the business and implementation of the strategy	Risk management	24-28



## GRI Standards content index [\[GRI 102-55\]](#)



The Content Index Service, GRI Services has confirmed that the GRI table of contents in the report is clear, and that the references for each included content correspond to the sections included in the report. The service was performed in the Spanish version of the report.

### General content

GRI Standard	Content	Page numbers, URL and/or direct response	Omissions
<b>GRI 101: Foundation 2016</b>			
	<b>Organisation profile</b>		
	102-1 Name of the organisation	3, 172	
	102-2 Activities, brands, products and services	12	
	102-3 Location of headquarters	15, 172	
	102-4 Location of operations	15	
	102-5 Ownership and legal form	3	
	102-6 Markets served	15	
	102-7 Scale of the organisation	133, 136	
<b>GRI 102: General disclosures 2016</b>			


**GRI Standard**
**Content**
**Page numbers, URL and/or direct response**
**Omissions**

102-8 Information on employees and other workers

5-56, 62, 65, 118

102-9 Supply chain

118

102-10 Significant changes in the organisation and its supply chain

3, 12, 15, 55, 57, 118

102-11 Precautionary principle or approach

24-28

102-12 External initiatives

3, 115, 125

102-13 Membership of associations

 73  
 Enagás is also involved with the governing bodies of a number of Spanish associations and organisations such as Sedigas, Enerclub and Instituto Elcano, and international bodies such as ENTSOG, GIE, IGU, GIIGNL, Marcogaz EASEE-Gas, NGVA and UNECE. It also cooperates with the regulatory authorities of the sector, both directly and through industry associations, proposing regulatory improvements, whether directly or as part of consultations by the regulators.

**Strategy**

102-14 Statement from senior decision-maker

4-7

102-15 Key impacts, risks and opportunities

24-28, 31-36

**Ethics and integrity**

102-16 Values, principles, standards and norms of behaviour

14, 70

102-17 Mechanisms for advice and concerns about ethics

70

**Governance**

102-18 Governance structure

42, 47-48

102-19 Delegating authority

42

102-20 Executive-level responsibility for economic, environmental and social topics

42

102-21 Consulting stakeholders on economic, environmental, and social topics

42-45, 50, 68, 81, 119

102-22 Composition of the highest governance body and its committees

47-48

102-23 Chair of the highest governance body

47

102-24 Nominating and selecting the highest governance body

[Article 8 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagás](#)
**GRI 102: General disclosures 2016 Content**




**GRI Standard**
**Content**
**Page numbers, URL and/or direct response**
**Omissions**
**GRI 102: General disclosures 2016**

GRI Standard	Content	Page numbers, URL and/or direct response	Omissions
	102-25 Conflicts of interest	<a href="#">Enagás Internal Code of Conduct in Matters Relating to Securities Markets (pp. 10 to 18)</a> <a href="#">Articles 13 and 25 of the Rules and Regulations of the Organisation and Functioning of the Enagás Board of Directors</a>	
	102-26 Role of highest governance body in setting purpose, values, and strategy	14	
	102-27 Collective knowledge of highest governance body	48-49	
	102-28 Evaluating the highest governance body's performance	50	
	102-29 Identifying and managing economic, environmental, and social impacts	24-26, 42, 99-100	
	102-30 Effectiveness of risk management processes	24-28	
	102-31 Review of economic, environmental, and social topics	24-26, 42, 99-100	
	102-32 Highest governance body's role in sustainability reporting	3, 7	
	102-33 Communicating critical concerns	50	
	102-34 Nature and total number of critical concerns	50	
	102-35 Remuneration policies	22-23, 51-53	
	102-36 Process for determining remuneration	22-23, 51-53	
	102-37 Stakeholders' involvement in remuneration	22-23, 51-53	
	102-38 Annual total compensation ratio	In 2020, the Chairman's total annual remuneration was 35 times the median total annual remuneration of professionals.  In 2020, the increase in the Chairman's total annual remuneration was 30.1 times the increase in the median total annual remuneration of professionals.	
	102-39 Percentage increase in annual total compensation ratio	In 2019, the long-term incentive plans (2016-2018) were settled, significantly increasing the remuneration of the company's employees. The allocation of these incentive plans was structured according to the professional category's degree of contribution to the established targets, which explains the higher increase in the Chairman's remuneration. Without taking into account this three-year variable remuneration, the increase in the total annual remuneration of the Chairman was 0.95 times the increase in the median total annual remuneration of professionals.	


**GRI Standard**
**Content**
**Page numbers, URL and/or direct response**
**Omissions**

GRI Standard	Content	Page numbers, URL and/or direct response	Omissions
	<b>Stakeholder engagement</b>		
	102-40 List of stakeholder groups	43	
	102-41 Collective bargaining agreements	67	
	102-42 Identifying and selecting stakeholders	43, 81, 119	
	102-43 Approach to stakeholder engagement	43, 81, 119	
	102-44 Key topics and concerns raised	43-45, 81, 119, 148	
	<b>Reporting practice</b>		
	102-45 Entities included in the consolidated financial statements	3	
	102-46 Defining report content and topic boundaries	43-45, 147-148	
<b>GRI 102: General disclosures 2016</b>	102-47 List of material topics	44-45	
	102-48 Restatements of information	3, 64, 81, 136, 138	
	102-49 Changes in reporting	3	
	102-50 Reporting period	3	
	102-51 Date of most recent report	2019	
	102-52 Reporting cycle	Yearly	
	102-53 Contact point for questions regarding the report	172	
	102-54 Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with GRI Standards Comprehensive option.	
	102-55 GRI content index	151-160	
	102-56 External assurance	3, 164-165	

[\[GRI 102-55\]](#)



## Material topics

GRI Standard	Content	Page numbers, URL and/or direct response	Omissions
<b>Good Governance</b>			
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its boundary	46	
	103-2 The management approach and its components	46	
	103-3 Evaluation of management approach	46	
<b>GRI 419: Socio-economic Compliance 2016</b>	419-1 Non-compliance with laws and regulations in the social and economic area	In 2020, no significant sanctions or fines were received in the social and economic area.	
<b>People</b>			
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its boundary	54	
	103-2 The management approach and its components	54	
	103-3 Evaluation of management approach	54	
<b>GRI 202: Market presence 2016</b>	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	62, 126	
	202-2 Proportion of senior management hired from the local community	100% of senior managers in Spain are local. There is a local general manager in both Mexico and Greece and a non-local general manager in Peru/Chile. Employees with the nationality of the country in which they work are considered local.	
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	55, 57	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	66-67	
	401-3 Parental leave	67	
<b>GRI 402: Labor/Management Relations 2016</b>	402-1 Minimum notice periods regarding operational changes	Should there be substantial changes to working conditions, the individual changes are communicated 15 days in advance and collective changes are preceded by a period of consultation with the Workers' Legal Representatives lasting no more than 15 days.	
<b>GRI 404: Training and Education 2016</b>	404-1 Average hours of training per year per employee	54, 60-61	
	404-2 Programmes for upgrading employee skills and transition assistance programmes	60	
	404-3 Percentage of employees receiving regular performance and career development reviews	54, 59	
<b>GRI 405: Diversity and equal opportunity 2016</b>	405-1 Diversity of governance bodies and employees	46, 48, 55, 62, 65	
	405-2 Ratio of basic salary and remuneration of women to men	63-64	
<b>GRI 406: Non-discrimination 2016</b>	406-1 Incidents of discrimination and corrective actions taken	In 2020, there have been no discrimination cases in the company.	



GRI Standard	Content	Page numbers, URL and/or direct response	Omissions
<b>Ethics and integrity</b>			
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its boundary	69	
	103-2 The management approach and its components	69	
	103-3 Evaluation of management approach	69	
<b>GRI 205: Anti-Corruption 2016</b>	205-1 Operations assessed for risks related to corruption	72	
	205-2 Communication and training about anti-corruption policies and procedures	69, 74	
	205-3 Confirmed incidents of corruption and actions taken	70, 72	
<b>GRI 410: Security Practices 2016</b>	410-1 Security personnel trained in human rights policies or procedures	127	
<b>GRI 415: Public Policy 2016</b>	415-1 Political contributions	The financing of political parties is expressly prohibited, and this is one of the risks that Enagás has defined in its crime prevention model. In 2020, Enagás did not make political contributions of any kind.	
<b>Financial and operational excellence</b>			
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its boundary	75	
	103-2 The management approach and its components	75	
	103-3 Evaluation of management approach	75	
<b>GRI 201: Economic Performance 2016</b>	201-1 Direct economic value generated and distributed	8, 134	
	201-2 Financial implications and other risks and opportunities due to climate change	24-26, 31-34, 99-100, 104	
	201-3 Defined benefit plan obligations and other retirement plans	66-67	
	201-4 Financial assistance received from Government	In 2020, 1,197 thousands of euros of public subsidies corresponding to gas infrastructure investments were received (100% were received in Spain)	
<b>GRI 203: Indirect economic impacts 2016</b>	203-1 Infrastructure investments and services supported	32-36, 39	
	203-2 Significant indirect economic impacts	32-36, 54, 77-78, 118	
<b>GRI 206: Anti-competitive Behavior 2016</b>	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	In 2020 Enagás did not receive any penalties, nor is there any legal action pending in matters of unfair competition, monopolistic practices and abuse of free competition.	
<b>GRI 207: Tax 2019</b>	207-1 Approach to tax	73	
	207-2 Tax governance, control and risk management	28, 70, 73	
	207-3 Stakeholder engagement and management concerns related to tax	43, 73	
	207-4 Country-by-country reporting	78	



GRI Standard	Content	Page numbers, URL and/or direct response	Omissions
<b>Health and safety</b>			
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its boundary	83	
	103-2 The management approach and its components	83	
	103-3 Evaluation of management approach	83	
	403-1 Health and safety management system in the workplace	83-85	
	403-2 Hazard identification, risk assessment and incident investigation	84, 87-88	
	403-3 Health services in the workplace	84, 89	
	403-4 Worker participation, consultation, and communication on health and safety in the workplace	84, 89	
	403-5 Worker training on occupational health and safety	83-85	
	403-6 Promotion of worker health	84-85, 89	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	85, 89	
<b>GRI 403: Occupational health and safety 2018</b>	403-8 Workers covered by a health and safety management system in the workplace	85	
	403-9 Work-related injuries	83, 86-87, 137	
	403-10 Occupational illnesses and diseases	87	
<b>Natural capital and biodiversity management</b>			
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its boundary	90	
	103-2 The management approach and its components	90	
	103-3 Evaluation of management approach	90	
<b>GRI 303: Water and effluents 2018</b>	303-1 Interactions with water as a shared resource	96	
	303-2 Management of water discharge-related impacts	96	
	303-3 Water withdrawal	96 Although all Enagás' facilities are located in Spain, a country considered to be highly water-stressed (40-80%)*, almost 100% of the water withdrawn is seawater <sup>(1)</sup>	
	303-4 Water discharge	96	
	303-5 Water consumption	96	

(1) World Resources Institute (WRI), Aqueduct 3.0: Country Risk. 2019.



GRI Standard	Content	Page numbers, URL and/or direct response	Omissions
<b>GRI 304: Biodiversity 2016</b>	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	138 Enagás' infrastructures occupy a surface area of 6.7 km <sup>2</sup> of land located in Protected Natural Spaces: Natura 2000 Network (SACs/SPAs), Ramsar wetlands and Biosphere Reserve. Although in 2020 no new Protected Natural Spaces were affected, the consideration of the last two figures of environmental protection indicated, as well as the extension of the surfaces of the Protected Spaces by the autonomous administrations, explains the variation in the surface area with respect to previous years (4 km <sup>2</sup> ).	
	304-2 Significant impacts of activities, products and services on biodiversity	92	
	304-3 Habitats protected or restored	92 Monitoring and verification is conducted internally	
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Enagás takes into consideration special protection areas and habitats of international interest listed by the International Union for Conservation of Nature (IUCN), along with the protection of the cultural heritage associated with them, in addition to the Spanish national and regional conservation lists.	
<b>GRI 306: Waste 2020</b>	306-1 Waste generation and significant waste-related impacts	94	
	306-2 Management of significant waste-related impacts	93-94	
	306-3 Waste generated	94-95, 138	
	306-4 Waste diverted from disposal	94-95, 138	
	306-5 Waste directed to disposal	94-95	
<b>GRI 307: Environmental Compliance 2016</b>	307-1 Non-compliance with environmental laws and regulations	In 2020, no significant sanctions or fines were received in the environmental area	
<b>Climate action and energy efficiency</b>			
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its boundary	98	
	103-2 The management approach and its components	98	
	103-3 Evaluation of management approach	98	
<b>GRI 302: Energy 2016</b>	302-1 Energy consumption within the organisation	106, 138	
	302-2 Energy consumption outside of the organisation	8, 17, 103	
	302-3 Energy intensity	106	
	302-4 Reduction of energy consumption	105	
	302-5 Reductions in energy requirements of products and services	105	



GRI Standard	Content	Page numbers, URL and/or direct response	Omissions
<b>GRI 305: Emissions 2016</b>	305-1 Direct (scope 1) GHG emissions	98, 102-103, 138	
	305-2 Energy indirect (scope 2) GHG emissions	98, 102-103, 138	
	305-3 Other indirect (scope 3) GHG emissions	108-110	
	305-4 GHG emissions intensity	102	
	305-5 Reduction of GHG emissions	31, 101, 105-108	
	305-6 Emissions of ozone-depleting substances (ODS)	103	
	305-7 Nitrogen oxides (NO <sub>x</sub> ), sulphur oxides (SO <sub>x</sub> ) and other significant air emissions	97	
<b>Local communities</b>			
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its boundary	111	
	103-2 The management approach and its components	111	
	103-3 Evaluation of management approach	111	
<b>GRI 411: Rights of Indigenous Peoples 2016</b>	411-1 Incidents of violations involving rights of indigenous peoples	No incidents of violations involving rights of indigenous peoples were identified in 2020	
<b>GRI 413: Local communities 2016</b>	413-1 Operations with local community engagement, impact assessments and development programmes	113-116	
	413-2 Operations with significant actual and potential negative impacts on local communities	112	
<b>Supply chain</b>			
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its boundary	117	
	103-2 The management approach and its components	117	
	103-3 Evaluation of management approach	117	
<b>GRI 204: Procurement Practices 2016</b>	204-1 Proportion of spending on local suppliers	107	
<b>GRI 308: Supplier Environmental Assessment 2016</b>	308-1 New suppliers that were screened using environmental criteria	119	
	308-2 Negative environmental impacts in the supply chain and actions taken	118-119	
<b>GRI 414: Social assessment of suppliers 2016</b>	414-1 New suppliers that were screened using social criteria	119	
	414-2 Negative social impacts in the supply chain and actions taken	118-119	



GRI Standard	Content	Page numbers, URL and/or direct response	Omissions
<b>Respect for Human Rights</b>			
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its boundary	125	
	103-2 The management approach and its components	125	
	103-3 Evaluation of management approach	125	
<b>GRI 412: Human Rights Assessment 2016</b>	412-1 Operations that have been subject to human rights reviews or impact assessments	125	
	412-2 Employee training on human rights policies or procedures	97% of employees received training on human rights (11,210 hours). Training in at least one of the following types of courses is considered human rights training: Equality and Anti-Corruption, Human Rights (general), and Prevention and the Environment.	
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	100% of the significant agreements with suppliers include human rights clauses.	
<b>Oil &amp; Gas</b>			
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its boundary	13, 79-82	
	103-2 The management approach and its components	13, 79-82	
	103-3 Evaluation of management approach	13, 79-82	
	OG2 Total amount invested in renewable energy	39	
	OG3 Total amount of renewable energy generated by source	98, 105	
	OG4 Number and percentage of significant operational sites in which biodiversity risk has been assessed and monitored	92	
	OG5 Volume and disposal of formation or produced water	Enagás generates produced water in underground storage facilities given that the extraction of natural gas is performed with water. In 2020 the volume of produced water was 1,996 m <sup>3</sup> .	
OG6 Volume of flared and vented hydrocarbon	The main hydrocarbon burnt in the flare and/or vented is natural gas. In 2020, the volume of natural gas flared and/or vented amounted to 2,209,236 Nm <sup>3</sup>		
<b>Oil &amp; Gas G4 Sector Supplement</b>	OG7 Total drilling waste (drilling mud and cuttings). Strategies implemented for its treatment and elimination		Not applicable. As shown in the graph in ' <a href="#">Our business model</a> ', the company's activity commences with tankers offloading at any of its regasification plants or at international connections in the pipeline network. Therefore, as it is not involved in extraction activities, Enagás does not generate drill mud
	OG10 Number and description of significant disputes with local communities and indigenous peoples	112	
	OG11 Number of sites that have been decommissioned and sites that are in the process of being dismantled	In 2020, there were no significant dismantling.	
	OG12 Operations/facilities where involuntary resettlement took place, the number of resettled households and how their livelihoods were affected in the process	Expropriations resulting from Enagás activities did not involve involuntary resettlement of communities	
OG13 Number of process safety events taking place in operations, by activity	In 2020, 34 containment loss incidents were recorded according to the API RP 754 standard (1 classified as Tier 1, 2 as Tier 2 and 31 as Tier 3).		





## SASB content index

### Main content and metrics

Topic	Metrics	Category	Unit of measure	Code	Page numbers and/or direct response
Greenhouse gas emissions	Scope 1 emissions	Quantitative	Tonnes of CO <sub>2</sub> e, Percentage (%)	EM-MD-110a.1	102-104
	Scope 1 Emissions Reduction Strategy and Targets	Discussion and analysis	n/a	EM-MD-110a.2	31, 101-108
Air quality	Air emissions of NOx SOx, VOCs and PM10	Quantitative	Metric tons (t)	EM-MD-120a.1	97
	Environmental management policies and practices for active operations	Discussion and analysis	n/a	EM-MD-160a.1	90-97 Enagás' policies and practices are aligned with the January 2012 Performance Standards on Environmental and Social Sustainability of the International Finance Corporation (IFC).
Ecological impacts	Land within areas with protected conservation status or endangered species habitat	Quantitative	Percentage (%) per area	EM-MD-160a.2	138 Enagás' infrastructures occupy a surface area of 6.7 km <sup>2</sup> of land located in Protected Natural Spaces (Natura 2000 Network (LIC/ZEPAs), Ramsar wetlands and Biosphere Reserves), which represents approximately 14.5% of the total surface area occupied by Enagás.
	Land area disturbed and impacted area restored	Quantitative	m <sup>2</sup> , percentage (%)	EM-MD-160a.3	92 In 2020, 37% of the disturbed area was restored, and in 2021 Enagás will continue to work on restoring the remaining area.
	Oil spills and volume of oil recovered	Quantitative	Number, litres	EM-MD-160a.4	96 In 2020 there was one spill of hydrocarbons (5 litres) and two spills of water containing hydrocarbons (1 and 20 litres). 100% of the volume of these spills has been recovered.
Competitive behaviour	Monetary losses as a result of legal proceedings relating to competitive behaviour	Quantitative	Reporting currency (€)	EM-MD-520a.1	In 2020, Enagás did not incur any monetary losses or receive any penalties or fines as a result of legal proceedings relating to competitive behaviour.
Operational safety, emergency preparedness and response	Reported pipeline incidents	Quantitative	Number, percentage (%)	EM-MD-540a.1	During 2020 there were no incidents in accordance with the SASB definition of an incident. However, based on the criteria established by API RP 754, there were 34 incidents with loss of containment (1 of them classified as Tier 1, 2 as Tier 2 and 31 as Tier 3).
	Gas pipelines inspected	Quantitative	Percentage (%)	EM-MD-540a.2	82
	Rail transport accidents	Quantitative	Number	EM-MD-540a.3	Not applicable. As shown in the graph in the section ' <a href="#">Our business model</a> ', the company's activity does not include rail transport.
	Management systems used to embed a culture of safety and emergency preparedness	Discussion and analysis	n/a	EM-MD-540a.4	84-85, 87-88



## Activity metrics

Topic	Activity metric	Category	Unit of measure	Code	Page numbers, URL and/or direct response
Activity	Tonne-kilometres of natural gas transported by mode of transport	Quantitative	Metric tonnes (t), kilometres	EM-MD-000.A	8, 17, 103 In 2020 Enagás transported 23,957,327 tonnes of natural gas through its network of nearly 11,000 km of gas pipelines.





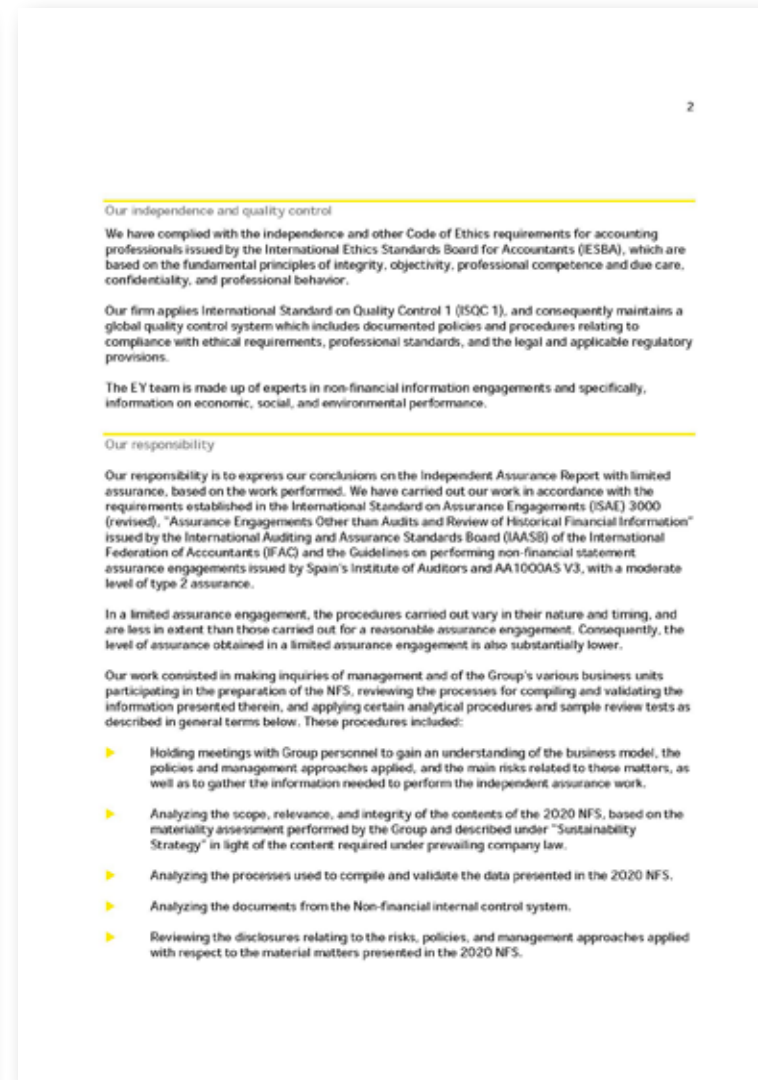
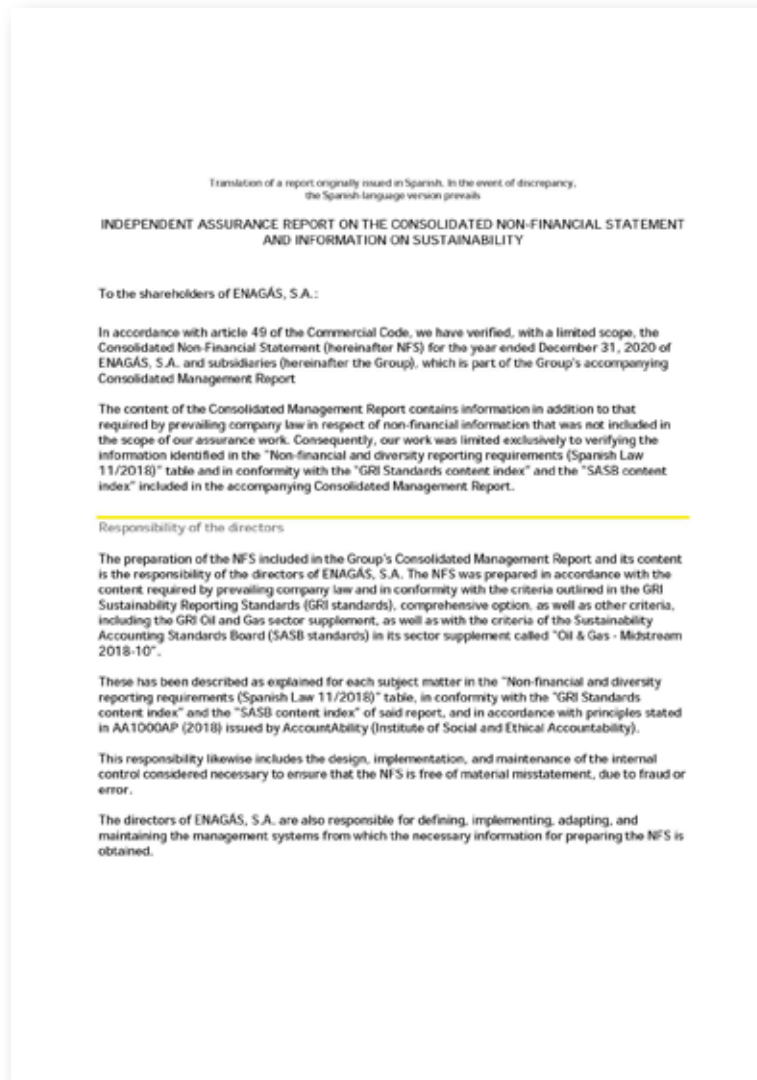
## TCFD content index

### Task Force on Climate-related Financial Disclosures (TCFD) recommendations

Areas	Recommendations	Page numbers, URL and/or direct response
Governance	Describe the board's oversight of climate-related risks and opportunities.	99 See section ' <a href="#">Governance model for climate change management</a> ' in the 'Climate action and energy efficiency' chapter, where the oversight functions of the Board of Directors are detailed.
	Describe management's role in assessing and managing climate-related risks and opportunities.	99 See section ' <a href="#">Governance model for climate change management</a> ' in the 'Climate action and energy efficiency' chapter, which describes, among other matters, the risk assessment and management functions of the Audit and Compliance Committee and the Sustainability Committee consisting of the company's main Management teams.
Strategy	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term.	24-28, 99-100 See the chapter ' <a href="#">Risk management</a> ' which describes Enagás' global risk management framework as well as the Corporate Risk Map which includes the "Role of natural gas in my energy future" as an emerging risk; a risk due to climate change, among other factors. In addition, the section ' <a href="#">Management of risks and opportunities derived from climate change</a> ' in the 'Climate action and energy efficiency' chapter, includes the specific map of Risks and Opportunities of climate change as well as a detailed table with climate change related factors linked with each risk and its control and management measures.
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	99 As detailed in the section ' <a href="#">Risk management and opportunities arising from climate change</a> ' in the 'Climate action and energy efficiency' chapter, based on the assessment carried out, the effects of the risks of climate change would have a low economic impact on the company in 2030 (around 5-10% of profit) and would be offset by the main opportunities of climate change.
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	19, 31-36, 99 See section ' <a href="#">Risk management and opportunities arising from climate change</a> ' in the 'Climate action and energy efficiency' chapter, which sets out the different scenarios considered in the risk assessment, together with the result of the impact and probability of occurrence. The chapter ' <a href="#">Strategic Priorities</a> ' also includes information on Enagás' strategic growth areas in the context of decarbonisation and energy transition. Specifically, the role of new uses of natural gas as well as the development of renewable gases (biomethane/hydrogen) are key elements of the fight against climate change. In addition, the chapter ' <a href="#">Our commitment to the energy transition</a> ' details our decarbonisation strategy and the priority focus on the development of renewable gases as well as the promotion of new uses of natural gas in mobility, reinforcing the resilience of Enagás' strategy for tackling climate change.
Risk management	Describe the organisation's processes for identifying and assessing climate-related risks.	24, 99
	Describe the organisation's processes for managing climate-related risks.	See chapter ' <a href="#">Risk management</a> ' for details of the 'three lines of defence' for risk control and management including the identification, assessment and management of company risks, a process that includes climate change-related risks. In addition, in the section ' <a href="#">Risk management and opportunities arising from climate change</a> ' in the 'Climate action and energy efficiency' chapter, the process of managing risks and opportunities arising from climate change is explained in more detail.
Metrics and targets	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	99 See section ' <a href="#">Emission reduction targets</a> ' in the chapter 'Climate action and energy efficiency' for the Climate Change Risks and Opportunities Map and the metrics (e.g. likelihood of occurrence, impact) used for the assessment of climate change-related risks and opportunities.
	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	102-104, 109-110 See the ' <a href="#">Our climate change performance</a> ' and ' <a href="#">Scope 3 emissions</a> ' sections on the 'Climate change and energy efficiency' chapter.
	Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks.	101-102 See section ' <a href="#">Emission reduction targets</a> ' in the 'Climate action and energy efficiency' chapter, where the reduction targets are included as well as the performance against targets.
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	



## External verification report [GRI 102-56]





- ▶ Checking, via tests of a selected sample, the information underlying the contents of the 2020 NFS and the satisfactory compilation of the NFS based on data taken from information sources.
- ▶ Analyzing the consistency of the information described in the appendix, "Self-assessment of adoption of integrated reporting principles and elements" and the information contained in the Management Report.
- ▶ Obtaining a representation letter from the directors and management.

In addition, with respect to GRI disclosures GRI 102-41, GRI 401-1, GRI 403-2, GRI 404-1, and GRI 405-1, our responsibility is to express an opinion, for which we have carried out reasonable assurance work. The work entailed understanding the internal control system relevant to the aforementioned indicators contained in the NFS, assessing the risk of material errors that the indicators might contain, testing and evaluating their content, as well as performing other procedures we considered necessary in the circumstances. We consider that our examination provides a reasonable basis for our opinion.

In addition, we reviewed the adequacy of the structure and content in accordance with the principles established in standard AA1000AP (2018), with a moderate level of type 2 assurance.

Conclusions

Based on the limited assurance procedures conducted and the evidence obtained, no matter has come to our attention that would cause us to believe that the Group's NFS for the year ended December 31, 2020 has not been prepared, in all material respects, in accordance with the contents required by prevailing company law and the criteria established by the GRI standards, comprehensive option, as well as other criteria, including the GRI Oil and Gas sector supplement, as well as with the criteria of the Sustainability Accounting Standards Board (SASB standards) in its sector supplement called "Oil & Gas - Midstream 2018-10" described as explained for each subject matter in the "Non-financial and diversity reporting requirements (Spanish Law 11/2018)" table and in conformity with the "GRI content index" and the "SASB content index" of the Consolidated Management Report.

In addition, in our opinion, GRI disclosures GRI 102-41, GRI 401-1, GRI 403-2, GRI 404-1, and GRI 405-1, reviewed with a reasonable level of assurance, are prepared and presented, in all material respects, in accordance with the GRI Sustainability Reporting Standards (GRI standards), comprehensive option, described as explained for each subject matter in the GRI Standards content index of said report.

With regard to the application of the principles established in standard AA1000AP (2018), no matter has come to our attention that would cause us to believe that the Group has not applied the principles of inclusivity, materiality, responsiveness, and impact, as explained under "About our consolidated Management Report."

Recommendations

We presented our recommendations to Enagás management regarding areas of improvement related to the application of standard AA1000AP (2018). The most significant recommendations are summarized below:

- ▶ **Inclusivity:** Enagás continues to make progress in identifying and diagnosing its main stakeholders, including investees, based on its specific management model for these companies. We also recommend that Enagás continue to update the stakeholders as it determines new strategic priorities, and that it likewise persist in processing data and consulting with local communities to enhance management of local stakeholders.
- ▶ **Materiality:** Enagás identifies and values material matters that are relevant to its stakeholders, enabling it to define its sustainability strategy focusing on strategic levers. We recommend that Enagás periodically reassess material matters to ensure that they are incorporated in its sustainability strategy.
- ▶ **Responsiveness:** Through its Sustainable Management Plan, Enagás monitors its achievements and challenges in parallel to the material matters identified for the organization. We recommend that Enagás continue to focus its efforts on meeting stakeholders' expectations in the future by ensuring to monitor its three-lever strategy.
- ▶ **Impact:** Enagás's Sustainability Strategy supports the Company's strategic levers and is the cornerstone of projected medium and long-term growth. We recommend that Enagás step up its efforts to measure and analyze the Company's long-term value and that it develop a process for assessing and managing both real and potential impacts on the various areas of the organization they affect.

Use and distribution

This report was prepared in response to the requirement established by prevailing company law in Spain and may not be appropriate for other uses and jurisdictions.

ERNST & YOUNG, S.L.

(Signature on the original in Spanish)

Alberto Castilla Vida

February 22, 2021





## Global Compact content index

The Global Compact is an ethical commitment initiative designed so that entities from all countries can adhere to, as an integral part of their strategy and operations, ten universal principles governing conduct and action on matters concerning human rights, labour, the environment and the fight against corruption.

Enagás has been a member of the United Nations Global Compact since 2003 and regularly renews its commitment, maintaining a public and transparent record of the progress it has made in this field in an annual report published on the Global Compact website at ([www.pactmundial.org](http://www.pactmundial.org)).

The links between the ten principles of the Global Compact and the GRI standards considered in this report are listed in the table below, and the United Nations Global Compact Communication on Progress, published by the United Nations Global Compact Office in May 2007.

To make it easier to identify the activities most directly related to the principles of the Global Compact, Enagás has singled out the GRI standards that have a direct bearing on these principles. The table below indicates the pages of this report in which this information is contained.

GC	Human Rights	GRI Standards Contents	Pages
<b>Human Rights</b>			
1	Companies must support and protect internationally acknowledged basic human rights within their sphere of influence	GRI 410-1, GRI 411-1, GRI 412-1, GRI 412-2, GRI 412-3, GRI 414-1, GRI 414-2	118-119, 125, 127, 159-160
2	Companies must ensure they are not a party to Human Rights infringements	GRI 410-1, GRI 412-3	127, 160
<b>Labour standards</b>			
3	Companies must support the freedom of association to trade unions and accept in actual practice the collective bargaining process	GRI 102-41	67
4	Companies must support all steps to eradicate forced or coerced labour	GRI 412-1, GRI 412-2, GRI 412-3	125, 160
5	Companies must support the eradication of child labour	GRI 412-1, GRI 412-3	125, 160
6	Companies must support the abolition of discriminatory practices in employment and occupation	GRI 401-1, GRI 405-1, GRI 405-2, GRI 406-1	46, 48, 55, 57, 62-65, 155
<b>Environment</b>			
7	Companies must uphold a preventive approach that helps protect the environment	GRI 305-5, Management approach Natural Capital and Biodiversity Management	31, 90, 101, 105-108
8	Companies must promote initiatives that foster greater environmental responsibility	GRI 302-4, GRI 302-5, GRI 304-3, GRI 304-4, GRI 305-5, GRI 306-1, GRI 306-2	31, 92-94, 101, 105-108, 158
9	Companies must foster the development and dissemination of environmentally friendly technology	GRI 302-4, GRI 302-5, GRI 304-3, GRI 304-4, GRI 305-5, GRI 306-1, GRI 306-2	31, 92-94, 101, 105-108, 158
<b>Anti-corruption</b>			
10	Entities must work against corruption in all its forms including extortion and bribery	GRI 205-1, GRI 205-3	70-72



## World Economic Forum content index and metrics

### Core metrics and disclosures

Priority	Theme	Core metrics and disclosures	Page numbers, URL and/or direct response
Principles of Governance	Governing purpose	Setting purpose	12
	Quality of governing body	Governance body composition	46-49 <a href="#">Annual Corporate Governance Report</a>
	Stakeholder engagement	Material issues impacting stakeholders	43-45
	Ethical behaviour	Anti-corruption	46, 69-72, 74
		Protected ethics advice and reporting mechanisms	70
Risk and opportunity oversight	Integrating risk and opportunity into business process	24-36, 84-85, 87-89, 99-100	
Planet	Climate change	Greenhouse gas (GHG) emissions	102-104, 108-110
		TCFD implementation	31, 101, 163
	Nature loss	Land use and ecological sensitivity	138, 158, 161
	Freshwater availability	Water consumption and withdrawal in water-stressed areas	96, 157
People	Dignity and equality	Diversity and inclusion	55, 62, 65
		Pay equality	63, 64
		Wage level	62-63 In 2020, the annual total remuneration of the CEO was 17.95 times the median annual total compensation of all other professionals (excluding the CEO).
	Risk of incidents of child forced or compulsory labour	125-126	
	Health and well-being	Health and safety	66-67, 84-87, 89, 137
Skills for the future	Training provided	54, 60-61, 136	
Prosperity	Employment and wealth generation	Absolute number and rate of employment	55, 57
		Economic contribution	134, 156
		Financial investment contribution	8, 133-134
	Innovation of better products and services	Total R&D expenses	39
	Community and social vitality	Total tax paid	77-78



## Content index according to the EFQM Model

### EFQM 2020 Model - Consolidated Management Report

EFQM criterion	Subcriterion	References (chapters)	Pages
<b>Dirección</b>			
Criterion 1: Purpose, vision and strategy	1.1 Define Purpose & Vision	<ul style="list-style-type: none"> <li>➤ Our purpose and activities</li> <li>➤ Mission, vision and values</li> </ul>	12, 14
	1.2 Identify & Understand Stakeholders Needs	<ul style="list-style-type: none"> <li>➤ Creation of value for our stakeholders</li> </ul>	41-45
	1.3 Understand the Ecosystem, own Capabilities & Major Challenges	<ul style="list-style-type: none"> <li>➤ Strategy</li> <li>➤ Our commitment to the energy transition</li> </ul>	16-39
	1.4 Develop Strategy	<ul style="list-style-type: none"> <li>➤ Estrategy</li> <li>➤ Our contribution to the SDG</li> </ul>	9-10, 16-28
	1.5 Design & Implement a Governance & Performance Management System	<ul style="list-style-type: none"> <li>➤ Risk management</li> <li>➤ Creation of value for our stakeholders</li> <li>➤ Good Governance</li> <li>➤ Ethics and integrity</li> <li>➤ Affiliates management</li> </ul>	24-28, 41-53, 70-74, 120-124
Criterion 2: Organisational culture and leadership	2.1 Steer the Organisation's Culture & Nurture Values	<ul style="list-style-type: none"> <li>➤ Targets linked to variable remuneration</li> <li>➤ People - Awareness of in-house talent, Professional development programmes, Training</li> <li>➤ Ethics and integrity</li> <li>➤ Local communities</li> </ul>	22-23, 59-61, 69-74, 111-116
	2.2 Create the Conditions for Realising Change	<ul style="list-style-type: none"> <li>➤ Targets linked to variable remuneration</li> <li>➤ Digital transformation</li> <li>➤ People - New ways of working</li> <li>➤ Financial and Operational Excellence - Continuous Improvement Programmes</li> </ul>	22-23, 39, 58, 82
	2.3 Enable Creativity & Innovation	<ul style="list-style-type: none"> <li>➤ Targets linked to variable remuneration</li> <li>➤ Corporate entrepreneurship and open innovation</li> <li>➤ Technological innovation</li> </ul>	22-23, 36-39
	2.4 Unite Behind & Engage in Purpose, Vision & Strategy	<ul style="list-style-type: none"> <li>➤ Our purpose and activities</li> <li>➤ Mission, vision and values</li> <li>➤ Strategy</li> <li>➤ Creation of value for our stakeholders</li> </ul>	12, 14, 16-28, 41-45





EFQM criterion	Subcriterion	References (chapters)	Pages
<b>Execution</b>			
Criterion 3: Stakeholder engagement	3.1 Customers: Build Sustainable Relationships	<ul style="list-style-type: none"> <li>➤ Creation of value for our stakeholders</li> <li>➤ Financial and Operational Excellence - Operational Excellence</li> </ul>	41-45, 79-82
	3.2 People: Attract, Engage, Develop & Retain	<ul style="list-style-type: none"> <li>➤ Targets linked to variable remuneration</li> <li>➤ Corporate entrepreneurship and open innovation</li> <li>➤ Creation of value for our stakeholders</li> <li>➤ People</li> <li>➤ Local communities - Social investment</li> </ul>	22-23, 36-38, 41-45, 54-68, 113-116
	3.3 Business & Governing Stakeholders – Secure & Sustain Ongoing Support	<ul style="list-style-type: none"> <li>➤ Targets linked to variable remuneration</li> <li>➤ Creation of value for our stakeholders</li> <li>➤ Financial and Operational Excellence - Financial Excellence</li> <li>➤ Ranking on indices and certifications</li> </ul>	22-23, 41-45, 76-78, 129-131
	3.4 Society: Contribute to Development, Well-Being & Prosperity	<ul style="list-style-type: none"> <li>➤ Our contribution to the SDG</li> <li>➤ Creation of value for our stakeholders</li> <li>➤ Local communities</li> </ul>	9-10, 41-45, 111-116
	3.5 Partners & Suppliers: Build Relationships & Ensure Support for Creating Sustainable Value	<ul style="list-style-type: none"> <li>➤ Creation of value for our stakeholders</li> <li>➤ Supply chain</li> <li>➤ Affiliates management</li> </ul>	41-45, 117-124
Criterion 4: Creating sustainable value	4.1 Design the Value & How it is Created	<ul style="list-style-type: none"> <li>➤ Our commitment to the energy transition - Decarbonisation and carbon neutrality, renewable gases, sustainable mobility and corporate entrepreneurship and open innovation</li> <li>➤ Creation of value for our stakeholders</li> <li>➤ Financial and Operational Excellence - Operational Excellence</li> </ul>	31-38, 41-45, 79-82
	4.2 Communicate & Sell the Value	<ul style="list-style-type: none"> <li>➤ Our commitment to the energy transition - Decarbonisation and carbon neutrality, renewable gases, sustainable mobility and corporate entrepreneurship and open innovation</li> <li>➤ Creation of value for our stakeholders</li> <li>➤ Financial and Operational Excellence - Operational Excellence</li> <li>➤ Ethics and Integrity - European Transparency Register</li> </ul>	31-38, 41-45, 73, 79-82
	4.3 Deliver the Value	<ul style="list-style-type: none"> <li>➤ Our commitment to the energy transition - Decarbonisation and carbon neutrality, renewable gases, sustainable mobility and corporate entrepreneurship and open innovation</li> <li>➤ Creation of value for our stakeholders</li> <li>➤ Financial and Operational Excellence - Operational Excellence</li> </ul>	31-38, 41-45, 79-82
	4.4 Define & Implement the Overall Experience	<ul style="list-style-type: none"> <li>➤ Creation of value for our stakeholders</li> <li>➤ Financial and Operational Excellence - Operational Excellence</li> </ul>	41-45, 79-82



EFQM criterion	Subcriterion	References (chapters)	Pages
Criterion 5: Manage operation and transformation	5.1 Drive Performance & Manage Risk	<ul style="list-style-type: none"> <li>➤ Risk management</li> <li>➤ Creation of value for our stakeholders</li> <li>➤ Health and Safety - Crisis and Emergency Management and Information Security</li> <li>➤ Climate action and energy efficiency - Managing climate change risks and opportunities</li> </ul>	24-28, 41-45, 88-89, 99-100
	5.2 Transform the Organisation for the Future	<ul style="list-style-type: none"> <li>➤ Operating context</li> <li>➤ Strategic priorities</li> <li>➤ Corporate entrepreneurship and open innovation</li> <li>➤ Digital transformation</li> <li>➤ Technological innovation</li> <li>➤ People - New ways of working</li> <li>➤ Financial and Operational Excellence - Operational Excellence</li> </ul>	17-21, 36-39, 58, 79-82
	5.3 Drive Innovation & Utilise Technology	<ul style="list-style-type: none"> <li>➤ Corporate entrepreneurship and open innovation</li> <li>➤ Digital transformation</li> <li>➤ Technological innovation</li> <li>➤ People - New ways of working</li> <li>➤ Financial and Operational Excellence - Operational Excellence</li> <li>➤ Management of natural capital and biodiversity - Circular economy</li> </ul>	36-39, 58, 79-82, 93
	5.4 Leverage Data, Information & Knowledge	<ul style="list-style-type: none"> <li>➤ Digital transformation</li> <li>➤ Technological innovation</li> <li>➤ People - New ways of working, internal talent awareness, professional development and training programmes</li> <li>➤ Financial and Operational Excellence - Operational Excellence</li> </ul>	39, 58-61, 79-82
	5.5 Manage Assets & Resources	<ul style="list-style-type: none"> <li>➤ Technological innovation</li> <li>➤ Creation of value for our stakeholders</li> <li>➤ Financial and operational excellence</li> </ul>	39, 41-45, 75-82



EFQM criterion	Subcriterion	References (chapters)	Pages
<b>Results</b>			
Criterion 6: Reputation among stakeholders	6.a. Customer perception results	<ul style="list-style-type: none"> <li>➤ Creation of value for our stakeholders</li> <li>➤ Financial and Operational Excellence - Operational Excellence</li> <li>➤ Key indicators</li> </ul>	41-45, 79-82, 132-138
	6.b. People perception results	<ul style="list-style-type: none"> <li>➤ Our contribution to the SDG</li> <li>➤ Creation of value for our stakeholders</li> <li>➤ People - Employee satisfaction and motivation</li> </ul>	9-10, 41-45, 68
	6.c. Business & Governing Stakeholders Perception Results	<ul style="list-style-type: none"> <li>➤ Creation of value for our stakeholders</li> <li>➤ Ranking on indices and certifications</li> </ul>	41-45, 129-131
	6.d. Society Perception Results	<ul style="list-style-type: none"> <li>➤ Our contribution to the SDG</li> <li>➤ Creation of value for our stakeholders</li> <li>➤ Ranking on indices and certifications</li> <li>➤ Local communities</li> <li>➤ Key indicators</li> </ul>	9-10, 41-45, 111-116, 129-138
	6.e. Partners & Suppliers Perception Results	<ul style="list-style-type: none"> <li>➤ Creation of value for our stakeholders</li> <li>➤ Supply chain</li> <li>➤ Ranking on indices and certifications</li> </ul>	41-45, 117-119, 129-131
Criterion 7: Strategic and operational performance	7.a. Achievements in delivering its Purpose and Creating Sustainable Value	<ul style="list-style-type: none"> <li>➤ Our contribution to the SDG</li> <li>➤ Ranking on indices and certifications</li> <li>➤ Key indicators</li> </ul>	9-10, 129-138
	7.b. Financial performance.	<ul style="list-style-type: none"> <li>➤ Financial and Operational Excellence - Financial Excellence</li> <li>➤ Key indicators</li> </ul>	76-78, 132-138
	7.c. Fulfilment of Key Stakeholders Expectations	<ul style="list-style-type: none"> <li>➤ People - Employee satisfaction and motivation</li> <li>➤ Financial and Operational Excellence - Operational Excellence</li> <li>➤ Key indicators</li> </ul>	68, 79-82, 132-138
	7.d. Achievement of strategic objectives.	<ul style="list-style-type: none"> <li>➤ Targets linked to variable remuneration</li> <li>➤ Creation of value for our stakeholders</li> </ul>	22-23, 41-45
	7.e. Achievements in Driving Performance	<ul style="list-style-type: none"> <li>➤ Creation of value for our stakeholders</li> <li>➤ Financial and Operational Excellence - Operational Excellence</li> </ul>	41-45, 79-82
	7.f. Achievements in Driving Transformation	<ul style="list-style-type: none"> <li>➤ Targets linked to variable remuneration</li> <li>➤ Corporate entrepreneurship and open innovation</li> <li>➤ Digital transformation</li> </ul>	22-23, 36-39
	7.g. Predictive Measures for the Future	<ul style="list-style-type: none"> <li>➤ Creation of value for our stakeholders</li> <li>➤ Key indicators</li> </ul>	41-45, 132-138



## Contact [\[GRI 102-1, GRI 102-3, GRI 102-53\]](#)

Please address any comments, requests for clarification or suggestions in connection with this report to:

### ENAGÁS S.A.

Paseo de los Olmos, 19 28005 Madrid

Investor Relations Department

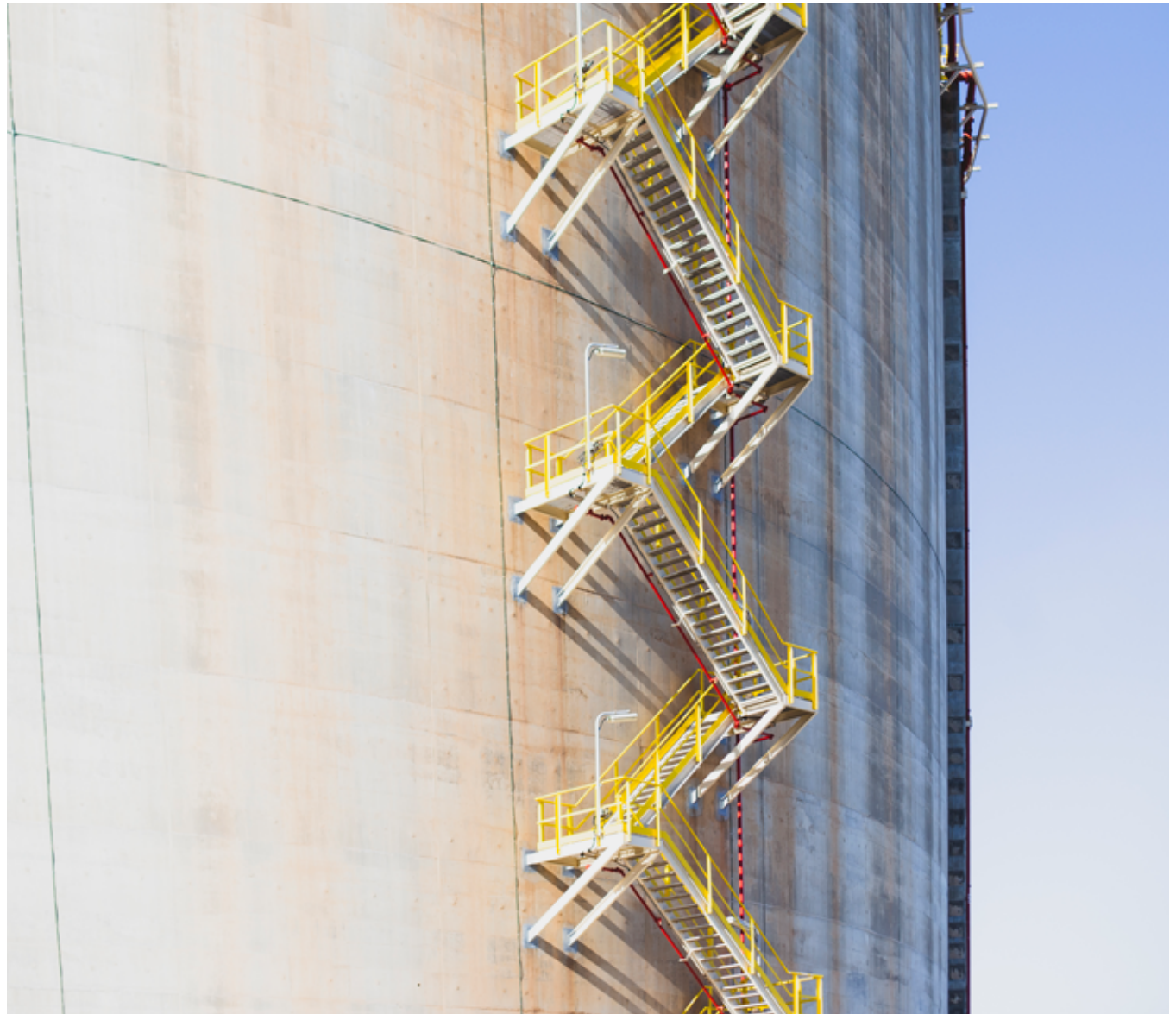
Tel.: +34 91 709 93 30 / 900 100 399

E-mail: [accionistas@enagas.es](mailto:accionistas@enagas.es)

Organisation and Sustainability Department

Tel.: +34 91 709 92 62

E-mail: [sostenibilidad@enagas.es](mailto:sostenibilidad@enagas.es)





Pursuant to Article 253 of the Corporate Enterprises Act and Article 37 of the Code of Commerce, and remaining applicable standards, on February 22, 2021, the Board of Directors of Enagás, S.A. authorised the Consolidated Management Report which, in accordance with the provisions of Law 11/2018 of December 28 on non-financial information and diversity, includes the Consolidated Non-Financial Information Statement for the year ended December 31, 2020, consisting of the accompanying documents preceding this document.

### Chairman:

Mr Antonio Llardén Carratalá

### Chief Executive Officer:

Mr Marcelino Oreja Arburúa

### Directors:

Sociedad Estatal de Participaciones Industriales (SEPI),  
represented by Mr Bartolomé Lora Toro

Mr Antonio Hernández Mancha

Ms Eva Patricia Úrbez Sanz

Ms Ana Palacio Vallelersundi

Mr Martí Parellada Sabata

Mr Santiago Ferrer Costa

Mr Luis García del Río

Ms Rosa Rodríguez Díaz

Mr Gonzalo Solana González

Ms Isabel Tocino Biscarolasaga

Mr Ignacio Grangel Vicente

Mr José Blanco Lopez

Mr Cristóbal José Gallego Castillo

Mr José Montilla Aguilera

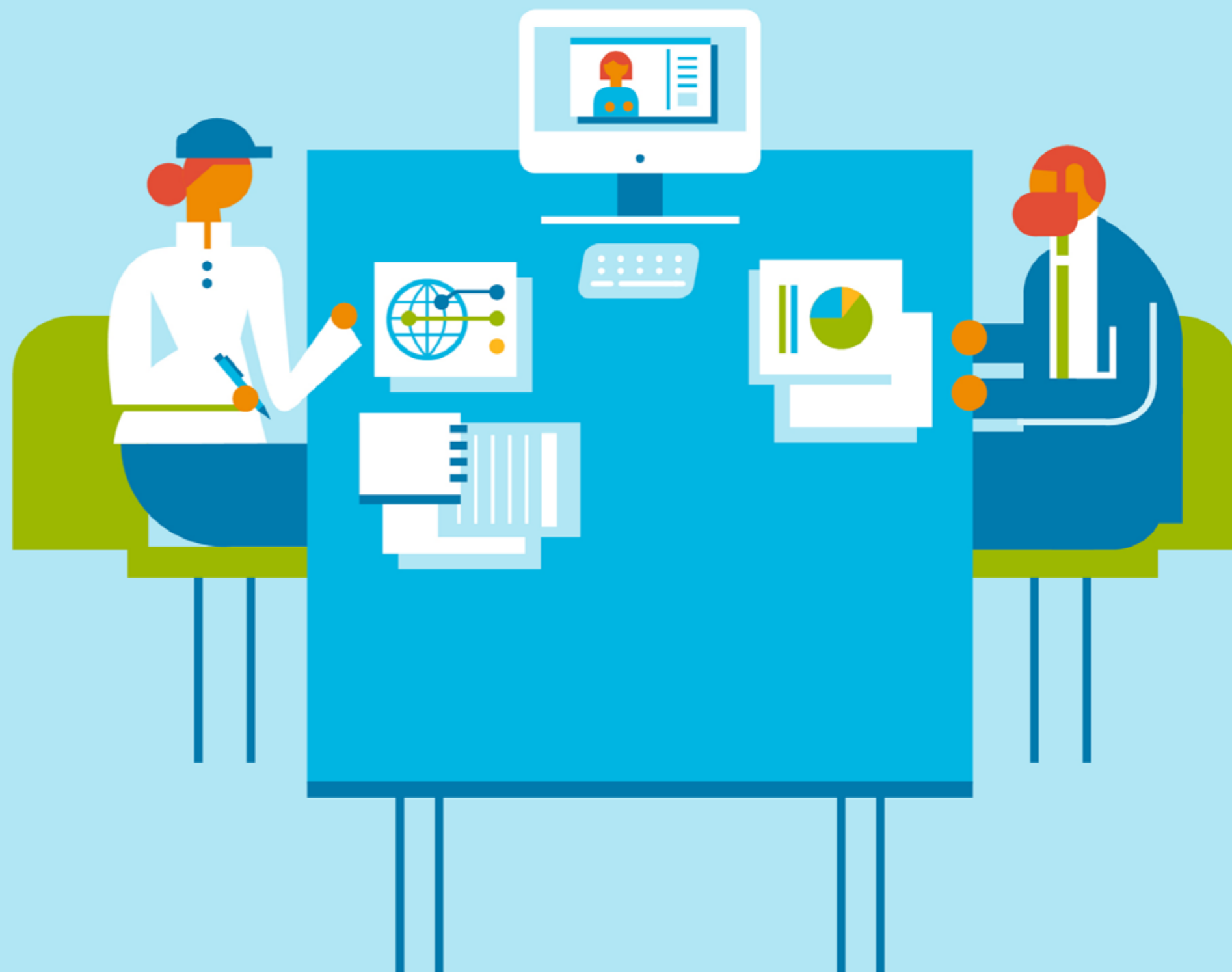
DILIGENCE to record, in accordance with the provisions of Article 253.2 of the Corporate Enterprises Act and Article 366.1.2 of the Companies Registry Regulations, that the Consolidated Management Report of the Group Enagás, S.A., corresponding to the financial year 2020 has been prepared with the agreement of all the members of the Board of Directors, but has not been signed by any of them, either by handwritten or electronic signature, in any case, due to material impossibility, given that the Board meeting at which the Annual Accounts and the Consolidated Management Report were prepared was held in virtual format, due to the restrictions arising from the declaration of a state of emergency in Spain by Royal Decree 956/2020 of November 3 and subsequent implementing regulations.

*Electronic signature of the Secretary to the Board*

### Secretary to the Board of Directors

Mr Rafael Piñeras Bautista

# Annual Corporate Governance Report





## ISSUER'S PARTICULARS

Financial year-end: 31/12/2020

CIF: A-28294726

Corporate name: ENAGÁS, S.A.

Registered office: PASEO DE LOS OLMOS, 19 MADRID

## A. Ownership structure

**A.1.** Complete the table below with details of the company's share capital

Date of last change	Share capital (€)	Number of shares	Number of voting rights
20/12/2019	392,985,111.00	261,990,074	261,990,074

Indicate whether different types of shares exist with different associated rights:

Yes  No

**A.2.** List the company's significant direct and indirect shareholders at year-end, excluding directors:

Name or corporate name of shareholder	% of voting rights assigned to shares		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
BLACKROCK INC	0.00	3.20	0.00	0.18	3.38
STATE STREET CORPORATION	0.00	3.00	0.00	0.00	3.00
BANK OF AMERICA CORPORATION	0.00	3.61	0.00	0.00	3.61
CREDIT AGRICOLE, S.A.	0.00	3.04	0.00	0.00	3.04
MUBADALA INVESTMENT COMPANY PJS	0.00	3.10	0.00	0.00	3.10
PARTLER PARTICIPACIONES, S.L.U.	5.00	0.00	0.00	0.00	5.00

Detail of indirect stake:

Name or corporate name of the indirect holder	Name or corporate name of the direct holder	% of voting rights assigned to shares	% of voting rights through financial instruments	% of total voting rights
BLACKROCK INC	BLACKROCK INC	3.20	0.18	3.38
STATE STREET CORPORATION	STATE STREET CORPORATION	3.00	0.00	3.00
BANK OF AMERICA CORPORATION	BANK OF AMERICA CORPORATION	3.61	0.00	3.61
CREDIT AGRICOLE, S.A.	CREDIT AGRICOLE, S.A.	3.04	0.00	3.04
MUBADALA INVESTMENT COMPANY PJS	MUBADALA INVESTMENT COMPANY PJS	3.10	0.00	3.10

Indicate the most significant movements in the shareholder structure during the year:

### Most significant movements

CREDIT AGRICOLE, S.A. (August 17, 2020) and MUBADALA INVESTMENT COMPANY PJS (October 19, 2020) are registered as significant shareholders in the information published on the National Securities Market Commission ("CNMV") website.

Amancio Ortega Gaona is the direct holder of 99.99% of the voting rights of Partler 2006, S.L.

Partler 2006, S.L. is in turn the direct holder of 100% of the voting rights of Partler Participaciones, S.L.U.



**A.3.** Complete the following tables on members of the board of directors holding voting rights through company shares:

Name or corporate name of director	% of voting rights assigned to shares		% of voting rights through financial instruments		% of total voting rights	% of voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR GONZALO SOLANA GONZÁLEZ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR MARCELINO OREJA ARBURÚA	0.00	0.00	0.00	0.00	0.01	0.00	0.00
MR ANTONIO LLARDÉN CARRATALÁ	0.00	0.00	0.00	0.00	0.06	0.00	0.00
MR MARTÍ PARELLADA SABATA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	0.00	0.00	0.00	0.00	5.00	0.00	0.00
<b>% of total voting rights held by the Board of Directors</b>						5.07	

Detail of indirect stake:

Name or corporate name of director	Name or corporate name of the direct holder	% of voting rights assigned to shares	% of voting rights through financial instruments	% of total voting rights	% of voting rights that can be transmitted through financial instruments
No data					

**A.4.** Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities, except for those entered in section A.6:

Related party name or corporate name	Type of relationship	Brief description
No data		

**A.5.** Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant shareholdings, and the company and/or its Group, unless they are insignificant or arise from ordinary trading or exchange activities:

Related party name or corporate name	Type of relationship	Brief description
BANK OF AMERICA CORPORATION	Corporate	Dividends and other benefits paid: 15,452 thousands of euros.
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	Corporate	Dividends and other benefits paid: 21,378 thousands of euros
BLACKROCK INC	Corporate	Dividends and other benefits paid: 14,465 thousands of euros.
CREDIT AGRICOLE, S.A.	Corporate	Dividends and other benefits paid: 5,355 thousands of euros.
MUBADALA INVESTMENT COMPANY PJS	Corporate	Dividends and other benefits paid: 5,463 thousands of euros.
PARTLER PARTICIPACIONES, S.L.U.	Corporate	Dividends and other benefits paid: 21,378 thousands of euros.
STATE STREET CORPORATION	Corporate	Dividends and other benefits paid: 12,861 thousands of euros.

**A.6.** Describe the relationships, unless they are scarcely relevant to the two parties, between the significant shareholders or those represented on the board and the directors, or their representatives, in the case of legal entity directors.

Explain, where appropriate, how significant shareholders are represented. Specifically, those directors who have been appointed on behalf of significant shareholders, those whose appointment has been put forward by significant shareholders, or who are bound to significant shareholders and / or entities of their group, with a specification of the nature of such binding relationships, will be indicated. In particular, where appropriate, the information shall mention the existence, identity and position of board members or representatives of directors, if any, of the listed company, who are, in turn, members of the governing body, or their representatives, in companies that hold significant stakes in the listed company or in entities of the group of said significant shareholders:

Name or corporate name of related director or representative	Name or corporate name of related significant shareholder	Corporate name of the group's company of the significant shareholder	Description of relationship/role
MR SANTIAGO FERRER COSTA	SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	Proprietary director of Enagás S.A., appointed at the suggestion of Sociedad Estatal de Participaciones Industriales.
MR BARTOLOMÉ LORA TORO	SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	Vice Chairman.





**A.7.** Indicate whether the company has been notified of any shareholders' agreements pursuant to articles 530 and 531 of the Corporate Enterprise Act ("LSC"). Provide a brief description and list the shareholders bound by the agreement, as applicable:

Yes  No

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. Give a brief description as applicable:

Yes  No

Expressly indicate any amendments to or termination of such agreements or concerted actions during the year:

N/A

**A.8.** Indicate whether any individuals or legal entity currently exercise control or could exercise control over the company in accordance with article 5 of the Securities Market Act. If so, identify:

Yes  No

**A.9.** Complete the following tables on the company's treasury share:

At year-end:

Number of shares held directly	Number of shares held indirectly <sup>(*)</sup>	% of total share capital
501,946		0.19

(\*) Through:

Name or corporate name of the direct shareholder	Number of shares held directly
No data	

Explain the significant variations during the financial year:

**Explain the significant variations**

N/A

**A.10.** Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting to issue, buy back and/or transfer treasury shares:

The Ordinary General Shareholders' Meeting held on June 30, 2020 adopted the following resolution:

"To authorise and empower the Board of Directors, with power of substitution, for the derivative acquisition of the Company's own shares in accordance with Article 146 of the Corporate Enterprises Act, in the following terms:

- The acquisitions may be carried directly by Enagás, S.A. or indirectly by subsidiaries under the same terms as those set out herein.
- The acquisitions may be carried out through a purchase and sale, exchange or any other transaction permitted by law.
- The maximum number of shares to be acquired shall be the maximum number permitted by law.
- The acquisition price shall not be more than 15% higher or lower than the average weighted share price of the session prior the acquisition.
- The authorisation is granted for a maximum of five years from adoption of this resolution.

In accordance with article 146 of the Corporate Enterprises Act, it is hereby expressly stated that the shares acquired pursuant to this authorisation may, in whole or in part, be directly awarded to employees or directors of the company or of companies belong to its Group, or that the purchase is the result of the exercise of employee or director options.

Likewise, the shares acquired as a result of this authorisation may be used, in full or in part, both for their disposal or redemption and for the achievement of potential corporate or business operations or decisions, as well as for any other legally possible purpose."

**A.11.** Estimated floating capital:

Estimated floating capital	%
90,00	

**A.12.** Give details of any restriction (statutory, legislative or otherwise) on the transferability of securities and/or any voting right restriction. In particular, the existence of any type of restrictions that may make it difficult to take control of the company through the acquisition of its shares in the market, as well as authorisation or prior notice arrangements that, on acquisitions or transfers of financial instruments of the company are applicable by sectoral regulations.

Yes  No

**Description of restrictions**

Restrictions under law:

Additional Provision 31 of Law 34/1998, of October 7, on the Hydrocarbons Sector, in force since the enactment of Act 12/2011, of May 27, governing civil liability for nuclear damage or damage caused by radioactive materials, specifies in section 2 that:

"No natural person or legal person may hold, directly or indirectly, an interest in the parent company (ENAGÁS, S.A.) representing more than 5% of share capital or exercise more than 3% of its voting rights. Under no circumstances may such shareholdings be syndicated. Any party operating within the gas sector, including natural or legal persons that directly or indirectly own equity holdings in the former of more than 5%, may not exercise voting rights over 1%. These restrictions do not apply to direct or indirect interests held by public sector enterprises. Under no circumstances may share capital be syndicated.

Likewise, the combined total of direct or indirect holdings owned by parties that operate within the natural gas sector may not exceed 40% (...)" (continues in Chapter H:"OTHER INFORMATION OF INTEREST": EXPLANATORY NOTE ON SECTION A.12.)

**A.13.** Indicate whether the general shareholders' meeting has agreed to take neutralisation measures to prevent a public takeover bid by virtue of the provisions of Act 6/2007.

Yes  No

If applicable, explain the measures adopted and the terms under which these restrictions may be lifted:

**A.14.** Indicate whether or not the company has issued securities not traded in a regulated market of the European Union.

Yes  No

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer:

## B. General shareholders' meeting

**B.1.** Indicate whether the quorum required for constitution of the General Shareholders' Meeting differs from the system of minimum quorums established in the Corporate Enterprises Act and specify any such:

Yes  No

**B.2.** Indicate and, as applicable, describe any differences between the company's system of adopting corporate resolutions and the framework established in the Corporate Enterprises Act:

Yes  No

**B.3.** Indicate the rules governing amendments to the company's Articles of Association. In particular, indicate the majorities required to amend the Articles of Association and, if applicable, the rules for protecting shareholders' rights when changing the Articles of Association.

Article 18 of the Consolidated Text of the Articles of Association states that:

"The shareholders, when constituted as a duly summoned General Meeting, shall by a majority of votes as determined by 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: (...) and states in section c) the amendments to the Articles of Association".

Likewise, article 26 states that:

"An ordinary or extraordinary General Meeting may validly resolve to increase or reduce capital, make any other alterations to the Articles of Association, issue bonds, remove or restrict the pre-emptive subscription right for new shares, and restructure, merge or split the company, transfer all the assets and liabilities thereof, or move the registered office to outside Spain, if, at the original date and time specified in the notice of meeting, there are present, in person or by proxy, shareholders representing at least fifty percent of voting subscribed capital.



At second call, the attendance or representation of shareholders holding at least twenty-five percent of subscribed voting capital shall be sufficient". Likewise, article 13.3 of the Rules and Regulations of the General Shareholders' Meeting states that:

"However, an absolute majority of shareholders holding at least fifty percent of the subscribed capital with voting rights is required to validly adopt resolutions to increase or decrease capital, make any other amendment to the Articles of Association, issue bonds, eliminate or restrict pre-emptive subscription rights for new shares, transform, merge, spin off or globally assign assets and liabilities, and transfer the registered office abroad. However, the favourable vote of shareholders representing two-thirds of the share capital present or represented is required when, on second call, shareholders holding at least twenty-five percent of the subscribed capital with voting rights are present and the aforementioned fifty percent threshold is not reached".

**B.4.** Indicate the attendance figures for the General Shareholders' Meetings held during the year referred to in this report and those of the two previous years:

#### Attendance data

Date of general meeting	% attending in person	% by proxy	% voto a distancia		Total
			% remote voting Electronic	Other	
<b>22/03/2018</b>	0.28	40.17	0.00	5.18	45.63
Of which floating capital	0.27	38.16	0.00	4.92	43.35
<b>29/03/2019</b>	0.20	45.55	0.04	5.26	51.05
Of which floating capital	0.19	43.27	0.04	4.99	48.49
<b>30/06/2020</b>	0.00	42.55	0.00	5.62	48.17
Of which floating capital	0.00	38.29	0.00	5.06	43.35

**B.5.** Indicate whether there has been any item on the agenda of general meetings during the year that, for any reason, was not approved by the shareholders:

Yes  No

**B.6.** Indicate whether the articles of association impose any minimum requirement on the number of shares required to attend the General Shareholders' Meeting or for remote voting:

Yes  No

**B.7.** Indicate whether or not it has been established that certain decisions, other than those established by Law, involving an acquisition, disposal, contribution of essential assets to another company or other similar corporate operations, must be submitted for the approval of the general shareholders' meeting:

Yes  No

**B.8.** Indicate the address and mode of accessing corporate governance content on your company's website as well as other information on general meetings which must be made available to shareholders on the:

All information on Enagás, S.A.'s Corporate Governance and General Meetings is available to the public on its website ([www.enagas.es](http://www.enagas.es) or [www.enagas.com](http://www.enagas.com)).

The links to this information can be found easily through the company's web browser and are as follows:

► In Spanish:

i) [Página principal / Accionistas e Inversores / Gobierno Corporativo:](#)

- [Junta General de Accionistas.](#)
- [Política de Gobierno Corporativo.](#)
- [Informe Anual de Gobierno Corporativo.](#)

ii) [Página principal/Sostenibilidad/Gobierno Corporativo.](#)

► In English:

i) [Home/Investor Relations/Corporate Governance:](#)

- [General Shareholders' Meeting.](#)
- [Corporate Governance Policy.](#)
- [Annual Corporate Governance Report.](#)

ii) [Home/Sustainability/Corporate Governance.](#)



## C. Company management structure

### C.1. Board of Directors

**C.1.1** Maximum and minimum number of directors included in the articles of association and the number set by the general meeting:

<b>Maximum number of Directors</b>	16
<b>Minimum number of Directors</b>	6
<b>Number of directors set by the shareholders' meeting</b>	16

**C.1.2** Complete the following table with Board members' details:

Name or corporate name of director	Representative	Director category	Position on the board	Date first appointment	Date last appointment	Election procedure
MS ANA PALACIO VALLELERSUNDI		Independent	INDEPENDENT LEADING DIRECTOR	25/03/2014	22/03/2018	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR GONZALO SOLANA GONZÁLEZ		Independent	DIRECTOR	25/03/2014	22/03/2018	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR ANTONIO HERNÁNDEZ MANCHA		Independent	DIRECTOR	25/03/2014	22/03/2018	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR MARCELINO OREJA ARBURÚA		Executive	CHIEF EXECUTIVE OFFICER	17/09/2012	22/03/2018	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR SANTIAGO FERRER COSTA		Proprietary	DIRECTOR	15/10/2018	29/03/2019	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR IGNACIO GRANGEL VICENTE		Independent	DIRECTOR	22/03/2018	22/03/2018	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR LUIS GARCÍA DEL RIO		Independent	DIRECTOR	31/03/2017	31/03/2017	VOTE AT GENERAL SHAREHOLDERS' MEETING
MS PATRICIA URBEZ SANZ		Independent	DIRECTOR	29/03/2019	29/03/2019	VOTE AT GENERAL SHAREHOLDERS' MEETING
MS ISABEL TOCINO BISCAROLASAGA		Independent	DIRECTOR	25/03/2014	22/03/2018	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR ANTONIO LLARDÉN CARRATALÁ		Executive	CHAIRMAN	22/04/2006	22/03/2018	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR MARTÍ PARELLADA SABATA		Other External	DIRECTOR	17/03/2005	31/03/2017	VOTE AT GENERAL SHAREHOLDERS' MEETING
MS ROSA RODRÍGUEZ DÍAZ		Independent	DIRECTOR	24/04/2013	31/03/2017	VOTE AT GENERAL SHAREHOLDERS' MEETING
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	DON BARTOLOMÉ LORA TORO	Proprietary	DIRECTOR	25/04/2008	30/06/2020	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR CRISTOBAL JOSÉ GALLEGO CASTILLO		Independent	DIRECTOR	30/06/2020	30/06/2020	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR JOSÉ BLANCO LÓPEZ		Independent	DIRECTOR	30/06/2020	30/06/2020	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR JOSÉ MONTILLA AGUILERA		Independent	DIRECTOR	30/06/2020	30/06/2020	VOTE AT GENERAL SHAREHOLDERS' MEETING

**Total number of Directors** 16

Indicate any board members who left during the reporting period, whether due to resignation or by resolution of the general meeting:

Name or corporate name of director	Status of director upon resignation	Date of last appointment	Date of departure	Specialised commissions of which she/he was a member	Indicate if the termination occurred before the end of the mandate
No data					

**C.1.3** Complete the following tables on board members and their respective categories:

#### EXECUTIVE DIRECTORS

Name or corporate name of director	Position held in the company	Profile
MR MARCELINO OREJA ARBURÚA	Chief Executive Officer	Marcelino Oreja has been Chief Executive Officer of Enagás since September 2012. Currently, he is also a Trustee of the Transforma España Foundation. Marcelino Oreja is a Patent and Trademark Agent. He holds a degree in Industrial Engineering from the School of Engineering (ICAI) at the Pontifical University of Comillas and completed the Global CEO Programme and the Advanced Management Programme, both at the IESE Business School, as well as the Executive Programme at Singularity University and the AVIRA Program at INSEAD. Between 1992 and 1997 he was General Secretary of the National Confederation of Young Entrepreneurs, maintaining close collaboration with the Spanish Confederation of Entrepreneurs. In his international and strategic development he has been an adviser to companies such as COMET or SERVICOM. He founded DEF-4 patents and trademarks, which he sold to Garrigues Andersen in 1997, becoming its General Manager. Among other senior positions, he was the International Director of Aldeasa, General Manager of EMTE and, following the merger with COMSA, General Manager of COMSA EMTE (the second biggest unlisted Spanish group in the infrastructure and technology sector). He was also Chairman of the FEVE railway company. In the political sphere, he was a Member of the European Parliament from 2002 to 2004. He was also a Board Member of the Basque Energy Agency. He is the author of two books: Viaje interior por África (2000) and Cultura emprendedora y la Unión Europea (2003).
MR ANTONIO LLARDÉN CARRATALÁ	Chairman	Antonio Llardén has been the Executive Chairman of Enagás since 2007. In addition, he currently holds the office of Chairman of the Foundation for Energy and Environmental Sustainability (Funseam), formed by the major companies operating in the energy market in Spain, as well as being a member of the Executive Committee and the Spanish Energy Club Management Board and of the CEOE Business Action Council and the Business Leadership Forum. He is a Trustee of the Elcano Royal Institute of International and Strategic Studies (chaired by His Majesty King Felipe VI of Spain), of the Princess of Girona Foundation (whose Honorary President is H.R.H. Princess of Asturias and Girona), of the Spain-Peru Council Foundation, of Aspen Institute Spain, of the Spain-United States Council Foundation and of the Foundation of Studies of Applied Economics (FEDEA). Antonio Llardén collaborates with different institutions related to the world of music. He is a Trustee of the Queen Sofia Royal College of Music and a member of the Teatro Real Board of Protectors and of its Monitoring Committee. He is an Industrial Engineer and studied at the Higher Technical School of Industrial Engineering of the Polytechnic University of Catalonia in Barcelona, and has wide experience in the business sector. Throughout his career he has held various senior positions in the infrastructure and energy sectors. He has been Chairman of the gas employer Sedigas, and also a member of the Board of Directors of Eurogas and of the Executive Committee of the International Gas Union (IGU). He has been a Director in several companies. In 2007 he chaired the LNG World Congress, which periodically brings together the main players in the natural gas sector every three years. He has also been Dean of the College of Engineers; member of the Social Council of the Autonomous University of Barcelona and Chairman of its Economic Commission. He is a Knight of the National Order of the Legion of Honour, the highest award granted by France for eminent merits in service to the country. He is currently a visiting professor at several universities and business schools.

**Total number of Executive Directors** 2

**% of the Board** 12.50



### EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of director	Name or corporate name of significant shareholder represented or proposing appointment	Profile
MR SANTIAGO FERRER COSTA	SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	<ul style="list-style-type: none"> <li>Graduate in Economics and Business Administration. ▶ Director of the Economic and Social Council (CES) of the Balearic Islands. ▶ Member of the Economic Committee of the Economic and Social Council (CES) of the Balearic Islands. ▶ Chief Executive Officer of Morna Assessors, associated with Grupo Tax Economistes i Advocats. ▶ Practising economist with No. 981 of the Association of Economists of the Balearic Islands.</li> </ul>
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	<ul style="list-style-type: none"> <li>Vice Chairman of SEPI. ▶ A graduate in Economic and Business Sciences through CUNEF, specialising in Finance and Executive MBA through the Business Institute. He started his professional career at Bankinter and held positions in the financial area at Enfersa and Ferrovial. ▶ He joined the National Institute of Industry (INI) in 1990. ▶ He was appointed director of Planning in 2000 and director of Subsidiaries in 2002, joining SEPI's Management Committee. ▶ He has been a member of the Boards of Directors of NAVANTIA, ALESTIS, ITP and TRAGSA.</li> </ul>
<b>Total number of proprietary directors</b>		2
<b>% of the Board</b>		12.50

### INDEPENDENT EXTERNAL DIRECTORS

Name or corporate name of director	Profile
MS ANA PALACIO VALLELERSUNDI	<ul style="list-style-type: none"> <li>Lawyer, founder of Palacio &amp; Asociados law firm. ▶ Independent Leading Director of Enagás, Director of Pharmamar and Director of AEE Power. ▶ Member of Investcorp's International Advisory Committee ▶ Member of the External Advisory Council of Energy Future Initiative (EFI).</li> <li>Member of the Executive Board of the Atlantic Council of the United States. ▶ Member of the governing bodies of a number of research centres and public institutions: the MD Anderson Cancer Center, the Science Board of Real Instituto Elcano and the Global Leadership Foundation. Guest lecturer at Edmund A. Walsh School of Foreign Service at Georgetown University. ▶ Regular contributor to "Project Syndicate", among other media. ▶ Regular participant as panellist in international conferences and forums; in the energy sector, among others, the Istanbul G-20 International Energy Forum; the Atlantic Council Energy &amp; Economic Summit, Atlantic Council Energy Forum and the Schlessinger Awards Energy Security Conference. She was invited as a speaker by the International Energy Agency (IEA) (2017). ▶ Holder of equivalent master's degrees in law, political science and sociology. ▶ Honorary doctorate in humanities from Georgetown University and winner of the 2016 Sandra Day O'Connor Justice Prize granted the title of Officier de la Légion d'Honneur by the Republic of France (2016). ▶ Elective member of the Spanish Council of State (2012-2018). ▶ Member of the European advisory council of The European House - Ambrosetti (2015-2016). ▶ Coordinator of the Trans-European Transport Network (2014). ▶ Member of the Advisory Council of Foreign Affairs and Security (2010-2014) and of the Committee for the Appointment of Judges and Advocates-General of the European Union Court of Justice and the General Court (2010-2013). ▶ Adviser to the European Commission on justice, fundamental rights and citizenship (2010-2012). ▶ Vice President and member of the Executive Committee of AREVA (2008-2009). ▶ Senior Vice President and General Counsel of the World Bank (2006-2008). ▶ Secretary General of the International Center for the Settlement of Investment Disputes (2006-2008). ▶ Member of the Spanish Parliament, Chairwoman of the Joint Committee of the Two Houses for EU affairs (2004-2006). ▶ Spain's first woman Minister of Foreign Affairs (2002-2004). ▶ Member of the Presidium of the Convention for the Future of Europe: She participated in the debate and the drafting of the European Constitution project (2001-2003). ▶ Member of the European Parliament, Chairwoman of the Legal Affairs and Internal Market, Citizen Rights, Justice and Internal Affairs Committees, and Conference of Committee Chairmen (1994-2002).</li> </ul>
MR GONZALO SOLANA GONZÁLEZ	<ul style="list-style-type: none"> <li>Director of the Nebrija Santander Chair in International Business Management. ▶ Professor of international economics at a number of universities. ▶ Founding partner of the law firm Huerta &amp; Solana specialising in competition law and regulations. ▶ Independent Director of OMIClear, Chairman of the Audit Committee and Vice Chairman of the Risk Committee. ▶ Member of the board of trustees of the Corell Foundation and coordinator of the mobility Think Tank. ▶ President of the Tribunal for the Defence of Competition (2000-2005). ▶ Vice President and Director of Analysis and Strategy of the High Council of Chambers of Commerce (2006-2011) and Director of Study Services at the High Council of Chambers of Commerce (1986-2000). ▶ Former member of the Spanish National Institute of Statistics (INE)(1986-2000 and 2006-2011) and Chairman of the Regional Statistics Committee of the INE. ▶ Economist at the Institute for Economic Studies (1981-1986). ▶ Professor of Applied Economics at the University of San Pablo CEU and of International economics at the University of Deusto.</li> </ul>

### INDEPENDENT EXTERNAL DIRECTORS

Name or corporate name of director	Profile
MR ANTONIO HERNÁNDEZ MANCHA	<ul style="list-style-type: none"> <li>Public prosecutor. ▶ Member of the Court of Arbitration of Madrid's Chamber of Commerce and Industry of Madrid. ▶ Founding President and Sole Director of Apple Energy Group Iberia, S.L. ▶ Member of CIMA (Civil and Mercantile Arbitration Court). ▶ Former Vice President of NAP de las Américas Madrid, S.A. ▶ Former Chief Executive Officer of NAP de África Occidental e Islas Canarias, S.A. ▶ Members of the Board of Directors of LandCompany 2020 S.L.</li> </ul>
MR IGNACIO GRANGEL VICENTE	<ul style="list-style-type: none"> <li>Ex-Chairman of OMEL (Electricity Market Operator). ▶ Ex-Director of MIBGAS and MIBGAS Derivatives. ▶ Member of the Expert Commission on energy transition scenarios. ▶ Managing Partner of the Department of Public Law and Regulated Sectors of CMS- Albiñana- Suárez de Lezo. ▶ Ex-Director of the Legal Advisory and Ex-Vice-secretary General of REE (2015-2017). ▶ Former Director of the Cabinet of the Secretary of State for Energy. Ministry of Industry, Energy and Tourism (2012-2015). ▶ Ex-Member of the Board of Directors of the Strategic Petroleum Products Reserves Corporation (2012-2015). ▶ Ex-Director of the National Radioactive Waste Company. ▶ Ex-Chairman of the Audit and Control Committee. (March 2012-2015). ▶ Lawyer of the State (2004), having completed the Higher Programme in Energy Law of the Institute of Business (2011).</li> </ul>
MR LUIS GARCÍA DEL RÍO	<ul style="list-style-type: none"> <li>Public prosecutor, currently on leave of absence. ▶ Former Director of internal law assistance of Repsol Butano S.A. and former secretary of its Board (2003-2005). ▶ Former Director of regulations regarding vice presidency of exploration and production and natural gas of Grupo Repsol (2005-2008). ▶ Former Director of YPF,S.A. (Independent Director). ▶ Arbitrator and practising Lawyer (Partner of the firm DRL Abogados corresponding to the professional limited company GARCÍA DEL RÍO &amp; LARRAÑAGA S.L.P.).</li> </ul>
MS PATRICIA URBEZ SANZ	<ul style="list-style-type: none"> <li>Head of Public Sector at Fujitsu Spain. Member of the Executive Committee of Fujitsu Iberia. She holds a degree in Telecommunications Engineering from the University of Zaragoza, complemented by several exclusive management programmes: Transformational Leadership Program, ICLD, Fundación CEDE, Spain (2016); Atos Executive GOLD (Talent Development Programme), HEC Paris, France (2014); Masters in Logistics (APICS) ▶ CEL (Spanish Logistics Centre), Spain (2000) and the ESADE Programme for Directors. With more than 24 years of professional experience in the world of Information and Communication Technologies (ICT), she has developed her professional career in multinational companies: Accenture (Spain), as Manager (different areas ▶ Banking, Telecommunications, Utilities, Public Sector - and responsibilities). Mercedes Benz (Germany and the Netherlands), as Director of the SAP Logistics Consulting Department in the Daimler Chrysler Solution Center. Atos Origin (Spain) as Consulting Director and Market Director- Public Sector Spain. Atos Corporation (France) as Vice President Head of Public Sector, Health and Transport Vertical Portfolio - Worldwide. Fujitsu Technology Solutions (Spain) where she holds her current position. She is a member of the AED (Spanish Association of Directors) and collaborator of the ILCD alumni group. She actively participates in media outreach activities, being co-founder of the think-tank #somosmujerestech and author of numerous articles in business communication.</li> </ul>
MS ISABEL TOCINO BISCAROLASAGA	<ul style="list-style-type: none"> <li>Vice President of Santander Spain. ▶ Former President of Banco Pastor. ▶ Independent Director of ENCE. ▶ Former Spanish Minister for the Environment (1996-2000). ▶ Former President for Spain and Portugal and former Vice President of Siebel (subsequently acquired by Oracle). ▶ Former legal adviser to the Nuclear Energy Board (currently CIEMAT). ▶ Member of the Spanish Royal Academy of Doctors.</li> </ul>



## INDEPENDENT EXTERNAL DIRECTORS

Name or corporate name of director	Profile
MS ROSA RODRÍGUEZ DÍAZ	<p>► PhD in Economics and Business Studies (in the field of Financial Economics and Accounting) from the University of Las Palmas de Gran Canaria. ► Accounting expert accredited by the Spanish Association of Accounting and Business Administration. ► From a teaching perspective and through other activities carried out throughout her career, she has specialised in Account Analysis, Budget Management and Economic-Financial Control, Public and Management Accounting, Accounting and Taxation of companies. She has also taught and coordinated the subjects Auditing III, Accounting for Management, Accounting and Business Taxation, Business Internships with orientation in Auditing and Tax and Financial Consultancy, and Master's Thesis with Research and Professional orientation. ► As a researcher she has developed different projects and coordinated others in the field of Financial Economics and Accounting; through this activity, she has published five books, three of which are co-authored; eight book chapters; fourteen articles in specialised journals; and thirteen communications and papers in congresses and seminars. ► Director of the following companies: Energías Renovables NAVCAN, S.L.; Energías Renovables Las Cabras S.L.U.; and PSF Palmitas, S.L.U.</p> <p>► Shareholder of the following companies: El Palmar 68, S.L. and Macaroen 2018, S.L. ► Exercising public and private activity, as president, vice president, director or member, she has sat on many different Boards of Directors of different types of companies, up to a total of 16, and in multiple public bodies and entities (up to 19). ► Former Vice Councillor of Tax Administration and Planning for the government of the Canary Islands. ► Former Vice President and Vice Councillor of Tax Administration of the Local Council of Gran Canaria. ► Former Vice President of La Caja de Canarias. - Former President of the autonomous collection agency dependent on the Cabildo de Gran Canaria VALORA GESTIÓN TRIBUTARIA. - Former Director of the collecting company of the City of Las Palmas of Gran Canaria, ERELPA, S.A. ► Former Vice President of SOCIEDAD DE PROMOCIÓN ECONÓMICA DE GRAN CANARIA (SPEGC). ► Former Director of the Sociedad de Avaes de Canarias S.G.R.-SOGAPYME. ► Former President of the urban transport company GUAGUAS MUNICIPALES, S.A.- Former Director of EMALSA, S.A., a company engaged in the supply of water to the municipality of Las Palmas de Gran Canaria. ► Former Member of the Board of Trustees of the University of Las Palmas de Gran Canaria representing the Parliament of the Canary Islands. ► Former Member of the Planning and Economic Affairs Committee of the Board of Trustees of the University of Las Palmas de Gran Canaria. ► Former member of the Governing Council of the University of Las Palmas de Gran Canaria and member, among others, of the Economic Commission.</p>
MR JOSÉ BLANCO LÓPEZ	<p>► Senator (1989-1996) and a Member of the Spanish Parliament (1996-2015). ► Minister of Development of the Government of Spain (2009-2011), he was also at that time Chairman of the Transport Council of the European Union and President of the World International Transport Forum. ► Spokesperson for the Spanish Government (2011). ► (Member of the European Parliament (2015-2019) taking part in the follow-up and participation in various legislative dossiers and reports on parliamentary initiatives. He has been a member of the Committee on Industry, Research and Energy; Member of the Committee of Inquiry into the Measurement of Emissions from the Automobile Sector; Vice-Chairman of the delegation to the EU-Mexico Joint Parliamentary Committee and Rapporteur on the Renewable Energy Directive (REDII 2020-2030). ► As head of the European Parliament for the renewable energy directive, he has participated as a speaker in more than 100 conferences, forums and congresses in recent years. Among the most recent: "Energy Transition, between all of us. Self-consumption as a key to change"; "Participation in the GASNAM Congress as a conference speaker: European Renewable Energy Directive" and the "Transition to a new energy model in Europe". He has been a speaker in the European capital at various conferences: the Solar Power Summit, the III Energy Summit, the European Sustainable Energy Week, the Annual High-Level Experts Conference and the European Commission's Clean Energy Financing, at the presentation of the REMAP study by the International Renewable Energy Agency, the Global Sustainability Conference, the IV Energy Summit and at the conferences organised in Sofia by the Bulgarian Presidency of the European Union. In Spain, he has participated as a speaker at the 3rd Spanish Wind Energy Congress, the National Renewable Energy Congress, the 4th Solar Forum, the 1st Canary Islands Wind Energy Congress, the Conference on renewable energies organised by the Murcia Association of Engineers, the Spanish Energy Club, the OCU Self-Consumption Conference, the UNEF Conference on Power Purchase Agreements and the Renewable Energy Directive. He led the convening of two round tables on biofuels and on bioenergy organised by the S&amp;D Group at Parliament's HQ in Brussels and has sponsored the organisation of several round tables at the Parliament with various EU associations from the sectors concerned, including EREF, Euroelectric, Ecofys and RE100. ► Author of articles on energy issues in different media. Author of the chapter "Paris Agreement, Winter Package, Energy and Climate Strategy 2030 and 2050. Historical Vision of the European Union's Climate and Energy Policies" published in the Workbook on Energy Transition in Spain. "A proposal from social democracy". ► He is currently CEO and Founder of ACENTO PUBLIC AFFAIRS</p>

## INDEPENDENT EXTERNAL DIRECTORS

Name or corporate name of director	Profile
MR JOSÉ MONTILLA AGUILERA	<p>► Mayor of Cornellá de Llobregat (1985-2004). He held various posts in the Barcelona Provincial Council, of which he was Chairman (2003-2004). ► Member of Parliament (2004-2006). ► Minister for Industry, Trade and Tourism with full powers in the field of Energy (2004-2006). -►During his time as Minister, he launched the Renewable Energy Plan 2005-2010, the Energy Saving and Efficiency Strategy 2005-2007, and the National Coal Restructuring Plan 2006-2012. He also stood out for promoting the adoption of legislative reforms to strengthen the powers of the National Energy Commission and to liberalise the energy sector, as well as reforms of the internal gas and electricity markets. ► President of the Catalan Government and Member of the Catalonia Parliament (2006-2010). ► Senator representing the Catalonia Parliament (2011-2019). As Senator, he has been Chairman of the Budget Committee and Spokesman for the Economy and Competitiveness, Finance and Public Administration, and Industry, Energy and Tourism Committees. He has been behind the following Bills: Audit of Accounts; Independent Authority for Fiscal Responsibility; Corporate Tax; Urgent Measures in Bankruptcy Matters; Fiscal Measures for Energy Sustainability; Guarantee of Supply and Increase of Competition in the Insular and Extrapeninsular Electrical Systems; Fiscal Measures for Energy Sustainability.</p>
MR CRISTOBAL JOSÉ GALLEGO CASTILLO	<p>► He holds a degree in Aeronautical Engineering from the Polytechnic University of Madrid. International Doctorate, with the qualification cum laude, by the same University. ► During his doctoral studies, he was part of the research team at the Department of Energy ► Wind Energy Division - of CIEMAT (Centre for Energy, Environmental and Technological Research). ► He is currently an Associate Professor and Doctorate at the Universidad Politécnica de Madrid, Department of Aircraft and Space Vehicles. ► During his professional career, he has actively participated in numerous projects related to energy transition and renewable energies: - Journal referee (IEEE Transactions on Power Systems, Wind Energy, Journal of Renewable and Sustainable Energy, Applied Energy, Sustainable Energy, Grids and Networks. ► Member of the Scientific Committee that prepared the tenth Seminar on Wind Energy in Europe. (Orleans, France 2014). ► Member in AENOR of the National Committee (AEN/CTN) 206 "ELECTRICAL ENERGY PRODUCTION" and of the Sub-committee (SC) 88 "WINDTURBINES" (2014). ► Member of the National Association of Wind Engineering (ANIV). 2014. ► It is worth highlighting his participation as a member of the "National Commission of Experts on Energy Transition" created by the Council of Ministers by means of an Agreement of July 7, 2017, with the task of preparing a report analysing the possible proposals that could contribute to the definition of the Spanish strategy for Energy Transition. ► He has participated in numerous seminars and conferences in his technical speciality and in others related to renewable energies and energy transition. Author of numerous scientific articles on the same subjects.</p>

<b>Total number of Independent Directors</b>	11
<b>% of the Board</b>	68.75



List any independent director who receives from the company or group any amount or payment other than standard director remuneration or who maintains or has maintained during the period in question a business relationship with the company or any group company, either in their own name or as a significant shareholder, director or senior manager of an entity which maintains or has maintained the said relationship.

If applicable, include a statement from the board detailing the reasons why the said director may carry on his duties as an independent director.

Name or corporate name of director	Description of the relationship	Motivated statement
MS ANA PALACIO VALLELERSUNDI	Not applicable	Not applicable
MR GONZALO SOLANA GONZÁLEZ	Not applicable	Not applicable
MR ANTONIO HERNÁNDEZ MANCHA	Not applicable	Not applicable
MR IGNACIO GRANGEL VICENTE	Not applicable	Not applicable
MR LUIS GARCÍA DEL RIO	Not applicable	Not applicable
MS PATRICIA URBEZ SANZ	Not applicable	Not applicable
MS ISABEL TOCINO BISCAROLASAGA	Not applicable	Not applicable
MS ROSA RODRÍGUEZ DÍAZ	Not applicable	Not applicable
MR JOSÉ BLANCO LÓPEZ	Not applicable	Not applicable
MR JOSÉ MONTILLA AGUILERA	Not applicable	Not applicable
MR CRISTOBAL JOSÉ GALLEGU CASTILLO	Not applicable	Not applicable

## OTHER EXTERNAL DIRECTORS

Identify all other external directors and explain why these cannot be considered proprietary or independent directors and detail their relationships with the company, its senior managers or shareholders:

Name or corporate name of director	Reasons	Company, executive or shareholder with whom the relationship is maintained	Profile
MR MARTÍ PARELLADA SABATA	<p>For having been a Director of the Company for a continuous period of more than 12 years.</p> <p>The Board of Directors has adopted the practice of not proposing the re-election of Independent Directors who have continuously been directors for over 12 years and who would thus lose their status as Independent Directors if re-elected in accordance with article 529 (duodecies). 4 i) of the Consolidated Text of the Corporate Enterprises Act. Nevertheless, according to applicable laws, the Articles of Association and the Rules of the Organisation and Functioning of the Board of Directors of Enagás, S.A., there is nothing to stop an Independent Director from being re-elected even if he or she has been a Director continuously for over 12 years, if there are sufficient grounds to justify that course of action and the structure of the Board overall continues to fulfil the company's good governance policy which is that most of the members of the Board of Directors have to be Independent Directors. In such case and in accordance with article 529 duodecies of the Consolidated Text of the Corporate Enterprises Act and article 9 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagás, the Director cannot be classified as Independent and will instead be included within the category of "other external directors" pursuant to article 3.2 b3 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors. In the specific case of the Director Mr Martí Parellada Sabata, the Board, with the approval of the Appointments, Remuneration and Corporate Social Responsibility Committee, considered that there are sufficient grounds, in the company's interests, for him to remain on the Board of Directors of Enagás. His occupation as a Professor of Applied Economics helps the Board of Directors to have an overview of the general background in which the company operates, thereby completing the general skills map of the Board of Directors in different areas of expertise, and from a perspective which for the time being is not covered by other Board members. His professional experience is coupled with his deep knowledge of the business and activities of the Company, to which he adds rigour in the exercise of the position of Director.</p>	ENAGÁS, S.A.	<ul style="list-style-type: none"> <li>› Professor at the University of Barcelona.</li> <li>› Member of the Governing Council and Chairman of the Standing Committee of the Hospital Clinic of Barcelona Chairman of the Barcelona Economic Institute Foundation.</li> <li>› Trustee of the Energy and Environmental Sustainability Foundation.</li> </ul>

<b>Total number of other external directors</b>	1
<b>% of the Board</b>	6.25

List any changes in the category of each director which have occurred during the year:

Name or corporate name of director	Date of the change	Former category	Actual category
No data			

C.1.4 Complete the following table with information regarding the number of female directors over the last four financial years, and their category:

	Number of female Directors				% of total directors of each category			
	2020	2019	2018	2017	2020	2019	2018	2017
Executive					0.00	0.00	0.00	0.00
Proprietary					0.00	0.00	0.00	0.00
Independent	4	4	3	3	36.36	50.00	37.50	37.50
Other external					0.00	0.00	0.00	0.00
Total	4	4	3	3	25.00	30.77	23.08	23.08

C.1.5 Indicate whether or not the company has diversity policies in relation to the board of directors of the company with regard to issues such as age, gender, disability, or professional training and experience. Small and medium-sized entities, in accordance with the definition contained in the Accounts Auditing Law, must provide information, at least, on the policy they have established in relation to gender diversity.

Yes  No  Partial policies

If the answer is yes, describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results in the financial year. The specific measures adopted by the board of directors and the appointments and remuneration committee to achieve a balanced and diverse mix of directors must also be indicated.

If the company does not apply a diversity policy, explain the reasons why it does not do so

**Description of the policies, objectives, measures and manner in which they have been applied, as well as the results obtained**

The Board Diversity and Director Selection Policy, approved by the Board of Directors on December 21, 2020, establishes that in the procedure for the selection of new Directors it should be ensured that the proposals for appointment or re-election promote diversity in the Board, so they should be oriented to a preferential incorporation of women into the Board and of persons who, because of their nationality or experience, have an international professional projection, in accordance with the strategy of the Company. The Director appointment or re-election proposals should pursue the goal of having at least 40% of total Board places occupied by female directors by the year 2022.

In addition, the Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagás, S.A. establishes that the Board is responsible for evaluating the report submitted by the Sustainability, Appointments and Remuneration Committee, the quality and efficiency of the Board's operation, in addition to the diversity in its composition and competences.

In turn, in relation to the appointment of the Director, the rules establish that the Board of Directors must ensure that the procedures for selecting its members promote diversity of age, gender, disability, experience and knowledge, that do not suffer from implicit biases that entail any discrimination and, in particular, that facilitate the selection of female directors on the board to guarantee an even balance between men and women.

The number of directors on the Board slightly increased to 16 after the resolutions agreed at Enagás' General Shareholders' Meeting on June 30, 2020. Reaching a percentage of 25% of the less-represented gender.

Enagás maintains a solid corporate governance policy that has been endorsed by its shareholders at successive General Meetings to which it submits its proposals. Enagás is aware that in the current situation there is a slight impairment in some of the recommended parameters for good governance.

This is due to the exceptional situation in which we find ourselves and which makes it necessary, in the interests of society, to give priority to guaranteeing the essential gas supply service that Enagás has been entrusted with. It has therefore prioritised the incorporation of the profiles it has considered most suitable for this purpose, subordinating other considerations.

Enagás aspires to re-establish its usual parameters, always in line with best corporate governance practices, to the extent that the return to normality will again allow it to prioritise these.

Against this background, as of the date of this report, the Chairman of the Board has pledged that the Board of Directors will align itself with the recommendation regarding size and gender diversity set out in the CNMV's Corporate Governance Code at the General Shareholders' Meeting to be held in 2022.

Therefore, the renewals planned for the Enagás Board of Directors for the years 2021 and 2022 will be carried out taking into account this twofold objective of reducing the size of the Board and reaching a proportion of 40% of female directors.

C.1.6 Explain the measures taken, if applicable, by the appointments committee to ensure that the selection processes are not subject to implicit bias that would make it difficult to select female directors, and whether the company makes a conscious effort to search for female candidates who have the required profile to guarantee an even balance between men and women. Also state whether these measures include calling on the company to have a significant number of female senior managers:

**Explanation of measures**

In order to select Directors, the Sustainability, Appointments and Remuneration Committee adheres to the provisions of the Board Diversity and Director Selection Policy, approved by the Board of Directors at the request of this Committee on December 21, 2020. In application of this policy, the selection of a new Director takes 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 manager of the gas transmission network.

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 the appointments 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 shall promote the achievement of the goal of having at least 40% of total Board places occupied by female directors in 2022. Enagás' Directors selection processes 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.

Under the Board Diversity and Director Selection Policy, it is stipulated that efforts will be made to adopt measures that encourage the company to have a significant number of female senior managers.



In addition, for the presentation of the proposed candidates, the Sustainability, Appointments and Remuneration Committee receives support from executive recruitment and development firms of recognised renown

**When, despite the measures taken, there are few or no female senior managers or directors, explain the reasons:**

**Explanation of reasons**

Enagás is aware that it must continue to encourage and facilitate the presence of women in the event of any vacancy arising on the Board, particularly for Independent Directors, as well as in senior management positions. In this regard, Enagás complies with article 8 of the Regulations of the Organisation and Functioning of the Board of Directors, which prescribes that selection procedures must be free of any implied bias against women candidates, and that the company shall seek out and include women with the target profile among the candidates for Board places.

At present, four (4) of the sixteen (16) members of the Board of Directors of Enagás are women: MS ROSA RODRÍGUEZ DÍAZ, MS ANA PALACIO VALLELERSUNDI, MS ISABEL TOCINO BISCAROLASAGA and MS PATRICIA URBEZ SANZ. Also, MS ROSA RODRÍGUEZ DÍAZ is a member of the Audit and Compliance Committee, MS PATRICIA URBEZ SANZ is a member of the Sustainability, Appointments and Remuneration Committee, MS ISABEL TOCINO BISCAROLASAGA chairs the Audit and Compliance Committee and MS ANA PALACIO VALLELERSUNDI is Independent Leading Director and chairs the Sustainability, Appointments and Remuneration Committee.

Enagás follows the guidelines set out in the Board Diversity and Director Selection Policy, which the Board of Directors approved on December 21, 2020, and which stipulates that efforts will be made to adopt measures that encourage the company to have a significant number of female senior managers. There are currently two (2) female members of Enagás' senior management: MS FELISA MARTIN VILLAN Communication and Public Affairs General Manager, and MS MARIA SICILIA SALVADORES Strategy Director.

**C.1.7 Explain the conclusions of the Appointments Committee on the verification of compliance with the policy aimed at encouraging an appropriate composition of the Board of Directors.**

The Board Diversity and Director Selection Policy approved by the Board of Directors on December 21, 2020, established that the Board of Directors should ensure that the proposals for appointment or re-election of Directors promote diversity in the Board, so they should be oriented to a preferential incorporation of women into the Board and of persons who, because of their nationality or experience, have an international professional projection, in accordance with the strategy of the Company. The Director appointment or re-election proposals have been focused on achieving the goal of having at least 25% of total Board places occupied by female directors in 2020.

Enagás' Directors selection processes 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.

In addition, for the presentation of the proposed candidates, the Sustainability, Appointments and Remuneration Committee receives support from executive recruitment and development firms of recognised renown.

The report by the Sustainability, Appointments and Remuneration Committee of May 19, 2020, justifying the proposed appointment and reelection of Directors for the 2020 General Shareholders' Meeting included the following:

"Following the proposed appointments, the Board will slightly increase the number of members to 16. The percentage of Independent Directors increased to 68.75% (11 out of 16) while the percentage of the less represented gender was 25%. Enagás maintains a solid corporate governance policy that has been endorsed by its shareholders at successive General Meetings to which it submits its proposals. Enagás is aware that in the current situation there is a slight impairment in some of the recommended parameters for good governance.

This is due to the exceptional situation in which we find ourselves and which makes it necessary, in the interests of society, to give priority to guaranteeing the essential gas supply service that Enagás has been entrusted with. It has therefore prioritised the incorporation of the profiles it has considered most suitable for this purpose, subordinating other considerations.

Enagás aspires to re-establish its usual parameters, always in line with best corporate governance practices, to the extent that the return to normality will again allow it to prioritise these."

**C.1.8 Explain, if applicable, the reasons why proprietary directors have been appointed upon the request of shareholders who hold less than 3% of the share capital:**

**Name or corporate name of shareholder** **Justification**

No data

Provide details of any rejections of formal requests for board representation from shareholders whose equity interest is equal to or greater than that of other shareholders who have successfully requested the appointment of Proprietary Directors. If so, explain why these requests have not been entertained:

Yes  No

**C.1.9 Specify the powers and faculties delegated by the board of directors to board members or board committees, if any:**

**Name or corporate name of director or committee** **Brief description**

MARCELINO OREJA ARBURÚA	Pursuant to the resolution passed by the Board of Directors of Enagás, S.A. on March 22, 2018, MR MARCELINO OREJA ARBURÚA was delegated 34 joint and several powers and 13 joint powers. These powers are those which the Board of Directors considered had to be delegated to the Chief Executive Officer within statutory limits, in accordance with article 43 of the company's Articles of Association and article 19 of the Board Regulations. These powers delegated to the Chief Executive Officer, MR MARCELINO OREJA ARBURÚA, by the Enagás' Board of Directors, were granted in the public deed dated April 20, 2018 and executed before the Notary Public of Madrid Mr Francisco Calderón Alvarez as a replacement for his colleague, the Notary Mr Pedro de la Herrán Matorras, and for his files, with number 863 in his notarial archive and is recorded in Volume 33579, Book 0, File 69, Section 8; Sheet M-6113; Entry 827 of the Madrid Companies Registry. Further details on the powers delegated by the Board of Directors are provided in section H) "OTHER INFORMATION OF INTEREST". (EXPLANATORY NOTE ON SECTION C.1.9 of this Report).
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**C.1.10** List the board members, if any, who hold office as directors, representatives of directors or senior managers in other companies belonging to the listed company's group:

Name or corporate name of director	Corporate name of the group company	Position	Do they have executive duties?
MR MARCELINO OREJA ARBURÚA	ENAGÁS EMPRENDE, S.L.U.	JOINT DIRECTOR	Yes
MR MARCELINO OREJA ARBURÚA	ENAGÁS SERVICES SOLUTIONS, S.L.U.	JOINT DIRECTOR	Yes
MR MARCELINO OREJA ARBURÚA	ENAGÁS RENOVABLE, S.L.U.	JOINT DIRECTOR	Yes
MR MARCELINO OREJA ARBURÚA	ENAGÁS TRANSPORTE DEL NORTE, S.L.	CHAIRMAN	Yes
MR ANTONIO LLARDÉN CARRATALÁ	ENAGÁS GTS, S.A.U.	REPRESENTATIVE OF SOLE DIRECTOR	Yes
MR ANTONIO LLARDÉN CARRATALÁ	ENAGÁS TRANSPORTE, S.A.U.	REPRESENTATIVE OF SOLE DIRECTOR	Yes

**C.1.11** List any company directors or representatives of legal entity directors, if any, who are also members of the board of directors or representatives of legal entity directors of other non-group companies that are listed on regulated markets, insofar as these have been disclosed to the company:

Name or corporate name of director	Corporate name of the listed company	Position
MS ANA PALACIO VALLELERSUNDI	PHARMAMAR, S.A.	DIRECTOR
MS ISABEL TOCINO BISCAROLASAGA	ENCE ENERGIA CELULOSA, S.A.	DIRECTOR

**C.1.12** Indicate and, where appropriate, explain whether the company has established rules about the maximum number of company boards on which its directors may sit and indicate where this is regulated, if applicable:

Yes  No

**Explanation of the rules and identification of the document where it is regulated**

Under article 35 of the Articles of Association the following cannot be Directors or, if applicable, natural person representatives of a legal person Director:

- a) Natural or legal persons who hold the post of Director in more than five (5) companies whose shares are admitted to trading on national or foreign markets.
- b) Natural or legal persons whose circumstances render them incompatible or prohibited from serving on the board under any of the general provisions in law, including those persons who in any manner have interests that run contrary to those of the Company or its Group.

**C.1.13** Indicate the amounts of the following items relating to the overall remuneration of the board of directors:

Remuneration accrued in the year by the board of directors (thousands of euros)	5,294
Cumulative amount of rights of current directors in pension scheme (thousands of euros)	3,723
Cumulative amount of rights of former directors in pension scheme (thousands of euros)	

**C.1.14** List any members of senior management who are not Executive Directors and indicate total remuneration paid to them during the year.

Name or corporate name	Position/s
MR DIEGO ANTONIO VELA LLANES	Technical System General Manager
MS ROSA SÁNCHEZ BRAVO	Director of Internal Audit
MR CLAUDIO PEDRO RODRÍGUEZ SUÁREZ	Gas Assets General Manager
MR JESÚS LUIS SALDAÑA FERNÁNDEZ	General Manager of Enagás Internacional
MR JUAN ANDRÉS DÍEZ DE ULZURRUN MORENO	Deputy General Manager
MR FRANCISCO BORJA GARCÍA-ALARCÓN ALTAMIRANO	Financial General Manager
MS FELISA MARTÍN VILLÁN	Communication and Public Affairs General Manager
MR RAFAEL PIQUERAS BAUTISTA	General Secretary
MR JAVIER PERERA DE GREGORIO	Human & Corporate Resources General Manager
MS MARÍA SICILIA SALVADORES	Strategy Director

Number of female senior managers	2
Percentage of total members of senior management	22.22
Total remuneration received by senior management (thousands of euros)	5,572



**C.1.15** Indicate whether any changes have been made to the board regulations during the year:

Yes  No

**C.1.16** Indicate the procedures for selection, appointment, re-election and removal of directors. List the competent bodies and the processes and criteria to be followed for each of these procedures.

Pursuant to article 8 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagas:

1.- Directors shall be appointed at the General Shareholders' Meeting or by the Board of Directors in conformity with the provisions of the Corporate Enterprises Act and the company's Articles of Association.

2.- Candidates must be persons who, in addition to satisfying the legal and statutory requirements of the post, have recognised prestige and appropriate professional knowledge and experience to perform their duties. The Sustainability, Appointments and Remuneration Committee is responsible for proposing the appointment of Independent Directors. The proposals for the appointment or re-election of Non-independent Directors which the Board of Directors submits to the General Shareholders' Meeting, as well as appointments adopted by the Board by virtue of its powers of co-option, must be made subject to a report from the Sustainability, Appointments and Remuneration Committee. When the Board of Directors does not agree with the Committee's recommendations, it must explain its reasons and duly record them in the minutes. The proposals shall always be accompanied by a report from the Board justifying the competencies, experience and merits of the proposed candidate. This report shall be attached to the minutes of the General Meeting or of the Board. The foregoing will also be applicable to natural persons appointed as representatives of a legal person Director. The proposal for a natural person representative must be submitted to the Sustainability, Appointments and Remuneration Committee.

3. The Board of Directors must ensure that the procedures for the selection of its members favour diversity in aspects relating to training and professional experience, age, gender or disability, and that they are not implicitly biased in such a way as to imply any kind of discrimination and, in particular, that they facilitate the selection of female directors in a number that makes it possible to achieve a balanced presence of women and men.

(Continues in section H) OTHER INFORMATION OF INTEREST.- EXPLANATORY NOTE ON SECTION C.1.16).

**C.1.17** Explain, if applicable, to what extent the annual evaluation of the board has prompted significant changes in its internal organisation and the procedures applicable to its activities:

**Description of amendments**

Every year, the company carries out the annual assessment of the Board through a self-assessment process. The format and content are adapted each year to the needs and situation of the company and to the best practices of good governance.

The results obtained from these board assessment processes are taken into account by the company to improve the internal functioning, deliberation and decision-making of both the Board of Directors as a whole and its Committees.

**Describe the evaluation process and the areas evaluated by the board of directors assisted, where applicable, by an external consultant, regarding the operation and membership of the board and its committees and any other area or aspect that has been subject to evaluation**

**Description of the evaluation process and areas evaluated**

The annual assessment of the Board consisted of a self-evaluation process in which, with the assistance of the advisory firm KPMG, the directors completed a written questionnaire. The questionnaire includes two sections. Section I on overall assessment in relevant areas, and section II on assessment of the functioning of the Board of Directors, which in turn is subdivided into five sections on i) the Board of Directors, ii) the Audit and Compliance Committee, iii) the Sustainability, Appointments and Remuneration Committee, iv) Chairman of the Board of Directors, v) Chief Executive Officer and vi) Secretary to the Board.

The key areas analysed in the assessment process were as follows: i) participation and debate, ii) information, iii) presentations, iv) meeting proceedings, v) the Committees, vi) structure of the Board, vii) relationship with managers and organisational structure, viii) competencies and skills, ix) priorities of the Board and x) key positions.

The assessment resulted in a series of aspects with higher and lower scores. The directors considered very positively, among other issues, the satisfactory performance of their responsibilities, the confidence in the management model, policies, processes and controls implemented by the company, the open dialogue and working environment that allows directors to freely state their position and express their views, the active involvement of directors during meetings and the means that the company places at their disposal to carry out their responsibilities.

The aspects with the lowest scores included the number of directors, interaction between directors and senior management (excluding executive directors), participation in strategic decision-making and the assessment and control of the strategic plan.

**C.1.18** Explain, for those financial years in which the evaluation has been assisted by an external adviser, the business relationship that the adviser or any group company maintains with the company or any group company.

For the 2020 assessment of the Board, the company has decided to rotate the external advisory firm that has been assisting the Board in this area in previous years.

2020 has been the first year in which the advisory firm KPMG has assisted the company in assessing the Board. The contracts of the company (and its Group) with KPMG have amounted in 2020 to 700M euros in concept of consultancies and advice.

**C.1.19** Indicate the cases in which Directors must resign.

In accordance with the Good Governance recommendations, articles 12.2 and 12.4 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagas stipulate that:

12.2.- Directors must place their offices at the Board of Directors' disposal, and tender their resignation, if the Board deems fit, in the following cases:

- a) When they are affected by instances of incompatibility or prohibitions laid down in Law, the Articles of Association, and in these Regulations.
- b) When they are in serious breach of their obligations as Directors.
- c) When they may put the interests of the company at risk or damage its credibility and reputation. In particular, a Director must inform the Board of Directors of any criminal case in which he or she appears as being under investigation, along with any procedural developments.
- d) When the reason for which they were appointed as Directors no longer exists.
- e) When Independent Directors cease to meet the conditions required under Article 9.
- f) When the shareholder represented by a Proprietary Director sells its entire interest. They shall also do so, in the appropriate number, when that shareholder reduces its stake to a level requiring a reduction in the number of its Proprietary Directors.

Should the Board of Directors not deem it advisable to have a Director tender their resignation in the cases specified under d), e) and f), the Director must be included in the category that, in accordance with these Rules and Regulations, is most appropriate based on their new circumstances.

When, either through resignation or by resolution of the General Meeting, a Director leaves their position before the end of their mandate, they shall properly explain the reasons for their resignation. Non-executive directors shall write down their opinion on the reasons why, if applicable, the General Shareholders' Meeting relieves them of their duties, in a letter to be sent to all members of the Board of Directors. Aside from reporting such facts in the Annual Corporate Governance Report, insofar as it is relevant for investors, the Company shall announce the Director's departure as soon as possible, including sufficient reference to the reasons or circumstances provided by the Director.

12.4 - After a Director has been removed from their post, they may not work for a competitor company for a period of two years, unless the Board of Directors exempts them from this obligation or shortens its duration.

**C.1.20** Are qualified majorities other than those prescribed by law required for any type of decision?:

Yes  No

If applicable, describe the differences.

**C.1.21** Indicate whether there are any specific requirements other than those relating to the Directors, to be appointed chairman of the board of directors:

Yes  No

**C.1.22** Indicate whether the articles of association or the board regulations set any age limit for directors.

Yes  No

**C.1.23** Indicate whether the articles of association or the board regulations set a limited term of office or other stricter requirements for independent directors different to the one established in the regulations:

Yes  No

**Additional requirements and / or maximum number of years in office**

12

**C.1.24** Indicate whether the articles of association or board regulations stipulate specific rules on appointing a proxy to the board of directors, the procedures thereof and, in particular, the maximum number of proxy appointments a director may hold. Also indicate whether there are any restrictions as to what categories may be appointed as a proxy other than those stipulated by law. If so, give brief details.

According to article 39 of the Consolidated Text of the Articles of Association, the Board of Directors shall be validly constituted when one half of the membership plus one member are in attendance or represented at it. The Directors must attend the meetings of the Board in person. Without prejudice to the foregoing, Directors may grant a proxy to another Director. Non-Executive Directors may only grant a proxy to other Non-Executive Director.

In addition, according to Article 7.3 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors, Directors must attend the meetings in person. Without prejudice to the foregoing, Directors must grant a proxy to another Director. Non-Executive Directors may only grant a proxy to other Non-Executive Director. Proxies for the representation of absent Directors may be granted by any means, with a telegram, facsimile or email addressed to the Chairman or Secretary of the Board being valid.



**C.1.25** Indicate the number of board of directors meetings held during the year. Indicate, where appropriate, how many times the board has met without the chairman's attendance. Attendance will also include proxies appointed with specific instructions.

Number of Board meetings	12
Number of board meetings held without the chairman's attendance	0

Indicate the number of meetings held by the leading director with the rest of the directors, without the assistance or representation of any executive director:

Number of meetings	3
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Indicate the number of meetings of the various board committees held during the year:

Number of meetings of the AUDIT AND COMPLIANCE COMMITTEE	6
Number of meetings of the SUSTAINABILITY, APPOINTMENTS AND REMUNERATION COMMITTEE	10

**C.1.26** Indicate the number of board meetings held during the year and details of members in attendance:

Number of meetings with physical attendance of at least 80% of board members	12
% of physical attendance as a total of the votes cast during the year	100.00
Number of meetings with physical attendance or proxies appointed with specific instructions from all the directors	12
% of votes cast with physical attendance and representations with specific instructions out of total votes during the year	100.00

**C.1.27** Indicate whether the consolidated and individual annual accounts submitted for authorisation for issue by the board are certified previously:

Yes  No

Identify, where applicable, the person(s) who certified the company's individual and consolidated annual accounts prior for their authorisation for issue by the board:

Name	Position
MR FRANCISCO BORJA GARCÍA ALARCÓN ALTAMIRANO	FINANCIAL GENERAL MANAGER
MR ANTONIO LLARDÉN CARRATALÁ	CHAIRMAN

**C.1.28** Explain the mechanisms, if any, established by the Board of Directors to ensure that the annual accounts presented by the Board of Directors to the General Shareholders' Meeting are prepared in accordance with accounting regulations.

The Board of Directors shall see to it that the Annual Accounts and the Management Report provide a true and fair view of the Company's equity, financial position and results of operations, in accordance with the law, as stipulated in article 5) of its Regulations.

The Board of Directors shall ensure that the Annual Accounts are presented in such a way that there are no grounds for qualifications by the company's Accounts Auditor, by taking into account all comments or recommendations that the Audit and Compliance Committee may have made previously in its report. However, if the Board of Directors determines that it must stand by a contrary view, it shall publicly explain the content and extent of the discrepancy.

As a committee delegated by the Board, the Audit and Compliance Committee is assigned certain competences that are effective mechanisms to ensure that the Annual Accounts prepared by the Board are drawn up in accordance with accounting standards, as set out in Article 8) of its Regulations:

- Overseeing and assessing the preparation and presentation of financial and non-financial information on the Company and the Group, and checking compliance with regulatory requirements, the due definition of the consolidation scope and the correct application of accounting standards and, in particular, knowing, understanding and monitoring the efficiency of the Internal Control over Financial Reporting (ICFR) system.
- Examine the information on the activities and results of the Company that is prepared and published periodically in compliance with the prevailing securities markets regulations, making sure that the information is transparent and accurate.
- Inform the Board of Directors about those recommendations or mentions that it considers necessary in relation to the application of accounting criteria, internal control systems or any other matter that is considered relevant and, in particular, make recommendations or proposals to the Board of Directors aimed at safeguarding the integrity of the economic and financial information.
- Informing the Board of Directors on the Annual Accounts prior to their preparation, as well as on financial and non-financial information which the Company must periodically disclose.
- Ensure that the annual accounts presented by the Board of Directors to the General Shareholders' Meeting are prepared in accordance with accounting regulations. In those cases where the auditor has included any qualification in its audit report, the Chairman of the Committee should clearly explain the opinion of the Audit and Compliance Committee at the General Shareholders' Meeting in terms of its content and scope. A summary of this opinion will be made available to the shareholders at the time of publication of the notice of the meeting, along with other Board proposals and reports.
- The Board of Directors must properly explain any departure from the Audit and Compliance Committee's prior Report in the Annual Accounts finally authorised for issue.
- Assessing any proposals made by senior managers regarding changes in accounting practices.

During the financial year, the Audit and Compliance Committee shall meet at least quarterly with the auditor in order to obtain their conclusions regarding the quarterly revision prior to the publication of results. Likewise, the Interim Condensed Consolidated Financial Statements are subject to a limited revision by the Accounts Auditor with the issuance of the corresponding report.

The competences of the Audit and Compliance Committee are designed to minimise the impact of any accounting aspect that becomes evident throughout the financial year, and allows the members of the Board of Directors and the Audit and Compliance Committee to be kept up to date on the most relevant aspects of the audit throughout the year.

**C.1.29** Is the secretary of the board also a director?

Yes  No

Complete if the Secretary is not also a Director:

Name or corporate name of the secretary	Representative
MR RAFAEL PIQUERAS BAUTISTA	

**C.1.30** Indicate the specific mechanisms established by the company to safeguard the independence of the external auditor, as well as any mechanisms to safeguard the independence of financial analysts, investment banks and rating agencies, including how the legal provisions have been implemented in practice.

As a general rule, the Enagás Code of Ethics serves as a code of conduct for all employees in their professional activities and in relation to all the company's stakeholders. Enagás has the necessary procedures to ensure due diligence in the issues related to this area, as well as an Ethical Compliance Committee, which is a collegiate body to which the Audit and Control Committee delegates management of the notifications and consultations concerning this matter.

Compliance with the Code of Ethics is mandatory for all employees, managers and directors of Enagás, as well as its suppliers, contractors and collaborators or business partners in their respective areas of relationship with the Company. Affiliates have an ethics and compliance model that is appropriate for the environment they operate in.

With regard to the mechanisms introduced to preserve the independence of the external auditor, the Enagás Audit and Compliance Committee, in accordance with the provisions of article 8 of its Regulations, shall safeguard the independence of the external auditor; for this purpose, it will perform the following functions:

- Regularly gather information from the External Auditor on the auditing plan and its implementation, in addition to preserving their independence in the exercise of their duties.
- Liaise with the external auditors to obtain information on any issues that could compromise the latter's independence. Specifically, the discrepancies that may arise between the auditor of accounts and Company management for review by the Committee, and any other discrepancies relating to the audit process, as well as the possible safeguard measures to be adopted, discussing the significant weaknesses detected in internal control with the auditor of accounts, and never jeopardising the independence of the audit in order to be able to conclude on the level of confidence and reliability of the system.
- Receive those other communications provided for in audit legislation and audit standards.



- d) Proceed with the authorisation of services other than those prohibited, in accordance with prevailing regulations.
- e) Ensure that the Company and the External Auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and, in general, other requirements concerning auditor independence.
- f) Ensure that the fees of the External Auditor do not threaten their quality and independence, and are not based on any form of contingency, as well as establish an indicative limit on the fees that the auditor may receive annually for non-audit services.
- g) In the event of resignation of the accounts auditor, the Committee should investigate the issues giving rise to the resignation.
- h) Receiving the annual statement from the external auditors on their independence with respect to the Enagás Group (included in the delivery of the supplementary report) or entities directly or indirectly related to it, in addition to detailed and individual information on additional services of any kind rendered to these entities by the external auditor or by persons or entities related to it, in conformity with audit regulations.
- i) Issuing an annual report, prior to the issue of the audit report, giving an opinion on whether the independence of the auditors is compromised. This report shall include in all cases a reasoned assessment of each additional service rendered, as referred to in the previous section, that could compromise the independence of the Accounts Auditor, considered separately and in their totality, other than statutory audits and how they relate to the requirement of independence or to the audit regulations and shall be published on the website of the Company sufficiently in advance of the date of the Ordinary General Shareholders' Meeting.
- j) Establishing a maximum term of auditor engagement, ensuring a gradual rotation with the main audit partners.  
(Continues in section H) OTHER INFORMATION OF INTEREST.- EXPLANATORY NOTE ON SECTION C.1.30).

**C.1.31** Indicate whether the company has changed its external audit firm during the year. If so, identify the incoming audit firm and the outgoing auditor:

Yes  No

Explain any disagreements with the outgoing auditor and the reasons for the same:

Yes  No

**C.1.32** Indicate whether the audit firm performs non-audit work for the company and/or its group. If so, state the amount of fees paid for such work and the percentage that the above amount represents of the fees invoiced for audit work to the company and/or its group.

Yes  No

	Company	Group companies	Total
Amount of non-audit work (thousands of euros)	427	0	427
Importe trabajos distintos de los de auditoría / Importe trabajos de auditoría (en %)	39.00	0.00	30.00

**C.1.33** Indicate whether the audit report on the previous year's annual accounts is qualified. If applicable, indicate the reasons given to the shareholders in the General Meeting by the Chairman of the Audit Committee to explain the content and scope of those qualifications.

Yes  No

**C.1.34** Indicate the number of financial years during which the current audit firm has been auditing the individual and/or consolidated annual accounts of the company and/or its group without interruption. Likewise, indicate for how many years the current firm has been auditing the annual accounts as a percentage of the total number of years over which the annual accounts have been audited:

	Individual	Consolidated
Number of consecutive years	5	5
No. of years audited by current audit firm / No. of years the company or its group have been audited (%)	10.00	10.00

**C.1.35** Indicate and, where appropriate, give details of whether there are procedures for directors to receive the information they need in sufficient time to prepare for meetings of the governing bodies:

Yes  No

#### Details of procedure

Article 6 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors establishes that:

1.- The Board of Directors shall meet at least once every two months and, in any case eight times a year, and on the motion of the Chairman, whenever the Chairman deems it fit for the proper running of the Company. A call must be issued when so requested by a majority of the Directors, as set forth in Article 39 of the Articles of Association.

Directors who represent at least one third of the members of the Board of Directors may call the meeting, stating its agenda, to be held in the locality where the registered office is located, if they have requested the Chairman to convene the meeting, and the meeting has not been called within one month without reasonable cause.

Except in cases where the Board has been constituted or has been convened exceptionally on account of urgent circumstances, the Directors must have the requisite information at their disposal sufficiently in advance to be able to deliberate and adopt resolutions on the business to be transacted. To this end, the Agenda of the meetings shall clearly indicate those points on which the Board of Directors must take a decision or resolution. The Chairman of the Board of Directors, in collaboration with the Secretary, must ensure that this obligation to provide information is fulfilled.

In those cases in which, exceptionally, for reasons of urgency, the Chairman wishes to submit to the approval of the Board decisions or resolutions not appearing in the Agenda, this shall require the express prior consent of the majority of the Directors present at the meeting, which will be duly recorded in the minutes.

Ordinary meetings of the Board shall transact general business relating to the Group's performance, earnings, balance sheet, investments, the company's cash position and how it compares to the adopted budget, the business referred to in article 5, if applicable, and the business listed on the agenda, to be drawn up pursuant to these Board Regulations.

At these regular meetings the Board shall receive timely information about the movements of the shareholders and of the opinion that significant shareholders, investors and rating agencies have on the Company and its Group. Similarly, the Board of Directors shall receive timely information on the main operational achievements and difficulties and any foreseeable circumstances which may prove critical for the company's affairs, and shall consider the course of action proposed by company management in response.

2.- Notices convening ordinary sessions shall be issued by the Chairman or the Secretary, or by the Vice Chairman on order of the Chairman, may be effected by any channel, and shall specify the meeting venue and agenda. The Chairman shall call the Board to meet when so requested by the Independent Leading Director in accordance with Article 18 of these Board Regulations.

The notice of meeting, which other than in exceptional circumstances shall be issued at least three days in advance of the intended date of the meeting, shall contain all information and documents thought appropriate or relevant for Directors to be properly informed. Directors shall further be furnished with the minutes of the previous meeting, whether or not such minutes have been

adopted. The power to set the agenda of a meeting rests with the Chairman, but any Director may request in advance of the calling of such meeting that there be added to the agenda any items which in their view ought to be addressed by the Board.

The Board shall be properly constituted without need of prior notice if, all Directors being present in person or by proxy, the Directors unanimously consent to the holding of the meeting.

3.- The meetings of the Board of Directors shall normally be held at the registered office, but may also be held in any other place determined by the Chairman and indicated in the notice of meeting, and by any means determined by the Chairman in accordance with the provisions of article 39 of the Company's Articles of Association.

**C.1.36** Indicate and, where appropriate, give details of whether the company has established rules obliging directors to report and, where appropriate, resign when situations arise that affect them, whether or not related to their actions at the company itself, which could damage the credit and reputation of the company:

Yes  No

#### Detail the rules

Pursuant to Good Governance Recommendations, article 12 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors establishes that Directors must place their offices at the Board of Directors' disposal, and tender their resignation, if the Board deems fit, when, inter alia, they may put the interests of the Company at risk or damage its credibility and reputation. In particular, a Director must inform the Board of Directors of any criminal case in which he or she appears as being under investigation, along with any procedural developments.

When, either through resignation or by resolution of the General Meeting, a Director leaves their position before the end of their mandate, they shall properly explain the reasons for their resignation. Non-executive directors shall write down their opinion on the reasons why, if applicable, the General Shareholders' Meeting relieves them of their duties, in a letter to be sent to all members of the Board of Directors. Aside from reporting such facts in the Annual Corporate Governance Report, insofar as it is relevant for investors, the Company shall announce the Director's departure as soon as possible, including sufficient reference to the reasons or circumstances provided by the Director.



**C.1.37** Indicate, unless there are special circumstances that have been set down in the minutes, whether the Board has been informed of or has otherwise learned of any situation that affects a director, whether or not it is related to their actions in the company itself, and which could damage the company's good name and reputation:

Yes  No

**C.1.38** List the significant agreements entered into by the company which come into force, that are amended or terminate in the event of a change of control of the Company due to a takeover bid, and their effects.

There are no such significant agreements.

**C.1.39** Identify, individually when referring to directors, and in aggregate form in other cases and provide detailed information on agreements between the company and its officers, senior managers and employees that provide indemnities for the event of resignation, unfair dismissal or termination as a result of a takeover bid or other type of operations.

**Number of beneficiaries** 11

Type of beneficiary	Description of the agreement
Executive Chairman, Chief Executive Officer and Senior Management Executive Chairman, Chief Executive Officer and Senior Management	The company has an agreement with the Executive Chairman, the Chief Executive Officer and NINE (9) of its senior managers that include express severance pay clauses. The clauses in each case are applicable in cases of company termination of the contract, unfair disciplinary dismissal, dismissal for the reasons outlined under article 52 of the Workers' Statute or as decided by the manager citing one of the reasons outlined under article 50 of the Workers' Statute provided the resolution is certified by means of conciliation between the parties, court judgement, arbitration award, or resolution by a competent administrative body. They are not applicable if the resolution is the result of a unilateral decision made by the Director without just cause. The termination benefits to which the Executive Chairman and Chief Executive Officer are entitled are equivalent to two years of their fixed and variable remuneration. The termination benefits to which the NINE (9) Directors are entitled depend on their length of service at the company and their age. All such contracts have been approved by the Board of Directors.

Indicate whether, other than in the cases provided for in law, these agreements must be reported to and/or authorised by the governing bodies of the company or its group. If they must, specify the procedures, assumptions provided and the nature of the bodies responsible for their approval or making the communication:

	Board of Directors	General Shareholders' Meeting
Body authorising clauses	√	
Is the General Shareholders' Meeting informed of such clauses?	Si	No
	√	

## C.2. Board committees

**C.2.1** Give details of all the board committees, their members and the proportion of proprietary directors, independent directors and other external:

### AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Category
MR LUIS GARCÍA DEL RIO	MEMBER	Independent
MS ISABEL TOCINO BISCAROLASAGA	CHAIRMAN	Independent
MR MARTÍ PARELLADA SABATA	MEMBER	Other External
MS ROSA RODRÍGUEZ DÍAZ	MEMBER	Independent
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	MEMBER	Proprietary
MR JOSÉ BLANCO LÓPEZ	MEMBER	Independent
MR JOSÉ MONTILLA AGUILERA	MEMBER	Independent
<b>% of executive directors</b>		0.00
<b>% of proprietary directors</b>		14.29
<b>% of independent directors</b>		71.43
<b>% of other external directors</b>		14.29

Explain the functions, including, where appropriate, those additional to those legally provided, assigned to this body, and describe the procedures and rules of organisation and operation thereof. For each of these roles, indicate the most important actions during the year and how they have exercised in practice each of the functions attributed to them, whether in the law or in the articles of association or other corporate agreements.

The Audit and Compliance Committee is governed by applicable legislation, the Consolidated Text of the Articles of Association and the Rules and Regulations of the Organisation and Functioning of the Board of Directors, the latest amendment of which was approved by the Board of Directors on December 21, 2020, and the Regulations of the Audit and Compliance Committee, the latest amendment of which was approved by the Board of Directors on December 21, 2020.

This Committee comprises seven (7) members, which is within the limits established in article 44 of the Consolidated Text of the articles of Association, article 26 of the Board Regulations, and article 3 of the Audit and Compliance Committee Regulations, which set a minimum of three (3) and maximum of seven (7) members, appointed by the Board of Directors based, in particular, on their knowledge and experience on accounting, auditing, and financial and non-financial risk management. Overall, the members of the Audit and Compliance Committee shall have the pertinent technical knowledge of the gas industry.



No Executive Director may sit on the Audit and Compliance Committee and the majority of its members must be independent. Five (5) of the Committee's members are independent and we highlight that the Chairwoman of the Committee, MS ISABEL TOCINO BISCAROLASAGA, is independent and only one (1) member, SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI) is a Proprietary Director. MR MARTÍ PARELLADA SABATA, External Director, was appointed by the Board of Directors of Enagás based on his knowledge and experience on accounting, auditing or both, as provided for in Articles 44 of the Consolidated Text of the Articles of Association and 26 of the Rules and Regulations for the Organisation and Functioning of the Board of Directors.

According to Article 4 of the Audit and Compliance Committee Regulations, the Committee Chairperson shall be selected from among the Independent Directors by the Board of Directors, and shall not have a casting vote.

As established in Article 5 of the Committee Regulations, the term of a Committee member shall be the same as the term of office for a Director. A member of the Audit and Compliance Committee shall vacate that office if he loses his status as Director of the Company or if so decided by the Board of Directors. The foregoing notwithstanding the Committee Chairman shall be replaced every four (4) years. A former Chairman may be re-elected after the lapse of one year from his vacating office. The foregoing shall be without prejudice to an outgoing Chairman remaining on the Committee if so resolved by the Board of Directors on adequately reasoned grounds.

The remuneration of Committee members, as provided for in Article 6 of the Committee Regulations, will be approved as established in the Articles of Association and the Board Regulations for the setting of remuneration to Directors, subject to the same requirements of public disclosure.

In the exercise of his office, a member of this Committee shall, according to Article 7 of the Committee regulations, be under the same duties and subject to the same principles of action as those prescribed for Directors in the Articles of Association, the Board Regulations and current legislation.

In keeping with Article 9 of the Committee Regulations, this Committee must meet at least four (4) times a year and the Chairperson shall call as many further meetings as they believe are required for the Committee to discharge its duties. In 2020, this Committee met 6 (six) times.

Each Committee meeting shall be reported at the first subsequent meeting of the Board in full. Any company employee or executive of the Company deemed relevant may be called to attend the Committee meetings, even ordering their appearance without the presence of another executive. In addition, according to Article 13, a copy of the minutes of Committee proceedings shall be sent to every Director.

The chief purposes of the Committee, according to article 8, is to see to the proper operation of internal control, internal audit, risk management systems and the process of preparing and presenting the mandatory financial information, to formulate proposals for selecting, appointing, re-electing and replacing the external auditor, as well as to ensure their independence, to safeguard the transparency of information and to ensure compliance with the internal Code of Conduct and the legislation in force, and to report to the General Meeting in the area of their competence.

To achieve these objectives, the Audit and Compliance Committee, in addition to the functions established by law for this Committee, shall carry out those detailed in Appendix I (Explanatory notes) to this Report.

**Identify the directors who are members of the audit committee who have been appointed on the basis of their knowledge and experience of accounting or auditing, or both and state the date of the appointment of the chairperson of this committee to that role.**

<b>Names of directors with experience</b>	MR MARTÍ PARELLADA SABATA
<b>Date of the appointment of the chairperson to that role</b>	19/06/2017

## SUSTAINABILITY, APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Category
MS ANA PALACIO VALLELERSUNDI	CHAIRMAN	Independent
MR GONZALO SOLANA GONZÁLEZ	MEMBER	Independent
MR ANTONIO HERNÁNDEZ MANCHA	MEMBER	Independent
MR SANTIAGO FERRER COSTA	MEMBER	Proprietary
MR IGNACIO GRANGEL VICENTE	MEMBER	Independent
MS PATRICIA URBEZ SANZ	MEMBER	Independent
MR CRISTOBAL JOSE GALLEGU CASTILLO	MEMBER	Independent

<b>% of executive directors</b>	0.00
<b>% of proprietary directors</b>	14.29
<b>% of independent directors</b>	85.71
<b>% of other external directors</b>	0.00

Explain the functions, including, where appropriate, those additional to those legally provided, assigned to this body, and describe the procedures and rules of organisation and operation thereof. For each of these roles, indicate the most important actions during the year and how they have exercised in practice each of the functions attributed to them, whether in the law or in the articles of association or other corporate agreements.

The Sustainability, Appointments and Remuneration Committee, is governed by applicable legislation, the Consolidated Text of the Articles of Association and the Rules and Regulations of the Organisation and Functioning of the Board of Directors, the latest amendment of which was approved by the Board of Directors on December 21, 2020, and the Regulations of the Sustainability, Appointments and Remuneration Committee, which was approved by the Board of Directors on December 21, 2020.

The Sustainability, Appointments, and Remuneration Committee is composed of seven (7) Directors, appointed by the Board of Directors, which is within the limits established in article 45 of the Consolidated Text of the Articles of Associations, article 25 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors and article 3 of the Regulations of the Sustainability, Appointments, and Remuneration Committee, which set a minimum of three (3) and a maximum of seven (7) Directors. It consists of seven (7) Directors, of which six (6) are Independent Directors, including the Chairwoman, and one (1) is a Proprietary Director.

Article 3 of the Regulations of the Sustainability, Appointments, and Remuneration Committee sets out that Directors who are members of this Committee shall be appointed by the Board of Directors, ensuring that they have knowledge and experience in areas such as human resources, selection of Directors and Senior Managers, design of remuneration policies and plans, corporate governance and corporate social responsibility and sustainability.



The Sustainability, Appointments, and Remuneration Committee must comprise a majority of Independent Directors and Executive Directors cannot sit on this committee. In addition, gender diversity and other diversity criteria of its members must be encouraged.

As set out in article 4 of the Regulations of the Sustainability, Appointments, and Remuneration Committee, the Board of Directors shall elect the Chairman of the Committee from among the Independent Directors of the Committee. The Chairman shall not have a casting vote.

As established in article 5 of the Regulations of the Sustainability, Appointments, and Remuneration Committee, the term of a Committee member shall be the same as the term of office for a Director. A member of the Sustainability, Appointments, and Remuneration Committee shall vacate that office if they lose their status as Director of the Company or if so decided by the Board of Directors.

The remuneration of Committee members, as provided for in Article 6 of the Committee Regulations, will be approved as established in the Articles of Association and the Board Regulations for the setting of remuneration to Directors, subject to the same requirements of public disclosure.

In the exercise of their office, a member of this Committee shall, according to Article 7 of the Committee regulations, be under the same duties and subject to the same principles of action as those prescribed for Directors in the Articles of Association, the Board Regulations and current legislation.

Pursuant to article 9 of the Regulations of the Sustainability, Appointments and Remuneration Committee, said committee must meet at least four (4) times a year. In 2020, the Enagás Committee met ten (10) times. In addition, meetings shall be called by its Chairperson. The Committee may seek advice both internally and externally and request the attendance of senior management personnel of the Company and its Group, as deemed necessary in the execution of its duties. Each Committee meeting shall be reported at the first subsequent meeting of the full Board, and a copy of the minutes of the Committee proceedings shall be sent to every Director. Pursuant to Article 8 of its Regulations, the basic objectives of the Committee are to select Directors, Senior Management and positions on the Board of Directors, to ensure the appropriate composition of the Board, to examine and organise the succession of the Chairman of the Board and the Chief Executive Officer, to evaluate the Board and its Committees, to propose and monitor the remuneration policy, the contractual conditions of the Directors and senior management and to ensure the application of good practices in the area of corporate social responsibility and good corporate governance.

The duties of the Sustainability, Appointments and Remuneration Committee are set out in article 45 of the Consolidated Text of the Articles of Association and expanded in article 25 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors and article 8 of the Regulations of the Sustainability, Appointments and Remuneration Committee. For more information see Appendix I ("Explanatory notes") to this Report.

**C.2.2** Complete the following table on the number of female directors on the various board committees at the closure of the past four years:

	Number of female Directors							
	2020		2019		2018		2017	
	Number	%	Number	%	Number	%	Number	%
COMISIÓN DE AUDITORÍA Y CUMPLIMIENTO	2	28.57	2	40.00	2	40.00	2	40.00
COMISIÓN DE SOSTENIBILIDAD, NOMBRAMIENTOS Y RETRIBUCIONES	2	28.57	2	33.33	1	16.67	1	16.67

**C.2.3** Indicate, as appropriate, whether there are any regulations governing the board committees. If so, indicate where they can be consulted, and whether any amendments have been made during the year. In addition, indicate whether on a voluntary basis any of the board committees has produced an activity report.

The Regulations of the Audit and Compliance Committee are available for consultation at the registered office of Enagás and on its website at [www.enagas.es](http://www.enagas.es) or [www.enagas.com](http://www.enagas.com). At its meeting on December 16, 2019, the Board of Directors of Enagás, S.A. approved the amendment of the aforementioned regulations to adapt them to Technical Guidelines 3/2017 on Audit Committees of public interest entities and to the recommendations of the Good Governance Code. At its meeting on December 21, 2020, the Board of Directors of Enagás, S.A. also approved the latest amendment to the regulations to adapt them to the recommendations of the Good Governance Code. The Audit and Compliance Committee prepared a report on its activities in 2020, which will be published on the website sufficiently in advance of the General Shareholders' Meeting and is included in this Report in Appendix II.

The Regulations of the Sustainability, Appointments and Remuneration Committee are available for consultation at the registered office of Enagás and on its website at [www.enagas.es](http://www.enagas.es) or [www.enagas.com](http://www.enagas.com). At its meeting on December 21, 2020, the Board of Directors of Enagás, S.A. approved the amendment of the regulations to adapt them to the recommendations of the Good Governance Code. The Sustainability, Appointments and Remuneration Committee prepared a report on its activities in 2020, which will be published on the website sufficiently in advance of the General Shareholders' Meeting.



## D. Related-party and intragroup transactions

### D.1. Explain, if applicable, the procedures and authorised bodies for approving related party or intragroup transactions.

Pursuant to article 14 bis of the Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagás S.A.:

- It will be the responsibility of the Board of Directors to identify and approve, pursuant to a report from the Audit and Compliance Committee, transactions carried out by the Company or the companies in its Group with Directors under the terms set forth in articles 229 and 230 of the Corporate Enterprises Act, or with shareholders who, individually or in conjunction with others, hold a significant stake, including shareholders represented on the Company's Board of Directors or the boards of other companies belonging to the Group or with persons associated with them. The affected Directors or those who represent or are related to the affected shareholders must refrain from participating in deliberating and voting on the resolution in question. The aforementioned transactions shall be assessed from the point of view of equal treatment and on an arm's length basis, and shall be disclosed in the annual corporate governance report and in the company's regular public reporting as provided in applicable laws and regulations.
- The approval provided in the previous paragraph shall not be required, however, for transactions that simultaneously comply with the following three conditions:
  - that are governed by standard form contracts applied on an across-the-board basis to a large number of customers;
  - they go through at market prices, generally set by the person supplying the goods or services; and
  - their amount does not exceed 1% of the Company's annual revenue.
- If the conditions provided in the paragraph above are met, the affected parties shall not be under a duty to report said transactions.
- In the event of duly documented, urgent reasons, related party transactions may be authorised, as applicable, by delegated bodies and persons, who must be ratified at the first meeting of the Board of Directors held after the decision is adopted.

### D.2. List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's significant shareholders:

Name or corporate name of significant shareholder	Name or corporate name of the company or its Group company	Nature of the relationship	Type of transaction	Amount (in thousands of euros):
BANK OF AMERICA CORPORATION	ENAGÁS, S.A.	Corporate	Dividends and other earnings distributed	15,452
BLACKROCK INC	ENAGÁS, S.A.	Corporate	Dividends and other earnings distributed	14,465
STATE STREET CORPORATION	ENAGÁS, S.A.	Corporate	Dividends and other earnings distributed	12,861
CRÉDIT AGRICOLE, S.A.	ENAGÁS, S.A.	Corporate	Dividends and other earnings distributed	5,355
MUBADALA INVESTMENT COMPANY PJS	ENAGÁS, S.A.	Corporate	Dividends and other earnings distributed	5,463
PARTLER PARTICIPACIONES, S.L.U.	ENAGÁS, S.A.	Corporate	Dividends and other earnings distributed	21,378

### D.3. List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's managers or directors:

Name or corporate name of manager or director	Name or corporate name of the company or its group company	Relationship	Type of transaction	Amount (in thousands of euros):
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	ENAGÁS, S.A.	Director	Dividends and other earnings distributed	21,378

### D.4. List any relevant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms set them apart from the company's ordinary trading activities.





In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens:

Corporate name of the group entity	Brief description of the transaction	Amount (in thousands of euros):
Gasoducto de Morelos, S.A.P.I de C.V.	Financial revenue on the loan.	872
PLANTA DE REGASIFICACIÓN DE SAGUNTO, S.A. (SAGGAS)	Financial revenue on the loan.	247
GASODUCTO DE MORELOS SAPI DE CV	Guarantees and sureties extended.	8.183
Estación de Compresión Soto de la Marina, S.A.P.I. de C.V.	Guarantees and sureties extended.	105
TRANS ADRIATIC PIPELINE AG	Guarantees and sureties extended.	622,920
GAS TO MOVE TRANSPORT SOLUTIONS, S.L.	Financial revenue on the loan.	27
SEAB POWER LTD	Financial revenue on the loan.	9
AXENT INFRAESTRUCTURAS DE TELECOMUNICACIONES S.A.	Financial revenue on the loan.	18
GAS TO MOVE TRANSPORT SOLUTIONS, S.L.	Guarantees and sureties extended.	630

**D.5.** Details of significant transactions carried out between the company or entities of its group and other related parties that have not been reported in previous sections.

Corporate name of related party	Brief description of the transaction	Amount (in thousands of euros):
No data		N.A.

**D.6.** List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its directors, management or significant shareholders.

Article 13 of the Regulations of the Organisation and Functioning of the Board of Directors states that Directors shall perform their positions with the loyalty of a reliable representative, acting in good faith and in the best interest of the company. In particular, the duty of loyalty requires that Directors:

[...]

- c) Refrain from participating in deliberating and voting on resolutions or decisions in which they or a related person have a direct or indirect conflict of interests. Resolutions or decisions that affect them in their capacity as Director, such as their appointment to or removal from posts on the governing body or others of a similar nature, will be excluded from the preceding obligation.
- d) Perform their functions according to the principle of personal responsibility with freedom of judgement or judgement and independence relating to instructions from and links with third parties.

e) Adopt the measures required to avoid becoming involved in situations in which their interests, either for their own personal reasons or those of another party, may conflict with the Company's interest or with their duties with the Company.

In particular, the obligation to avoid conflicts of interest referred to in the preceding paragraph requires that Directors refrain from:

- a) Conducting transactions with the Company, except for routine transactions carried out under standard conditions for the customers and having little import, which are understood to be those that are not required to be reported in order to express a true and fair view of the equity, the financial position and results of the entity.
- b) Using the name of the Company or invoking their position as director to improperly influence the conducting of private transactions.
- c) Using the corporate assets, including the company's confidential information, for private purposes.
- d) Taking advantage of the company's business opportunities.
- e) Obtaining benefits and remunerations from third parties other than the Company and its Group associated with the performance of their duties, except for acts of mere courtesy.
- f) Conducting activities for themselves or for another party that, actually or potentially, entail effective competition with the company or that, in any other manner, place them in permanent conflict with the Company's interests.

The above provisions will also be applicable if the beneficiary of prohibited acts or activities is a person related to the Director.

In any event, Directors must inform the other Directors and the Board of Directors of any direct or indirect situation of conflict that they or persons related to them may have with the company's interests. Direct and indirect conflicts of interest affecting Directors shall be disclosed in the Annual Report.

In addition, concerning transactions carried out with related parties, the Company must adopt the following measures:

- a) Report them twice a year to the CNMV and include them in the Annual Report in the Corporate Governance section.
- b) Submit them in a draft form to the Board of Directors for authorisation prior to their execution, following the relevant report from the Audit and Compliance Committee, and assess whether they satisfy market criteria.

With regard to possible conflicts of interest, all those described as being subject to this Internal Code of Conduct must:

▶ Notify the Board of Directors, through the Secretary, of any possible conflicts of interest to which they may be subject due to family relationships, their personal assets and liabilities or any other reason. Communications must be made within fifteen (15) days and, in any case, before the decision that may be affected by the potential conflict of interest is taken.

▶ Keep the information updated, taking into account any modification or cessation of previously reported situations as well as the emergence of new conflicts of interest.

▶ Refrain from participating in any decision-making process that may be affected by such a conflict of interest with the Company.

The Audit and Compliance Committee is the body responsible for regulating and resolving any conflicts of interest that may arise and, pursuant to Article 26 of the Board Regulations, is assigned the following duties:

- a) To inform the Board of Directors, prior to approval, of transactions that Directors wish to undertake that imply or may imply a conflict of interest, in accordance with the stipulations of the Internal Code of Conduct regarding the securities market.
- b) To report to the Board of Directors or the General Meeting on any related party transactions before authorisation thereof. Under no circumstances shall the Board of Directors authorise any transaction which has not been issued a favourable report from the Sustainability, Appointments, and Remuneration Committee as outlined in article 14 bis of the Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagas, S.A., except for those transactions which meet the three conditions stipulated in article 14 bis.
- c) To report to the Board of Directors on measures to be taken in the event of breach of these regulations of the Internal Code of Conduct on matters relating to the securities markets on the part of Directors or other persons subject to those regulations. In performing this duty, the Sustainability, Appointments and Remuneration shall work in coordination with the Audit and Compliance Committee wherever appropriate.

**D.7.** Indicate whether the company is controlled by another entity according to the definition set forth in article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relationships with that entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to those of any of them.

Yes  No



## E. Risk control and Management systems

### E.1. Describe the scope of the Company's Risk Control and Management system, including fiscal:

The Enagás Group has established a risk control and management model aimed at ensuring the continuity of the business and the achievement of the objectives of the company in a predictable manner and with a medium-low profile for all of its risks.

This model allows you to adapt to the complexity of your business activity in a competitive environment globalised, in a complex economic context, where the materialisation of risks is faster and with a contagious effect evident.

The model is based on the following aspects:

- ▶ The establishment of a risk appetite framework, which defines the risk levels considered acceptable, that is consistent with the stated business targets and the market context within which the company carries out its activities (see details in section E.4);
- ▶ the consideration of standard risk typologies to which the company is exposed (see details in section E.3);
- ▶ the existence of governance bodies with responsibilities for overseeing the company's level of risk (see section E.2);
- ▶ the segregation and independence of the functions of risk control and management at the company, in three lines of defence<sup>1</sup>;
- ▶ the transparency of information supplied to third parties, to guarantee its reliability and accuracy.

The risk control and management function is articulated around three lines of defence, with differentiated roles and responsibilities, as follows.

These lines are the following:

- ▶ First line of defence: made up from the organisational units which assume the risks in the ordinary course of their activities. They are the owners of the risks and are responsible for identifying them.
- ▶ Second line of defence: the Sustainability and Risk Department, in charge mainly of ensuring that the risk control and management system works correctly, defining the regulatory framework and approach, and performing periodic monitoring and overall control of the company's risks.
- ▶ Third line of defence: constituted by the Internal Audit Department, responsible for supervising the efficiency of the risk controls established.

The integral analysis of all risks permits the appropriate control and management thereof, an understanding of the relationships between them and facilitates their joint assessment. This is accomplished by taking into account, inter alia, the differences of each type of risk in terms of its nature, handling capacity and risk measurement tools.

Enagás has established a regulatory framework for risk through the "Risk Control and Management Policy" and the "General Regulations for Risk Control and Management" setting out the basic principles governing the risk function and identifying the roles of the various decision-making bodies and the constituent parts of the risk management system.

According to the nature of the events and the triggers, monitored risks are classified as: strategic and business risks, operational and technological risks, credit and counterparty risks, financial and fiscal risks, criminal liability risks, reputational risks and compliance and model risks.

### E.2. Identify the governing bodies of the company responsible for preparing and implementing the Risk Control and Management System, including fiscal:

The main bodies responsible for the Risk Management System and their main functions are:

#### ▶ Board of Directors

The Enagás Group Board of Directors is responsible for approving the risk control and management policy. Other responsibilities with respect to risks are delegated in the Audit and Compliance Committee.

#### ▶ Audit and Compliance Committee

The mission of this Committee is to assist the Board of Directors in all matters related to the company's risks.

Its functions related to risk control and management are:

- Overseeing the effectiveness of risk control and management systems in order to adequately mitigate risks within the framework of the Company's internal policy.
- Assessing the company's risks and examining the analyses of risks that affect the business, the types of which are set out in the internal risk policies. This periodic information is prepared in accordance with internal rules, including the identification, measurement and establishment of management measures for the key risks affecting the company.
- Reporting to the Board of Directors on any risks uncovered, with an assessment thereof, and any key issues concerning risks.

#### ▶ Risk Committee

The Enagás Group's Risk Committee is an executive governance body that assists the Management Committee on all matters related to the company's risks. It coordinates the set of strategic and operational activities to maximise the profitability of the business with certain degrees of uncertainty. Part of the duties of this committee are:

- Oversee compliance with risk regulations, proposing the actions it considers necessary in the event of any breach.

- Establishing the risk principles and overall strategy, promoting the integration of the risk management function at all levels and areas of Enagás' business through a common risk culture aligned with the company's objectives.
- Approving risk-measurement approaches, ensuring consistent metrics in order to consolidate the overall risk level.
- Approving the company's overall risk limits and/or thresholds, and, where appropriate, those of the business units and/or corporate departments.
- Supervising that risk remains within levels that the company is willing to accept and that are aligned with its strategy and objectives.
- Regularly reviewing the level of exposure to risk: i) analyse overall risk exposure and exposure of the various businesses and departments, and verify, by risk typology, that the level of risk exposure is below the level of acceptable risk; ii) review the corrective actions proposed by the business units and/or corporate departments to address potential breaches of the established limits.
- Reporting to and advising the Management Committee on matters related to the company's risks.

#### ▶ Sustainability and Risk Department

The corporate Sustainability and Risk Department is in charge of the overall management of all regulations related to risk, supervising that risk management is applied correctly, disclosed, monitored and improved continuously so that it is aligned with the business needs at all times.

Part of their duties are:

- Ensuring that the risk control and management systems are functioning correctly.
- Defining the framework of rules and methodologies for the identification, measurement and management of the main risks affecting the company.
- Participating actively in the preparation of risk strategies and in key decisions about their management.
- Analysing, from a risk perspective, the main risks and participating in the decisions that affect them.
- Supervising that the risk control and management actions proposed by the business units are mitigating risks effectively in the frame of the policy and strategy drawn up.
- Proposing to the Risk Committee the company's risk appetite and tolerance, and the structure of the related limits.
- Monitoring and controlling all the company's risks, validating the measurements made by the business units and/or departments.
- Advising the company's departments in risk assessment.
- Proposing a global and consistent view of the company's risk through an internal information and control system.
- Disclosing the Group's risks and reporting on the key matters relating to risks to the Senior Management and Governing Bodies.

#### ▶ Business and corporate units

These are the various business and corporate units that assume risk in the ordinary course of their activities.

Part of their duties are:

- Identify risks in their activity on a regular and systematic basis through the year.
- Assess and measure risks following the established identification and assessment methodologies.
- Define risk-management and risk-mitigation and impact control actions in accordance with the defined strategy and the nature of the risks.
- Passing down risk limits and thresholds to lower levels.

### E.3. Indicate the main risks, including fiscal risks and, to the extent that they are significant, those derived from corruption (the latter being interpreted under the scope of Royal Decree-Law 18/2017), which may affect the achievement of business objectives:

The main risks affecting the Enagás Group in the development of its business can be classified as follows:

#### ▶ Strategic and business risks

These are risks which are inherent to the gas sector and are linked to potential losses of value or results derived from external factors, strategic uncertainties, economic cycles, changes to the environment, changes to patterns of demand, competition and market structure or changes to the regulatory framework, as well as those derived from taking the incorrect decisions in relation to business plans and company strategies.

The activities carried out by the Enagás Group are mainly affected by risks associated with variations in the regulatory framework, changes in demand, obtaining licences and administrative authorisations, delays and cost overruns in the development of infrastructure projects and commercial risk.

#### ▶ Operational and technological risks

During the operation of the infrastructures of the Enagás group, losses of value or deterioration of results can occur due to the inadequacy, failures of physical equipment and computer systems, errors of human resources or derived from certain external factors. The main operational and technological risks to which the Group is exposed are: industrial risks (conditioned by the nature of the fluid being handled), those related to incidents during the operation of transmission infrastructures, regasification plants and underground storage facilities, which may involve large-scale damage, internal and/or external fraud and cybersecurity.

#### ▶ Financial and Fiscal Risks

The Enagás Group is subject to risks deriving from the volatility of interest and exchange rates, as well as movements in other financial variables that could negatively affect the company's liquidity.



Interest rate fluctuations affect the fair value of assets and liabilities that accrue interest at fixed rates, and the future cash flows from assets and liabilities that accrue interest at floating rates.

Exchange rate fluctuations may affect positions held with regard to debt denominated in foreign currency, certain payments for services and the purchase of capital goods, income and expenses relating to companies whose functional currency is not the euro and the effect of converting the financial statements of those companies whose currency is not the euro during the consolidation process. This risk arises from the Group's international presence, as well as for intragroup loans in currencies other than the euro, mainly the US dollar.

The Enagás Group maintains a liquidity policy that is consistent in terms of contracting credit facilities that are unconditionally available and temporary financial investments in an amount sufficient to cover the projected needs over a given period of time.

As regards the execution of large projects, the Group is exposed to uncertainties owing to the effective procurement of finance in conditions similar to those forecast in its business plans. This risk may be associated sometimes to other risks derived from the agreement terms that set out the conditions of service.

It is also exposed to potential changes in legal frameworks for taxation and uncertainty arising from the possible different interpretations of prevailing tax laws, which could have a negative impact on results.

› Credit and Counterparty Risks

Credit risk relates to the possible losses arising from the non-payment of monetary or quantifiable obligations of a counterparty to which the Enagás Group has granted net credit which is pending settlement or collection. The counterparty risk includes the potential breach of obligations acquired by a counterparty in commercial agreements that are generally established in the long-term.

› Reputational Risks

Refers to any action, event or circumstance that could have a harmful effect on the Group's reputation among its stakeholders.

› Criminal Liability Risks

Organic Law 5/2010 reformed the Criminal Code, introducing the criminal liability of legal persons in Spain. In 2015 and 2019 the Criminal Code was updated by developing and technically improving this regulation. In this context, Enagás could be held criminally liable in Spain for certain offences that may be committed within the company. To prevent this risk from materialising, the Group has approved a Crime Prevention Model, which includes the Criminal Code's requirements, and has implemented the measures needed to prevent corporate crime and to avoid liability for the company.

In addition, Enagás has specific Crime Prevention Models for Mexico and Peru, adapted to local regulations governing the criminal liability of legal persons.

(Continues in section H) OTHER INFORMATION OF INTEREST.- EXPLANATORY NOTE ON SECTION F3).

**E.4. Identify if the company has a risk tolerance level, including fiscal:**

The Enagás Group Risk Control and Management Model defines the risk appetite framework, which corresponds to the maximum level of risk the company is willing to take on in order to meet its objectives, and which is expressed by means of risk limits. The level of risk tolerance is the result of the deviation in the level of risk the company takes on at a specific moment in relation to the defined risk appetite.

The Enagás Group has defined a set of limits for the main types of risk that the company may present (strategic risks and business, operational, technological, financial and tax-related, credit and counterparty, and criminal liability risks), with the establishment of the maximum acceptable level of risk, which is updated yearly by the Risk Committee. These limits are specified by a set of indicators that are regularly monitored throughout the year.

**E.5. Identify any risks, including fiscal, which have occurred during the year:**

The company had a medium risk profile over the course of 2020, partly due to the existence of corporate risk control and management systems. This allowed certain risks to be eliminated from the company's inventory, without their having any negative impact.

On a domestic level, demand for natural gas in 2020 has improved against the initial forecasts for the year. This has been used to establish the basis for calculating the remuneration for continuity of supply for the rest of the regulatory period. The Circular establishing the unit reference values for investment and operation and maintenance for the regulatory period 2021-2026 has been published.

In the international arena, one of the main development projects has begun to operate commercially, eliminating the risk of delay in start-up. Certain commercial contracts have not been renewed in some of the affiliates, with little impact on the company's consolidated statement.

Additionally, the impact of the risk factor (COVID19) on the different risks considered in the company's risk map has been evaluated. It was found that no additional consequences have been identified that would change the risk level of the main corporate risks, nor have any new relevant risks appeared.

**E.6. Explain the response and supervision plans for the main risks of the entity, including fiscal risks, as well as the procedures followed by the company to ensure that the board of directors responds to the new challenges that arise:**

A series of control activities defined by each of the business units and corporate departments are associated with the main risks identified by the company to ensure that it can respond adequately and in a timely manner. The Audit and Compliance Committee and the Risk Committee oversee the implementation of these control activities and monitor the action plans.

The type of controls in place vary considerably depending on the nature of the risk. For instance:

- › Regarding strategic and business risks related to international asset management, controls include monthly monitoring of planning for international assets and returns on investments, among others. In particular, regulatory risks, controls and mitigating actions include, inter alia, active participation in regulatory development through the elaboration of proposals, ongoing cooperation with (domestic and European) regulators and public administrations.
- › Regarding infrastructure operation (e.g. damage, incidents), risks are mitigated through the design of maintenance and continuous improvement plans, the definition and monitoring of quality indicators, and control systems and alerts, which ensure service continuity and quality. Likewise, there is an insurance schedule in place for transferring these risks to a third party.
- › Credit and counterparty risks are mitigated via establishment of guarantee mechanisms, in accordance with specific regulatory requirements, such as continuous monitoring of the main counterparties' credit profiles.
- › To prevent criminal liability risk from materialising, the Enagás Group approved the Crime Prevention Model and has implemented the measures needed to prevent corporate crime and to avoid liability for the Company.

## F. Internal risk control and management systems in relation to the process of issuing financial information (icfr)

Describe the mechanisms which comprise the internal control over financial reporting (ICFR) risk control and management systems at the company.

**F.1. The entity's control environment.**

Specify at least the following components with a description of their main characteristics:

**F.1.1 The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring.**

As part of the ICFR responsibilities at Enagás, S.A. and Subsidiaries (hereinafter the "Group"), the following bodies and/or functions develop, maintain and oversee the preparation of the Group financial information:

› Board of Directors

Pursuant to Article 5 b) of the Rules and Regulations of the Organisation and Functioning of the Board of Directors, the Board is responsible for "the determination of the company's tax strategy and of its risk control and management policy, including tax risks, and the oversight of its internal information and control systems", and is ultimately responsible for guaranteeing an internal control environment conducive to complete, reliable and timely, financial reporting.

Pursuant to Article 26 of the said regulations, the Audit and Compliance Committee has been delegated the duty of overseeing the internal information and control systems.

› Audit and Compliance Committee

The Audit and Compliance Committee is responsible for "overseeing and assessing the preparation and presentation of financial and non-financial information on the Company and the Group, checking compliance with regulatory requirements, the due definition of the consolidation scope and the correct application of accounting principles and in particular to know, understand and monitor the efficiency of the internal control over financial reporting system (ICFR)." It must also "report to the Board of Directors on recommendations or comments it deems necessary on the application of accounting criteria, internal control systems and any other relevant matter, and in particular, to present recommendations or proposals to the Board of Directors to safeguard the integrity of such financial information", according to article 8, sections 2 i) a) and 2 i) c), of the Regulations of the Audit and Compliance Committee of Enagás, S.A.



Likewise, article 44 of the Consolidated Articles of Association states that the Audit and Compliance Committee is responsible for seeing to the proper operation of the company's, and its Group's, internal control, internal audit function, if applicable, and risk management systems. In addition to discussing any significant weaknesses in the internal control system detected in the course of audit with the auditors without impinging on its independence.

To carry out its duty of oversight of the effectiveness of internal control, the Audit and Compliance Committee has the support of an Internal Audit Department, as established in the General Internal Audit Regulations.

► Finance Department

The Finance Department is responsible for designing, implementing and ensuring there is a suitable and efficient ICFR system. The Internal Control over Financial Reporting Unit assists it in these duties. This function is key to managing ICFR and has the following tasks:

- Guaranteeing the integrity and internal coherence of the ICFR.
- Monitoring of the updating and documentation of the sub-cycles/processes that have an impact on the financial information (this is performed by the owners of each sub-cycle/process), closing the quarterly ICFR report in systems and publishing it on the corporate Intranet.
- Overseeing the updating and maintenance of the ICFR management tools.
- Managing the self-assessment of the ICFR system and monitoring the results.
- Coordinating the assessment of financial reporting risks and their periodic review by updating the ICFR Risk Matrix.
- Carrying out an annual evaluation of the requirements to update the document attributing the accounts to ICFR areas, in order to maintain the required standard of financial information.
- Drawing up and updating the Enagás Group Internal Control over Financial Reporting System Manual ("Enagás Group ICFR Manual").
- Updating and disseminating applicable ICFR system regulations, both internal and external.
- Identifying the training needs and organisational/execution needs for courses relating to ICFR or other related issues related to internal control of financial information (these are channelled via the Training School programme included in the Training Plan and Training Procedure).
- Annual update of the "ICFR Scope Definition Model", defining the materiality threshold according to the Enagás Group's main figures.
- Collaborating with the Internal Audit Department, ensuring independence at all times.
- Collaborating in classifying any deficiencies detected during reviews of the ICFR system (material weaknesses, significant deficiencies, insignificant deficiencies).
- Collaborating in implementing corrective measures detected in the reviews of the ICFR.

► Internal Audit Department

The Internal Audit Department reports to the Audit and Compliance Committee as per the General Internal Audit Regulation. It is responsible for "assessing and improving the efficiency of risk management processes, internal control and corporate governance".

Its main ICFR duties, which are coordinated by, overseen and supervised by the Audit and Compliance Committee, include:

- Performing tests and assessments of the design, implementation and operational effectiveness of the ICFR system.
  - Conducting a series of limited checks on the documentation of cycles and sub-cycles to achieve a preliminary understanding of whether the documentation prepared by Enagás is up to date and to detect which potential control activities should be designed.
  - Conducting a series of limited checks to gain a preliminary understanding of the degree of compliance and formalisation of the (manual and automated) controls established by Enagás.
  - Collaborating with the Audit and Compliance Committee in fulfilling its duties, particularly with regard to the supervision of the internal control system and the risk control and management process, to relations with the external auditor and to supervision of the financial information preparation process.
  - Participating in the review of the Internal Control over Financial Reporting (ICFR) system established by the company for its subsequent certification.
- Departments and Business Units involved in preparing financial information
- Owners of the sub-cycles/processes involved in the preparation of financial information and whose main duties are:
- Assist in the identification, design, documentation and implementation of the ICFR sub-cycles/processes within its remit, making sure that the established targets are achieved. Once the subcycle/process is defined, communicate changes in its procedure that have an impact on financial information.
  - Establish, monitor and evaluate the continuous operation of the control activities of the sub-cycles/processes under its remit, primarily with regard to the assigning of responsibilities, separation of functions (including the management of access to information and other critical resources) and the correct operation of support systems.
  - Keep the ICFR team informed of updates to standards, procedures, instructions, manuals or any other type of document for which they are responsible (either because it is published for the first time or because a new version has been created) as long as they have an impact on the financial information, working alongside the Organisation and Sustainability Department.

- Ensuring that all documentation concerning the process is kept up to date (who, what, how, rules, proof, etc.) as well as that concerning the ICFR system control and risk objectives.
- Reporting, formally and periodically on the outcome of the self-assessments carried out.
- Assist with the ICFR Audit Plan carried out by Internal Audit to test the continuous operation and effectiveness of the controls established (walkthrough and review of control activities). Implement and see to it that ICFR corrective actions are deployed.

The allocation of ICFR responsibilities is reflected in the positions within the Group's organisational structure, and included in the job analysis and description sheets containing the description of the assigned tasks. Any changes in the allocation of responsibilities are made to the organisational structure and these sheets, as set forth in the company's "Organisational Development and Processes" procedure.

**F.1.2 The existence or otherwise of the following components, especially in connection with the financial reporting process:**

- **Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the company:**

The design and review of the organisational structure, as well as the definition of the lines of responsibility, falls to the Board of Directors, through the Sustainability, Appointments and Remuneration Committee. As stipulated in the Regulations of the Sustainability, Appointments and Remuneration Committee of Enagás S.A., article 8 2 (ii) f): "to submit proposals regarding the organisational structure of the Company and the creation of Senior Management positions that it considers necessary for a better and more efficient management of the Company to the Board of Directors, as well as guidelines regarding the appointment, selection, career, promotion and dismissal of Senior Managers, in order to ensure that the Company has, at all times, highly qualified personnel suitable for the management of its activities."

Likewise, the Corporate Resources and People Department is responsible for designing, implementing and updating the organisational structure within the Group. The internal mechanisms used by this department, to clearly define the lines of responsibility, are enumerated in:

- "Job Analysis and Description Sheets"
- The "Human Resources Development Procedure"
- The "Organisational Development and Processes Procedure" which, among other matters, establishes and develops the overall management model for processes and job descriptions, in accordance with the company's strategy and business and operating needs, the organisational structure of the Departments/Units.

The particular features of the ICFR lines of responsibility and authority are regulated by the "Enagás Group ICFR Manual" as well as various rules and

regulations concerning the key governing bodies and Senior Management. The specific ICFR-related responsibilities are also considered in the design of the model, aligned with those defined in the "Job Analysis and Description Sheets". Versions of the ICFR model are generated periodically to reflect the changes over time in job responsibility.

Also worth noting is the "Powers of Attorney and Electronic Signature Certificates Management" procedure, which sets out the actions to ensure that responsibilities are given appropriately.

The organisational structure is available to all employees on the Intranet in the form of an organisational chart and is regularly updated. In addition, the specific rules and procedures detailing the related responsibilities are published on the Intranet, as stipulated in the "General Regulations for Rules and Process Management".

**• Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary actions:**

The following documents are available to all employees as part of the Group's Sustainability and Good Governance Policy and other corporate policies:

- Enagás Internal Code of Conduct in matters relating to Securities Markets

As stipulated in article 5 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagás, S.A., the company has an Internal Code of Conduct in matters relating to Securities Markets which was drawn up and approved by the Board. These regulations aim to protect the interests of investors in the company's securities and its Group and to prevent and avoid any situation of abuse by establishing the rules for:

- The management and control of Privileged Information and the handling of such information;
- The trading of Affected Securities of Enagás or companies in its business Group;
- The performance of treasury share transactions;
- The obligations of publication and dissemination of privileged information to the market;
- Generally, compliance with securities market regulations.

Persons subject to the obligations established in the Internal Code of Conduct will receive a copy of the regulations and must sign a statement acknowledging receipt and declaring that they are aware of their obligations.

The Audit and Compliance Committee is responsible for ensuring compliance with the regulations and for making suggestions, as necessary, to improve them (article 8 of the Regulations of the Audit and Compliance Committee of Enagás, S.A.). The Head of Compliance, in coordination with the General Secretariat, will ensure precise and true compliance with the obligations contained therein, with the requirement to regularly report to the Audit and



Compliance Committee on the degree of compliance and any incidents detected in relation to its application for evaluation by the Committee, as stipulated by article 19.2 of the regulations.

► Enagás Group Code of Ethics

The “Enagás Group Code of Ethics” approved in 2008 and reviewed in 2012 and 2014, this review being approved by the Board of Directors at its meeting on December 16, 2019. It is available on the external website and Intranet, and aims to formalise “[...] the Enagás’ ethics and compliance model and is developed through policies, standards, processes and controls [...]”. “The Code of Ethics reflects Enagás’ ethical culture and sets out the guidelines that determine the behaviour of its employees, managers and directors and of third parties that have connections with the group.

“[...] The Code will be reviewed as often as necessary to ensure that its content is aligned with applicable law and best practices, and to guarantee the effectiveness of the ethics and compliance model.

All Enagás professionals must understand and comply with the Code of Ethics and the rules that develop it. When so required by Enagás, they must accept knowledge of the Code and confirm compliance with it [...]”.

Its values address issues related to financial reporting:

- Transparency and reliability of information: “With regard to the recording, elaboration and review of financial and non-financial information, we ensure its reliability and rigour, and apply the accounting policies, control systems and supervisory mechanisms defined by Enagás”.
- Fight against fraud, corruption and bribery “[...] We must not offer or accept, either directly or indirectly, gifts or hospitality from third parties, including public representatives, which go beyond the purely symbolic or which could be interpreted as an attempt to influence our will or to obtain undue advantage [...]”.

In this regard, in 2013 the “Procedures for Managing the Offering and Acceptance of Gifts” was approved and it was reviewed in 2020; in 2015 the “Anti-Fraud, Corruption and Bribery Policy” was approved and it was reviewed in 2019.

- Information confidentiality: “[...] The information that we handle in our professional activity, except when its disclosure is expressly authorised, must be considered confidential and treated as such. We are all responsible for protecting the confidentiality of information, whether it relates to Enagás or to third parties, such as customers, suppliers or business partners, potential job applicants or any third party with whom we have a relationship in the course of our business. [...]” The Code states that “[...] the Board of Directors is the body with ultimate responsibility for ensuring Enagás’ ethical culture and the effectiveness of the ethics and compliance model. The Ethical Compliance Committee, which reports to the Audit and Compliance Committee, assumes the competences related to the ethics and compliance model. For its part, the Audit and Compliance Committee is responsible for supervising the implementation of the ethics and compliance model and for ensuring that the Ethical Compliance Committee has sufficient resources, autonomy and independence [...]”.

In addition, there is also a Compliance Policy to oversee the commitment to: “[...] uphold conduct that complies with both regulations and ethical standards. [...]” and “[...] promote a culture of integrity and respect for the law and ethical standards that takes into consideration not only the interests of Enagás but also the needs and expectations of its stakeholders [...]”. This policy is reinforced by the General Compliance Standard.

Code of Conduct for the Technical Manager of the Spanish Gas System

The Code of Conduct for the Technical Manager of the Spanish Gas System approved at the Board of Directors at its meeting on December 15, 2014, available on the external website and Intranet, aims to “[...] ensure that the functions of the Technical Management of the Spanish Gas System are carried out independently from the rest of the Enagás Group’s activities, in compliance with the criteria legally established in Hydrocarbons Sector Law 34/1998, of October 7 [...]”.

As set out in the Code: “It is the obligation of Enagás GTS to keep the list of the individuals subject to this Code of Conduct updated at all times and to send each of these a copy of the Code, requiring them to furnish a letter in which they confirm they have received the Code and declare that they know and accept compliance with the obligations they are subject to”.

It also provides that: “[...] The Ethical Compliance Committee is entrusted with ensuring compliance with this Code of Conduct and the effectiveness hereof. It will therefore report periodically to the Audit and Compliance Committee of the Board of Directors of Enagás, S.A. on the results of its assessment and on any deficiencies detected. However, the Managing Director of the Technical Manager of the System will address any queries that may be raised by the employees of Enagás GTS regarding the Code of Conduct [...]”.

The Ethical Compliance Committee, pursuant to Article 63.4 d) of the Hydrocarbons Sector Law, shall prepare a report containing the following information:

- The measures adopted to guarantee the segregation of activities.
- The conflicts of interest reported and the measures adopted to resolve them [...]”

► Internal Audit Code of Ethics

The Internal Audit Code of Ethics, available on the corporate Intranet, was approved in 2017, establishing the ethical culture in the function of Internal Audit as an independent activity. It includes:

1. Principles relevant for the profession and practice of the internal audit:

- Integrity
- Objectivity and independence
- Confidentiality
- Competition

2. The Rules of Conduct which describe the behaviour expected from all internal auditors. These rules serve to assist with the interpretation of the Principles in their practical application. Their aim is to guide the ethical conduct of internal auditors.

Once a year all internal auditors must sign a declaration stating that they are cognisant of, understand and uphold these rules. In turn, professionals who work with the Internal Audit Department must also sign this declaration, when they start to provide their services.

• Whistleblowing channel, for reporting any irregularities of a financial or accounting nature to the audit committee, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential:

The company has a whistleblowing channel, the “Ethics Channel”, for consultation and reporting of irregularities or breaches of the Enagás Group Code of Ethics and the Code of Conduct of the Technical Manager of the Spanish Gas System.

The processing of such queries and notifications is the responsibility of the Ethical Compliance Committee, which functionally reports and is accountable for its performance to the Audit and Compliance Committee. This Committee shall respond to all reports and periodically prepare a report to be submitted to the Audit and Compliance Committee. However, according to the “Procedure for the management of consultations and reporting regarding irregularities or breaches of the Code of Ethics”, if the consultation or notification is of a financial or accounting nature or concerns internal control or fraud, it shall be forwarded directly to the Audit and Compliance Committee.

• Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management:

The Talent Management Department, which reports to the Human & Corporate Resources Department, has a “Training School” which manages and plans all the training programmes and other instruction initiatives for all employees included in the Training Plan and in the Training Procedure.

In coordination with the Finance Department and the Internal Audit Department, the Talent Management Department identifies and analyses the specific training needs of all personnel involved in preparing and reviewing financial reporting, including issues concerning accounting, internal control and risk management.

During 2020, the Finance Department and the Internal Audit Department took part in various training activities, including, inter alia, the following: COSO ERM Accreditation Programme, Internal Audit of Data Governance, Independence of the Accounts Auditor, Crime Prevention Model, and Key Aspects of Cybersecurity.

In addition, since the previous year the Enagás Group, together with other relevant companies, participates in a collaborative space on the ICFR to share experiences, knowledge and best practices in this area.

**F.2. Risk assessment in financial reporting.**

Report at least:

**F.2.1 The main characteristics of the risk identification process, including risks of error or fraud, stating whether:**

► The process exists and is documented:

Identifying risk is one of the core fundamentals in risk analysis with regards to the preparation of financial information. The process follows the COSO 2013 (Committee of Sponsoring Organisations of the Treadway Commission) framework. One of the objects is to help ensure that transactions are recorded faithfully in accordance with the related accounting framework so it can provide reasonable assurance regarding the prevention or detection of errors that could have a material impact on the information contained in the consolidated annual accounts.

The “Enagás Risk Control and Management Policy” provides a reference in the area of risk identification, as it states the company’s policies on how to deal effectively with uncertainty, risks and the associated opportunities, thereby improving its capacity to generate value in order to achieve the aims of the Group, such as reliable financial reporting.

The principles and criteria included in the policy were issued by the Enagás Risk Committee. This Committee is charged with defining, approving and updating the basic criteria and principles guiding actions in relation to risk, as set out in “Functioning of the Enagás Risk Committee” procedure.

The principles set out in the “Enagás Risk Control and Management Policy” are articulated in the “General Regulations for Risk Control and Management”, providing an organisational and methodological framework that ensures the risk control and management process is implemented appropriately and effectively.

Specific risks related to the company’s Internal Control over Financial Reporting System are classified in this framework under the Group’s operational risk category. The identification and measurement of these risks are performed as set out in the Internal Control over Financial Reporting System Manual.

• The process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency:

Pursuant to the “Enagás Group ICFR Manual”, the risk identification process covers all financial reporting objectives to ensure the accuracy and completeness of the same. The manual describes the risks related to the financial reporting process as follows:

- Completeness: the risk that not all transactions, and other circumstances and events are recorded.
- Rights and obligations: the risk that not all financial information at any given date does reflect the rights and obligations through the corresponding assets and liabilities in accordance with applicable standards.



- › Existence and occurrence: the risk that not all transactions, circumstances and events exist or not all are recorded at the appropriate time.
- › Valuation: the risk that not all transactions, circumstances and events are recorded and valued in conformity with applicable standards.
- › Presentation, disclosure and comparability: the risk that not all transactions, circumstances and events are classified, presented and disclosed in the financial information in accordance with applicable standards.
- › Internal fraud risk: includes the risk of manipulation of files, software and information, and the risk of unauthorised activities (involving employees) leading to intentional financial statement misstatements and misappropriation of funds and assets due to inappropriate use of corporate assets.

Periodically, the ICFR Unit fully evaluates all control processes and corresponding specific risks mitigation measures in place, and at the same time, assesses whether new risks need to be added.

• **A specific process is in place to define the consolidation scope, with reference to the possible existence of complex corporate structures, special purpose vehicles or holding companies.**

The Finance Department operates a management and updating process to identify those companies which should be included in the consolidation scope. This process is detailed in the "Period-End Procedures for Consolidated Financial Statements and Annual Accounts".

In compliance with article 8 of the Regulations of the Audit and Compliance Committee, and with regards to the Financial Statements, the Committee's duties and competencies include "overseeing and assessing the preparation and presentation of financial and non-financial information on the Company and the Group, checking compliance with regulatory requirements, the due definition of the consolidation scope and the correct application of accounting principles and, in particular, to know, understand and monitor the efficiency of the internal control over financial reporting system (ICFR)."

In determining the companies covered by the ICFR scope, the Group considers those in which it has direct or indirect control, and so for all other consolidated companies, the Group includes controls to ensure consistency, validity and reliability of the financial information provided for inclusion in the consolidated financial statements.

• **Whether the process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements:**

The process of identifying risks associated with achieving the financial reporting objectives takes into account the possible effects derived from the materialisation of other types of risks contained in the risk control and management model described in section e) of this document. These effects would arise, as the case may be, through strategic and business risks, operational and technological risks, credit and counterparty risks, financial and fiscal risks, criminal liability risks, reputational risks and compliance and model risks.

• **Which of the entity's governing body oversees the process:**

The Audit and Compliance Committee is responsible for "[...] Overseeing and evaluating the effectiveness of the control and management systems for financial and non-financial risks relating to the Company and its Group, including operational, technological, legal, social, environmental, political and reputational risks or corruption and anti-bribery risks, so that any such risks are adequately mitigated within the framework of the Company's internal policy [...]". Also, and according to Article 8.2, section (v) a) of the Regulations of the Audit and Compliance Committee of Enagás S.A., it is responsible for submitting "[...] recommendations or proposals to the Board of Directors to improve these systems along with the corresponding deadline to dealing with them [...]".

**F.3. Control activities.**

Indicate the existence of at least the following components, and specify their main characteristics:

**F.3.1 Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the securities markets, stating who is responsible in each case and documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.**

Procedures for reviewing and authorising financial information to be disclosed to the markets

The Group has the following documents to ensure the reliability of the financial information to be disclosed to the securities markets:

- › The "Manual of Accounting Policies (PGC)" and the "Manual of Accounting Policies (IFRS)", which establish and provide clear information on the accounting policies required for performing accounting estimates and preparing the Company's Individual and Consolidated Financial Statements and Annual Accounts, to ensure that these provide a true and fair view of its equity, financial position, results of operations, changes in net equity and changes in cash flows.
- › "Period-end procedures for the Individual Financial Statements and Annual Accounts" and "Period-end procedures for the Consolidated Financial Statements and Annual Accounts" approved by the Financial General Manager establishing the process of preparing, processing, reviewing and authorising the financial information at the closing of accounts by the persons in charge. These also establish the controls of judgements, estimates and evaluations which may materially affect the financial statements.
- › "Procedure on the provision of Regular Reports to Securities Market Regulators" which establishes the process to be followed when preparing periodic financial information to be disclosed to the regulated markets regarding interim financial reports, interim management reports and, if applicable, quarterly financial reports, and defines the persons responsible of approval of said financial information.

With regard to the preparation and subsequent disclosure of financial reporting, the Investor Relations Department, the Finance Department, the General Secretariat, the Board of Directors and the Chairman of the Board all play a key role at the various levels within the Organisation in the validation and approval of all financial information.

Description of ICFR: Control and Activities

The Group's ICFR control structure is based on the five components of the COSO Model included in the Internal Control-Integrated Framework report (2013):

1. Control environment
2. Risk assessment
3. Control activities
4. Information and communication
5. Monitoring of the system

Likewise, the recommendations of the report on "Internal Control over Financial Reporting at Listed Companies" prepared by the CNMV's Internal Control Working Group (ICWG) (2010) are taken into consideration.

In this regard, the ICFR model states a number of key control objectives which, if fully implemented, allow reliability and transparency in preparing financial reporting. The implementation of these objectives is intrinsically tied to the effectiveness of "Control activities" at each stage of their execution.

In this context, the control structure defined is based on two classes of control:

- › General controls
- › Process controls

General controls

The General Controls form the basis of the ICFR model. These are interlinked controls that directly affect the organisational structure and procedures. These are known as the "control environment" in the CNMV and COSO recommendations.

At the end of 2020, there were 46 ICFR general controls in operation. Senior Management is responsible for overseeing these controls, which are split between the following departments:

- › Secretary to the Board of Directors
- › General Secretariat
- › Gas System Technical Management Department
- › Finance Department
- › Human & Corporate Resources Department
- › Investor Relations Department
- › Communication and Public Affairs Office

These controls are assessed once a year to incorporate any updates and to identify new control components.

Process controls

Process Controls (control activities) are controls over an organisation's operating processes that are more specific than general controls. These are part of each of the main cycles and sub-cycles comprising the ICFR procedures, guaranteeing the reliability and transparency of Enagás financial reporting. These are factors which mitigate the risks inherent in the financial reporting procedure mentioned above to ensure the established control objectives are met. These control activities are used throughout all the ICFR model and the eight Areas which affect financial reporting:

- › Acquisitions
- › Fixed assets
- › Inventories
- › Revenue
- › Payroll and personnel
- › Financial management
- › Support services
- › Financial reporting



These Areas in turn affect a further 28 cycles and 61 subcycles and are formally documented in a corporate IT tool.

These process controls can be classified with the following different characteristic attributes:

- ▶ According to their nature:
  - ▶ Preventive: Preventing errors or any irregularities which may affect the information, i.e. preventing the impact of financial risks.
  - ▶ Corrective: Correcting errors or irregularities which may affect the financial information, i.e. rectifying errors when they arise.
- ▶ According to the level of automation:
  - ▶ Manual: control mechanisms directly executed by people.
  - ▶ Semi-automated: control mechanisms executed by people and validated by "IT support" or vice versa.
  - ▶ Automated: control mechanisms with "IT support".

The quarterly self-assessment process carried out by the ICFR unit allows to confirm the validity of the description of these controls by the people responsible, identifying any updates (new process controls, elimination, automation, etc.).

At year-end 2020, there were 215 ICFR process controls, approximately 27% of which were automated.

#### Operating activities

In addition to the controls we have mentioned above, when designing the ICFR subcycles a series of operating activities are defined to establish a flow chart showing how these impact financial reporting. Likewise, these activities are included in a corporate IT tool which establishes the models for the ICFR subcycles.

At year-end 2020, there were 727 operating activities, approximately 17% of which were automated.

### F.3.2 Internal control policies and procedures for Information Technology (IT) systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

IT systems play an important role and are configured to support the preparation, processing and extraction of the financial information to be disclosed. This is why they are included in the ICFR actions and configuration.

All actions concerning information systems are regulated in the Cybersecurity Policy which defines the principles to effectively manage information security in the IT systems, as well as the assets involved in the processes.

Based on the principles of this policy, Enagás has designed the "General Rules for Management of IT Systems" establishing the responsibilities and the relationship between the requesting units and the Information Systems Department.

We also have General Computer Controls ("GCCs"). These provide a control framework designed to offer a reasonable level of security in IT systems used for financial reports, guaranteeing, to the greatest degree possible, that the information is confidential, available and complete. At year-end there were 46 General Computer Controls included in the "IT INFORMATION TECHNOLOGY" area, broken down into the following cycles:

- ▶ Logical and physical security cycle.
- ▶ Application development and maintenance cycle.
- ▶ Operating and support of networks, databases and operating systems cycle.
- ▶ Management and planning of information systems cycle.
- ▶ Fraud prevention and detection cycle.

Here we would note that within the operation and support of networks, databases and operating systems cycle is the GCC relating to the Business Continuity and Disaster Recovery Plan.

The objectives established within the framework of General Computer Controls help achieve control objectives related to the processing of computer-generated information, through the defining, development, implementation and reviewing of control activities such as user and authorisation management, administrator management, access control, incident management, change management, business continuity, information storage and recovery, operations monitoring, etc.

Integral to the objectives of control of IT systems is the need to establish an appropriate segregation of duties, which is a prerequisite for an ICFR system to function efficiently and effectively. It is therefore of vital importance that there is a clear distinction between who has to execute actions related to the treatment of financial information, and who has to review and/or approve them. For this reason, correctly allocating profiles, both in IT systems and in terms of positions and functions, is critical to the success of the process.

### F.3.3 Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

Enagás is particularly vigilant about any activities carried out by third parties which may significantly impact the financial statements to ensure maximum control over key procedures that may be outsourced, and that the activities are carried out to a standard that the Group demands.

The internal rules regulating this can be found in the Identification and Treatment for Service Organisations Procedure.

The Group also has the following regulations and internal procedures regulating the contracting process and ensuring quality control of third parties:

- ▶ The "General Regulations for Management of Awarding and Contracting"
- ▶ The "Purchase Management Procedure"

- ▶ The "Supplier Approval Procedure"
- ▶ The "Procedure for Ensuring Supplier Reliability"

When the Group engages the services of independent experts for appraisal, calculation or valuation services, we request that they certify they are reputable firms in their field and are independent. This helps ensure that the Group's management is able to supervise and take the ultimate decisions on the estimate processes which may impact accounting records.

## F.4. Information and communication.

Indicate the existence of at least the following components, and specify their main characteristics:

### F.4.1 A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the company's operating units.

The Accounting Policies Department is responsible for keeping all accounting policies regularly updated and communicating these to all personnel involved in the financial reporting process.

It has therefore drawn up the "Accounting Policies Manual (PGC)" and the "Accounting Policies Manual (IFRS)", internal documents which outline all procedures and the accounting policies required for performing accounting estimates and preparing the Company's Individual and Consolidated Financial Statements and Annual Accounts, to ensure that these provide a true and fair view of its equity, financial position, results of operations, changes in net equity and changes in cash flows. Those employees involved in the process are informed of any updates to the policies via the Intranet.

### F.4.2 Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the Entity or Group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

The preparation, review and approval of all financial information in standard format is regulated by the "Period-end procedures for the Individual Financial Statements and Annual Accounts" and the "Period-end procedures for the Consolidated Financial Statements and Annual Accounts", as well as the "Accounting Policies Manual (PGC)" and the "Accounting Policies Manual (IFRS)", which serve as guides to carrying out these tasks.

Furthermore there is a specific mechanism for the process of preparing the Annual Accounts, where the Audit and Compliance Committee, as a Board Committee, takes on a special relevance, overseeing this process (e.g. monitoring

the supervision work of the Internal Audit unit, being cognisant of the internal control over financial reporting system (ICFR) as well monitoring the work performed by the external auditor) before the annual accounts are certified by the Board of Directors. The functions of the Audit and Compliance Committee in this regard are detailed in article 8 of the "Regulations of the Audit and Compliance Committee of Enagás, S.A."

The Group has an IT tool to record and treat all financial information which satisfies the needs of both individual and consolidated reporting.

## F.5. Monitoring of the system.

Indicate the existence of at least the following components, describing their main characteristics:

### F.5.1 The ICFR monitoring activities undertaken by the audit committee and an internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

In this context, one of Enagás' top priorities is to take a proactive, and thereby preventative role during a phase of constantly overseeing the model, to ensure that the model is updated and aligned with both the business and the best regulatory practices.

Constant analysis of and follow up of ICFR, detecting possible flaws and making sure the corresponding improvements and adjustments are achieved by taking the following measures:

- ▶ A regular evaluation of the design and effectiveness of current anti-fraud programmes and controls. Its scope and frequency depends on the importance of the associated risk and the demonstrated effectiveness of the controls in place.
- ▶ The participation of the Internal Audit Department, through the supervision functions attributed by the ICFR model through the "General Internal Audit Regulations", the "Enagás Group ICFR Manual" and the "Regulations of the Audit and Compliance Committee of Enagás, S.A."
- ▶ Effective supervision by the Audit and Compliance Committee, relative to overall control of the ICFR model, delegated by the Board of Directors, and instrumented by Internal Audit.
- ▶ Reporting on weaknesses found, taking corrective measures to solve them, establishing mechanisms to track them and assigning the necessary resources to achieve them, according to the instructions in the "Enagás Group ICFR Manual".
- ▶ Finally, once finalised, and subsequent to the implementation of the proposed measures, a design and final validation process will be undertaken, which will eventually be incorporated into the ICFR model.



Key throughout this oversight process is the function of Internal Audit which, as set out in the "General Internal Audit Regulations", is responsible for:

- ▶ Collaborating with the Audit and Compliance Committee in fulfilling its duties, particularly with regard to the supervision of the internal control system and the risk control and management process, to relations with the external auditor and to supervision of the financial information preparation process. Regarding relations with the external auditor, there is an Accounts Auditor Contracting and Relationship Procedure, which will be monitored for the maintenance of an objective, professional and continuous relationship with the auditor of the Company, respecting at all times its independence.
- ▶ Participating in the review of the Internal Control over Financial Reporting (ICFR) system established by the company for its subsequent certification.

In order to ensure that these objectives are met, there is an "Internal Audit Annual Plan", which is overseen and approved by the Audit and Compliance Committee, and includes a review of the ICFR system.

In this regard, the Group's management conducted an internal assessment of the ICFR system and concluded that the system in place for Enagás, S.A. and Subsidiaries at December 31, 2020 is effective and contains no significant deficiencies.

**F.5.2 If a discussion procedure is in place, whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the annual accounts or other assignments, to the company's senior management and its audit committee or board of directors. State also whether the entity has an action plan to correct or mitigate the weaknesses found.**

Article 8 of the Regulations of the Audit and Compliance Committee of Enagás, S.A. details the objectives and functions of the Committee, including "[...] liaise with the external auditor to obtain information on any issues that could compromise the latter's independence. Specifically, the discrepancies that may arise between the auditor of accounts and the Company's management, for review by the Committee, and any other discrepancies relating to the audit process, as well as the possible safeguard measures to be adopted, discussing the significant weaknesses detected in internal control with the auditor of accounts, and never jeopardising the independence of the audit, concluding on the level of confidence and reliability of the system [...]".

The Committee is also in charge of supervising compliance with the "Internal Code of Conduct in matters relating to Enagás' Securities Markets". The reports on the activities of the Audit and Compliance Committee contain important information about communication procedures and the conclusions reached at the end of each year.

## F.6. Other relevant information.

There is no other relevant information regarding ICFR at the Group to add to that which we have provided above.

## F.7. External auditor report.

State whether:

**F.7.1 The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review**

The Group has voluntarily subjected its ICFR to review since 2008. All reviews have been carried out by the accounts auditor of Enagás, S.A. and Subsidiaries.

The report for 2020 is attached.

## G. Degree of Implementation of Corporate Governance recommendations

Indicate the degree of the company's compliance with the recommendations of the good governance code of listed companies.

In the case where a recommendation is not implemented or only partially implemented, a detailed explanation of the reasons for this is to be included so that shareholders, investors and the market in general have sufficient information in order to evaluate the company's course of action. General explanations are not acceptable.

1. The Articles of Association of publicly listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Compliant [ ] Explain [ X ]

Additional Provision 31 of Law 34/1998, of October 7, on the Hydrocarbons Sector, in force since the enactment of Act 12/2011, of May 27, governing civil liability for nuclear damage or damage caused by radioactive materials, specifies in section 2 that:

"No natural or legal person may hold, directly or indirectly, an interest in the parent company (ENAGÁS, S.A.) representing more than 5% of share capital or exercise more than 3% of its voting rights. Under no circumstances may such shareholdings be syndicated. Any party operating within the gas sector, including natural or legal persons that directly or indirectly own equity holdings in the former of more than 5%, may not exercise voting rights over 1%. These restrictions do not apply to direct or indirect interests held by public sector enterprises. Under no circumstances may share capital be syndicated.

Likewise, the combined total of direct or indirect holdings owned by parties that operate within the natural gas sector may not exceed 40%.

For the purposes of calculating the stake in that shareholding structure, in addition to the shares or other securities held or acquired by entities belonging to its same group, as defined by article 4 of Act 24/1988, dated July 28, on the Securities Market, stakes shall be attributed to one and the same natural or legal person when they are owned by:

- a) Those parties who act in their own name but on behalf of that natural or legal person in a concerted fashion or forming a decision-making unit with them. Unless proven otherwise, the members of a governing body shall be presumed to act on account of or in concert with that legal person.
- b) Partners with those with which one of them exercises control over a dominant company in accordance with article 4 of Securities Market Act 24/1988, of July 28.

In any event, regard shall be had to the proprietary ownership of the shares and other securities and the voting rights attached to each.

Non-compliance with the limit on interests in the share capital referred to in this article shall be deemed a very serious breach in accordance with the terms set out in article 109 of this Law. Responsibility shall lie with the natural or legal persons found to be the owners of the securities or whoever the excess interest in the share capital or in the voting rights can be attributed to, pursuant to the provisions of the preceding paragraphs. Whatever the case, the penalty system stipulated herein will apply.

Enagás, S.A. may not transfer the shares of the subsidiaries carrying out regulated activities to third parties."

Meanwhile, section 3 of Additional Provision 31 of this law states that:

"The restrictions of shareholding percentages and non-transfer of the shares referred to in this provision are not applicable to other subsidiaries that ENAGÁS, S.A. may constitute for business activities other than transmission regulated by Article 66 of Act 34/ 1998, of October 7, on the hydrocarbons sector, management of the transmission network and technical management of the national gas system".

Meanwhile, article 6 bis of the company's Articles of Association ("Limitations on holdings in share capital") establishes that:

"No natural or legal person may hold a direct or indirect stake of more than 5% in the equity capital of the company, nor exercise voting rights in such company of over 3%. Under no circumstances may such shareholdings be syndicated. Those parties that operate within the gas sector, including those natural or legal persons that directly or indirectly possess equity holdings in the former of more than 5%, may not exercise voting rights in the company of over 1%. These restrictions do not apply to direct or indirect interests held by public sector enterprises. Under no circumstances may share capital be syndicated.

Likewise, the combined total of direct or indirect holdings owned by parties that operate within the natural gas sector may not exceed 40%.

For the purposes of calculating the stake in that shareholding structure, the Hydrocarbons Industry Act shall apply.

Enagás may not transfer to third parties shares of the subsidiaries included in its Group that undertake transmission and technical management activities, which are regulated businesses under Hydrocarbons legislation."

2. When the company is controlled by another entity according to the definition set forth in Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relationships with that entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to those of any of them, it must make accurate public disclosures about:

- a) The respective areas of activity and any business relationships between the listed company or its subsidiaries on the one hand and the parent company or its subsidiaries on the other.
- b) The mechanisms in place to resolve possible conflicts of interest.

Compliant [ ] Partially compliant [ ] Explain [ ] Not applicable [ X ]





3. During the ordinary general meeting the Chairman of the Board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

- a) Changes taking place since the previous ordinary general meeting.
- b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

Compliant  Partially compliant  Explain

4. The company should draw up and implement a policy on communication and contacts with shareholders and institutional investors in the context of their involvement in the company, as well as with proxy advisers, that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position. This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Notwithstanding legal obligations to disclose inside information and other types of regulated information, the company must also have a general policy regarding the reporting of economic-financial, non-financial and corporate information through the channels it deems appropriate (media, social media or other channels) to enhance the dissemination and quality of the information available to the market, investors and other stakeholders.

Compliant  Partially compliant  Explain

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When the Board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Compliant  Partially compliant  Explain

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the ordinary general meeting, even if their distribution is not obligatory:

- a) Report on auditor independence.
- b) Reports of the operation of the audit committee and the appointments and remuneration committee.
- c) Report of the audit committee on related party transactions.

Compliant  Partially compliant  Explain

7. The company should broadcast its general meetings live on the corporate website.

The company must have mechanisms in place to enable proxy voting and remote voting and also, if they are large-caps and to the extent proportionate, to attend and to actively participate in the General Shareholders' Meeting.

Compliant  Partially compliant  Explain

8. The Audit Committee must make sure that the annual accounts which the Board of Directors presents to the General Shareholders' Meeting are prepared in accordance with accounting regulations. In those cases where the auditor has included any qualification in its audit report, the Chairman of the Audit Committee must clearly explain the opinion of the Audit Committee in terms of its content and scope at the General Shareholders' Meeting. A summary of this opinion will be made available to the shareholders at the time of publication of the notice of the meeting, along with other Board proposals and reports.

Compliant  Partially compliant  Explain

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Compliant  Partially compliant  Explain

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

- a) Immediately circulate the supplementary items and new proposals.

b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.

c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the Board of Directors, with particular regard to presumptions or deductions about the direction of votes.

d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Compliant  Partially compliant  Explain  Not applicable

11. In the event that a company plans to pay for attendance at the general meeting, it should establish a general, long-term policy in this respect.

Compliant  Partially compliant  Explain  Not applicable

12. The board of directors should perform its duties with unity of purpose and independent judgement, affording the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interests, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, customers and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Compliant  Partially compliant  Explain

13. The Board of Directors should be of an optimal size to promote its efficient functioning and maximise participation. The recommended range is between five and fifteen members.

Compliant  Explain

At the General Shareholders' Meeting held on June 30, 2020, three new independent directors were appointed to reinforce the Board of Directors in view of the risks that the Covid-19 crisis and its effects may pose for the service of general interest that the Company provides. The Articles of Association were also amended to increase the maximum number of directors to 16. Enagás is the Technical Manager and Transmission System Operator (independent operator) of the Spanish Gas System. As such, it is expressly certified by the European Union and Spanish authorities. For its part, it is responsible for the normal operation of the essential service of supplying gas to Spanish domestic, commercial and industrial consumers, which in turn includes electricity generators, the supply of which is considered an essential service.

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

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

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

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

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

Enagás is aware that in the current situation there is a slight impairment in some of the recommended parameters for good governance.

This is due to the exceptional situation in which we find ourselves and which makes it necessary, in the interests of society, to give priority to guaranteeing the essential gas supply service that Enagás has been entrusted with. It has therefore prioritised the incorporation of the profiles it has considered most suitable for this purpose, subordinating other considerations.

Enagás aspires to re-establish its usual parameters, always in line with best corporate governance practices, to the extent that the return to normality will again allow it to prioritise these.

Against this background, as of the date of this report, the Chairman of the Board has pledged that the Board of Directors will align itself with the recommendation regarding size and gender diversity set out in the CNMV's Corporate Governance Code at the General Shareholders' Meeting to be held in 2022.

Therefore, the renewals planned for the Enagás Board of Directors for the years 2021 and 2022 will be carried out taking into account this twofold objective of reducing the size of the Board and reaching a proportion of 40% of female directors.

14. The Board of Directors must approve a policy aimed at encouraging an appropriate composition of the Board of Directors and which:

- a) Is concrete and verifiable.
- b) Ensures that proposals for appointment or re-election are based on a prior analysis of the skills required by the Board of Directors.



c) Encourages diversity of knowledge, experience, age and gender. Measures that encourage the company to have a significant number of senior female managers are considered to favour gender diversity.

The results of the prior analysis of the skills required by the board should be written up in the appointments committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The appointments committee should run an annual check on compliance with this policy and set out its findings in the annual corporate governance report.

Compliant  Partially compliant  Explain

15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

The number of female directors should represent at least 40% of the members of the Board of Directors by the end of 2022 and onwards, and before that it must not be less than 30%.

Compliant  Partially compliant  Explain

At present, four (4) of the sixteen (16) members of the Board of Directors of Enagás are women: MS ROSA RODRÍGUEZ DÍAZ, MS ANA PALACIO VALLELERSUNDI, MS ISABEL TOCINO BISCAROLASAGA and MS PATRICIA URBEZ SANZ representing 25% of Enagás' Board of Directors. Also, MS ROSA RODRÍGUEZ DÍAZ is a member of the Audit and Compliance Committee, MS PATRICIA URBEZ SANZ is a member of the Sustainability, Appointments and Remuneration Committee, MS ISABEL TOCINO BISCAROLASAGA chairs the Audit and Compliance Committee and MS ANA PALACIO VALLELERSUNDI is Independent Leading Director and chairs the Sustainability, Appointments and Remuneration Committee.

The number of directors on the Board slightly increased to 16 after the resolutions agreed at Enagás' General Shareholders' Meeting on June 30, 2020 reaching a percentage of 25% of the less-represented gender.

Enagás maintains a solid corporate governance policy that has been endorsed by its shareholders at successive General Meetings to which it submits its proposals. Enagás is aware that in the current situation there is a slight impairment in some of the recommended parameters for good governance.

This is due to the exceptional situation in which we find ourselves and which makes it necessary, in the interests of society, to give priority to guaranteeing the essential gas supply service that Enagás has been entrusted with. It has therefore prioritised the incorporation of the profiles it has considered most suitable for this purpose, subordinating other considerations.

Enagás aspires to re-establish its usual parameters, always in line with best corporate governance practices, to the extent that the return to normality will again allow it to prioritise these.

Against this background, as of the date of this report, the Chairman of the Board has pledged that the Board of Directors will align itself with the recommendation regarding size and gender diversity set out in the CNMV's Corporate Governance Code at the General Shareholders' Meeting to be held in 2022.

Therefore, the renewals planned for the Enagás Board of Directors for the years 2021 and 2022 will be carried out taking into account this twofold objective of reducing the size of the Board and reaching a proportion of 40% of female directors.

16. The percentage of proprietary directors out of all non-executive directors should not be greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Compliant  Explain

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30% of capital, independent directors should occupy, at least, a third of Board places.

Compliant  Explain

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

- a) Background and professional experience.
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
- c) Statement of the Director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.
- d) Dates of their first appointment as a board member and subsequent re-elections.
- e) Shares held in the company, and any options on the same.

Compliant  Partially compliant  Explain

19. The Annual Corporate Governance Report, with prior verification by the Appointments, Remuneration and CSR Committee is to provide an explanation for the reasons Proprietary Directors were appointed at the behest of shareholders whose stake in the company is less than 3% of share capital, and reasons given for the rejections of formal requests for board representation from shareholders whose equity interest is equal to or greater than that of other shareholders who have successfully requested the appointment of Proprietary Directors.

Compliant  Partially compliant  Explain  Not applicable

20. Proprietary directors are to submit their resignation when the shareholder whom they represent fully disposes of their stake. They shall also do so, in the appropriate number, when that shareholder reduces their stake to a level requiring a reduction in the number of its proprietary directors.

Compliant  Partially compliant  Explain  Not applicable

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the articles of association, except where just cause is found by the board, based on a report from the appointments and remuneration committee. In particular, it shall be understood that there is just cause when the director takes on new offices or assumes new obligations that prevent him from devoting the time necessary to perform the duties of the office of director, breaches the duties inherent to his position or is affected by one of the circumstances that cause him to lose his independent status in accordance with the provisions of applicable law.

The removal of independent directors may also be proposed as a consequence of offers for the takeover, merger or similar corporate actions affecting the company that may involve a change in the company's capital structure, whenever such changes in the board of directors arise under application of the proportionality criterion pointed out in Recommendation 16.

Compliant  Explain

22. Companies are to stipulate rules obliging directors to report and, where appropriate, resign when situations arise that affect them, whether or not related to their actions at the company itself, that may harm the credit and reputation of the company. In particular, they are to inform the Board of Directors of any criminal cases for which they are under investigation, and of their legal proceedings.

If it has been informed of or has otherwise learned of any of the situations mentioned in the preceding paragraph, the Board should examine the case as soon as possible and, in view of the specific circumstances, decide, after a report from the Appointments and Remuneration Committee, whether or not to adopt any measure, such as opening an internal investigation, asking the director to step down from their duties or propose their

dismissal. It must be reported in the annual corporate governance report, unless special circumstances warrant it, in which case the details must be put down in the minutes. This is without prejudice to the company's disclosures, where appropriate, when the relevant measures are taken.

Compliant  Partially compliant  Explain

23. All directors are to clearly express their opposition when they consider that any proposal subject to the decision of the board of directors may be detrimental to corporate interests. The independent directors and other directors who are not affected by the potential conflict of interest are to voice their opposition in a special manner whenever such decisions may be of detriment to shareholders not represented on the board of directors.

When the Board makes material or reiterated decisions about which a Director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Compliant  Partially compliant  Explain  Not applicable

24. When, either through resignation or by resolution of the general meeting, a director leaves their position before the end of their mandate, they shall properly explain the reasons for their resignation. Non-executive directors shall write down their opinion on the reasons why, if applicable, the General Shareholders' Meeting relieves them of their duties, in a letter to be sent to all members of the Board of Directors.

Aside from reporting such facts in the annual corporate governance report, insofar as it is relevant for investors, the Company must announce the departure as soon as possible, including sufficient reference to the reasons or circumstances provided by the Director.

Compliant  Partially compliant  Explain  Not applicable

25. The Appointments Committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of directors regulations should lay down the maximum number of company boards on which directors can serve.

Compliant  Partially compliant  Explain



26. The Board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each Director may propose the addition of initially unscheduled items.

Compliant  Partially compliant  Explain

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Compliant  Partially compliant  Explain

28. When Directors or the secretary express concerns about some proposal or, in the case of Directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

Compliant  Partially compliant  Explain  Not applicable

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Compliant  Partially compliant  Explain

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Compliant  Explain  Not applicable

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly recorded in the minutes, of the majority of directors present.

Compliant  Partially compliant  Explain

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Compliant  Partially compliant  Explain

33. The Chairman, as the person charged with the efficient functioning of the Board of Directors, in addition to the functions assigned by law and the company's Articles of Association, should prepare and submit to the Board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the Board and, where appropriate, the company's Chief Executive Officer; exercise leadership of the Board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each Director, when circumstances so advise.

Compliant  Partially compliant  Explain

34. When an independent leading director has been appointed, the articles of association or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairman give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those that have to do with the company's corporate governance; and coordinate the chairman's succession plan.

Compliant  Partially compliant  Explain  Not applicable

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the good governance code of relevance to the company.

Compliant  Explain

36. The Board in full should conduct an annual assessment, adopting, where necessary, an action plan to correct weakness detected in:

- a) The quality and efficiency of the Board's operation.
- b) The performance and membership of its committees.
- c) The diversity of board membership and competences.
- d) The performance of the chairman of the board of directors and the company's chief executive.
- e) The performance and contribution of individual directors, with particular attention to the chairman of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the appointments committee.

Every three years, the Board of Directors should engage an external facilitator to aid in the assessment process. This facilitator's independence should be verified by the Appointments Committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Compliant  Partially compliant  Explain

37. When there is an executive committee, it should include at least two non-executive directors, at least one of whom should be independent; its Secretary should be the Secretary to the Board of Directors.

Compliant  Partially compliant  Explain  Not applicable

38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

Compliant  Partially compliant  Explain  Not applicable

39. All members of the audit committee, particularly its chairperson, should be appointed with regard to their knowledge and experience on accounting, auditing, and financial and non-financial risk management.

Compliant  Partially compliant  Explain

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.ia.

Compliant  Partially compliant  Explain

41. The head of the unit responsible for the internal audit function should present the annual work plan to the audit committee for approval by the committee or the Board, report directly to it on its implementation, including any issues and limitations on scope arising in the course of its implementation, the results and follow-up of its recommendations, and submit an activities report at the end of each year.

Compliant  Partially compliant  Explain  Not applicable

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

- a) Oversee and evaluate the preparation and integrity of financial and non-financial information, and the control and

management systems for financial and non-financial risks relating to the Company and, as applies, its group, including operational, technological, legal, social, environmental, political and reputational risks or corruption and anti-bribery risks, making sure that regulatory requirements are met, that the consolidation scope is properly defined, and that accounting criteria are correctly applied.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, and removal of the head of the internal audit service; propose the service's budget; approve or propose approval to the Board of the annual internal audit orientation and work plan, ensuring that it focuses primarily on the main risks the company is exposed to (including reputational risks); receive regular report-backs on its activities; and verify that senior management is acting on the findings and recommendations of its reports.

c) Prepare and oversee a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors to report potentially significant irregularities, including financial and accounting irregularities, or irregularities of any other nature, concerning the company and which come to light within the company or its group. These mechanisms must guarantee confidentiality and, invariably, cover situations where cases may be reported anonymously, respecting the rights of the whistleblower and the accused.

d) In general, see to it that the policies and systems established for internal control are effectively implemented in practice.

2. With regard to the external auditor:

a) In the event of resignation of any external auditor, the committee should investigate the issues giving rise to the resignation

b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

c) Ensure that the company notifies any change of external auditor through the CNMV, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the external auditor has a yearly meeting with the board in full to inform them of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Compliant  Partially compliant  Explain



43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant  Partially compliant  Explain

44. The Audit Committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the Board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Compliant  Partially compliant  Explain  Not applicable

45. The risk control and management policy should identify or determine at least:

a) The different types of financial and non-financial risks the company is exposed to (including operational, technological, legal, social, environmental, political, reputational and those related to corruption), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.

b) A multi-tier risk control and management model, which will include a specialised risk committee where required according to industry regulations or where the company deems it appropriate.

c) The risk level the company sees as acceptable.

d) The measures in place to mitigate the impact of risk events should they occur.

e) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Compliant  Partially compliant  Explain

46. That under the direct supervision of the audit committee or, as the case may be, of a specialised committee of the board of directors, there is an internal function of risk control and management exercised by a unit or internal department of the company that has been assigned expressly the following functions:

a) Ensure the proper functioning of the risk control and management systems and, in particular, that all important risks affecting the company are identified, managed and quantified adequately.

b) Participating actively in the preparation of risk strategies and in key decisions about their management.

c) Ensure that risk control and management systems mitigate risks adequately within the framework of the policy defined by the board of directors.

Compliant  Partially compliant  Explain

47. Members of the Appointments and Remuneration Committee — or of the appointments committee and remuneration committee, if separately constituted— should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Compliant  Partially compliant  Explain

48. Large cap companies should operate separately constituted appointments committees and remuneration committees.

Compliant  Explain  Not applicable

The amendments to the Articles of Association proposed by the Board of Directors for the 2015 General Shareholders' Meeting included the amendment to article 45 to allow the split of the Sustainability, Appointments and Remuneration Committee into two separate committees.

The Board of Directors will study the opportunity to separate the Sustainability, Appointments and Remuneration Committee into two separate committees.

49. The appointments committee should consult with the board's chairman and chief executive officer, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the appointments committee to propose candidates that it might consider suitable.

Compliant  Partially compliant  Explain

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

a) Propose to the board the standard conditions for senior managers contracts.

b) Monitor compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy for directors and senior managers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior managers in the company.

d) Ensure that possible conflicts of interest do not undermine the independence of any external advice offered to the committee.

e) Verify the information on remuneration of directors and senior management contained in the various corporate documents, including the annual report on directors' remuneration.

Compliant  Partially compliant  Explain

51. The remuneration committee should consult with the chairman and chief executive, especially on matters relating to executive directors and senior managers.

Compliant  Partially compliant  Explain

52. The terms of reference of supervision and control committees should be set out in the Board of Directors regulations and aligned with those governing legally mandatory Board Committees as specified in the preceding sets of recommendations. They should include at least the following terms:

a) Committees should be formed exclusively by non-executive directors, with a majority of independents.

b) Committees should be chaired by an independent director.

c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide reports on their activities and work at the first board plenary following each committee meeting.

d) They may engage external advice when they feel it necessary for the discharge of their functions.

e) Meeting proceedings should be recorded/notified in the minutes and a copy made available to all board members.

Compliant  Partially compliant  Explain  Not applicable

53. The task of supervising compliance with the company's policies and rules on environmental, social and corporate governance issues and internal codes of conduct should be assigned to one board committee or split between several, which could be the audit committee, the appointments committee, the sustainability committee or the corporate social responsibility committee or any other specialised committee that the Board of Directors, in exercise of its powers of self-organisation, has decided to create. Such a committee must be made up solely of non-executive directors, the majority of whom should be independent and should be specifically assigned the minimum functions indicated in the following recommendation.

Compliant  Partially compliant  Explain

54. The minimum functions referred to in the above recommendation are as follows:

a) Overseeing compliance with corporate governance rules and the company's internal codes of conduct, also ensuring that the corporate culture is aligned with its purpose and values.

b) Overseeing the application of the general policy for reporting economic-financial, non-financial and corporate information, reporting to shareholders and investors, proxy advisers and other stakeholders. Oversight of the way in which the company communicates with and relates to small and medium sized shareholders.

c) Evaluation and periodic review of the corporate governance system and the company's environmental and social policies, to confirm that they fulfil its mission of promoting the corporate interest and catering, as appropriate, to the legitimate interests of other stakeholders.

d) Monitoring that the company's practices in environmental and social matters are aligned with the set strategy and policies.

e) Monitor and assess the processes of liaising with different stakeholders.

Compliant  Partially compliant  Explain

55. Ensure that sustainability policies in environmental and social matters identify at least:

a) The principles, commitments, objectives and strategy with regard to shareholders, employees, customers, suppliers, social issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of corruption and other illegal conduct.

b) The methods or systems for monitoring compliance with policies, associated risks and their management.

c) Mechanisms for monitoring non-financial risk, including those related to ethics and business conduct.

d) Channels for stakeholder engagement, participation and dialogue.

e) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Compliant  Partially compliant  Explain

56. Directors' 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.

Compliant  Explain

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.

Compliant  Partially compliant  Explain



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.

Compliant  Partially compliant  Explain  Not applicable

59. For variable remuneration components to be paid, it must be properly verified that the performance or other pre-defined conditions have been effectively met. In the annual report on directors' remuneration, companies shall include the criteria for the time required and the methods for such verification, depending on the nature and characteristics of each variable component.

Companies must also consider introducing a malus clause based on the deferral for a sufficient period of time of the payment of a part of the variable components, in which they are totally or partially forfeited if an event occurs prior to the time of payment whereby it is deemed advisable to do so.

Compliant  Partially compliant  Explain  Not applicable

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

Compliant  Partially compliant  Explain  Not applicable

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.

Compliant  Partially compliant  Explain  Not applicable

62. Once the shares, options or financial instruments which are part of the remuneration systems have been allocated, executive directors should not be able to transfer ownership or exercise them until at least three years have elapsed.

This is unless the director maintains, at the time of the transfer or exercise, a net economic exposure to share price changes of a market value equivalent to an amount of at least twice their annual fixed remuneration through the ownership of shares, options or other financial instruments.

This exception shall not apply to shares that the director may need to dispose of to cover the costs related to their acquisition or to cope with extraordinary situations that require it, in this latter case depending on the favourable opinion of the Appointments and Remuneration Committee.

Compliant  Partially compliant  Explain  Not applicable

The General Shareholders' Meeting held on March 29, 2019 passed a three-year long-term incentive plan (2019-2021), to be paid in 2022, based on the fulfilment of the objectives and metrics established in the plan. In the case of executive directors, this incentive may involve, as a maximum, the delivery of shares equivalent to 150% of their annual fixed remuneration (50% per year), provided they maintain ownership of the shares until 2025, when the shares become freely disposable.

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.

Compliant  Partially compliant  Explain  Not applicable

64. Payments for termination or expiry of the contract should not exceed an 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 conditions or criteria established for their collection.

For the purposes of this recommendation, termination or contractual termination payments include any payments whose accrual or payment obligation arises as a result of or in connection with the termination of the director's contractual relationship with the company, including amounts not previously vested in long-term savings schemes and amounts paid under post-contractual non-competition agreements.

Compliant  Partially compliant  Explain  Not applicable

The contracts of the executive directors establish a severance payment equivalent to two years of their annual remuneration, as explained in section A.1 of the Directors' Remuneration Report for the current year.

The contracts of the executive directors are dated prior to the amendment of this recommendation on June 20, 2020. As of the date of this report, these contracts have not yet been adapted to the indications set out in the second paragraph of this recommendation.

## H. Other information of interest

1. If you consider that there is any material aspect or principle relating to corporate governance practices followed by your company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.

2. You may include in this section any other information, clarification or observation related to the above sections of this report.

Specifically, indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different from that required by this report.

3. Also state whether the company voluntarily subscribes to other international, sectoral or other ethical principles or standard practices. If applicable identify the code and date of adoption. In particular, it will mention whether or not it has adhered to the Code of Good Tax Practices, of July 20, 2010:

The Board of Directors of Enagás, S.A., unanimously agreed to the Company signing up to the Code of Good Tax Practices, promoted by the Large Companies Forum and the AEAT. The company joined on April 21, 2017 and the Company complies with its contents.

This report includes the following Appendices in an attached document.

APPENDIX I. - Explanatory notes.

APPENDIX II.- Report on the Activities of the Audit and Compliance Committee, 2020.

APPENDIX III.- Audit opinion on Internal Control over Financial Reporting ("ICFR"), 2020.

APPENDIX IV.- Audit opinion on the Annual Corporate Governance Report, 2020.

APPENDIX V.- Annual Corporate Governance Report, 2020 (English version).

This annual corporate governance report was approved by the company's Board of Directors at its meeting held on:

22/02/2021

List whether any directors voted against or abstained from voting on the approval of this Report.

Yes  No



## APPENDIX I, EXPLANATORY NOTES

### EXPLANATORY NOTE ON SECTION A.2.-

The list of direct and indirect holders of significant stakes set out in section A.2 of this Report includes those significant shareholders who on December 31, 2020 qualified as such in the relevant official register of the Spanish National Securities Market Commission (CNMV). The foregoing is independent of the question of whether or not the issuer received timely notice from any relevant shareholder in pursuance of Article 23 of Royal Decree 1362/2007, of October 19.

### EXPLANATORY NOTE ON SECTION A.3.-

The table for this section uses information published in the Official Registers of the CNMV, in accordance with the communication filed by the Company's Directors.

### EXPLANATORY NOTE ON SECTION A.5.-

Regarding dividends paid by Enagás to the significant shareholders referred to in section A.5 of this Report, note:

On July 9, 2020, Enagás paid **BANK OF AMERICA CORPORATION** a final dividend for 2019 of 9,089 thousands of euros, as approved by the General Shareholders' Meeting. Additionally, in December 2020, a 6,363 thousands of euros interim dividend against 2020 earnings was paid. Therefore, the total dividend paid stands at 15,452 thousands of euros.

On July 9, 2020, Enagás paid **SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES ("SEPI")** a final dividend for 2019 of 12,575 thousands of euros, as approved by the General Shareholders' Meeting. Additionally, in December 2020, a 8,803 thousands of euros interim dividend against 2020 earnings was paid. Therefore, the total dividend paid stands at 21,378 thousands of euros.

On July 9, 2020, Enagás paid **BLACKROCK INC** a final dividend for 2019 of 8,509 thousands of euros, as approved by the General Shareholders' Meeting. Additionally, in December 2020, a 5,956 thousands of euros interim dividend against 2020 earnings was paid. Therefore, the total dividend paid stands at 14,465 thousands of euros.

In December 2020, Enagás paid **CREDIT AGRICOLE, S.A.** an interim dividend of 5,355 thousands of euros against the 2020 year.

In December 2020, Enagás paid **MUBADALA INVESTMENT CO. PJSC** a 5,463 thousands of euros interim dividend against 2020 earnings was paid.

On July 9, 2020, Enagás paid **PARTLER PARTICIPACIONES, S.L.U.** a final dividend for 2019 of 12,575 thousands of euros, as approved by the General Shareholders' Meeting. Additionally, in December 2020, a 8,803 thousands of euros interim dividend against 2020 earnings was paid. Therefore, the total dividend paid stands at 21,378 thousands of euros.

On July 9, 2020, Enagás paid **STATE STREET CORPORATION** a final dividend for 2019 of 7,565 thousands of euros, as approved by the General Shareholders' Meeting. Additionally, in December 2020, a 5,296 thousands of euros interim dividend against 2020 earnings was paid. Therefore, the total dividend paid stands at 12,861 thousands of euros.

### EXPLANATORY NOTE ON SECTION A.6

This refers to Mr Bartolomé Lora Toro as the natural person representative of the Director of the Sociedad Estatal de Participaciones Industriales (SEPI).

### EXPLANATORY NOTE ON SECTION A.8.-

At the date of preparation of this report, the SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI), in addition to having a seat on the Board, also had a significant holding (5%) in the share capital of Enagás, S.A.

SEPI cannot exercise control over Enagás, S.A. as it is not in any of the circumstances set out in Article 5 of the Spanish Securities Market Act 24/1988, of 28 July (hereinafter "LMV").

Accordingly, no natural or legal person exercises or could exercise control over Enagás, S.A. in accordance with Article 5 of the LMV.

### EXPLANATORY NOTE ON SECTION A.9.-

On March 27, 2015, the General Shareholders' Meeting authorised the Board of Directors to buy its own shares for a maximum of 5 years.

On March 29, 2019, the General Shareholders' Meeting approved a long-term incentive plan for 2019-2021 ("ILP 2019-2021") which included the delivery of shares to the Executive Directors, the members of the Management Committee and senior management of the Company and its group of companies, and April 23, 2019, the Board of Directors approved the Long-Term Incentive Regulations which established the standards for the application of the aforementioned plan.

Pursuant to the foregoing and in accordance with the company's treasury share policy approved by the Board of Directors on April 18, 2016, the Board approved a programme to buy back own shares on April 23, 2019, allowing the purchase of a maximum of 405,084 shares under the programme. The repurchase was entrusted to a financial intermediary of recognised competence to do so on behalf of the company, independently and without its influence.

In execution of the above, the company proceeded to repurchase the maximum number permitted under the repurchase plan approved on April 23, 2019, which, added to the remaining shares (96,862) resulting from the settlement of the previous ILP 2016-2018, giving a current figure of 501,946 own shares.

### EXPLANATORY NOTE ON SECTION A.12.-

Further text of section 2 of the 31 additional provision of the Hydrocarbons Sector Law 34/1998, of October 7 (hereinafter, also called "LSH"):

(...) "For the purposes of calculating the stake in that shareholding structure, in addition to the shares or other securities held or acquired by entities belonging to its same group, as defined by Article 4 of Act 24/1988, of July 28, on the Securities Market, stakes shall be attributed to one and the same natural or legal person when they are owned by:

- Those parties who act in their own name but on behalf of that natural or legal person in a concerted fashion or forming a decision-making unit with them. Unless proven otherwise, the members of a governing body shall be presumed to act on account of or in concert with that legal person.
- To partners with whom it exercises control over a dominant company in accordance with Article 4 of the LMV".

In any event, regard shall be had to the proprietary ownership of the shares and other securities and the voting rights attached to each.

Non-compliance with the limit on interests in the share capital referred to in this Article shall be deemed a very serious breach in accordance with the terms set out in Article 109 of this Law. Responsibility shall lie with the natural or legal persons found to be the owners of the securities or whoever the excess interest in the share capital or in the voting rights can be attributed to, pursuant to the provisions of the preceding paragraphs. Whatever the case, the penalty system stipulated herein will apply.

Enagás, S.A. may not transfer the shares of the subsidiaries carrying out regulated activities to third parties".

Meanwhile, section 3 of Additional Provision 31 of this law states that:

"The restrictions of shareholding percentages and non-transfer of the shares referred to in this provision are not applicable to other subsidiaries that ENAGÁS, S.A. may constitute for business activities other than transmission, regulated by Article 66 of Law 34/1998, of October 7, on the Hydrocarbons Sector, management of the transmission network and technical management of the national gas system".

### Restrictions under the Company's Articles of Association:

In accordance with the aforementioned legal provision, Article 6 bis of Enagás' Articles of Association ("Limitations on holdings in share capital") establishes that:

"No natural or legal person may hold a direct or indirect stake of more than 5% in the equity capital of the company, nor exercise voting rights in such company of over 3%. Under no circumstances may such shareholdings be syndicated. Those parties that operate within the gas sector, including those natural or legal persons that directly or indirectly possess equity holdings in the former of more than 5%, may not exercise voting rights in the Company of over 1%. These restrictions do not apply to direct or indirect interests held by public sector enterprises. Under no circumstances may share capital be syndicated.

Likewise, the combined total of direct or indirect holdings owned by parties that operate within the natural gas sector may not exceed 40%.

For the purposes of calculating the stake in that shareholding structure, the Hydrocarbons Industry Act shall apply.

Enagás may not transfer to third parties shares of the subsidiaries included in its Group that undertake transmission and technical management of the system, which are regulated businesses under Hydrocarbons legislation".

### EXPLANATORY NOTE ON SECTION C.1.3.-

In the table relating to External Proprietary Directors, in the SEPI profile, it lists its natural person representative as Mr Bartolomé Lora Toro.

### EXPLANATORY NOTE ON SECTION C.1.9.-

The Chief Executive Officer, Mr Marcelino Oreja Arburúa, has been delegated the following powers:

#### A) Jointly and severally.

1. Collect whatever is payable to him for any reason, in bills, cheques, promissory notes, or by deposit in a bank account, by public or private bodies in the European Union, other international organisations, by central, regional, provincial, local government authorities, executive agencies, government depositaries and, in general, by any private natural or legal person in the public or private sectors; establish and settle balances, determine the form of payment of amounts owed to the Company, grant extensions of deadlines, set payment terms and conditions; cash orders of payment from the central, regional or local government tax authorities, including receiving from central government tax offices or other agencies money in cash or any means that represents it and accept the refund of amounts paid in tax.



2. Represent the Company in dealings with third parties, whether natural or legal, public or private, and before all kinds of authorities, public officials, boards and collegiate bodies, chambers, committees, associations, public property registers, companies registers, or public registers of any other kind, trade unions, mutual insurance companies, executive or non-executive agencies, whether autonomous or otherwise, directorates, regional offices of any kind of central, regional, provincial or local government authorities and any other public entities of any level or jurisdiction, whether Spanish or otherwise, whatever their name or nature; exercise any rights, remedies, claims and defences relating to the Company; formulate petitions and in connection with all types of proceedings, file claims and appeals of any kind, including motions for reconsideration and appeals for review, in which the Company has an interest, either in proceedings initiated by the Company or in those of others that directly or indirectly affect the Company; file them, take part in the processing of them; formulate and respond to representations, propose and examine evidence; apply for stays and adjournments; discontinue and abandon or in any other way withdraw from them, at any stage of the proceedings; execute and enforce agreements, detachments and return of documents; request and respond to certificates and summonses, be they governmental, notarial or of any other nature; request certificates, depositions and authentic copies; take delivery from public authorities, including post and telegraph offices and customs officers, of all kinds of papers, objects, goods and consignments in general addressed to the company, executing any notarial instruments or documents under hand required for such withdrawal or dispatch.
3. Make formal appearances in representation of the Company before courts and tribunals of any branch or level, whether in the civil, criminal, administrative, social or labour or any other jurisdiction, and before any arbitrator or arbitration body, of all levels, both domestic and foreign, whatever their territorial scope, and before any other authority, justice system, prosecutor's office, boards, centres, offices, departments, panels, bodies and officers belonging to the judiciary and the administration of justice, of any branch and level, and before them make sworn or ordinary statements and respond to interrogatories in court under non-determinative oath; initiate, pursue and complete as principal, defendant, partner in joinder of parties, coadjutor or in any other capacity, all types of judicial proceedings before any jurisdiction; file, pursue and waive appeals of any kind, including governmental and administrative appeals, and motions for reconsideration, rehearing, appeals for review to the same or a higher court, applications to the Supreme Court on the ground of manifest injustice of a previous decision, appeals against refusal of leave to appeal, actions to have decisions declared void, appeals on the ground on lack of jurisdiction, actions for enforcement of rights or any other legally permitted ordinary or extraordinary appeals, and the abandonment, discontinuance or any other form of withdrawal from proceedings in which the Company has an interest, as well as all kinds of proceedings, including conciliation proceedings, with or without a pre-trial settlement, proceedings

- of voluntary jurisdiction, governmental, notarial, mortgage and tax proceedings and, accordingly, to bring, respond to and pursue through all their formalities and levels until their conclusion all kinds of actions, claims, complaints, criminal actions, accusations, pleas and defences, and exercise any other causes of action, ratifying them whenever personal ratification is required; choose venues and submit implicitly or explicitly to jurisdictions; give evidence as a legal representative at any of the aforementioned proceedings, petition for stays of proceedings; make, request, receive and comply with summonses, notifications, citations and service of process; apply for joinders, attachments, cancellations, enforcements, dispossessions, filings, auctions of assets, statements and assessments of costs; raise issues of jurisdiction and preliminary issues; challenge witnesses; furnish and challenge evidence, waive evidence and the transfer of proceedings to another court; agree to favourable rulings; provide and withdraw payment bonds and deposits as and when required by the court; provide sureties, make judicial deposits and, in both cases, request they be refunded as and when appropriate, and execute and enforce court rulings.
4. Attend, speak and vote at meetings that are held in bankruptcy proceedings, whether fault-based or otherwise, and in temporary receivership proceedings and arrangements with creditors while they remain in force, approve and challenge creditors' claims and their ranking, appoint and accept appointments as receivers and administrators, appoint representatives; accept and reject debtors' proposals and appoint members of conciliation bodies.
5. Confer powers on court representatives and counsel, freely chosen by him, with general powers for litigation and special powers freely established in each case, including those of responding to interrogatories in court, reaffirming positions, withdrawing and abandoning actions, signing such public or private documents as may be necessary for the exercise of such powers.
6. Enter into contracts of any kind with central, regional, provincial and local government authorities and executive agencies and, in general, with any natural or legal person in the public or private sectors, including contracts for works, supplies and services (excluding regasification, gas transmission and storage, and gas supply contracts); arrange auctions, calls for bids, competitive tendering, direct procurement or any other legal form of procurement; sign proposals and procurement specifications, award contracts and accept contract awards, sign the related contracts and any public and private documents that may be required for their formalisation, fulfilment or performance and discharge.
7. Take the necessary steps to establish arrangements with central, regional, provincial and local government authorities and their agencies concerning all kinds of public prices, levies, whether they be charges, taxes or rates, that affect the Company, agree to such arrangements and for this purpose approve, agree to and sign any covenant, contract or accord referring thereto.

8. Buy, sell, lease, purchase under a preferential right, assign, subrogate, contribute, encumber, exchange unconditionally or subject to conditions, at a declared price, deferred or paid in cash, all kinds of goods and real estate; establish, accept, modify, acquire, dispose of, defer, terminate and cancel, fully or partially, payment bonds, pledges and other security interests in favour of third parties.
9. Lease property as the lessor or lessee thereof.
10. Enter into finance lease agreements, subject to such terms and conditions as he may freely determine.
11. Buy, sell, lease, purchase under a preferential right, assign, subrogate, contribute, encumber, exchange unconditionally or subject to conditions, at a declared price, deferred or paid in cash, all kinds of real estate; establish, accept, modify, acquire, dispose of, defer, terminate and cancel mortgages, easements and other rights in rem over real estate, whether of common law or foral law, and also prohibitions, conditions and all kinds of restrictions on real estate; provide real estate collateral guarantees in favour of third parties.
12. File declarations of construction and cultivation, definition and demarcation of boundaries, grouping together, aggregation, segregation and division of property, and organise buildings under condominium arrangements.
13. Apply for official franchises and authorisations, permits and licences, and complete all the formalities to obtain them, and to renew, amend or cancel them as may be necessary or appropriate.
14. Negotiate and establish with owners affected by future gas installations, whether or not there are compulsory purchase proceedings pending, the imposition of rights of way for pipelines and ancillary components and the purchase of land on which to install gas distribution and regulation chambers or other components that depend on or belong to the networks of the Company granting the power of attorney, arranging for this purpose such mutually agreed transactions, clauses and prices that he considers to be fair, and signing public and private documents of any kind, regardless of the amount involved, and cancel rights of way fully or partially.
15. Initiate any proceedings for compulsory purchase in which the Company has an interest, make formal appearances thereat and make the representations that he considers appropriate, request and conduct expert appraisals, request and receive compensation and, in general, participate in such proceedings in all formalities and appeals related thereto without limitation, executing and signing for the purpose public or private documents of any kind.

16. With regard to proceedings for compulsory purchase, imposition of rights of way and temporary occupation governed by the Law and Regulations on Compulsory Purchase that are instituted by the Company granting power of attorney for the construction of gas pipelines, networks and branches and ancillary installations, they may:
  - a) Formulate requests and petitions, request and respond to certificates and summonses of all kinds, request affidavits, certificates and certified copies in which the Company has an interest, in dealings with natural and legal entities in the public or private sectors, without any exception.
  - b) Make and withdraw deposits of any kind, including cash, at public entity depositories of any kind and those held by natural or legal persons, at any of their offices and agencies.
  - c) Attend the drawing up of official records of facts and events prior to and after the completion of compulsory purchase actions.
  - d) Group together, aggregate, segregate and divide real estate, making the filings relating thereto with the relevant Property Registers.
  - e) Arrange for the imposition of rights of way and title restrictions and for the acquisition and occupation by mutual agreement of property and rights affected by the laying of gas pipelines, their networks and branches and ancillary installations, fixing prices and conditions.
  - f) Discharge or redeem any charges or liens affecting the properties, fixing the price and conditions of such redemption.
  - g) Authorise, and as appropriate, empower by granting power of attorney to such persons as he considers appropriate to represent the Company at the official recording of facts and events prior to and at the time of the occupation of properties affected by compulsory purchase proceedings.
17. Enter into contracts with any natural or legal persons in the public or private sectors for the long-term provision of services of regasification, transmission and storage, procurement of points of entry to the Company's gas system, gas supply and any other contract for the provision of services connected with the gas business and ancillary activities.
18. Enter into contracts with any natural or legal persons in the public or private sectors for the short-term provision of services of regasification, transmission and storage, procurement of points of entry to the Company's gas system, gas supply, connection to installations and any other contract for the provision of services connected with the gas business and ancillary activities.



19. Set up, merge, change the corporate form, dissolve and wind up, take part in the enlargement or modification, of any kind of companies, partnerships, Economic Interest Groupings, European Economic Interest Groupings and joint ventures, represent the Company in them, attend or take part in all kinds of meetings, holding office and appointing officers and representatives as he considers appropriate; contribute to commercial companies all kinds of assets, receiving in payment the relevant shares, equity interests, scrip certificates, convertible or non-convertible debentures, option rights or shares and, in the case of dissolution, the relevant assets. Establish share syndication agreements.
20. Apply for entries to be made at the Property and Companies Registers; send, receive and respond to summonses and notifications and request notarial certificates of all kinds, signing certificates of attendance and any other formality connected with them.
21. Apply for the registration of trademarks and trade names, patents of invention and introduction, utility models and other modalities of industrial property, or challenge and denounce any attempted or effective misappropriation of the name, trademarks and countersigns of Company products and counterfeits of them, initiating and pursuing the appropriate proceedings and making formal appearances in proceedings initiated by others, making statements, providing proof and petitioning as appropriate.
22. Acquire and dispose of intellectual and industrial property rights.
23. Organise, direct and inspect all of the Company's services and installations and verify audits of Company funds.
24. Hire and dismiss personnel employed by the Company, of whatever kind and category, appoint and remove them from their duties, stipulating their pay, duties and tasks, and the remuneration payable for extraordinary services.
25. Grant loans and credits to Company staff and agree subsequent renewals, alterations, subrogations and cancellations thereof.
26. Grant payment bonds and personal and in rem guarantees to Company staff as surety for the fulfilment of personal and mortgage loan contracts granted to Enagás personnel.
27. Negotiate and sign on behalf of the Company any kind of general or partial collective agreements and any other type of pact, agreement or arrangement with the Company staff, trade unions or administrative or judicial authorities that are competent in matters of labour and social security.

28. Issue any kind of certificates, identity cards and other documents with the details of Company staff that are contained in the company record books and files.
29. Sign all documentation to do with social security, accidents at work insurance, enrolments and dis-enrolments, filings and changes; initiate and pursue claims before the Spanish National Institute of Social Security and offices thereof, mutual insurance companies, benefit societies and insurance companies.
30. Make formal appearances and represent the Company in dealings with the regional traffic department and offices thereof, in order to register, transfer and scrap any type of vehicle belonging to the Company and to register and de-register them as appropriate.
31. Take delivery of letters, certificates, dispatches, parcels, postal orders and declared value items from communications offices, and of goods and property shipped from shipping companies, customs and agencies. Receive, open, answer and sign any kind of correspondence and keep the Company's books in accordance with the law.
32. Sign any public or private documents that may be necessary in order to jointly and severally exercise the powers granted hereunder as effectively as possible.
33. Request and obtain electronic signature certificates from authorised providers of certification services and use the electronic signature whenever he considers it appropriate in accordance, at all times, with the applicable rules on electronic signatures.
34. Grant such powers of attorney as he considers necessary, being able to confer each and every one of the aforementioned powers granted hereunder or part of them on such person or persons as he considers appropriate. He may also revoke the powers granted by the Board of Directors, by himself or by other Company bodies.

The powers included in this section must be exercised by Group B as legal representative, together with any of the authorised legal representatives in accordance with the following deeds executed before the Madrid Notary Public Mr Pedro de la Herrán Matorras: (i) deed dated June 13, 2012 number 1,291 of the filing system, registered on Company sheet M-6113, entry 728; (ii) deed dated June 27, 2013, number 1,493 of the filing system, registered on Company Sheet M-6113, entry 752;-(iii) deed dated September 10, 2013, number 2,023 of the filing system registered on Company Sheet M-6113, entry 763; (iv) deed dated September 13, 2017, number 1,915 of the filing system, registered on Company Sheet M-6113, entry 816. The terms of these powers of attorney are as follows:

Jointly with another authorised signee from Group B or from I Group A, up to a limit of 30,000,000 C, except for power of attorney 12, which can be jointly executed for any amount with another I authorised signee from Group B or from Group C.

Jointly with another authorised signee from Group C up to a limit of 20,000,000 euros".

The aforementioned powers (be they joint and several, joint) cannot be exercised in one or more of the following circumstances exist, which are considered LIMITATIONS on the powers delegated here:

- I. Making investments or transactions of any type that, due to their high amount or special characteristics, represent a strategic or special fiscal risk for the Company.
- II. Creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a similar type that, by their nature, might impair the transparency of the Company or the Group.
- III. Performing transactions that the Company or the companies perform with the members of the Board of Directors under the terms set forth in Articles 229 and 230 of the Corporate Enterprise Act, or with shareholders who, individually or jointly with others, hold a significant stake, including shareholders represented on the Company's Board of Directors or the boards of other companies belonging to the same group or with persons associated with them.

However, this limitation will not be applicable in one of the following two cases:

- A) When, in the opinion of the legal representative, there are urgent circumstances that require the transaction or make it advisable; or
- B) When the transactions simultaneously meet the following three characteristics:
  - 1st They are governed by standard form contracts applied on an across-the-board basis to a large number of customers.
  - 2nd They go through at market. generally set by the person supplying the goods or services.
  - 3rd Their amount does not exceed 1% of the Company's annual revenue.

IV. Carry out any action that, in accordance with the Corporate Enterprises Act, is a non-delegable power either of the Board of the Company or of the Board of Directors of the Company.

**B) Jointly.**

1. Enter into all types of banking arrangements including: factoring, leasing, lease financing, reverse factoring and any other similar banking arrangements with any Spanish or foreign bank, including the Bank of Spain and the branches thereof, the European Investment Bank, the Spanish Official Credit Institute, registered savings banks, savings banks, post office savings banks, the Confederation of Spanish Savings Banks, the General Deposit Fund or any other similar Spanish or foreign trading, transfer, exchange or credit institution.
2. Open, monitor, cancel or drawn down from ordinary current accounts or credit, sight or fixed-term deposit accounts, secured through a security interest, personal guarantee, pledged securities or trade notes, with or without a guarantee.
3. With regard to ordinary current accounts or credit, sight or fixed-term deposit accounts opened on behalf of the Company, write personal cheques, issue bank drafts, issue bank cheques, perform bank transfers or use any other accepted payment system or mechanism; pay in or withdraw voluntary or required amounts and deposits of cash or securities, signing any documentation required to perform such transactions.
4. Issue, cash, accept, endorse, receive, sign, intervene, challenge, pay and negotiate any type of bills of exchange, letters of credit, non-credit or credit facilities, promissory notes, cheques and other bank bills, commercial bills, bank giros or bills of exchange.
5. Obtain and award loans or credits, with or without collateral or personal guarantees, including the pledging of securities, and arrange subsequent renewals, amendments and subrogations. Acquire and extend credits.
6. Request, cancel and withdrawn personal and collateral-backed sureties, guarantees and payment bonds.
7. Enter into discounting arrangements for promissory notes issued by the company with banks and financial institutions authorised to perform discounting, and enter into a loan or other financing arrangements represented by promissory notes with these entities; contract agency services to facilitate such financing arrangements.
8. Buy and sell shares, debentures, bonds, stakes and any other type of security or instrument, and collect any yield from these.
9. Pay in bearer cheques paid to the Company, signing the reverse, for the sole purpose of paying them into the current accounts held with the Bank of Spain, and other banks, credit institutions and savings banks.





10. Arrange transfers between current and credit accounts or loan accounts set up in the Company's name through bank transfers, bank cheques or any other accepted payment system or mechanism in all types of banks, including the Bank of Spain, savings banks and other credit institutions, both Spanish and foreign.
11. Award and accept loans to/from subsidiaries and affiliates and the parent company.
12. Make payments to settle invoices for gas purchases and settle taxes by personal cheque, bank giro or transfer, bank cheque or any other accepted payment system or mechanism from ordinary current accounts and credit, sight or fixed-term deposit accounts opened by the Company, to which end any type of document may be signed.
13. Sign any public or private documents that may be necessary in order to jointly exercise the powers granted hereunder as effectively as possible.

#### EXPLANATORY NOTE ON SECTION C.1.10.-

The Director Mr Marcelino Oreja Arburúa also holds the position of Director of MIBGAS Derivatives, S.A., a company that is not part of the Enagás Group and in which Enagás S.A. holds a 19.4% stake.

The Director Mr Marcelino Oreja Arburúa also holds the position of Director of Tallgrass Energy G.P., a company that is not part of the Enagás Group and in which Enagás S.A. holds a 30.2% indirect stake.

#### EXPLANATORY NOTE ON SECTION C.1.11.-

SEPI has representation on the Board of Directors of the listed company EBRO FOODS, S.A. through ALYCESA (a 91.96%-owned subsidiary of SEPI).

#### EXPLANATORY NOTE ON SECTION C.1.14.-

During financial year 2020, the total remuneration of the senior Management of the Company amounted to 5,572 thousands of euros. This includes the remuneration received by the Director of Internal Audit (Ms Rosa Sánchez Bravo).

#### EXPLANATORY NOTE ON SECTION C.1.16.-

##### DURATION IN CHARGE AND CO-OPTION:

Article 10 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors stipulates that Directors may hold office for a period of four years, and may be re-elected for similar periods. Directors appointed by co-option will perform their duties until the date of the first General Meeting, or until the date of the following meeting if the vacancy arises after the General Meeting has been convened and before it is held.

##### RE-ELECTION OF DIRECTORS:

Article 11 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors stipulates that the Sustainability, Appointments and Remuneration Committee, responsible for evaluating the quality of work and dedication to their offices of the Directors proposed during the previous term of office, shall provide the information required to assess proposals for re-election of non-Independent Directors presented by the Board of Directors to the General Meeting and proposals for the re-election of Independent Directors.

Proposals for re-election shall always be accompanied by a report from the Board justifying the competencies, experience and merits of the candidate. This report shall be attached to the minutes of the General Meeting or of the Board.

As a general rule, appropriate rotation of Independent Directors should be ensured. For this reason, when an Independent Director is proposed for re-election, the circumstances making this Director's continuity in the post advisable must be justified.

##### REMOVAL:

Directors shall leave their post after the first General Meeting following the end of their term of appointment and in all other cases in accordance with the law, the Articles of Association and these Regulations (Article 12.1 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors).

The Board of Directors shall not propose the removal of Independent Directors before the expiry of their tenure as established on the Articles of Association, except where just cause is found by the Board, based on a report from the Sustainability, Appointments and Remuneration Committee. In particular, it shall be understood that there is just cause when the Director takes on new offices or assumes new obligations that prevent them from devoting the time necessary to perform the duties of the office of Director, breaches the duties inherent to their position or is affected by one of the circumstances that cause them to lose their independent status in accordance with the provisions of applicable legislation (Art. 12.3 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors).

#### EXPLANATORY NOTE ON SECTION C.1.30.-

In accordance with the provisions of the Internal procedure for engagement and relationship with the auditor (section 8.3.1):

"The Audit and Compliance Committee assures the independence of Enagás' accounts auditor. In this regard, it must authorise, prior to its formalisation, any contract it intends to enter into with the auditor or with any member of its network for the provision of services other than auditing services to the Company or to any of the companies in its Group, in order to be able to analyse individually and globally any points which could undermine its independence arising from such contracts, before formalising them."

In turn, the Internal Audit Department, in accordance with the functions entrusted to it by the Audit and Compliance Committee and as specified in the General Internal Audit Regulations, oversees compliance with the Accounts Auditing Law 22/2015 and European Regulation 214/537 and Directive 2006/43/EC, carrying out the following supervisory activities to guarantee the auditor's independence:

- Before issuing the accounts audit report, assisting the Audit and Compliance Committee in preparing the report, expressing an opinion on the independence of the accounts auditors, which will include a review of the declaration of independence issued by the auditors.
- Coordinating with the various business areas of Enagás and its subsidiaries, as well as with the relevant affiliates (through the Audit Committees), the process of contracting non-audit services required of the accounts auditor at Enagás, in order to analyse whether such engagements could undermine the independence of the accounts auditor.
- Analysing any question that could jeopardise the independence of the accounts auditor and its company, calling upon it to provide Enagás with information on any such issues that could undermine its independence, as well as the possible safeguards to be adopted.
- Examining, for subsequent approval by the Audit and Compliance Committee, the services requested from the auditor other than those prohibited.

Likewise, the Internal Audit Code of Ethics includes the principles and rules of conduct relevant to the profession and practice of internal audit; they are mandatory for internal auditors and for those professionals performing internal audit, consulting and/or services, consulting and/or advisory services (outsourcing) to the Internal Audit function, through the annual signing of a declaration confirming that they have read, understand and comply with the Code.

##### In relation to the financial year 2020:

Enagás' Audit Committee, in accordance with section 4.e) of the Corporate Enterprises Act, has established the appropriate relations with the Accounts Auditor, in order to receive all the information necessary to assess its independence, as well as to evaluate the process of carrying out the audit of the accounts. The External Auditor has not informed Enagás of any issue concerning lack of independence. In turn, the Accounts Auditor appeared before the Board of Directors on the occasion of the approval of the six-monthly interim Financial Statements and of the preparation of the Annual Accounts.

Likewise, the Internal Audit Department submitted each and every one of the services provided by the auditor of Enagás, S.A. and its tax consolidation group during the financial year 2020 to the Audit and Compliance Committee, in its different meetings, for its approval:

- On February 17, 2020, the Internal Audit Department submitted the amount of fees to be received for those recurrent services that Ernst & Young provides to Enagás, S.A. and its tax consolidation group to the Audit and Compliance Committee for its approval.
- In July and October 2020, the Internal Audit Department submitted fees for additional services that had to be undertaken by the External Auditor for the Committee's approval. These were fees which were not known at the beginning of the year, plus certain minor variations arising in the fees for the six-monthly review due to variations in scope.
- In all the Committee meetings held in 2020, the Audit Department's activity report included the total fees for services commissioned from the external auditor which were approved during the year, plus a preliminary report on the ratio of non-audit services, to submit it for its approval.

The Auditor also informed the Audit and Compliance Committee at its various sessions in 2020 about independence issues:

- At the meeting of the Audit and Compliance Committee on February 17, 2020, the External Auditor presented its conclusions on the audit of the annual accounts of Enagás, S.A. and its tax consolidation group at December 31, 2019, and submitted the Letter of Independence to the Audit and Compliance Committee.
- At the meeting of the Audit and Compliance Committee on April 20, 2020, the External Auditor presented the Auditor's Independence Report in relation to the separate annual accounts of Enagás Financiaciones, S.A.U. for the year ended December 31, 2019, given its status as a Public Interest Entity and in accordance with applicable auditing standards.
- At the meeting of the Audit and Compliance Committee on December 21, 2020, the external auditor's preliminary report on the closing of the 2020 financial year described how it had complied with ethical and independence regulations, with regulations applicable to the audit of annual accounts in Spain, and with procedures implemented by Ernst & Young, aimed at identifying and assessing any threats that may arise from circumstances related to audited companies, including incompatibility problems and, where appropriate, applying necessary safeguards measures. Lastly, the auditor stated that no facts or circumstances that might give rise to incompatibility have come to light in relation to the annual accounts of Enagás, S.A. and its tax consolidation group.



• On February 22, 2021, the External Auditor sent the Committee a written confirmation of its independence in connection with the audit of the accounts for the financial year 2020, stating that:

“The team in charge of the audit and the Auditing Company, with the extensions that apply to them, have complied with the independence requirements applicable under audit regulations in force in Spain.”

They conclude by stating “...No circumstances have been identified that, either individually or as a whole, could prove a significant threat to our independence and would require the application of safeguards or could prove to be causes of incompatibility.”

Lastly, the Audit and Compliance Committee of Enagás, S.A. and its subsidiaries, pursuant to the provisions of article 529 quaterdecies 4.f) of the Corporate Enterprises Act, issued its report on the independence of the auditor of Enagás S.A. and its subsidiaries during the financial year 2020 on February 22, 2021, prior to issuing the audit report. This report expresses an opinion on the independence of the accounts auditors, and contains a reasoned assessment of the provision of each and every one of the services rendered by the External Auditor, assuring that these do not impair its independence, under prevailing law and regulations for the auditing of accounts.

This report was duly published on the Company's website, in accordance with recommendation 6. A) of the Good Governance Code of Listed Companies.

With regard to **the mechanisms introduced to preserve the independence of financial analysts, investment banks and ratings agencies**, we should mention that Enagás regulates the framework for its relations with shareholders, analysts, investors, proxy advisers and other stakeholders through its Policy on Communication of information, contacts and involvement with shareholders, institutional investors, proxy advisers and other Enagás stakeholders, approved by the Board of Directors. Specifically, this policy, in line with the principles of good governance and corporate values, is developed through general principles of action such as: transparency and truthfulness of the information, continuity, accessibility and immediacy, the implementation of a general communication strategy for financial, non-financial and corporate information, promoting the trust of shareholders, protecting their rights and promoting their participation, equal treatment and non-discrimination and compliance with prevailing legislation, etc.

In line with Enagás' Corporate Governance System, the Board of Directors has put in place systems allowing for regular information exchange with shareholders on topics such as investment strategy, assessment of performance figures, the composition of the Board of Directors and management efficiency. Under no circumstances can this information create situations of privilege or attribute special advantages with regard to the other shareholders. In addition, within the scope of its activities the Finance Department provides investment banks with the information they need.

To this end, Enagás has an Investor Relations Area, to permanently deal with enquiries or suggestions from analysts and institutional investors, professionals or qualified persons, rating agencies, bondholders, as well as those from socially responsible investors (SRI), by providing a telephone number and email address for this purpose.

Enagás' shareholders, institutional investors, analysts and other stakeholders can access complete and updated information through the following communication channels: the Investor Relations Department, the Communication and Public Affairs Office, the Shareholder Information Office, Enagás' corporate website ([www.enagas.es](http://www.enagas.es)), social media, General Shareholders' Meeting, and road shows.

As stipulated in article 5 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagás, the Board shall adopt and execute all acts and measures required to ensure transparency of the company with regard to the financial markets, uphold the proper formation of prices for the company's and its subsidiaries' shares, and perform all functions attending the company's status as a listed company pursuant to current laws and regulations.

Finally, Article 8 of the Regulations of the Audit and Compliance Committee of Enagás, in relation to Corporate Governance, Internal Codes and Regulatory Compliance establishes that this Committee is responsible for supervising compliance with the rules of corporate governance and the Internal Codes of Conduct, ensuring that the corporate culture is in line with its purpose and values and, in particular, with the Internal Code of Conduct on matters relating to the Securities Markets in force at any given time and these Regulations, and for making the necessary proposals for their improvement. In fulfilling this duty, the Audit and Compliance Committee liaises with the Sustainability, Appointments and Remuneration Committee in considering Company Directors' and managers' compliance with the Code.

It also assists with drafting the Annual Corporate Governance Report, especially in areas concerning transparency of information and conflicts of interests.

### EXPLANATORY NOTE ON SECTION C.1.32.-

As disclosed in note 4.6 c) to the Annual Accounts, Law 22/2015 on the Audit of Accounts establishes that non-audit services provided by the auditor must be less than 70% of the average fees paid for audit services for four consecutive years. The amount of non-audit services rendered by the auditor of accounts (Ernst & Young, S.L.) amounts to 39% of the audit service fees invoiced during 2020 (30% for the Group).

### EXPLANATORY NOTE ON SECTION C.1.39

In accordance with Article 529 octodecies of Corporate Enterprises Act, the Board is informed of the main terms and conditions of Director's contracts in the Remuneration Policy and Remuneration Report that is submitted to the Board every year.

### EXPLANATORY NOTE ON SECTION C.2.1.-

#### AUDIT AND COMPLIANCE COMMITTEE (Continued):

The duties and responsibilities of the Audit and Compliance Committee are:

#### (i) With regards to the financial statements and other accounting information

- Overseeing and assessing the preparation and presentation of financial and non-financial information on the Company and the Group, and checking compliance with regulatory requirements, the due definition of the consolidation scope and the correct application of accounting standards and, in particular, knowing, understanding and monitoring the efficiency of the Internal Control over Financial Reporting (ICFR) system.
- Examining the information on activities and results of the Company which is prepared and published periodically in accordance with the prevailing regulations relating to the securities markets, seeking to ensure transparency and exactness in the information.
- Reporting to the Board of Directors on recommendations or comments it deems necessary on the application of accounting criteria, internal control systems and any other relevant matter, and in particular, to present recommendations or proposals to the Board of Directors to safeguard the integrity of such financial information.
- Informing the Board of Directors on the Annual Accounts prior to their preparation, as well as on financial and non-financial information which the Company must periodically disclose.
- Ensure that the Annual Accounts presented by the Board of Directors to the General Shareholders' Meeting are prepared

in accordance with accounting regulations. In those cases where the auditor has included any qualification in its audit report, the Chairman of the Committee should clearly explain the opinion of the Audit and Compliance Committee at the General Shareholders' Meeting in terms of its content and scope. A summary of this opinion will be made available to the shareholders at the time of publication of the notice of the meeting, along with other Board proposals and reports.

- The Board of Directors must properly explain any departure from the Audit and Compliance Committee's prior Report in the Annual Accounts finally authorised for issue.
- Assessing any proposals made by senior managers regarding changes in accounting practices.

#### (ii) Competencies relating to legality

- Reporting to the Board of Directors prior to it approving the creation or acquisition of shares in special purpose vehicles and/or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a similar nature that, by their nature, might impair the transparency of the company or the Group.
- Reporting to the Board of Directors prior to transactions with related parties, pursuant to article 14 bis of the Regulations of the Board.
- Preparing a report on related-party transactions, for posting on the Company's website, sufficiently in advance of the Ordinary Shareholders' Meeting.
- Receiving and analysing information on the fiscal criteria applied by the Company during the year, particularly with regard to the degree of compliance with corporate tax policy, prior to the preparation of the Annual Accounts.

#### (iii) Competencies relating to the Internal Audit unit

- Seeing to the proper operation of the internal audit as well as ensuring the independence of the unit that performs internal audit functions, which reports functionally to the Chairman of the Committee. It also ensures the smooth running of internal control and information systems submitting recommendations and proposals to the Board of Directors, with related monitoring periods, as it deems appropriate.

The head of the unit responsible for the internal audit function shall submit to the Committee its annual work plan, report directly to it on its implementation, including any incidents and limitations to the scope of its implementation, the results and the follow-up of its recommendations, and submit a report on its activities at the end of each financial year.



- b) Ensuring the unit has sufficient resources and suitably qualified personnel for optimum performance of the function.
- c) Approving the Internal Audit Plan and related work plans, and proposing the annual budget for this, ensuring that activity focuses mainly on the most significant risks facing the Company (including reputational risks).
- d) Supervising the Company's Internal Audit services, receiving regular information on its activities and verifying that senior management takes its conclusions and recommendations into account.
- e) Making proposals to the Board of Directors on the selection, appointment and removal of the head of Internal Audit.
- f) Assessing annually the functioning of the internal audit unit and the performance of their duties by its head, for which purpose the opinion of the executive management will be sought.

**(iv) Competencies relating to the relationship with the external auditor**

▶ With regards to the appointment, re-election and replacement of the accounts auditor:

- a) Taking responsibility for the selection process, pursuant to applicable legislation, and, for this purpose it shall:
  - 1) define the procedure for selecting the auditor;
  - 2) issue a reasoned proposal containing at least two alternatives for the selection of the auditor, except in the case of re-election.
- b) Report on the remuneration of the external auditors and other contract conditions.
- c) Propose the selection, appointment, re-election or replacement of the external auditors of the Enagás Group to the Board of Directors for presentation at the General Shareholders' meeting.
- d) As applicable, ensure that the Company notifies any change of external auditor to the CNMV, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

▶ With regard to **the independence of the external auditors and absence of causes for prohibition and incompatibility:**

- a) Regularly gather information from the external auditor on the auditing plan and its implementation, in addition to preserving their independence in the exercise of their duties.

- b) Liaise with the external auditors to obtain information on any issues that could compromise the latter's independence. Specifically, the discrepancies that may arise between the auditor of accounts and Company management for review by the Committee, and any other discrepancies relating to the audit process, as well as the possible safeguard measures to be adopted, discussing the significant weaknesses detected in internal control with the auditor of accounts, and never jeopardising the independence of the audit in order to be able to conclude on the level of confidence and reliability of the system.
- c) Receive those other communications provided for in audit legislation and audit standards.
- d) Proceed with the authorisation of services other than those prohibited, in accordance with prevailing regulations.
- e) Ensure that the Company and the External Auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and, in general, other requirements concerning auditor independence.
- f) Ensure that the fees of the external auditor do not threaten their quality and independence, and are not based on any form of contingency, as well as establish an indicative limit on the fees that the auditor may receive annually for non-audit services.
- g) In the event of resignation of the Accounts Auditor, the Committee should investigate the issues giving rise to the resignation.
- h) Receive the annual statement from the external auditors on their independence with respect to the Enagás Group (included in the delivery of the supplementary report) or entities directly or indirectly related to it, in addition to detailed and individual information on additional services of any kind rendered to these entities by the external auditor or by persons or entities related to it, in conformity with audit regulations.
- i) Issue an annual report, prior to the issue of the audit report, giving an opinion on whether the independence of the auditors is compromised. This report shall include in all cases a reasoned assessment of each additional service rendered, as referred to in the previous section, that could comprise the independence of the Accounts Auditor, considered separately and in their totality, other than statutory audits and how they relate to the requirement of independence or to the audit regulations and shall be published on the website of the Company sufficiently in advance of the date of the Ordinary General Shareholders' Meeting.

- j) Establish a maximum term of auditor engagement, ensuring a gradual rotation with the main audit partners.

▶ With regard to **audit reports:**

- a) Review the content of audits, limited review reports of interim financial statements and other required reports of statutory auditors prior to their issue in order to prevent qualifications.
- b) Supervise the responses of senior management to its recommendations, mediating and arbitrating in the event of any disagreement with regard to the principles and criteria applicable to the preparation of the financial statements.
- c) Foster and ensure that the external auditor who audits the individual and/or consolidated Annual Accounts takes full responsibility for the audit report issued, even when the annual accounts of affiliates are audited by other external auditors.
- d) Report to the General Shareholders' Meeting on the audit results, explaining that this process contributes to the reliability of the financial information, and on the role performed by the Committee in this process.
- e) Ensure that the external auditors have a yearly meeting with the Board of Directors in full to inform them of the work undertaken and developments in the Company's risk and accounting positions.
- f) Make a final assessment of the external auditors' performance and how they have contributed to the quality of the audit and the integrity of the financial reporting.

**(v) Competencies relating to the Company's risk control and management function**

- a) Overseeing and assessing the effectiveness of the control and management systems for financial and non-financial risks relating to the Company and its Group, including operational, technological, legal, social, environmental, political and reputational risks or corruption and anti-bribery risks, so that any such risks are adequately mitigated within the framework of the Company's internal policy. Submitting recommendations or proposals to the Board of Directors to improve these systems along with the corresponding deadline for dealing with them.
- b) In particular, the company shall have a risk control and management unit, supervised by the Audit and Compliance Committee, which shall, among other functions, ensure the proper functioning of the risk control and management systems and, in particular, identify, manage and adequately quantify all material risks affecting the company; actively participate in the development of the risk strategy and major decisions on its management; and ensure that the risk control and management systems adequately mitigate risk under the policy defined by the Board of Directors, and ensure that they are effectively implemented in practice.

- c) Assessing the Company's risks and examine the analyses of risks that affect the business, which are set out in the internal risk policies. This periodic information is prepared in accordance with internal rules, including the identification, measurement and establishment of management measures for the key risks affecting the Company.
- d) Reporting to the Board of Directors on any risks uncovered, with an assessment thereof, and any key issues concerning risks. In particular, reassessing, at least annually, the list of the most significant financial and non-financial risks and assess their tolerance level, proposing their adjustment to the Board, if necessary.
- e) Holding at least one meeting annually with the senior managers of the business units in which they explain business trends and the related risks.

**(vi) In relation to Corporate Governance, Internal Codes and Compliance**

- a) Reporting in advance to the Board of Directors on structural and corporate changes that the Company plans to carry out, their economic conditions and their accounting impact and, in particular, where appropriate, the proposed exchange ratio.
- b) Overseeing compliance with corporate governance rules and with the Internal Codes of Conduct, ensuring that the corporate culture is aligned with its purpose and values, and, in particular, with the Internal Code of Conduct in matters relating to the Securities Markets in force at any given time and with these Regulations, and making the necessary proposals to improve them. In fulfilling this duty, the Audit and Compliance Committee liaises with the Sustainability, Appointments and Remuneration Committee in considering Company Directors' and managers' compliance with the Code.
- c) Overseeing a mechanism that allows employees and other persons related to the Company, such as directors, shareholders, suppliers, contractors or subcontractors to report potentially significant irregularities, including financial and accounting irregularities, or irregularities of any other nature, concerning the Company and which may come to light within the Company or its Group. These mechanisms must guarantee confidentiality and, invariably, cover situations where cases may be reported anonymously, respecting the rights of the whistleblower and the accused, providing regular information about how the mechanisms function, being able to propose appropriate actions to improve them and reduce the risk of irregularities in the future, always observing prevailing data protection regulations and the basic rights of the parties concerned.
- d) Preparing an Annual Activity Report of the Audit and Compliance Committee, which will form part of the corporate governance report, and which will be published on the Company's website sufficiently in advance of the Ordinary General Meeting.



e) Assisting with drafting the Annual Corporate Governance Report, especially in areas concerning information transparency and conflicts of interests.

**(vii) Competencies relating to the compliance function**

- a) Ensuring the independence of the compliance unit.
- b) Ensuring that the compliance unit performs its mission and competences with regard to regulatory compliance and the prevention and correction of behaviour that is illegal or fraudulent or otherwise breaches the Enagás Group Code of Ethics.
- c) Ensuring that the compliance unit has the human and material resources needed for optimum performance of its functions.
- d) Providing information and putting forward proposals to the Board of Directors regarding the selection, appointment, reappointment and dismissal of the head of Compliance.

**(viii) In relation to shareholders**

- a) Providing information on issues within the scope of its duties at the General Meeting.

**SUSTAINABILITY, APPOINTMENTS AND REMUNERATION COMMITTEE**

*(Continued):*

The duties and responsibilities of the Sustainability, Appointments and Remuneration Committee are:

**(i) Powers relating to the composition of the Board**

- a) To evaluate the competencies, knowledge and experience required 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, while ensuring that Non-Executive Directors have sufficient time available to properly perform their functions, in accordance with the Board Diversity and Director Selection Policy.

The Committee will draw up and regularly 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.

- b) Reviewing the structure of the Board of Directors, as well as the criteria that must be reported, the statutory renewal of Directors, the incorporation of new members, guaranteeing that their access to the Board does not affect the Company's status as transmission grid operator, in accordance with the provisions of the applicable regulations on hydrocarbons. Likewise, any other aspect related to its composition that it considers appropriate will be reviewed, making the necessary proposals to the Board of Directors.
- c) Establishing a representation objective for the underrepresented gender on the Board of Directors and to draw up guidelines on how to achieve this objective, also proposing to the Board of Directors the policy of diversity of directors, based on the criteria of age, disability, training, professional experience and gender, among others.
- d) Reviewing periodically the category of the Directors.

**(ii) Powers relating to the selection of Directors and Senior Managers**

- a) To forward to the Board of Directors proposed appointments of Independent Directors for them to be designated by co-option or subject to the decision of the General Shareholders' Meeting, as well as on proposals for their re-election or removal by the General Shareholders' Meeting.
- b) To report proposed appointments of the remaining Directors for them to be designated by co-option or subject to the decision of the General Shareholders' Meeting, as well as on proposals for their re-election or removal by the General Shareholders' Meeting.
- c) 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.
- d) The Committee shall verify on an annual basis compliance with the Board Diversity and Director Selection Policy approved by the Board of Directors.
- e) To report on proposals for the appointment and removal of Senior Managers.
- f) To submit proposals to the Board of Directors regarding the Company's organisational structure and the creation of Senior Management positions that it considers necessary for better and more efficient management of the Company, as well as the guidelines regarding the appointment, career selection, promotion and dismissal of Senior Management, to ensure the Company has, at all times, highly qualified personnel suitable for the management of its activities.

**(iii) Powers relating to the offices of the Board**

- a) To report on the appointment of the Chairman and Vice Chairman of the Board of Directors.
- b) To report on the appointment and dismissal of the Secretary and Vice Secretary of the Board of Directors.
- c) To propose the appointment of the Independent Leading Director.
- d) To examine and organise the succession of the Board of Director's Chairperson and the Company's CEO and, if appropriate, to make proposals to the Board to ensure the succession is smooth and well planned, drawing up and regularly reviewing a succession plan to that effect.

**(iv) Powers relating to the remuneration of Directors and Senior Managers**

- a) To propose to the Board of Directors the remuneration policy for Directors and Senior Managers, verifying that this is observed. To this end, the committee will periodically review the remuneration policy for Directors and Senior Management and ensure that their individual remuneration is proportional to that paid to the other Directors and Senior Management of the Company.
- b) To propose to the Board of Directors the individual remuneration and other contractual conditions of the Executive Directors, verifying that they are consistent with the remuneration policies in force.
- c) To propose to the Board of Directors the basic conditions of the Senior Management contracts, verifying that they are consistent with the remuneration policies in force.
- d) To verify information on remuneration of Directors and senior managers contained in the various corporate documents, including the Annual Report on Directors' Remuneration.

**(v) Competencies relating to the corporate governance of the Company and corporate social responsibility**

- a) To report to the Board on general policy concerning Sustainability and Good Corporate Governance, ensuring the adoption and effective application of best practices, both those which are compulsory and those that are in line with generally accepted recommendations. To this end, the Committee shall be responsible for the following functions:

- (i) To submit to the Board the initiatives and proposals it deems appropriate and provide information on proposals submitted to the Board and information the Company releases to shareholders annually regarding these issues.
- (ii) Assess and periodically review the Company's corporate governance system and the Company's environmental and social policy to ensure that they fulfil their mission of promoting the corporate interest and take into account, as appropriate, the legitimate interests of other stakeholders.
- (iii) Oversee the application of the general policy for reporting economic-financial, non-financial and corporate information, reporting to shareholders and investors, proxy advisers and other stakeholders. Oversight of the way in which the Company communicates with and relates to small and medium sized shareholders.
- (iv) See to it that the Company's practices in environmental and social matters are aligned with the set strategy and policies.
- (v) To oversee and assess the processes of liaising with different stakeholders.

In particular, the Committee shall ensure that sustainability policies in environmental and social matters identify at least:

- Principles, commitments and targets in matters relative to shareholders, employees, customers, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
- Methods or systems for monitoring compliance with policies, associated risks and their management.
- Mechanisms for monitoring non-financial risk, including those related to ethics and business conduct.
- Channels for stakeholder engagement, participation and dialogue.
- Responsible communication practices that prevent the manipulation of information and protect the Company's honour and integrity.

- b) To report to the Board of Directors on measures to be taken in the event of breach of these Board Regulations or the Internal Code of Conduct on matters relating to the securities markets



on the part of Directors or other persons subject to those rules. In performing this duty, the Sustainability, Appointments and Remuneration Committee shall work in coordination with the Audit and Compliance Committee wherever appropriate.

- c) To prepare an Annual Report on the activities of the Sustainability, Appointments and Remuneration Committee, which shall be published on the Company's website sufficiently in advance of the Ordinary General Shareholders' Meeting.
- d) To ensure that any conflicts of interest do not impair the independence of external advisers to the Committee in connection with the performance of its duties.

**(vi) Other competencies**

- a) To spearhead, where appropriate, together with the Independent Leading Director, the annual evaluation of the performance of the Board and its Committees, and to provide the Board with the results of its assessment together with a proposal for an action plan or with recommendations to correct possible deficiencies detected or to improve performance.
- b) To design and organise regular programmes to update Directors' knowledge.

**EXPLANATORY NOTE ON SECTION D.2**

Regarding dividends paid by Enagás to significant shareholders, excluding Directors, referred to in section D.2 of this Report, note:

On July 9, 2020, Enagás paid **BANK OF AMERICA CORPORATION** a final dividend for 2019 of 9,089 thousands of euros, as approved by the General Shareholders' Meeting. Additionally, in December 2020, a 6,363 thousands of euros interim dividend against 2020 earnings was paid. Therefore, the total dividend paid stands at 15,452 thousands of euros.

On July 9, 2020, Enagás paid **SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES ("SEPI")** a final dividend for 2019 of 12,575 thousands of euros, as approved by the General Shareholders' Meeting. Additionally, in December 2020, a 8,803 thousands of euros interim dividend against 2020 earnings was paid. Therefore, the total dividend paid stands at 21,378 thousands of euros.

On July 9, 2020, Enagás paid **BLACKROCK INC** a final dividend for 2019 of 8,509 thousands of euros, as approved by the General Shareholders' Meeting. Additionally, in December 2020, a 5,956 thousands of euros interim dividend against 2020 earnings was paid. Therefore, the total dividend paid stands at 14,465 thousands of euros.

In December 2020, Enagás paid **CREDIT AGRICOLE, S.A.** an interim dividend of 5,355 thousands of euros against the 2020 year.

In December 2020, Enagás paid **MUBADALA INVESTMENT CO. PJSC** a 5,463 thousands of euros interim dividend against 2020 earnings was paid.

On July 9, 2020, Enagás paid **PARTLER PARTICIPACIONES, S.L.U.** a final dividend for 2019 of 12,575 thousands of euros, as approved by the General Shareholders' Meeting. Additionally, in December 2020, a 8,803 thousands of euros interim dividend against 2020 earnings was paid. Therefore, the total dividend paid stands at 21,378 thousands of euros.

On July 9, 2020, Enagás paid **STATE STREET CORPORATION** a final dividend for 2019 of 7,565 thousands of euros, as approved by the General Shareholders' Meeting. Additionally, in December 2020, a 5,296 thousands of euros interim dividend against 2020 earnings was paid. Therefore, the total dividend paid stands at 12,861 thousands of euros.

**EXPLANATORY NOTE ON SECTION D.3.-**

Regarding dividends paid by Enagás to Directors who are significant shareholders, as referred to in section D.3 of this Report, note:

On July 9, 2020, Enagás paid **SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES ("SEPI")** a final dividend for 2019 of 12,575 thousands of euros, as approved by the General Shareholders' Meeting. Additionally, in December 2020, a 8,803 thousands of euros interim dividend against 2020 earnings was paid. Therefore, the total dividend paid stands at 21,378 thousands of euros.

**EXPLANATORY NOTE ON SECTION D.4.-**

The criteria used by Enagás for reporting information on significant operations carried out by the Company with other entities in the same group is as follows:

1. Significant operations with other entities in the Group shall be reported provided that they are not eliminated in the consolidation process.
2. Of the operations that are not eliminated in the consolidation process, a report shall be made of those that do not simultaneously meet the following three conditions:

- a. Their amount does not exceed 1% of the company's annual revenues.
- b. They are part of the company's ordinary traffic, with ordinary traffic understood to mean those activities related to transmission, storage and regasification.
- c. They are carried out at prices or rated under normal market conditions.

For the item Services received, the company was invoiced for 41,085 thousands of euros, and for the item Services rendered, the company invoiced for 9,528 thousands of euros, an amount which was not included in section D.4 of this report because it involved operations that were part of the ordinary traffic of Enagás S.A. and its Group in terms of object and conditions.

**EXPLANATORY NOTE ON SECTION D.5.-**

The amount from related party transactions is obtained from the following breakdown:

Group entity	Related party	Category	Amount (thousands of euros)
Enagás S.A.	Banco Santander, S.A.	Finance cost	2,737
Enagás Internacional, S.L.U.	Banco Santander, S.A.	Finance cost	1,316
Enagás Financiaciones, S.A.U.	Banco Santander, S.A.	Finance cost	8
<b>TOTAL FINANCE COST, OTHER RELATED PARTIES</b>			<b>4,061</b>

Group entity	Related party	Category	Amount (thousands of euros)
Enagás Internacional, S.L.U.	Banco Santander, S.A.	Financial income	6
<b>TOTAL FINANCE REVENUE, OTHER RELATED PARTIES</b>			<b>6</b>

Group entity	Related party	Category	Amount (thousands of euros)
Enagás S.A.	Banco Santander, S.A.	Guarantees	6,411
<b>TOTAL GUARANTEES, RELATED PARTIES</b>			<b>6,411</b>



Group entity	Related party	Category	Amount (thousands of euros)
Enagás S.A.	Banco Santander, S.A.	Agent Services	84
Enagás S.A.	Banco Santander, S.A.	Vehicle rental	7
Enagás S.A.	Club Español de la Energía	Services received	57
Enagás S.A.	Asociación Banco Santander, S.A. Española de Directivos	Services received	10
Enagás S.A.	Fundación Aspen Institute España	Services received	50
Enagás Transporte S.A.U.	Banco Santander, S.A.	Vehicle rental	120
Enagás Transporte S.A.U.	Banco Santander, S.A.	Sponsorships and donations	9
Enagás Transporte S.A.U.	Club Español de la Energía	Services received	1
<b>TOTAL SERVICES RECEIVED, OTHER RELATED PARTIES</b>			<b>338</b>
<b>TOTAL TRANSACTIONS WITH OTHER RELATED PARTIES</b>			<b>10,816</b>

#### Transactions with BANCO SANTANDER, S.A.

**Financial expenses:** In 2020, finance costs payable to Santander, S.A. amounted to **4,061 thousands of euros**, of which 2,737 thousands of euros is payable by Enagás S.A., 1,316 thousands of euros is payable by Enagás Internacional, S.L.U. and 8 thousands of euros is payable by Enagás Financiaciones, S.A.U.

**Financial income:** In 2020, Enagás Internacional, S.L.U. received financial income from Banco Santander, S.A. amounting to **6 thousands of euros**.

**Guarantees and sureties received:** Guarantees extended by Banco Santander, S.A. in 2020 amounted to 6,411 thousands of euros, all of which were granted to Enagás, S.A.

**Services received:** Enagás, S.A. incurred expenses of **91 thousands of euros**, as follows:

#### Services received from Banco Santander

Category	Amount	Price policy	Payment terms	Guarantees
Vehicle hire	84	-	-	-
Agency commission	7	-	-	-

**Services received:** Enagás Transporte, S.A.U. incurred expenses of **129 thousands of euros**, broken down as follows:

#### Services received from Banco Santander

Category	Amount	Price policy	Payment terms	Guarantees
Vehicle hire	120	-	-	-
Sponsorships and donations	9	-	-	-

#### Transactions with Club Español de la Energía-

**Services received:** Enagás, S.A. incurred expenses of **57 thousands of euros**, as follows:

#### Services received from Club Español de la Energía

Category	Amount	Price policy	Payment terms	Guarantees
Various services	57			

**Services received:** Enagás Transporte, S.A.U. incurred expenses of **1 thousands of euros**, broken down as follows:

#### Services received from Club Español de la Energía

Category	Amount	Price policy	Payment terms	Guarantees
Various services	1			

#### Transactions with the Spanish Association of Directors

**Services received:** Enagás S.A. incurred expenses of **10 thousands of euros**, broken down as follows:



### Services received from the Spanish Association of Directors

Category	Amount	Price policy	Payment terms	Guarantees
Various services	10			

### Services received from Fundación Aspen Institute España

Services received: Enagás, S.A. incurred expenses of **50 thousands of euros**, as follows:

### Services received from Fundación Aspen Institute España

Category	Amount	Price policy	Payment terms	Guarantees
Various services	50			

### EXPLANATORY NOTE ON SECTION E.3.-

*(continued):*

Compliance and model risks

The Enagás Group is exposed to compliance risks, which comprises the costs associated with possible sanctions owing to infringement of laws or derived from the materialisation of operational events, conducting of improper business practices, non-compliance with internal policies and procedures, the incorrect use of models, and the risk of possible corruption. In this regard, as a company that operates in different countries, Enagás is subject to different laws and regulations that prohibit corruption and are mandatory, including US anti-corruption regulations. As a preventive measure, Enagás has a Corruption Prevention Model aligned with ISO 37001 international standard.



## APPENDIX II

# ANNUAL ACTIVITY REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE

### AUDIT AND COMPLIANCE COMMITTEE 22/02/2021

## 1. Composition, attendance and operation

On December 31, 2020, the composition of the Audit and Compliance Committee was as follows:

#### CHAIRWOMAN

Ms Isabel Tocino Biscarolasaga  
**Independent**  
 Appointment: 2014

#### MEMBER

Ms Rosa Rodríguez Díaz  
**Independent**  
 Appointment: 2013

#### MEMBER

Mr Luis García del Río  
**Independent**  
 Appointment: 2017

#### MEMBER

Mr Martí Parellada Sabata  
**External**  
 Appointment: 2005

#### MEMBER

Mr José Blanco López  
**Independent**  
 Appointment: 2020

#### MEMBER

Mr José Montilla Aguilera  
**Independent**  
 Appointment: 2020

#### MEMBER

Sociedad Estatal de Participaciones Industriales (SEPI), represented by its Vice President Mr Bartolomé Lora Toro  
**Dominical**  
 Appointment: 2008

#### SECRETARY

Mr Rafael Piqueras Bautista

During 2020, the following changes were made to the composition of the Audit and Compliance Committee and were ratified at the Ordinary General Meeting held on June 30, 2020:

- ▶ Re-election of the Proprietary Director, Mr Bartolomé Lora Toro, as a member of the Committee, representing SEPI (Sociedad Estatal de Participaciones Industriales), for the statutory period of four years.

- ▶ Reinforcement of the Audit and Compliance Committee in view of the risks resulting from the COVID-19 crisis and its possible effects, with the appointment of two independent directors: Mr José Blanco López and Mr José Montilla Aguilera, for the statutory period of four years.

The Board of Directors appointed the members of the Audit and Compliance Committee taking account of their knowledge, skills and experience in accounting, auditing and financial and non-financial risk management.

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

### Attendance

Pursuant to the provisions of the Regulations of the Audit and Compliance Committee, the Committee holds its meetings in accordance with an annual calendar, which includes at least four ordinary sessions.

During 2020, six meetings were held: four ordinary, one preparatory and one extraordinary.

All members of the Audit and Compliance Committee attended these meetings.

### Committee operation

*The Committee conducted its activity in 2020 following the best practices of Corporate Governance and the recommendations of both the Good Governance Code of Listed Companies of June 2020, and the Technical Guide 3/2017 on Audit Committees in public interest entities dated June 27, 2017*

In accordance with the provisions of the corporate texts, the Audit and Compliance Committee was assisted by the Internal Audit Director, Ms Rosa Sánchez Bravo, in her duties as advisor to the Committee.

In addition, during 2020, at the invitation of the Chairwoman of the Committee, the Committee requested the presence of certain Company senior managers to discuss matters within their competence in accordance with the agenda. Specifically, it was attended by the Chief Executive Officer, Mr Marcelino Oreja Arburúa and the Financial General Manager of Enagás, Mr Borja García-Alarcón Altamirano. The Sustainability and Risk Director and the Compliance Director also attended meetings of the Committee when the latter addressed issues related to their functions.

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

The documentation relating to each meeting, such as the agenda and the minutes from the previous meeting, were given to Committee members sufficiently in advance.

Ordinarily, after each Audit and Compliance Committee meeting, the Chairwoman of the Committee reported to the Board of Directors in a meeting held the same day, with regard to the actions taken and matters addressed in each Committee meeting.

## 2. Audit and Compliance Committee regulation

*Regulation The Audit and Compliance Committee is governed by the provisions of applicable laws and regulations, the provisions contained in the Articles of Association, the Rules and Regulations for the Organisation and Functioning of the Board of Directors of Enagás, S.A., as well the Regulations of the Audit and Compliance Committee, dated on December 21, 2020*

These documents are available on the website.

The main functions and tasks performed during 2020 by the Audit and Compliance Committee are summarised in the following basic categories, which are set out in detail in article 8 of the Committee Regulations:

### 2.1. Annual accounts and other financial and non-financial information

- ▶ **i.** Overseeing and assessing the preparation and presentation of financial and non-financial information on the Company and the Group, and checking compliance with regulatory requirements, the due definition of the consolidation scope and the correct application of accounting standards and, in particular, understanding and monitoring the efficiency of the Internal Control over Financial Reporting (ICFR) system.
- ▶ **ii.** Examining the information on activities and results of the Company which is prepared and published periodically in accordance with the prevailing regulations relating to the securities markets, seeking to ensure transparency and exactness in the information.
- ▶ **iii.** Informing the Board of Directors of any recommendations or comments that it deems necessary on the application of accounting criteria, internal control systems, submitting recommendations or proposals to the Board of Directors aimed at safeguarding the integrity of the financial and non-financial information.
- ▶ **iv.** Reporting to the Board of Directors with regard to the annual accounts and any other financial or non-financial information that must be regularly disclosed, prior to their being drawn up.
- ▶ **v.** Certifying that the Annual Accounts presented by the Board of Directors to the General Shareholders' Meeting are prepared in accordance with accounting regulations.
- ▶ **vi.** Assessing any proposals made by senior managers regarding changes in accounting practices.





## 2.2. External auditor

### WITH REGARD TO THEIR INDEPENDENCE:

- ▶ **i.** Regularly gather information on the auditing plan and its implementation, in addition to preserving their independence in the exercise of their duties.
- ▶ **ii.** Establishing appropriate relations with the external auditor to receive information on any matters that may threaten its independence, in particular any discrepancies that may arise between the accounts auditor and Company management, for consideration by the Committee, and any others related to the process of implementation of the accounts audit, as well as any possible safeguards to be adopted.
- ▶ **iii.** Proceeding with the authorisation of services other than those prohibited, in accordance with prevailing regulations.
- ▶ **iv.** Ensuring that the Company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and, in general, other requirements concerning auditor independence.
- ▶ **v.** Ensuring that the fees of the external auditor do not threaten their quality and independence, and are not based on any form of contingency, and establish an indicative limit on the fees that the auditor may receive annually for non-audit services.
- ▶ **vi.** Receiving the annual statement from the external auditor on their independence with respect to the Enagás Group or entities directly or indirectly related to it, in addition to detailed and individual information on additional services of any kind rendered to these entities, and the corresponding fees received, by the external auditor or by persons or entities related to it. All of this is in accordance with the provisions of the regulations governing the accounts auditing activity.
- ▶ **vii.** Issuing an annual report, prior to the issue of the audit report, giving an opinion on whether the independence of the auditors is compromised. This report contains a reasoned assessment of the provision of each and every one of the services rendered by the auditor, ensuring that they do not compromise the independence of the auditor, both individually and overall, in accordance with the provisions of the regulations governing the auditing of accounts. This report will be published on the Company's website sufficiently in advance of the Ordinary General Meeting of the Company.

- ▶ **viii.** Establishing a maximum duration for the audit task, guaranteeing a gradual rotation of the signing partner in accordance with the Audit Act.

### IN RELATION TO THE AUDIT PROCESS AND OTHER LIMITED REVIEWS OF INTERIM FINANCIAL STATEMENTS:

- ▶ **i.** Reviewing the contents of audit reports, reports on limited review of interim financial statements and other statutory reports required of the auditors of accounts prior to their issuance, in order to prevent qualifications.
- ▶ **ii.** Supervising the responses of senior management to its recommendations, and mediating and arbitrating in the event of any disagreement with regard to the principles and criteria applicable to the preparation of the financial statements.
- ▶ **iii.** Fostering and ensuring that the external auditor who audits the individual and/or consolidated annual accounts takes full responsibility for the audit report issued, even when the annual accounts of affiliates are audited by other external auditors.
- ▶ **iv.** Reporting to the General Shareholders' Meeting on the audit results, explaining that this process contributes to the reliability of the financial information, and on the role performed by the Committee in this process.
- ▶ **v.** Ensuring that the external auditor has a yearly meeting with the Board of Directors to inform them of the work undertaken and developments in the Company's risk and accounting positions.
- ▶ **vi.** Conducting an annual assessment of the auditor's performance and how it has contributed to the quality of the audit and the integrity of the financial reporting.

## 2.3. Internal audit

- ▶ **i.** Overseeing the proper operation of internal audit and ensuring the independence of the Company's internal audit function, ensuring the provision of sufficient resources and suitably qualified personnel for the optimum performance of its duties.
- ▶ **ii.** Approving the Internal Audit Plan, their related work plans and the annual budget for this, ensuring that the activity focuses mainly on the most significant risks facing the Group, including reputational risks. Supervising the internal audit services, receiving regular information on their activities and verifying that senior management takes their conclusions and recommendations into consideration.

- ▶ **iii.** Reporting to the Committee at each ordinary meeting on the execution of the plan, including any possible incidents and limitations that may arise in its development, the results and the follow-up of recommendations. At the end of each period, the activities will be reflected in a report.

- ▶ **iv.** Annually assess the internal audit function and the performance of its functions by its manager, for which purpose it shall seek the opinion of executive management.

## 2.4. Risk control and management

- ▶ **i.** Overseeing and assessing the effectiveness of the control and management systems for financial and non-financial risks relating to the Company and its Group, including operational, technological, legal, social, environmental, political and reputational risks or corruption and anti-bribery risks, so that any such risks are adequately mitigated within the framework of the Company's internal policy. Submitting recommendations or proposals to the Board of Directors to improve these systems along with the corresponding deadline for dealing with them.
- ▶ **ii.** Supervising the Risk Control and Management Unit, whose functions will include ensuring the proper functioning of the risk control and management systems. Participating actively in the preparation of risk strategies and in key decisions about their management.
- ▶ **iii.** Evaluating the Company's risks and examining the analyses of risks that affect the activities of the Company.
- ▶ **iv.** Reporting to the Board of Directors on the risks detected and the assessment thereof, as well as any other relevant risk-related matters, reassessing the most significant financial and non-financial risks at least once a year.

## 2.5. Competencies relating to legality

- ▶ **i.** Reporting to the Board of Directors prior to transactions with related parties, pursuant to article 14 bis of the Board Regulations.
- ▶ **ii.** Preparing a report on related-party transactions, for posting on the Company's website, sufficiently in advance of the Ordinary Shareholders' Meeting.
- ▶ **iii.** Receiving and analysing information on the tax-related criteria applied by the Company during the year, particularly with regard to the degree of compliance with the corporate tax policy, prior to the preparation of the Annual Accounts.

## 2.6. Corporate governance, internal codes and compliance

- ▶ **i.** Reporting in advance to the Board of Directors on operations involving structural and corporate modifications planned by the Company.
- ▶ **ii.** Supervising compliance with the rules of corporate governance and the Internal Codes of Conduct, ensuring that the corporate culture is aligned with its purpose and values and, in particular, with the Internal Code of Conduct on matters relating to the securities markets, acting in coordination with the Sustainability, Appointments and Remuneration Committee.
- ▶ **iii.** Overseeing a mechanism that allows employees and other persons related to the Company to report potentially significant irregularities, including financial and accounting irregularities, or irregularities of any other nature, concerning the Company and which may come to light within the Company or its Group. Such mechanisms must guarantee confidentiality of the parties concerned.
- ▶ **iv.** Preparing this Annual Activity Report of the Audit and Compliance Committee that will form a part of the Annual Corporate Governance Report.
- ▶ **v.** Assisting with drafting the Annual Corporate Governance Report, especially in areas concerning information transparency and conflicts of interest.

## 2.7. Compliance

- ▶ **i.** Ensuring the independence of the compliance function.
- ▶ **ii.** Ensuring that the compliance function performs its mission and competences with regard to regulatory compliance and the prevention and correction of behaviour that is illegal or fraudulent or otherwise breaches the Enagás Code of Ethics.
- ▶ **iii.** Ensuring that the compliance function is provided with the necessary staff and material resources needed for the optimum performance of its duties.

## 2.8. Shareholders

- ▶ **i.** Providing information on issues within the scope of its duties at the General Meeting.



### 3. Activities of the Audit and Compliance Committee in 2020

*During 2020, the Audit and Compliance Committee effectively executed its schedule of actions, in accordance with the recommendations of the Technical Guide and the Good Governance Code of Listed Companies*

The most relevant activities conducted by the Audit and Compliance Committee in 2020 are summarised below.

#### With regard to financial and non-financial information

##### INFORMATION TO THE BOARD OF DIRECTORS ON ENAGÁS' ANNUAL ACCOUNTS FOR FINANCIAL YEAR 2019

In its meeting held on February 17, 2020, the Committee analysed and debated the 2019 annual accounts, reporting favourably on them to the Board of Directors, which proceeded to prepare the annual accounts for the year ending December 31, 2019 under the terms set out by the Committee.

The Committee also verified that the Non-Financial Information Statement, which is included in the Management Report of the Consolidated Annual Accounts, included all the reporting required by Law 11/2018, of December 28 on non-financial information and diversity, reporting in this regard to the Board of Directors.

Finally, the consolidated accounts for 2019, together with the Management Report, were approved by the General Shareholders' Meeting on June 30, 2020.

##### SUPERVISIONS OF THE 2020 INTERIM FINANCIAL STATEMENTS

Throughout 2020, in accordance with the recommendations on good governance, the Committee has reviewed the interim financial statements on the occasion of the quarterly and halfyearly closing, based on the reports provided by the Financial General Manager and the external auditor.

The Committee understands that this activity is of vital importance in maintaining strict control of the Company's accounts and to facilitate the issuance of an unqualified audit report at year-end.

As a result of its work, the Committee presented at its meetings in April and October 2020 reports to the Board of Directors regarding the interim economic and financial information of Enagás and the economic and financial information for the first half of 2020.

During 2020, the Committee evaluated several reports drafted on the monitoring of the 2020 budget, the progress of the 2021 budget, with special emphasis on the possible impacts of the COVID-19 pandemic on the Company's Financial Statements.

##### INTERNAL CONTROL OVER FINANCIAL REPORTING SYSTEM ("ICFR")

During 2020, the Committee monitored, through the information provided by the external auditor, internal auditor and the Finance Department, the effectiveness of the Internal Control over Financial Reporting System. Specifically, at the beginning of 2020, the external auditor reported favourably on the Internal Control over Financial Reporting System (hereinafter "ICFR"), that the Company applies under the COSO 2013 guidelines and no significant weaknesses were detected.

During 2020, the Finance Department and the Internal Audit Department have been reporting on the implementation status of the minor recommendations for improvement in the ICFR 2019 certification, as well as on the internal audit work carried out on the ICFR.

Finally, on February 22, 2021, the accounts auditor informed the Audit and Compliance Committee that, in their opinion, the Group had an effective ICFR system in place in 2020. The Committee subsequently informed the Board of Directors of this certification, and of the nonexistence of relevant recommendations.

##### FORMULATION AND APPROVAL OF THE ENAGÁS ANNUAL ACCOUNTS FOR 2020

With regard to the approval of the 2020 annual accounts, the accounts auditor gave a favourable report to the Audit and Compliance Committee on February 22, 2021, leading to their subsequent preparation by the Board of Directors.

With regard to the Consolidated Non-Financial Information Statement included in the Management Report of the Enagás Group for the 2020 financial year and the Agreed-Upon Procedures on the Internal Control over Non-Financial Reporting System, the Committee reported favourably to the Board on February 22, 2021.

The 2020 consolidated accounts together with the management report will be presented to the General Shareholders' Meeting, which is expected to be held in the coming months.

Finally, the Committee verified that the published financial and non-financial information for 2020 was in line with the approved information.

##### OTHER FINANCIAL INFORMATION

During 2020, the Committee evaluated and monitored other financial information such as 2020 budget tracking, annual closure progress, 2021 budget progress, with continuous analysis of the possible impacts of the COVID-19 pandemic on the 2020 Financial Statements as well as those of successive years.

#### With regard to the external auditor

##### AUDIT PROCESS

In accordance with the established agenda, the external auditor participated in the four ordinary meetings held by the Committee, and in the preparatory meeting held in 2020 to prepare for the end of the accounting period, which has allowed the Committee to adequately perform its duty to serve as a communication channel between the Board of Directors and the external auditor.

In addition, the external auditor reported to the Board of Directors in its meetings on two occasions: February 17, 2020 and July 27, 2020.

At the meetings held by the Committee in 2020, the external auditor provided detailed information on the planning and progress of their work.

On June 30, 2020, the Chairwoman of the Committee informed the General Shareholders' Meeting of the favourable outcome of the audit of the 2020 annual accounts, explaining how this had contributed to the integrity of the financial information, as well as the functions that the Committee has performed during this process.

##### ANALYSIS OF THE INDEPENDENCE OF THE ACCOUNTS AUDITOR BY THE AUDIT AND COMPLIANCE COMMITTEE

During the meetings held in 2020, the Committee reviewed and approved all the services rendered by the external auditor, to check that they complied with the requirements established in the Regulations of the Audit and Compliance Committee, the Audit Act 22/2015, the European Regulation 214/537, and in the procedure for the contracting and relations with the external auditor.

Likewise, the external auditor EY informed the Committee at its various meetings that it had not detected any circumstance that could constitute grounds for incompatibility in terms of independence in accordance with the provisions of the Audit Act 22/2015 and European Regulation 214/537.

At the meeting held on February 17, 2020, the external auditor delivered to the Audit and Compliance Committee their Accounts Auditor Independence Statement certifying fulfilment of the independence requisites set out in the applicable laws.

On February 22, 2021, the Audit and Compliance Committee issued the Accounts Auditor Independence Report in which a favourable opinion was expressed as to the independence of the external auditor. This report is available on this website.

By December 31, 2020, non-audit services accounted for 39% of total auditor fees.

##### EXTERNAL AUDITOR PERFORMANCE ASSESSMENT

In February 2021, the Committee carried out an assessment of the external auditor's performance during financial year 2020 and of its contribution to the integrity of the financial and non-financial information, considering, among other matters, its performance before the Committee, as well as the opinion gathered from the different areas.

##### SIGNING PARTNER ROTATION

The General Shareholders' Meeting, held on June 30, 2020, ratified the re-election of Ernst & Young, S.L. as auditors of Enagás, S.A. and its consolidated group for a period of three years (2019-2021).

The Committee also agreed to define a transition plan during 2020 in order to give an orderly exit to the partner currently signing the Group's accounts, which will rotate in 2020, after the end of its fifth year, in accordance with the Audit Act 22/2015.

#### With regard to the internal auditor

The Committee supervised the Company's Internal Audit services, ensuring their independence and effectiveness throughout 2020.

At its meeting on February 17, 2020, the Committee evaluated and approved the Annual Internal Audit Plan and Budget for 2020, verifying how the plan covered the Company's most relevant risks and ensuring that the function had sufficient and adequate resources to carry out its duties.

Likewise, in this session, the Internal Audit Department presented the Annual Report of the internal audit activity carried out during 2019.

At all meetings held during 2020, the Committee received regular information on the internal audit activity, allowing it to have exhaustive control over the recommendations obtained in its Audit Reports and verifying the degree of progress of the Annual Plan and the degree of implementation of its recommendations by the areas.

As a consequence of the COVID-19 pandemic, the Committee approved the inclusion of certain specific work to be undertaken by the Internal Audit Department, corresponding to the different initiatives carried out by the Company to mitigate the effects of the pandemic, as well as specific reviews on support initiatives carried out by the company, in order to ensure the existence of an adequate internal control framework.



The Committee informed the Board of Directors after each Audit and Compliance Committee meeting.

Lastly, it carried out an assessment of the performance of the duties and responsibilities assumed by both the Internal Audit Director and the internal audit function as a whole.

The questionnaire assesses aspects such as the strategic positioning of the function, good governance and auditor independence, as well as performance in the execution of its duties through the year.

### With regard to risk control and management

The Audit and Compliance Committee monitored the effectiveness of the risk control and management systems.

The Chief Executive Officer and the Sustainability and Risk Director informed the Committee about the status of the Company's risk control and management, as well as the level of compliance with the defined risk limits at its four ordinary meetings, as well as at the preparatory meeting held in December.

Specifically, on February 17, 2020, the Sustainability and Risk Management Department submitted the results of the annual risk monitoring and measurement process and set out certain improvements introduced in the risk control and management model in relation to monitoring risk appetite, incorporating and modifying certain risk indicators (KRIs) in relation to operations: availability of the company's main industrial systems, frequency of accidents and cybersecurity. Ongoing monitoring of the evolution of risks was conducted at the subsequent meetings held by the Committee.

Since the beginning of the COVID-19 pandemic, the Audit and Compliance Committee has monitored the reports presented by the Sustainability and Risk Management Department on the effect of COVID-19 on corporate risks and the appearance of new associated risks, taking account of different stress scenarios, of probability of occurrence and impact, with no critical impacts having been detected at any time. These analyses were updated at least quarterly during 2020.

In 2020, the Sustainability and Risk Management Department implemented improvements to its risk model: a new methodology was defined to analyse the risk of the companies in which Enagás Emprénde has a stake; it was included in the quarterly reports.

Furthermore, in 2021 it was proposed to include a new impact dimension associated with the effects on health and safety, and the risk indicators and levels for the economic-financial dimension were updated.

The Chairwoman of the Committee reported to the Board of Directors on all these matters after each Committee meeting.

### With regard to the competences relating to legality

#### RELATED-PARTY TRANSACTIONS

With regard to 2019, in accordance with the recommendations of the Good Governance Code of Listed Companies, the Audit and Compliance Committee prepared a report, dated February 21, 2020, on related-party transactions that was made available to shareholders at the time notice was given of the General Shareholders' Meeting held on June 30, 2020.

In this report, the Committee confirmed the company's compliance with securities market regulations on transactions with related parties. It also verified that all related-party transactions carried out during 2019 belonged to the company's ordinary business or traffic, were carried out under arm's length conditions and were approved by the company's Board of Directors.

No related-party transactions were made in 2020 that required involvement by the Board of Directors.

Finally, on February 22, 2021, the Audit and Compliance Committee prepared a Report on related-party transactions, which it will make available to shareholders at the time of the call to the General Shareholders' Meeting scheduled in the coming months.

#### FISCAL TRANSPARENCY REPORT

On December 21, 2020, in compliance with the Code of Good Tax Practices, to which Enagás adheres, the Committee was informed by the Financial General Manager of the Annual Report on Tax Transparency, which describes mainly: the tax strategy, the main business lines, the corporate structure, the dividend policy, the financial position of the Group, as well as other issues of special tax significance that occurred during the year.

This report was approved by the Board on December 21 and presented to the AEAT on December 22, 2020.

### With regard to corporate governance and communications with the regulator

#### ANNUAL CORPORATE GOVERNANCE REPORT

The Committee reported favourably to the Board of Directors on the Annual Corporate Governance Report (ACGR) for 2019, dated February 17, 2020, and on the ACGR for 2020, dated February 22, 2021.

#### COMMUNICATIONS WITH THE REGULATOR

On July 21, 2020, the Company responded to the request for information made by the CNMV.

### With regard to compliance

The Committee approved the budget of the Compliance Department for financial year 2020, dated February 17, 2020, and assessed the Compliance Activity Plan for financial year 2019.

At the February meeting, the Committee was also informed of the actions of the Ethics Committee, details of complaints received through the ethics channel, as well as the monitoring of initiatives included in the Sustainable, Ethical and Compliance Management Plan for 2020.

In accordance with article 20.2 of the Internal Code of Conduct, the Secretary of the Board of Directors informed the Audit and Compliance Committee of the degree of compliance and incidents relating to the application of the Internal Code of Conduct in matters of the securities market.

The Committee was informed about the Activity Report on a quarterly basis by the Director of Compliance.

Lastly, on December 21, 2020, the Compliance Department reported on the update of the Enagás Group's Crime Prevention Model, which was approved by the Board of Directors on that date.

### With regard to the activity of the audit and compliance committee

On February 17, 2020, the Committee approved the Annual Activity Report of the Committee for 2019, and reported to the Board on the same date. This report was made available to shareholders at the ordinary General Meeting.

Likewise, on December 21, 2020, the Committee was informed of the update of the Regulations governing the activity of the Audit and Compliance Committee, as well as the Regulations of the Board of Directors, in order to adapt them to the recommendations included in the revision of the Good Governance Code of Listed Companies in June 2020. These Regulations were subsequently approved by the Board of Directors

## 4. Performance assessment of the Audit and Compliance Committee

*In accordance with the provisions of the Audit and Compliance Committee Regulations, the Board of Directors and the Audit and Compliance Committee underwent a quality and efficiency assessment of the performance of their functions and competencies during 2020, by an external consultant, using the applicable regulations and best practices in corporate governance as the evaluation reference framework*

The result of this assessment highlighted the fact that the Audit and Compliance Committee performs its duties in accordance with the best corporate governance practices. The results of this assessment were approved by the Board of Directors on February 17, 2020.

## 5. Progress made in 2020 and priorities for 2021

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

During financial year 2020, the Committee held informative sessions on the following matters:

- ▶ New features included in the update of the Good Governance Code in relation to the audit committees.
- ▶ Agile transformation of the internal audit function, to equip it to respond quickly and effectively to the needs of the company and adopt new technologies and tools.
- ▶ Guide to best practices in competition published by the CNMC.
- ▶ Enagás Security Management Model, including a training pill on cybersecurity awareness.

During 2020, the Committee continued to make progress in expanding the number and duration of meetings held.

During 2021, cross-cutting, coordinated work will continue with the different departments of the company, with the objectives of digital transformation, strengthening internal control, and analysis and evaluation of financial and non-financial risks.



## Conclusions

As reflected in this report, during the course of financial year 2020, the Audit and Compliance Committee addressed the analysis and assessment of the main issues and aspects within its remit, in accordance with the best practices of Corporate Governance and the recommendations of both the Good Governance Code of Listed Companies, revised in June 2020, and the Technical Guide 3/2017 on Audit Committees of public interest entities, dated June 27, 2017, reporting on the most relevant issues to the Board of Directors of the Company.

This report was drawn up by the Audit and Compliance Committee on February 22, 2021 and approved by the Board of Directors on February 22, 2021.

The Secretary to the Board of Directors of Enagás S.A.


**Rafael Piqueras Bautista**



## APPENDIX III

### INDEPENDENT ASSURANCE REPORT ON THE "INFORMATION REGARDING INTERNAL CONTROL OVER REPORTING (ICFR) SYSTEM"

ENAGÁS, S.A. 2020



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Building a better working world

Ernst & Young, S.L.  
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**INDEPENDENT ASSURANCE REPORT ON THE "INFORMATION REGARDING THE INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) SYSTEM"**

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

To the shareholders of ENAGÁS S.A.:

**Scope of the work**

We have examined the accompanying information on the Internal Control over Financial Reporting (ICFR) system of ENAGÁS S.A. and subsidiaries (the "Group") contained in Section F of the Annual Corporate Governance Report for the year ended December 31, 2020.

The objective of this system is to contribute to the faithful representation of the transactions performed and to the provision of reasonable assurance in relation to the prevention or detection of any errors that might have a material effect of the consolidated financial statements.

The aforementioned system is based on the rules and policies defined by the Boards of Directors of ENAGÁS, S.A. in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its Internal Control-Integrated Framework (2013) report.

A system of internal control over financial reporting is a process designed to provide reasonable assurance on the reliability of financial information in accordance with the accounting principles and standards applicable to it. A system of internal control over financial reporting includes policies and procedures that: (i) enable the records reflecting the transactions performed to be kept accurately and with a reasonable level of detail, (ii) guarantee that these transactions are performed only in accordance with the authorizations established; (iii) provide reasonable assurance that transactions are recognized appropriately to enable the preparation of the financial information in accordance with the accounting principles and standards applicable to it; and (iv) provide reasonable assurance in relation to the prevention or timely detection of unauthorized acquisition, use or sale of the company's assets that could have a material effect on the financial information. In view of the limitations inherent to any system of internal control over financial reporting, certain errors, irregularities or fraud might not be detected. Also, the projection to future periods of an evaluation of internal control is subject to risks, including the risk that internal control may be rendered inadequate as a result of future changes in the applicable conditions or that there may be a reduction in the future of the degree of compliance with the policies or procedures established.

**Directors' Responsibility**

The Directors of ENAGÁS, S.A. are responsible for maintaining the System of Internal Control over Financial Reporting included in the consolidated financial statements and for evaluating its effectiveness.

Domicilio Social: C/ Raimundo Fernández Villaverde, 65, 28003 Madrid inscrita en el Registro Mercantil de Madrid, tomo 9,364 general, B,130 de la sección 3ª del Libro de Sociedades, tomo 68, hoja nº 87.690-L, inscripción 1ª, Madrid 9 de Marzo de 1.989. A member firm of Ernst & Young Global Limited.



**Our responsibility**

Our responsibility is to issue an independent assurance report on the effectiveness of the System of Internal Control over Financial Reporting (ICFR) based on the work performed by us.

Our work includes an evaluation of the effectiveness of the system of ICFR in relation to the financial information contained in the ENAGÁS' Group consolidated financial statements as at December 31, 2020, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group.

We have carried out our reasonable assurance work in accordance with the requirements established by the International Standard on Assurance Engagements (ISAE) 3000 revised, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

Reasonable assurance work includes comprehension of internal control over financial information contained in the financial statements; risk evaluation regarding possible material errors within them; tests and evaluations on design and daily effectiveness of the system and the use of any other procedures we considered necessary. We consider that our audit provides a reasonable basis for our opinion.

**Independence and quality control**

We have complied with the independence and other Code of Ethics requirements for accounting professionals issued by the International Ethics Standards Board for Accountants (IESBA), which are based on the fundamental principles of integrity, objectivity, professional competence, due care, confidentiality and professional behavior.

Our Firm applies the International Standard on Quality Control No 1 (ISQC 1) and therefore maintains a global system of quality control, which includes documented policies and procedures in relation to compliance with ethical requirements, professional standards and applicable legislation.

**Conclusion**

In our opinion, at December 31, 2020, the Group had, in all material respects, an effective System of Internal Control over Financial Reporting contained in its consolidated financial statements, and this internal control system is based on the rules and policies defined by the Board of Directors of ENAGÁS, S.A. in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its Internal Control-Integrated Framework (2013) report. Also, the disclosures contained in section F of the Annual Corporate Governance Report at December 31, 2020 comply, in all material respects, with the requirements established in article 540 of the Corporate Enterprises Act, ECC order /461/2013 of March 20, Circular 1/2020, of October 6, which amends Circular 7/2015, of December 22, which amends Circular 5/2013, of June 12, and Circular 2/2018 of June 12 of the Spanish National Securities Market Commission (CNMV).



**Other matters**

This report can under no circumstances be considered an audit report carried out in accordance with prevailing audit regulations in Spain.

Nevertheless, in accordance with prevailing audit regulations in Spain, we have audited the consolidated financial statements of Enagás, S.A. and subsidiaries for the year ended December 31, 2020, prepared by the directors in accordance with the International Financial Reporting Standards as adopted by the European Union, and other financial reporting framework provisions applicable to the Enagás Group in Spain and our report issued on February 22, 2021 on the consolidated financial statements expressed an unqualified opinion.

ERNST & YOUNG, S.L.

David Ruiz-Roso Moyano

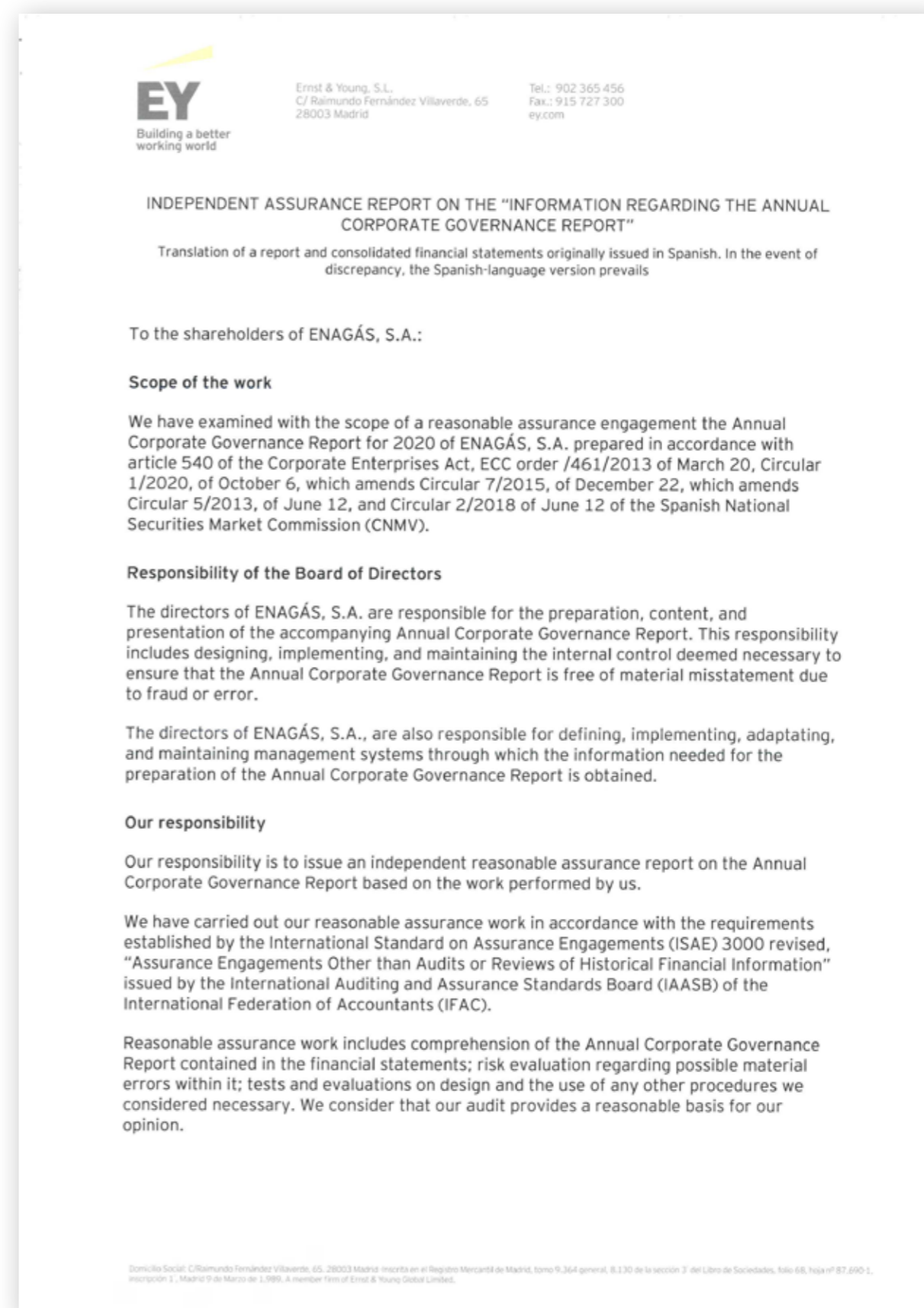
February 22, 2021



## APPENDIX IV

### INDEPENDENT ASSURANCE ON THE "INFORMATION REGARDING THE ANNUAL CORPORATE GOVERNANCE REPORT"

ENAGAS, S.A. 2020





For those recommendations of the Unified Good Corporate Governance Code that have not been implemented by the Company, the Directors of ENAGÁS, S.A. offer the explanations that they consider appropriate. In relation to said explanations, we have verified that the assertions contained in the Annual Corporate Governance Report do not contradict the evidence obtained from the application of the procedures described above.

Also, as regards the system of Internal Control over Financial Reporting (ICFR) (see section F of the accompanying Annual Corporate Governance Report), we verified the existence of the corresponding report issued by the Company's auditor. That report stated that the work was performed in accordance with the requirements established in International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) for the issuance of reasonable assurance reports.

**Independence and quality control**

We have complied with the independence and other Code of Ethics requirements for accounting professionals issued by the International Ethics Standards Board for Accountants (IESBA), which are based on the fundamental principles of integrity, objectivity, professional competence, due care, confidentiality, and professional behavior.

Our Firm applies the International Standard on Quality Control No 1 (ISQC 1) and therefore maintains a global system of quality control, which includes documented policies and procedures in relation to compliance with ethical requirements, professional standards and applicable legislation.

**Conclusion**

In our opinion, the content of the accompanying Annual Corporate Governance Report for the year ended December 31, 2020 of ENAGÁS, S.A. has been prepared, in all material respects, with the requirements established in article 540 of the Corporate Enterprises Act, ECC order /461/2013 of March 20, Circular 1/2020, of October 6, which amends Circular 7/2015, of December 22, which amends Circular 5/2013, of June 12, and Circular 2/2018 of June 12 of the Spanish National Securities Market Commission (CNMV).

**Other matters**

This report can under no circumstances be considered an audit report carried out in accordance with prevailing audit regulations in Spain.

ERNST & YOUNG, S.L.

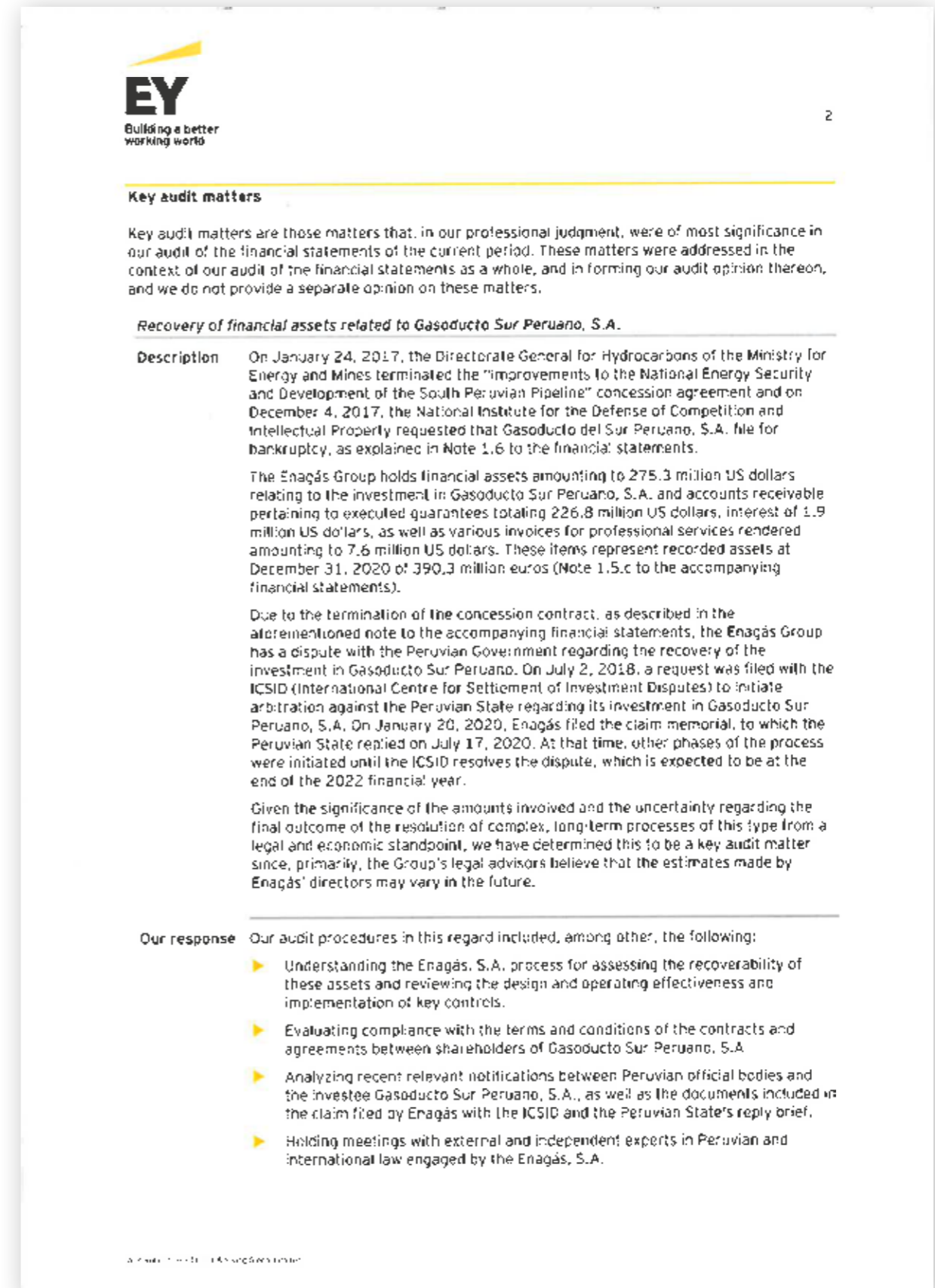
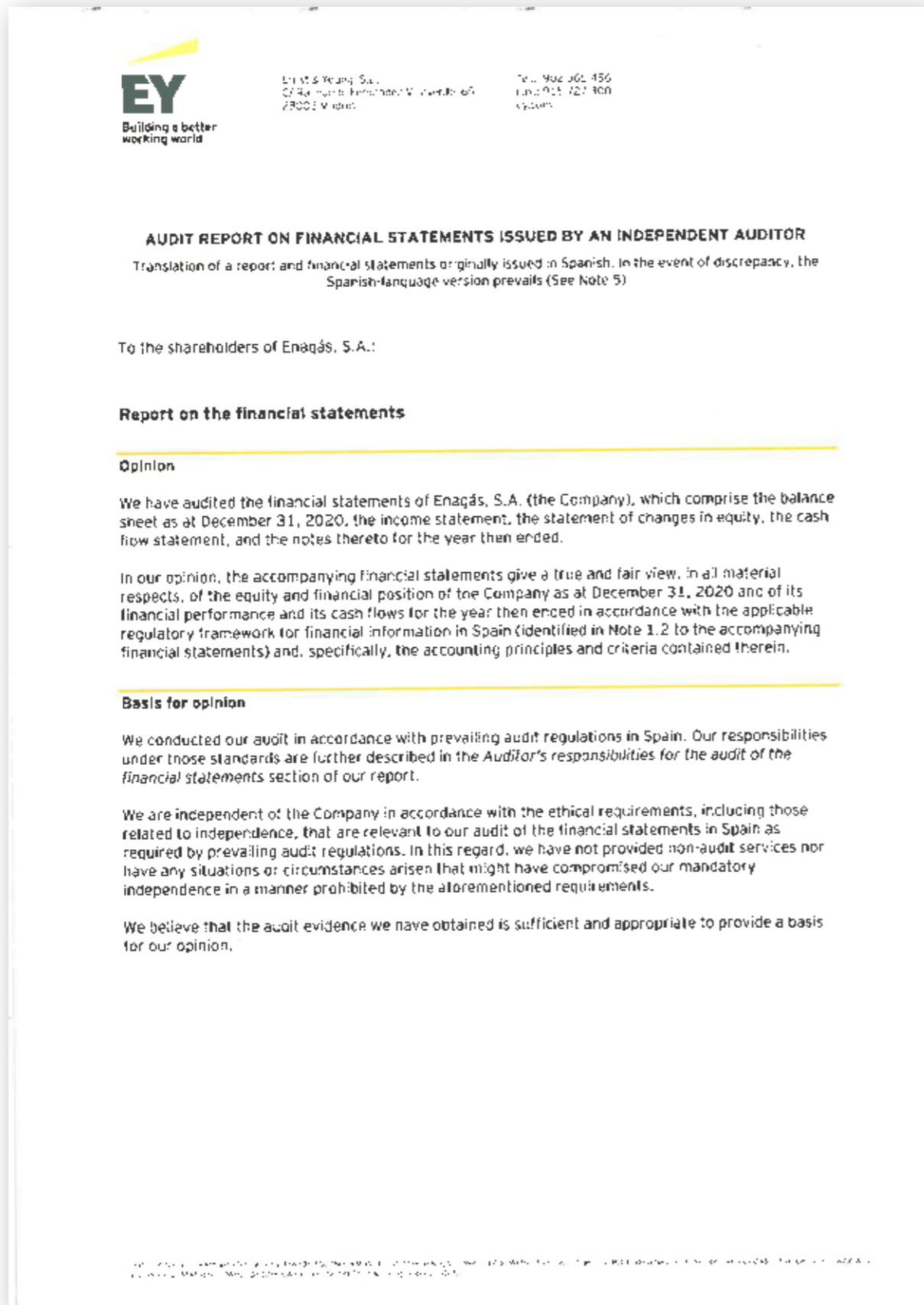
David Ruiz-Roso Moyano

February 22, 2021



# Consolidated Annual Accounts







- ▶ Reviewing the analysis reports of this matter prepared by various Peruvian and international law experts (bankruptcy, criminal and administrative law, inter alia) and the Enagás Group's internal legal consultants.
- ▶ Reviewing the Enagás Group's accounting estimate processes used to analyze the recovery of the aforementioned financial assets and the basis for the report prepared by an external accounting expert and the report prepared by an independent expert to determine the net carrying amount of these financial assets that have been included in the dispute filed with the ICSID.
- ▶ Assessing the financial asset recovery analysis prepared by Enagás Group management based on various scenarios (sensitivity analysis).
- ▶ Reviewing the disclosures included in the notes to the accompanying financial statements in conformity with the applicable financial reporting framework.

**Impairment analysis of group companies**

**Description** Enagás, S.A. makes significant estimates when analyzing the impairment of group companies, the balance of which at December 31, 2020 amounts to 5,259,016 thousand euros. The possible loss of value is determined by analyzing the recoverable value of the investment of group companies.

The principal figures and the criteria and hypotheses used in the related valuation of these assets are described in Note 1.5 of the financial statements.

We have determined these estimates and valuations to be a key audit matter since, given the amount of the assets affected, small changes in the hypotheses could have a material impact on the Enagás S.A. financial statements.

**Our response** Our audit procedures consisted, among other, the following:

- ▶ Understanding the Enagás, S.A. process for assessing the recoverability of these assets and reviewing the design and operating effectiveness and implementation of key controls.
- ▶ Reviewing, in collaboration with valuation specialists, the reasonableness of the methodology used by management for preparing the discounted cash flow statements of each investment accounted as group companies, focusing particularly on the discount rate and long-term growth rate applied.
- ▶ Analyzing the financial information projected in the business plan of each investee company by analyzing historical financial information, current market conditions, and expectations regarding their future performance.
- ▶ Checking the mathematical accuracy of impairment models and reviewing the sensitivity analysis performed by the Management.
- ▶ Reviewing the information disclosed by the Group with respect to these estimates to the accompanying financial statements in accordance with the applicable financial reporting framework.

**Other information: management report**

Other information refers exclusively to the 2020 management report, the preparation of which is the responsibility of the Company's directors and is not an integral part of the financial statements.



Our audit opinion on the financial statements does not cover the management report. Our responsibility for the management report, in conformity with prevailing audit regulations in Spain, entails:

- a. Checking only that the non-financial statement and certain information included in the Corporate Governance Report, to which the Audit Law refers, was provided as stipulated by applicable regulations and, if not, disclose this fact.
- b. Assessing and reporting on the consistency of the remaining information included in the management report with the financial statements, based on the knowledge of the entity obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to disclose this fact.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided as stipulated by applicable regulations and that the remaining information contained in the management report is consistent with that provided in the 2020 financial statements and its content and presentation are in conformity with applicable regulations.

**Responsibilities of the directors and the audit committee for the financial statements**

The directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity, financial position and results of the Company, in accordance with the regulatory framework for financial information applicable to the Company in Spain, identified in Note 1.2 to the accompanying financial statements, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee of the Company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee of the Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

**Report on other legal and regulatory requirements**

**European single electronic format**

We have examined the digital file of the European single electronic format (ESEF) of Enagás, S.A. for the 2020 financial year, consisting of an XHTML file containing the financial statements for the year, which will form part of the annual financial report.



The directors of Enagás S.A. are responsible for submitting the annual financial report for the 2020 financial year, in accordance with the formatting requirements set out in Delegated Regulation EU 2019/815 of 17 December 2018 of the European Commission (hereinafter referred to as the ESEF Regulation).

Our responsibility consists of examining the digital file prepared by the directors of the Company, in accordance with prevailing audit regulations in Spain. These standards require that we plan and perform our audit procedures to obtain reasonable assurance about whether the contents of those of the financial statements included in the aforementioned digital file correspond in their entirety to those of the financial statements that we have audited, and whether the financial statements and the aforementioned file have been formatted, in all material respects, in accordance with the ESEF Regulation.

In our opinion, the digital file examined corresponds in its entirety to the audited financial statements, which are presented, in all material respects, in accordance with the ESEF Regulation.

**Additional report to the audit committee**

The opinion expressed in this audit report is consistent with the additional report we issued to the audit committee on February 22, 2021.

**Term of engagement**

The ordinary general shareholders' meeting held on March 29, 2019 appointed us as auditors for 3 years, commencing on December 31, 2019.

ERNST & YOUNG, S.L.  
(Registered in the Official Register of Auditors under No. 50530)

David Ruiz-Roso Moyano  
(Registered in the Official Register of Auditors under No. 18336)

February 22, 2021



CONSOLIDATED MANAGEMENT REPORT

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**CONSOLIDATED ANNUAL ACCOUNTS**

ANNUAL REPORT ON DIRECTORS' REMUNERATION





# Enagás, S.A. and Subsidiaries

## CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2020

(In thousands of euros)

ASSETS	Notes	12.31.2020	12.31.2019
<b>NON-CURRENT ASSETS</b>		<b>7,786,325</b>	<b>7,446,298</b>
Intangible assets	2.5	74,591	73,671
Goodwill		23,203	25,812
Other intangible assets		51,388	47,859
Investment properties	4.1	19,020	19,610
Property, plant, and equipment	2.4	4,430,411	4,634,920
Investments accounted for using the equity method	1.6	2,658,396	2,109,450
Other non-current financial assets	3.3.a	602,541	605,766
Deferred tax assets	4.2.f	1,366	2,881
<b>CURRENT ASSETS</b>		<b>1,222,598</b>	<b>1,397,926</b>
Non-current assets held for sale		1,767	5,008
Inventories	4.8	21,368	19,683
Trade and other receivables	2.2	299,073	254,002
Current tax assets	4.2.a	23,492	6,761
Other current financial assets	3.3.a	7,475	7,928
Short-term accruals		5,768	5,559
Cash and cash equivalents	3.8.a	863,655	1,098,985
<b>TOTAL ASSETS</b>		<b>9,008,923</b>	<b>8,844,224</b>

EQUITY AND LIABILITIES	Notes	12.31.2020	12.31.2019
<b>EQUITY</b>		<b>3,006,984</b>	<b>3,168,849</b>
<b>SHAREHOLDERS' EQUITY</b>		<b>3,192,745</b>	<b>3,170,142</b>
Subscribed capital	3.1.a	392,985	392,985
Share premium	3.1.b	465,116	465,116
Reserves	3.1.d	2,074,424	2,052,150
Treasury shares	3.1.c	(12,464)	(12,464)
Profit /(loss) for the year		444,002	422,618
Interim dividend	1.8.a	(175,720)	(152,469)
Other equity instruments	4.4	4,402	2,206
<b>ADJUSTMENTS FOR CHANGES IN VALUE</b>	3.1.e	<b>(202,720)</b>	<b>(17,177)</b>
<b>MINORITY INTERESTS (EXTERNAL PARTNERS)</b>	3.2	<b>16,959</b>	<b>15,884</b>
<b>NON-CURRENT LIABILITIES</b>		<b>5,416,657</b>	<b>5,205,162</b>
Non-current provisions	2.8.a	253,891	248,264
Financial debt and non-current derivatives	3.3.b	4,961,960	4,744,257
Deferred tax liabilities	4.2.f	160,935	171,887
Other non-current liabilities	2.7	39,871	40,754
<b>CURRENT LIABILITIES</b>		<b>585,282</b>	<b>470,213</b>
Current provisions	2.8.a	2,232	1,968
Financial debt and current derivatives	3.3.b	289,104	234,109
Trade and other payables	2.3	291,772	212,393
Current tax liabilities	4.2.a	2,174	5,230
Other current liabilities	2.7	—	16,513
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,008,923</b>	<b>8,844,224</b>

The accompanying Notes 1 to 5 constitute an integral part of the Consolidated Balance Sheet at December 31, 2020.



## Consolidated income statement for the year ended december 31, 2020

(In thousands of euros)

	Notes	12.31.2020	12.31.2019
Revenue	2.1.a	1,053,604	1,153,103
Income from regulated activities		1,016,275	1,086,633
Income from non-regulated activities		37,329	66,470
Other operating income	2.1.a	30,447	29,631
Personnel expenses	2.1.b	(126,712)	(125,175)
Other operating expenses	2.1.c	(189,218)	(198,337)
Amortisation allowances	2.4 and 2.5	(269,727)	(274,506)
Impairment losses on disposal of fixed assets	2.4, 2.5 and 4.1	(7,557)	(48,316)
Result of investments accounted for using the equity method	1.6	123,737	121,002
<b>OPERATING PROFIT</b>		<b>614,574</b>	<b>657,402</b>
Financial income and similar	3.5	20,564	16,318
Financial expenses and similar	3.5	(107,521)	(133,780)
Exchange differences (net)	3.5	18,134	(1,021)
Change in fair value of financial instruments	3.5	1,144	1,114
<b>FINANCIAL RESULT</b>		<b>(67,679)</b>	<b>(117,369)</b>
<b>PROFIT /(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>546,895</b>	<b>540,033</b>
Income tax	4.2.c	(101,974)	(112,105)
<b>PROFIT /(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>444,921</b>	<b>427,928</b>
Profit attributable to minority interests	3.2	(919)	(5,310)
<b>PROFIT ATTRIBUTABLE TO THE PARENT COMPANY</b>		<b>444,002</b>	<b>422,618</b>
<b>BASIC EARNINGS PER SHARE (in euros)</b>	<b>1.7</b>	<b>1.6980</b>	<b>1.7688</b>
<b>DILUTED EARNINGS PER SHARE (in euros)</b>	<b>1.7</b>	<b>1.6980</b>	<b>1.7688</b>

The accompanying Notes 1 to 5 constitute an integral part of the Consolidated Income Statement at December 31, 2020.

## Consolidated statement of recognised income and expense at december 31, 2020

(In thousands of euros)

	Notes	12.31.2020	12.31.2019
<b>CONSOLIDATED PROFIT FOR THE YEAR</b>		<b>444,921</b>	<b>427,928</b>
Attributed to the parent company		444,002	422,618
Attributable to minority interests		919	5,310
<b>INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY</b>		<b>(197,396)</b>	<b>(28,607)</b>
From companies accounted for using the full consolidation method		43,518	(32,218)
From cash flow hedges	3.1.e	(31,762)	(32,998)
From translation differences	3.1.e	67,292	(7,442)
Tax effect	3.1.e	7,988	8,222
From companies accounted for using the equity method		(240,914)	3,611
From cash flow hedges	3.1.e	(27,016)	(19,893)
From translation differences	3.1.e	(219,334)	20,257
Tax effect	3.1.e	5,436	3,247
<b>AMOUNTS TRANSFERRED TO THE INCOME STATEMENT</b>		<b>11,853</b>	<b>7,710</b>
From companies accounted for using the full consolidation method		9,736	7,766
From cash flow hedges	3.1.e	13,181	10,905
From translation differences	3.1.e	—	(597)
Tax effect	3.1.e	(3,445)	(2,542)
From companies accounted for using the equity method		2,117	(56)
From cash flow hedges	3.1.e	3,060	(65)
Tax effect	3.1.e	(943)	9
<b>TOTAL RECOGNISED INCOME AND EXPENSES</b>		<b>259,378</b>	<b>407,031</b>
Attributed to minority interests		919	8,230
From translation differences	3.2	—	2,920
From attributable to results	3.2	919	5,310
Attributed to the parent company		258,459	398,801

The accompanying Notes 1 to 5 constitute an integral part of the Consolidated Statement of Recognised Income and Expenses at December 31, 2020.

IAS 1 requires that items to be reclassified in the Consolidated Income Statement are broken down separately from those that will not be reclassified. All of the aforementioned cases are considered susceptible to reclassification in the income statement.



## Enagás, S.A. and subsidiaries consolidated statement of total changes in equity at december 31, 2020

(In thousands of euros)

	Share capital (Note 3.1.a)	Share premium and reserves (Note 3.1.b and Note 3.1.c)	Other equity instruments (Note 4.4)	Treasury shares (Note 3.1.c)	Profit / (loss) for the year	Interim dividend (Note 1.8.a)	Adjustments for changes in value (Note 3.1.e)	Minority interests (Note 3.2)	Total Equity
<b>BALANCE AT DECEMBER 2018</b>	<b>358,101</b>	<b>2,006,066</b>	<b>6,101</b>	<b>(8,219)</b>	<b>442,626</b>	<b>(145,917)</b>	<b>6,640</b>	<b>373,973</b>	<b>3,039,371</b>
Adjustments due to initial application of new accounting standards	—	(30,621)	—	—	—	—	—	—	(30,621)
<b>BALANCE AT BEGINNING OF 2019</b>	<b>358,101</b>	<b>1,975,445</b>	<b>6,101</b>	<b>(8,219)</b>	<b>442,626</b>	<b>(145,917)</b>	<b>6,640</b>	<b>373,973</b>	<b>3,008,750</b>
<b>Total recognised income and expenses</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>422,618</b>	<b>—</b>	<b>(23,817)</b>	<b>8,230</b>	<b>407,031</b>
<b>Transactions with shareholders</b>	<b>34,884</b>	<b>465,116</b>	<b>—</b>	<b>—</b>	<b>(218,697)</b>	<b>(152,469)</b>	<b>—</b>	<b>(836)</b>	<b>127,998</b>
Capital increases	34,884	465,116	—	—	—	—	—	—	500,000
Distribution of dividends	—	—	—	—	(218,697)	(152,469)	—	(836)	(372,002)
<b>Transactions with treasury shares</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(9,876)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(9,876)</b>
<b>Other changes in equity</b>	<b>—</b>	<b>76,705</b>	<b>(3,895)</b>	<b>5,631</b>	<b>(223,929)</b>	<b>145,917</b>	<b>—</b>	<b>(365,483)</b>	<b>(365,054)</b>
Payments based on equity instruments	—	471	(3,895)	5,631	—	—	—	—	2,207
Transfers between equity items	—	78,012	—	—	(223,929)	145,917	—	—	—
Differences due to changes in consolidation scope	—	—	—	—	—	—	—	(365,483)	(365,483)
Cost of capital increase	—	(1,331)	—	—	—	—	—	—	(1,331)
Other changes	—	(447)	—	—	—	—	—	—	(447)
<b>BALANCE AT DECEMBER 2019 AND AT THE BEGINNING OF 2020</b>	<b>392,985</b>	<b>2,517,266</b>	<b>2,206</b>	<b>(12,464)</b>	<b>422,618</b>	<b>(152,469)</b>	<b>(17,177)</b>	<b>15,884</b>	<b>3,168,849</b>
<b>Total recognised income and expenses</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>444,002</b>	<b>—</b>	<b>(185,543)</b>	<b>919</b>	<b>259,378</b>
<b>Transactions with shareholders</b>	<b>—</b>	<b>(7,742)</b>	<b>—</b>	<b>—</b>	<b>(243,287)</b>	<b>(175,720)</b>	<b>—</b>	<b>(2,035)</b>	<b>(428,784)</b>
Distribution of dividends	—	(7,742)	—	—	(243,287)	(175,720)	—	(2,035)	(428,784)
<b>Transactions with treasury shares</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Other changes in equity</b>	<b>—</b>	<b>30,016</b>	<b>2,196</b>	<b>—</b>	<b>(179,331)</b>	<b>152,469</b>	<b>—</b>	<b>2,191</b>	<b>7,541</b>
Payments based on equity instruments	—	—	2,196	—	—	—	—	—	2,196
Transfers between equity items	—	26,862	—	—	(179,331)	152,469	—	—	—
Differences due to changes in consolidation scope	—	492	—	—	—	—	—	231	723
Other changes	—	2,662	—	—	—	—	—	1,960	4,622
<b>BALANCE AT DECEMBER 31, 2020</b>	<b>392,985</b>	<b>2,539,540</b>	<b>4,402</b>	<b>(12,464)</b>	<b>444,002</b>	<b>(175,720)</b>	<b>(202,720)</b>	<b>16,959</b>	<b>3,006,984</b>

The accompanying Notes 1 to 5 constitute an integral part of the Consolidated Statement of Total Changes in Equity at December 31, 2020.

## Consolidated cash flow statement at december 31, 2020

(In thousands of euros)

	Notes	12.31.2020	12.31.2019
<b>CONSOLIDATED PROFIT BEFORE TAX</b>		<b>546,895</b>	<b>540,033</b>
<b>Adjustments to consolidated profit</b>		<b>209,821</b>	<b>301,618</b>
Amortisation of fixed assets	2.4 y 2.5	269,727	274,506
Other adjustments to profit		(59,906)	27,112
<b>Change in operating working capital</b>		<b>39,359</b>	<b>124,963</b>
Inventories		(1,687)	(1,409)
Trade and other receivables		(37,227)	103,478
Other current assets and liabilities		66,459	21,323
Other non-current assets and liabilities		11,763	27,507
Trade and other payables		51	(25,936)
<b>Other cash flows from operating activities</b>		<b>(186,545)</b>	<b>(204,713)</b>
Interest paid		(96,729)	(119,302)
Interest received		14,964	18,967
Income tax receipts (payments)	4.2.c	(104,780)	(101,665)
Other receipts /(payments)		—	(2,713)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>609,530</b>	<b>761,901</b>
<b>Payments for investments</b>		<b>(867,938)</b>	<b>(783,262)</b>
Subsidiaries and associates	1.6	(785,235)	(727,457)
Fixed assets and real estate investments	2.4 y 2.5	(58,601)	(44,912)
Other financial assets		(24,102)	(10,893)
<b>Proceeds from disposals</b>		<b>8,732</b>	<b>77,042</b>
Subsidiaries and associates		5,422	77,042
Non-current assets held for sale		3,310	—
<b>Other cash flows from investing activities</b>		<b>117,232</b>	<b>119,404</b>
Other receipts (payments) from investing activities	1.6	117,232	119,404
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(741,974)</b>	<b>(586,816)</b>
<b>Proceeds from and payments on equity instruments</b>		<b>—</b>	<b>492,206</b>
Acquisition of equity instruments	3.1.c	—	(7,794)
Issue of equity instruments	3.1.a and 3.1.b	—	500,000
<b>Proceeds from and payments on financial liabilities</b>		<b>362,986</b>	<b>5,844</b>
Issues	3.8.c	6,570,607	5,797,128
Repayment and amortisation	3.8.c	(6,207,621)	(5,791,284)
<b>Other cash flows from investing activities</b>		<b>(37,770)</b>	<b>(33,518)</b>
Other receipts (payments) from financing activities	3.4	(37,770)	(33,518)
<b>Dividends paid</b>	1.8.a	<b>(427,583)</b>	<b>(371,919)</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(102,367)</b>	<b>92,613</b>
<b>EFFECT OF CHANGES IN CONSOLIDATION METHOD</b>		<b>—</b>	<b>(347,050)</b>
Effect of exchange rate fluctuations		(519)	6,794
<b>TOTAL NET CASH FLOWS</b>		<b>(235,330)</b>	<b>(72,558)</b>
Cash and cash equivalents at beginning of period		1,098,985	1,171,543
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>3.8.a</b>	<b>863,655</b>	<b>1,098,985</b>

The accompanying Notes 1 to 5 constitute an integral part of the Consolidated Cash Flow Statement at December 31, 2020.



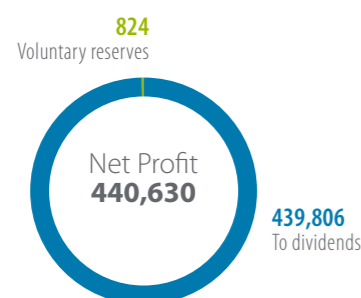


# 1 Group activities and presentation bases

## Relevant aspects

### Results

- › The net profit attributed to the parent company amounted to 444,002 thousands of euros (Note 1.7).
- › Basic earnings per share and diluted earnings per share at December 31, 2020 were the same and amounted to 1.6980 euros per share. At December 31, 2019, basic earnings per share amounted to 1.7688 euros, which coincided with diluted earnings per share (Note 1.7).
- › The proposed dividend payment per share for 2020 amounts to 1.68 euros per share (1.60 euros per share in 2019) (Note 1.8).
- › The Board of Directors has proposed the following appropriation of net profit corresponding to 2020 for the Parent company, Enagás, S.A. (Note 1.8.a):



### Covid-19

- › During 2020, both Enagás and its Group companies implemented contingency plans following the start of the Covid-19 pandemic to ensure normal operation and continuity of natural gas supply both in Spain and in the countries where these companies operate.

- › The Group's main activity is conducted within a stable regulatory framework and no effects have been identified as a result of Covid-19 that could cause equity losses for the Group in the consolidated annual accounts 2020.
- › Similarly, as a result of this situation at international level and the global evolution of the Oil & Gas market indices, the income of the international companies in which Enagás has a stake has not been significantly affected.
- › As a result of Covid-19, there were no significant equity effects, as detailed in Note 1.11.

### Working capital

At December 31, 2020 the Consolidated Balance Sheet presents a positive working capital of 637,316 thousands of euros (927,713 thousands of euros at December 31, 2019).

### Other information

- › The Enagás Group invested a net sum of 859,206 thousands of euros during 2020. The most noteworthy transactions are the following:
  - › On April 17, 2020, the "Take Private" process of Tallgrass Energy, L.P. was completed, as a result of which Enagás now holds 30.2% of the group's share capital, following the disbursement of 836,300 thousands of dollars (762,839 thousands of euros) in the consortium in which it was participating with Blackstone and GIC (Note 1.5).
  - › Investments were made in regasification, transmission and storage facilities, with the aim of expanding and improving them to adapt to future demand forecasts amounting to 58,601 thousands of euros.
  - › Capital contributions in Trans Adriatic Pipeline (hereinafter TAP) amounting to 11,743 thousands of euros (Note 1.6). This project began to operate commercially in November 2020.

## 1.1 Group activity

Enagás, S.A. (hereinafter the Company or the Parent Company), a company incorporated in Spain on July 13, 1972 in accordance with the Spanish Corporate Enterprises Act, is the head of a group of companies (Appendix I and II) that form the Enagás Group (hereinafter the Group or the Enagás Group) and which are engaged in the transmission, storage and regasification of natural gas, as well as the development of all functions related to the technical management of the gas system.

### a) Corporate purpose

- Regasification, basic and secondary transmission as well as storage of natural gas, via the corresponding gas infrastructure or facilities, of its own or of third parties, and also the performance of auxiliary activities or others related to the aforementioned activities.
- Design, construction, start up, exploitation, operation, and maintenance of all types of complementary gas infrastructure and facilities, including telecommunications networks, remote control and control of any nature, and electricity networks, whether its own or of third parties.
- Development of all functions relating to technical management of the gas system.
- Transmission and storage activities for carbon dioxide, hydrogen, biogas, and other energy-related fluids, via the corresponding facilities, of its own or of third parties, as well as the design, construction, start up, exploitation, operation, and maintenance of all types of complementary infrastructure and installations necessary for said activities.
- Activities for making use of heat, cold, and energies associated with its main activities or arising from them.
- Rendering of services of a diverse nature, among them, engineering, construction, advisory, and consultancy services in connection with the activities relating to its corporate purpose as well as participation in natural gas markets management activities to the extent they are compatible with the activities permitted for the Company by law.

The above activities can be carried out by Enagás, S.A. itself or through companies with an identical or analogous corporate purpose in which it holds interest, provided they remain within the scope and limitations established by legislation applicable to the hydrocarbons sector. In accordance with said legislation, the activities related to transmission and technical management of the system which are of a regulated nature must be carried out by two subsidiaries entirely owned by Enagás, S.A. (Enagás Transporte, S.A.U. and Enagás GTS, S.A.U., respectively). Consequently, the corporate purpose includes:

- Management of the corporate group comprised of the interest held in share capital of companies belonging to the group.
- Rendering of assistance or support services to affiliates, including the provision of appropriate guarantees and reinforcement for them.

### b) Other information

Its registered address is located at Paseo de los Olmos, 19, 28005, Madrid. At its website [www.enagas.es](http://www.enagas.es) and at its registered address, its Articles of Association and other public information on the Company and its Group can be consulted. The name of the Parent Company has not changed with respect to the previous year.

## 1.2 Basis of presentation

The Consolidated Annual Accounts of the Enagás Group for 2020 were prepared based on the accounting records of the Parent Company and remaining entities comprising the Group, in accordance with International Financial Reporting Standards (hereinafter "IFRS") as adopted by the European Union, in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council.

The Consolidated Annual Accounts have been prepared applying all mandatory accounting principles, standards, and measurement criteria in order to give a true and fair view of the equity and financial position of the Group at December 31, 2020, as well as of the results of its operations, changes in equity, cash flows, and changes in recognised income and expenses, which have arisen in the Group for the year then ended.



The Consolidated Annual Accounts of the Enagás Group for 2020 were authorised for issue by the directors at their Board meeting held on February 22, 2021. The Consolidated Annual Accounts for 2019 were approved by the shareholders of Enagás, S.A. at the General Shareholders' Meeting held on June 30, 2020 and were subsequently filed at the Madrid Mercantile Registry. The Group's Consolidated Annual Accounts and those of each entity belonging to the Group, corresponding to financial year 2020, are pending approval at their respective Ordinary General Shareholders' Meeting. It is expected that they will be approved without modification.

These Consolidated Annual Accounts are presented in thousands of euros (unless otherwise stated).

### COVID-19

Following the recommendations of the European Securities and Markets Authorities (ESMA) regarding the economic situation brought about by Covid-19, specifically the recommendations issued on October 28, 2020 and May 20, 2020, it should be noted that this situation has not led to any change in the accounting policies of the Enagás Group with respect to those applied in previous financial years.

In order to comply with these recommendations, [Note 1.11](#) below summarises the main aspects of this situation considered by the Enagás Group in relation to the consolidated financial statements of December 31, 2020.

### a) Materiality criteria

The accompanying Consolidated Annual Accounts do not include the information or disclosures which the Group did not consider of material significance or important relative to the concept of materiality as defined in the conceptual framework of IFRS, taking into account the Consolidated Annual Accounts as a whole.

### b) Comparison of information

The information included in these consolidated notes relating to 2019 is presented solely and exclusively for purposes of comparison with the information relating to 2020.

## 1.3 Consolidation principles

The Consolidated Financial Statements include the financial statements of the Parent Company, Enagás, S.A., and its subsidiaries, associates, jointly controlled operations and joint ventures at December 31, 2020.

Subsidiaries are considered to be those entities with respect to which the Enagás Group fulfils the following criteria:

- ▶ The capacity to use its interest to influence the amount of revenue to be obtained from said subsidiary.
- ▶ The Group has power over the affiliate, in so far as a company has rights which permit it to direct relevant activities, understood as those which significantly affect the revenue generated by the subsidiary.
- ▶ It maintains exposure or the right to variable revenue arising from its involvement in the subsidiary.

Subsidiaries are consolidated using the full consolidation method.

The share of minority shareholders in the equity and profit of consolidated subsidiaries of the Enagás Group is recognised in "Minority interests (External partners)" under "Equity" in the Consolidated Balance Sheet and "Profit/(loss) attributable to minority interests" in the Consolidated Income Statement, respectively. Subsidiaries are consolidated starting on the acquisition date, i.e., the date on which the Group obtains control, and they continue to be consolidated until such control is lost.

The financial statements of subsidiaries are prepared for the same reporting period as those of the Parent. With respect to the joint agreements, that is, those by virtue of which the Enagás Group maintains joint control with one or more other partners, a distinction is made between joint operations and joint ventures. Joint control is understood as control shared by virtue of a contractual agreement which requires unanimous consent from all involved parties for decision-making regarding relevant activities.

Thus, joint operations are considered to be those in which, based on a contractual arrangement, a company enjoys the rights to assets and assumes obligations with respect to liabilities. The interest held in joint operations is consolidated using the proportionate consolidation method.

In addition, joint ventures are considered to be those in which, based on a contractual arrangement, a company exercises rights with respect to the net assets of the joint venture. Shareholdings in joint ventures are consolidated using the equity method. In those cases in which the Enagás Group acquires control over companies previously considered as joint ventures, a new estimate is made for the fair value of the interest held previously in equity at the acquisition date, recognising income or losses in the Consolidated Income Statement for the reporting period. Furthermore, associates

are considered to be those entities over which the Enagás Group holds significant influence, that is, the power to intervene in decision-making regarding financial policies and operational matters, without attaining full control or joint control. The interest held in associates is consolidated using the equity method.

If appropriate, adjustments are made to the financial statements of subsidiaries, affiliates, joint ventures, and joint operations in order to unify their accounting policies with those of the Enagás Group.

### a) Consolidation methods

Consolidation method/Company	Functional currency
<b>Full consolidation</b>	
Enagás Transporte, S.A.U.	Euro
Enagás GTS, S.A.U.	Euro
Enagás Internacional, S.L.U.	US dollar
Enagás Financiaciones, S.A.U.	Euro
Enagás U.S.A., L.L.C.	US dollar
Enagás Perú, S.A.C.	US dollar
Enagás México, S.A. de C.V.	US dollar
Enagás Emprende, S.L.U.	Euro
Enagás Chile, Spa.	US dollar
Enagás Transporte del Norte, S.L. <sup>(1)</sup>	Euro
Infraestructuras del Gas, S.A. <sup>(1)</sup>	Euro
Enagás Holding USA, S.L.U.	US dollar
Roblasun 1 S.L.U.	Euro
Roblasun 2 S.L.U.	Euro
Roblasun 3 S.L.U.	Euro
Roblasun 4 S.L.U.	Euro
Roblasun 5 S.L.U.	Euro
Roblasun 6 S.L.U.	Euro
Cierzosun 1 S.L.U.	Euro
Cierzosun 2 S.L.U.	Euro
Cierzosun 3 S.L.U.	Euro
Cierzosun 4 S.L.U.	Euro
Windmusel 1 S.L.U.	Euro
Windmusel 2 S.L.U.	Euro
Windmusel 3 S.L.U.	Euro
Enagás Renewable, S.L.U.	Euro

Consolidation method/Company	Functional currency
Efficiency for LNG Aplicaciones, S.L. <sup>(1)</sup>	Euro
Hydrogen to Gas, S.L. <sup>(1)</sup>	Euro
Enagás Services Solutions, S.L.	Euro
Sercomgas Solutions, S.L. <sup>(1)</sup>	Euro
Bioengas Renovables, S.L. <sup>(1)</sup>	Euro
Smart Energy Assets, S.L. <sup>(1)</sup>	Euro
Scale Gas Solutions, S.L.	Euro
H2Greem Global Solutions, S.L.	Euro
<b>Proportional integration (joint operations)</b>	
Gasoducto Al-Ándalus, S.A.	Euro
Gasoducto Extremadura, S.A.	Euro
<b>Equity method</b>	
Morelos EPC, S.A.P.I. de C.V.,	US dollar
Gasoducto de Morelos, S.A.P.I. de C.V.	US dollar
Morelos O&M, S.A.P.I. de C.V.	US dollar
Estación de Compresión Soto La Marina, S.A.P.I. de C.V.	US dollar
Estación de Compresión Soto La Marina O&M, S.A.P.I. de C.V.	US dollar
Compañía Operadora de Gas del Amazonas, S.A.C.	Peruvian Nuevo Sol
Bahía de Bizkaia Gas, S.L.	Euro
Trans Adriatic Pipeline AG	Euro
Terminal de LNG de Altamira, S. de R.L. de C.V.	US dollar
Transportadora de Gas del Perú, S.A.	US dollar
Planta de Regasificación de Sagunto, S.A.	Euro
Iniciativas del Gas, S.L.	Euro
Mibgas	Euro
Tallgrass Energy L.P.	US dollar
Gas to Move Transport Solutions, S.L.	Euro
Tecgas, Inc.	US dollar
Mibgas Derivatives, S.A.	Euro
Senfluga Energy Infraestructure	Euro



## Consolidation method/Company

## Functional currency

Hellenic Gas Transmission System Operator, S.A.	Euro
Seab Power Ltd.	Sterling pound
Vira Gas Imaging, S.L.	Euro
GNL Quintero, S.A.	US dollar
Senfluga 2, S.R.L.	Euro
Alantra Energy Transition, S.A.	Euro
UNUE Gas Renovable, S.L.	Euro
Knutsen Scale Gas, S.L.	Euro
Green Ports Project, S.L.	Euro
Solatom CSP, S.L.	Euro
Axent Infraestructuras de Telecomunicaciones, S.A.	Euro

(1) For these companies the Enagás Group recognises interest corresponding to minority interests under "Minority interests (External partners)" in Equity in the Consolidated Balance Sheet at December 31, 2020.

## b) Consolidation process

Consolidation of the Enagás Group was carried out in accordance with the following process:

- i. Transactions between companies included in the consolidation scope. All balances, transactions, and results between companies consolidated under the full consolidation method were eliminated upon consolidation. For joint operations, the balances, transactions and results of operations with other Group companies were eliminated in the proportion at which they were consolidated. With respect to gains and losses generated through operations among Group companies and companies consolidated under the equity method, the percentage of interest held by the Group in the latter was eliminated.
- ii. Harmonisation of criteria. For affiliates which apply different accounting and measurement criteria to those of the Group, the consolidation process included the corresponding adjustments, provided the effect was significant, with a view to presenting the Consolidated Financial Statements based on harmonised measurement standards.
- iii. Translation of Financial Statements denominated in foreign currency. The translation to euros of the Financial Statements of the aforementioned companies in the Enagás Group consolidation process was carried out in accordance with the following procedures:

- ▶ Assets and liabilities of each corresponding balance sheet denominated in foreign currency are translated at the spot rate prevailing at the balance sheet date.
- ▶ Income and expense items making up each income statement heading are translated at the average exchange rate for the year in which the related transactions are carried out.
- ▶ Exchange gains (losses) arising as a result of net assets are recognised as a separate component of equity under "Adjustments for changes in value" and in the income statement under "Translation differences."

When disposing of a company whose functional currency is not the euro; or when disposals are carried out as a result of losing control; or result from business combinations with respect to previously held interest, translation differences recognised as a component of equity relating to said investment are recognised in the Consolidated Income Statement as soon as the effect arising from said disposal is recognised.

The exchange rates of the main currencies used by Group companies with respect to the euro in 2020 and 2019 are shown below:

Currency	Average exchange rate applicable to the headings of the income statement	Exchange rate applicable to the balance sheet headings <sup>(1)</sup>
<b>2020</b>		
US dollar	1.14155	1.222
Peruvian Nuevo Sol	3.95629	4.39215
Sterling pound	0.88937	0.89475
<b>2019</b>		
US dollar	1.11963	1.12247
Peruvian Nuevo Sol	3.71821	3.67891
Sterling pound	0.87732	0.84693

(1) Equity excluded.

The effect on the main headings of the Group's Consolidated Financial Statements of applying the translation process to the net assets of companies consolidated using the full consolidation method and whose functional currency is the US dollar is as follows:

	Consolidated total	Contribution of companies using the euro as functional currency	Contribution of companies using the US dollar as functional currency	Amount in US dollars
<b>2020</b>				
Fixed assets and investment properties	4,524,022	4,523,874	148	181
Other non-current financial assets	602,541	579,875	22,666	27,698
Trade and other receivables	299,073	298,885	188	230
Other current financial assets	7,475	7,475	—	—
Cash and cash equivalents	863,655	690,183	173,472	211,983
Financial debt and non-current derivatives	4,961,960	4,503,543	458,417	560,186
Financial debt and current derivatives	289,104	227,396	61,708	75,407
Trade and other payables	291,772	289,427	2,345	2,866

- iv. Elimination of dividends. Internal dividends are considered to be those a Group company recognises as income for the year and that have been distributed by another Group company.



During the consolidation process, dividends received by subsidiaries and joint operations are eliminated by considering them to be reserves of the recipient company, which consequently recognises them under "Reserves". In the case of minority interests in companies consolidated using the full consolidation method, the amount of the dividend corresponding to said minority interests is eliminated from the consolidated equity heading "Minority interests (External partners)".

v. Equity method. The investment is initially recognised at cost and subsequently adjusted by the share corresponding to the investor of the changes in net assets of the affiliate. In addition, dividends received are accounted for as a lower amount under "Investments accounted for using the equity method".

Also, when the associate or joint venture is acquired, any difference between the cost of the investment and the share of the net fair value of the identifiable assets and liabilities of the associate or joint venture is accounted for as follows:

- ▶ The capital gain related to these companies or joint ventures is included in the carrying amount of the investment. This capital gain cannot be amortised.
- ▶ Any excess of the share of the net fair value of the identifiable assets and liabilities over the cost of the investment is included as income to determine the share of profit or loss of the associate or joint venture in the period in which the investment is acquired.

The consolidated profit for the year includes participation in the results of the affiliates under "Results of investments accounted for using the equity method" in the accompanying Consolidated Income Statement. If the participation in losses of an associate or joint venture equals or exceeds participation in said entities, the loss will no longer be recognised under additional losses. Once interest in an entity is reduced to zero, the additional losses will be maintained and a liability will only be recognised to the extent the corresponding entity incurred legal or implicit obligations or made a payment on behalf of an associate or joint venture. If the associate or joint venture subsequently reports profits, the entity will once again recognise its interest only after its participation in said profits equals its participation in unrecognised losses

## 1.4 Estimates and accounting judgements used

In the Group's Consolidated Annual Accounts for 2020, estimates and judgements were made by the Senior Management of the Group and of the consolidated companies, subsequently ratified by the Directors, in order to quantify certain assets, liabilities, income, expenses, and commitments reported herein. These estimates and judgements basically relate to:

- ▶ The useful life of PP&E assets (Note 2.4).
- ▶ Provisions for dismantling/abandonment costs, other provisions and contingent liabilities (Note 2.8).
- ▶ The measurement of non-financial assets to determine the possible existence of impairment losses (Note 2.6).
- ▶ The recognition of investments accounted for using the equity method (Note 1.6).
- ▶ The fair value of financial instruments and financial assets (Notes 3.3 and 3.6).
- ▶ Impairment losses on financial assets measured at amortised cost (Notes 2.2 and 3.3).
- ▶ The calculation of income tax and deferred tax assets (Note 4.2).
- ▶ The fair value of equity instruments granted under the Long-Term Incentive Plan (ILP) (Note 3.1.c).
- ▶ Assumptions on the maturity of lease contracts in application of IFRS 16 (Note 2.4.b).
- ▶ Determination of the expected loss associated with receivables (Note 2.2).

Although these estimates were made on the basis of the best information available at December 31, 2020, future events may require these estimates to be modified in the coming years (upwards or downwards). In accordance with IAS 8, this would be done prospectively, recognising the effects of any change of estimate in the Consolidated Income Statement.

## 1.5 Changes in the consolidation scope

The following changes in the consolidation scope of the Enagás Group occurred during 2020:

Entity	Amount (thousands)		Stake percentage		Description / Type of control
	In local currency	In euros	At 12.31.2020	Previous	
Prairie Group // Tallgrass Energy LP <sup>(1)</sup>	836,300	762,839	30.2%	28.4% // 12.6%	Additional acquisition of an ownership interest in this corporate structure, which involves no change in the significant influence that the Enagás Group has in this investment, and the investment was accounted for using the equity method (see explanation below).
Unue Gas Renovable, S.L.	1,060	1,060	49%		Incorporation of this company in which the Enagás Group holds a 49% stake. This affiliate will be accounted for using the equity method.
Senfluga, S.R.L.	(3,688)	(3,310)	18%	20%	Disposal of 2% of the interest in Senfluga, S.R.L. No change in the situation of significant influence.
Gas to Move Transport Solutions, S.L.	197	197	78.3%	74.8%	Acquisition of a 3.5% stake by Enagás Emprede, S.L.U. in the company. The situation remains that based on the shareholders' agreements, given that reinforced majorities are required for important decisions, both financial and operational, the equity method continues to be applied.
H2GREEM Global Solutions, S.L.	175	175	99.5%	-	Incorporation of the company by Enagás Emprede, S.L.U. The corporate purpose is to promote the development, manufacture and marketing of hydrogen generators by electrolysis.
KNUTSEN SCALE GAS S.L.	502	502	50%	-	Subscription of the company's capital increase and integration through the equity method.
Senfluga 2, S.R.L.	27	25	40%	-	Incorporation of the company and integration through the equity method.
Terminal de Valparaíso, SpA	-	-	-	100%	Dissolution of the company with no impact on the consolidated balance sheet or income statement.

(1) Prairie Group includes the Enagás Group's stake in the various vehicles set up with the other members of the consortium for the investment in Tallgrass Energy LP, the structure of which has been simplified as follows.



### Tallgrass Energy LP (“Tallgrass”)

On April 17, 2020, Enagás, together with Blackstone Infrastructure, GIC, NPS, USS and other partners, completed the “Take Private” process of TGE launched on December 16, 2019, once this process had been approved by the General Shareholders’ Meeting of TGE and other conditions usual in this type of process had been obtained. With the completion of this agreement, both Enagás and its partners have acquired TGE’s listed class “A” shares, of which they were not yet owners. Upon completion of this acquisition, TGE was delisted from the New York Stock Exchange.

Thus, Enagás has increased its stake to 30.2% of TGE, through the disbursement of 836,300 thousands of dollars (762,839 thousands of euros at the time of the transaction) in the intermediate corporate structure (“Prairie Group”) through which the aforementioned Partners carried out their acquisition.

In connection with this process, the intermediate corporate structure has been simplified, and the Enagás Group is now a direct shareholder of TGE, through Enagás USA, LLC and Enagás Holding USA, SLU. This simplification process had no effect on the Enagás Group’s balance sheet or income statement at 2020 year-end.

### Unue Gas Renewable, S.L.

In September 2020 the Enagás Group set up Unue Gas Renovables, S.L. together with another partner, in which it holds a 49% stake. As there is a system of decisions to be taken jointly with the other partner, this holding is now accounted for using the equity method.

The corporate purpose of this company is the construction of a biogas plant to produce and inject approximately 20 GWh of biomethane per year. This gas is obtained through the anaerobic decomposition of biodegradable organic waste previously treated by means of “upgrading” (technological refining process).

### Senfluga, S.R.L.

On January 13, 2020, once the conditions precedent had been met, the transaction whereby Damco Energy, S.A. became a shareholder of Senfluga Energy Infrastructure Holdings, S.A. with a 10% stake, 2% of which was acquired from Enagás for 3,310 thousands of euros, was completed and at the end of 2019 it was recognised under “Non-Current Assets Held for Sale”. At 2020 year-end, there were no significant effects on the income statement from this transaction.

### Knutsen Scale Gas, S.L.

On August 7, 2020, through a capital increase, the Enagás Group subscribed to 50% of Knutsen through Scale Gas Solutions, S.L. for 502 thousands of euros. As there is a system of decisions to be taken jointly with the TSII partner, this stake is accounted for using the equity method. The corporate purpose of this company is to carry out LNG supply activities in Spanish ports.

### Terminal de Valparaíso, SpA

On August 5, 2020, Terminal de Valparaíso SpA was dissolved after the expiration of its corporate purpose. All the company’s assets and liabilities at that date were included in the financial statements of its sole shareholder Enagás Chile SpA, with no impact on the consolidated balance sheet or income statement at the end of 2020.

## 1.6 Investments accounted for using the equity method

### Accounting policies

- ▶ The Group assesses the existence of joint agreements as well as significant influence with respect to associates, taking into account the shareholder agreements which require a scheme of increased majorities for taking relevant decisions.
- ▶ In order to classify the joint agreements among joint ventures and joint operations, the Group assesses the rights and obligations of the involved parties as well as the remaining circumstances stipulated in said agreements.

### Significant estimates and judgements

- ▶ At year-end, or when there are indications of impairment, the Group analyses the recoverable amounts of investments accounted for under the equity method to determine the possibility of impairment.
- ▶ As the corresponding 12-month deadline subsequent to acquisition has not yet elapsed, established under IFRS 3, the accounting for the acquisition of a stake and the allocation of the price of Tallgrass for the operation described in Note 1.5 is currently being reviewed, though no significant changes are expected. In addition, the final allocation of the purchase price for the 12.6% stake acquired in 2019 was recorded in 2020, with no significant changes compared to December 31, 2019.

Opening balance	New acquisitions/Increases <sup>(1)</sup>	Change in consolidation method	Dividends	Profit/(loss) for the year	Translation differences	Hedging transactions	Exits from the perimeter/Decreases	Other adjustments <sup>(2)</sup>	Balance at year-end
<b>2020</b>									
2,109,450	781,339	-	(119,741)	123,737	(219,334)	(19,463)	(1,959)	4,367	2,658,396
<b>2019</b>									
1,028,555	742,141	362,981	(125,710)	121,002	20,256	(16,701)	(11,569)	(11,505)	2,109,450

(1) “New acquisitions” in 2020 mainly includes the amount for the additional acquisition of the stake in Tallgrass Energy, in the amount of 762,839 thousands of euros (Note 1.5) as well as contributions to TAP in the amount of 11,743 thousands of euros.

The dividends approved during the 2020 and 2019 financial years were as follows:

	2020	2019
TgP	59,471	59,798
Saggas	18,850	25,883
GNL Quintero	25,276	22,436
BBG	9,500	12,500
Grupo Altamira	1,567	2,359
Morelos EPC	-	1,470
Senfluga	3,649	-
Other entities	1,428	1,264
<b>TOTAL</b>	<b>119,741</b>	<b>125,710</b>

Appendix II to these consolidated annual accounts provides disclosure on data relating to joint ventures, joint operations, and associates of the Enagás Group at December 31, 2020 and December 31, 2019.

The recoverable amount of investments in associates or business combinations is evaluated for each associate or business combination, unless the associate or business combination does not generate cash flows for continuous use which are largely independent of the cash flows arising from other Group assets. Note 2.6 details how the recoverable amount is estimated.

With respect to the impairment analysis for affiliates, the discount rate applied (cost of equity) in 2020 ranged from 5-9%, depending on the country (5-8% in 2019). Considering that all the affiliates have been operating normally during 2020 (see Note 1.11), the sensitivity analysis of the discount rate has been performed using a range of +0.5% and -0.5%. No significant associated risks have arisen from this analysis. Thus, the Group management considers that, within the specified ranges, there would be no changes in the impairment calculation.

## 1.7 Earnings per share

	2020	2019	Change
Net result of the financial year attributed to the parent company (thousands of euros)	444,002	422,618	5.1 %
Weighted average number of shares outstanding (thousands of shares)	261,488	238,928	9.4 %
<b>Basic earnings per share (in euros)</b>	<b>1.6980</b>	<b>1.7688</b>	<b>-4.0 %</b>
<b>Diluted earnings per share (in euros)</b>	<b>1.6980</b>	<b>1.7688</b>	<b>-4.0%</b>

As there are no potential ordinary shares at December 31, 2020 and December 31, 2019, the basic earnings and the diluted earnings per share are the same.

For the calculation of the weighted average number of shares in circulation for the 2019 financial year, both the shares delivered under the previous ILP 2016-2018; the shares acquired related to the new ILP 2019-2021; and the new shares in circulation that were issued in the capital increase explained in Note 3.1.c, were considered for the days that they were effectively in circulation during 2019.

During financial year 2020, there were no transactions involving treasury shares.



## 1.8 Dividends distributed and proposed

### a) Proposed distribution of profit attributable to the parent

The appropriation of 2020 profit corresponding to the parent Enagás, S.A. proposed by the Board of Directors and which will be submitted for approval by the General Shareholders' Meeting is as follows (in thousands of euros):

	2020
<b>Dividends</b>	439,806
<b>Voluntary reserves</b>	824
<b>TOTAL</b>	<b>440,630</b>

The dividend is subject to approval by the ordinary General Shareholders' Meeting and is not included as a liability in these Annual Accounts. Thus, this gross complementary dividend will total up to a maximum amount of 264,086 thousands of euros.

At a meeting held on November 23, 2020, the Board of Directors of Enagás, S.A. agreed to distribute an interim dividend charged against 2020 profit, based on the necessary liquidity statement, expressed in thousands of euros, amounting to 175,720 thousands of euros (0.672 euros gross per share), in accordance with Article 277 of the Spanish Corporate Enterprises Act.

The aforementioned interim dividend was paid on December 23, 2020.

The provisional accounting records prepared by the parent of the Group, in accordance with legal requirements and which presented balances sufficient for the distribution of the interim dividend in 2020, were as follows:

### Provisional accounting statement at October 31, 2020

Net accounting result	15,750
10% legal reserve	0
Interim dividend received from Group companies	440,253
<b>Profit "available" for distribution</b>	<b>456,003</b>
<b>Forecast interim dividend</b>	<b>-175,720</b>
Forecast cash balance for the period from October 31 to December 31:	
Cash balance	52,679
Projected collection for the period considered	458,748
Credit lines and loans available from financial institutions	1,500,000
Payments projected for the period under consideration (including the interim dividend)	-290,117
<b>Estimated available financing before dividend distribution</b>	<b>1,721,310</b>

### b) Total dividends paid

In addition to the aforementioned interim dividend for 2020, during 2020 Enagás, S.A. distributed the gross complementary and extraordinary dividend for 2019.

This dividend amounted to 251,029 thousands of euros (0.96 euros per share) and was paid on July 9, 2020.

## 1.9 Commitments and guarantees

### Accounting policies

- › A financial guarantee contract is a contract which requires that the issuer makes specific payments to repay the holder for losses incurred when a specific debtor does not fulfil payment obligations at maturity, in accordance with the original or modified conditions of a debt instrument. The rights and obligations associated with a financial guarantee will be considered as financial assets and financial liabilities. For subsequent valuation, a contract will be recognised as the greater amount of a) the amount resulting from standards relating to provisions (IAS 37) or b) accumulated amortisation of the initial measurement and possible accrued income.
- › An investment commitment corresponds to that obligation contracted with a related party which can give rise to outflows of funds or other resources in the future. The following is included among these: commitments not recognised in connection with contributing funds or resources as a consequence of incorporation agreements, capital intensive projects carried out by a joint venture, commitments not recognised in connection with providing loans or other financial support to the joint venture, or commitments not recognised in connection with acquiring a stake, regardless of whether a specific future event occurs or not.

Commitments and guarantees	Group Personnel, Companies or Entities (Note 4.3)	Other related parties (Note 4.3)	Third parties	Total
<b>2020</b>				
Guarantees for related parties debt	622,920	—	—	<b>622,920</b>
Guarantees and sureties granted - Other	630	14,699	356,202	<b>371,531</b>
Investment commitments	—	—	41,567	<b>41,567</b>
<b>2019</b>				
Guarantees for related parties debt	522,952	—	—	<b>522,952</b>
Guarantees and sureties granted - Other	29,154	23,333	379,033	<b>431,520</b>
Investment commitments	765,974	—	38,072	<b>804,046</b>



### a) Guarantees for related parties debt

The "Guarantees on debt of related parties" heading includes the corporate guarantee granted by Enagás S.A. for financial institutions acquired in the Financing Agreement of November 30, 2018 in the company TAP, through which the following items are basically guaranteed:

- Principal and interest of the Financing Agreement provided by TAP at any time;
- Market value of the hedging instrument over the interest rate of the Financing Contract.

The corporate guarantee has been granted by each TAP shareholder jointly, so that Enagás would only be held liable, in a hypothetical case, for the amount corresponding to its participation in the capital of TAP.

At December 31, 2020 the amount guaranteed by Enagás, S.A. to the creditors of TAP amounted to 622,920 thousands of euros (522,952 thousands of euros at December 31, 2019). The increase was due to the higher degree of disposal of the TAP loan as well as the development of the market value of the financial instrument for interest rate hedging contracted in the previous year.

This guarantee will be released subject to the fulfilment of certain conditions agreed with TAP's creditors, mainly related to the start-up of the project.

After the release of the guarantee and until the maturity of the financing, there will also be a shareholder support mechanism for the repayment of the TAP loan by means of capital contributions (Debt Payment Undertaking), which will be activated were certain extraordinary events to happen.

This support mechanism during the operating period is contractually limited by a cap in force throughout the life of the financing arrangement, so that the amounts claimed from Enagás may never exceed a total amount of 903,322 thousands of euros, regardless of the market value of the derivative or any other contingency.

### b) Guarantees and sureties granted - Others

The following items are included:

#### Group Personnel, Companies or Entities

- Guarantees and sureties granted to group companies at December 31, 2020 include the financial sureties granted to third parties by Gas to Move Transport Solutions, S.L. in the amount of 630 thousands of euros, counter-guaranteed by Enagás, S.A. (877 thousands of euros at December 31, 2019).

- At December 31, 2019 this heading included a guarantee related to the investment commitment in Tallgrass Energy, L.P. explained in section c) below, as well as in [Note 1.5](#), which, having been fulfilled, is no longer in force.

#### Other related parties

- Technical guarantees granted by the related party Banco Santander to third parties in the amount of 6,411 thousands of euros (6,411 thousands of euros in 2019) to cover certain responsibilities which may arise during execution of the contracts constituting the activity of the Enagás Group.
- Guarantees granted by the related party Banco Santander before the Federal Electricity Commission ("FEC") in connection with the service contracts relating to the Gasoducto de Morelos and Estación de Compresión Soto La Marina projects in the amount of 8,183 thousands of euros and 105 thousands of euros, respectively (8,909 thousands of euros and 8,013 thousands of euros respectively at December 31, 2019).

#### Third parties

The following items, mainly, are included:

- Financial guarantees granted by financial entities to cover the loans granted by the European Investment Bank to Enagás Financiaciones, S.A.U. in the amount of 256,667 thousands of euros (280,000 thousands of euros in 2019).
- Technical guarantees granted by financial entities to third parties in the amount of 79,724 thousands of euros (73,095 thousands of euros in 2019) to cover certain responsibilities which may arise during the execution of the contracts constituting the activity of the Enagás Group.
- Guarantee of access to the electricity transmission grid, granted by Enagás Renovable, S.L.U. amounting to 18,000 thousands of euros (24,000 thousands of euros in 2019).
- Guarantee granted by Enagás Internacional S.L.U. covering its obligations in the contract with Sound Energy Morocco for the development of a project in Morocco, amounting to 552 thousands of euros (601 thousands of euros at December 31, 2019).
- In addition, there is an insurance policy with as bid bond for the port concession in Colombia for the Buenaventura project amounting to 1,259 thousands of euros (1,336 thousands of euros at December 31, 2019).

No guarantees had been granted with respect to tender processes at December 31, 2020 and at December 31, 2019.

### c) Investment commitments

The following items are included:

- The Enagás Group has no investment commitments relating to the TAP project, once this affiliate started to operate in November 2020 (20,924 thousands of euros at December 31, 2019).
- The Enagás Group has firm investment commitments in Economic Interest Groupings (EIG) amounting to 41,567 thousands of euros, to be disbursed during 2021 and later years (38,072 thousands of euros at December 31, 2019).
- At December 31, 2019, certain investment commitments corresponding to the TAP project and the Take Private process of Tallgrass Energy, L.P. were included, which have materialised as explained in [Note 1.5](#) in the case of Tallgrass Energy, L.P.

The Directors consider that no additional significant liabilities will arise in connection with the transactions disclosed in this note other than those already recognised in the accompanying Consolidated Balance Sheet.

## 1.10 New accounting standards

### a) Standards in force for the current financial year

The accounting policies used in the preparation of these Consolidated Annual Accounts, other than those applied in the Consolidated Annual Accounts for the year ended December 31, 2019, as they came into force on January 1, 2020 are the following:

Approved for use in the European Union		
Standards	Content	Mandatory application for periods beginning on or after:
Amendments to IFRS 9, IAS 39 and IFRS 7	Phase 1 of the Reference Rate Reform	January 1, 2020

**Amendments to IFRS 9, IAS 39 and IFRS 7: Reference rate reform**

As a result of the ongoing reform of the reference rates by the monetary authorities, on January 15, 2020 the amendment to certain requirements for hedging relationships was published in the Official Journal of the European Union so that entities can continue to apply hedge accounting on the assumption that the reference rate of interest on which the cash flows of the hedging instruments and the hedged items are based will not be affected by the uncertainties generated by the Reference Rate Reform.

In accordance with the amendment to "IFRS 7 Financial Instruments: Disclosures", in relation to the hedging relationships established by Enagás, described in Note 3.6, the Company is participating in working groups and monitoring the aforementioned reform process now in its second phase, in order to verify whether any contractual amendment should be made as a result of the reform. It is expected that the derivative financial instruments held by Enagás will continue to qualify and maintain the hedging relationship in accordance with the risk policy described in Note 3.7.

**b) Standards not effective for the current financial year**

The Group intends to adopt the standards, interpretations, and amendments thereof issued by the IASB that are not mandatory in the European Union at the date these Consolidated Annual Accounts were prepared when they become effective, where applicable. Based on the analysis conducted to date, the Group believes that their first-time application will not have a material impact on the Consolidated Annual Accounts and highlights the following standards:

**Approved for use in the European Union**

Standards	Content	Mandatory application for periods beginning on or after:
Amendments to IFRS 9, IAS 39 and IFRS 7: Reference rate reform	Phase 2 of the benchmarks reform	Annual periods beginning on January 1, 2021
Amendment to IAS 1	Classification of Liabilities as Current or Non-Current and Deferral of the validity date	January 1, 2023

**1.11 Aspects relating to COVID-19**

During the overall adverse economic situation caused by the Covid-19 pandemic, both Enagás and its Group companies implemented contingency plans to ensure normal operation and continuity of natural gas supply both in Spain and in all the countries where these companies operate. Thus, as indicated in ESMA's recommendations, the going concern principle has continued to be fully applied in the formulation of the consolidated annual accounts.

With regard to the Enagás Group's main activity relating to the operation and maintenance of the Spanish gas system, it should be noted that this takes place within a stable regulatory framework and no effects or changes have been identified as a result of the situation caused by Covid-19 that could lead to capital losses for the Group. Nor has the performance of gas demand during 2020 had a significant negative effect on the revenue and sales recorded by the Enagás Group.

Likewise, the effects derived from this situation at international level as well as the global evolution of the Oil & Gas market indices have not significantly affected the income of the international companies in which it has investments.

With regard to liquidity, as indicated in Note 3.8, the Group has solid liquidity and availability amounting to 2,473,009 thousands of euros at December 31, 2020. Related to the above, on February 9, 2021, the credit rating agency Standard & Poor's maintained the Group's rating at BBB+, putting it on a negative outlook. On December 30, 2020, the credit rating agency Fitch Ratings maintained the Group's credit rating at BBB+, putting it on a negative outlook.

Thus, the Group's liquidity risk management strategy reported in Note 3.7 was not affected by the general economic situation caused by Covid-19. Similarly, the credit or exchange rate risk policies have not changed from those applied in previous years (Note 3.7).

Since this general economic situation is deemed an adverse circumstance likely to be considered as an indication of impairment, the Group's analyses did not disclose any impairment to be recorded for financial assets and non-financial assets in accordance with IAS 36 and IFRS 9 (Notes 1.6, 2.6 and 3.3.a), respectively, considering the evolution of the discount rates made in 2020.

The Group has thus performed the asset impairment tests and no significant negative impacts have arisen from this analysis.

Finally, there were no significant extraordinary expenses relating to this situation or provisions or contingent liabilities included in the Enagás Group's consolidated financial statements at December 31, 2020.

Based on the Group's analysis, no impact was evidenced by the Covid-19 situation that needed to be recorded at December 31, 2020.



# 2 Operational performance of the group

## Relevant aspects

### Operating profit

- Operating profit amounted to 615 million euros.

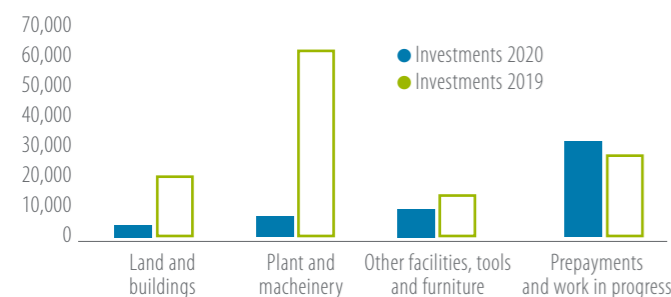
### Trade receivables

- "Current receivables" include the balance pending settlement corresponding to the remuneration of regulated regasification, transmission and underground storage activities for 260 million euros corresponding to financial year 2020 (208 million euros at December 31, 2019), as well as the outstanding balance corresponding to the remuneration of Technical Management for 3 million euros (5 million euros at December 31, 2019) (Note 2.2).

### Property, plant, and equipment

This heading involves, at December 31, 2020, 49% of total assets (52% of total assets at December 31, 2019) (Note 2.4). The change is mainly due to:

- Additions amounting to 54 million euros.
- The provision for amortisation for the period, in the amount of 257 million euros (257 million euros in 2019).



### Reform of gas sector regulations

- Without affecting the 2020 financial year, on December 23, 2019, Circulars 9/2019 and 8/2019 were published, establishing the new regulatory and remuneration framework for financial years from January 1, 2021, (Note 2.1 and Appendix III).

### Current status of the Castor storage collection rights

- In relation to the Castor storage facility, on November 8, 2019, the Council of Ministers published an agreement ending the hibernation of the Castor underground storage facilities and agreeing to dismantle them in phases, assigning the work to Enagás Transporte and including all the operations required for the maintenance and operation of the facilities referred to in Article 3.2 of Royal Decree-Law 13/2014 until the last phase of dismantling is completed.
- Following the 2018 Supreme Court rulings that annulled various precepts specifying the terms of remuneration for infrastructure management obligations, Enagás filed a property liability action on December 21, 2018 with the Ministry for Ecological Transition to put in place an alternative mechanism to receive compensation for the legally mandated tasks, an action that, once rejected due to lack of response, has been pursued before the National Court through the filing of the corresponding contentious-administrative appeal on October 3, 2019.
- Thus, the damages lawsuit consists of continuing in the jurisdiction of the claim that has already been filed by the Company to recover the amounts deducted, in accordance with the legal conclusions of the external and internal advisors. Based on the above, the account receivable for the right of Enagás Transporte, S.A.U., to be paid for the Castor underground storage administration, is maintained in the balance sheet, the conclusion being that there is no negative impact on the Group's financial statements for the financial year (Note 2.2).

### Current status of the El Musel Port regasification plant (Gijón)

- Administrative authorisation, approval of the execution project and environmental impact statement continue to be processed for the El Musel regasification plant, as well as a favourable resolution on the technical and economic conditions for the provision of capacity services and for the start-up of the facilities (Note 2.4).
- In application of Circular 9/2019, Article 19 of which regulates the remuneration of facilities in a special administrative situation, as is the case of the aforementioned facility, the facility in progress continues to receive the financial remuneration and the provisional operation and maintenance costs.

## 2.1 Operating profit

### Accounting policies

#### Recognition of income

- The Enagás Group measures revenue at the fair value of the consideration received or receivable and represents balances receivable for goods delivered and services provided in the normal course of business, net of discounts and amounts received from third parties such as VAT reimbursements.
  - Ordinary revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the balance sheet date, provided the result of the transaction can be estimated reliably.
  - Specifically, income relating to Technical Management of the System (GTS) is regulated by a public body (Appendix III). This is calculated annually based on the accredited cost for each year and is meant to repay the obligations of Enagás GTS, S.A.U. as Technical Manager of the System, which includes coordinating the development, operation, and maintenance of the transmission network, supervising the security of natural gas supply, carrying out plans for future development of gas infrastructure, and controlling third-party access to the network. The monthly attribution of this income to the Income Statement is carried out on a straight-line basis.
  - Income arising from regasification, storage, and transmission activities in Spain is calculated based on a regulated remuneration system (Appendix III). Remuneration is comprised of a fixed portion for availability of the facility and a variable portion for supply continuity. The fixed portion for availability includes operation and maintenance costs for each year, amortisation and financial remuneration calculated by applying the annual net value of the investment and the financial remuneration rate determined for each regulatory period.
- Inclusion of the variable portion for supply continuity in the remuneration of facilities allows, on the one hand, for the adjustment of system costs in situations of varying demand, balancing the differences between income and costs of the system, and, on the other, it transfers part of the risk relating to variable demand, which until now has been assumed by the end consumer, to the owner of the facilities.

This portion is calculated on the basis of total changes in domestic consumption of natural gas excluding the supply through satellite

plants with respect to prior year in the case of transmission facilities, of the variation in demand for regasified gas in all the plants operating in the system in the case of regasification facilities, and the change in useful gas stored, at November 1 of the corresponding year and including cushion gas mechanically extracted in storage facilities. Remuneration for supply continuity is divided among all the facilities based on the weighting of their replacement value with respect to all facilities relating to the activity, calculating said values by applying the unit investment values prevailing for each year.

Once the regulatory useful life of the facilities has elapsed, and in those cases in which the asset remains operational, the operating and maintenance costs are established as fixed remuneration, increased by a coefficient based on the number of years by which the facility exceeds the regulatory useful life, not accruing any amounts as investment remuneration.

- Without affecting the 2020 financial year, on November 20 and on December 23, 2019, Circulars 2/2019 and 9/2019 and 8/2019 were published, establishing the new regulatory and remuneration framework for financial years from January 1, 2021. The main items of this regulatory reform are set out in Appendix III.

- In addition, the Group's deferred income mainly corresponds to the advanced amounts received for the natural gas transmission rights ceded to Gasoducto Al-Ándalus, S.A. and Gasoducto de Extremadura, S.A., and is taken to the income statement on a straight-line basis until December 31, 2020, the date at which the transmission contract expires.

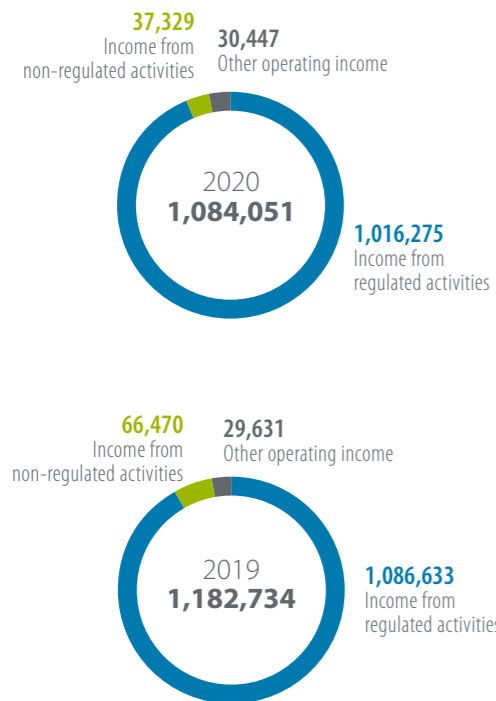
Further, this heading includes the accrual of amounts received for connecting the basic network infrastructure of Enagás Transporte, S.A.U. and Enagás Transporte del Norte, S.L. with networks of distribution companies, secondary transmission companies, gas shippers, and qualified customers. Said income is recognised based on the useful life of the assigned facilities.

Based on the types of contractual agreements supporting this type of income, it has been determined that there is an implicit financing component which, under the new regulatory requirements, must be recognised as a liability in the Consolidated Balance Sheet.



### a) Income

The breakdown of Revenue is as follows:



The detail of revenue with the breakdown of revenue from customer contracts at December 31, 2020 and December 31, 2019 is as follows:

Revenue	2020	2019
<b>Regulated activities:</b>	<b>1,016,275</b>	<b>1,086,633</b>
From customer contracts	-	-
Others	1,016,275	1,086,633
<b>Non-regulated activities:</b>	<b>37,329</b>	<b>66,470</b>
From customer contracts	33,593	31,333
Others	3,736	35,137
<b>TOTAL REVENUE</b>	<b>1,053,604</b>	<b>1,153,103</b>

Other operating income	2020	2019
From customer contracts	18,756	23,939
Others	11,691	5,692
<b>TOTAL OTHER OPERATING INCOME</b>	<b>30,447</b>	<b>29,631</b>

The distribution of the Revenue based on the Group Companies from which it comes for 2020 and 2019 is as follows:

Revenue	2020	2019
<b>Regulated activities:</b>	<b>1,016,275</b>	<b>1,086,633</b>
Enagás Transporte, S.A.U.	965,507	1,033,900
Enagás Transporte del Norte, S.L.	25,761	28,243
Enagás GTS, S.A.U.	25,007	24,490
<b>Non-regulated activities:</b>	<b>37,329</b>	<b>66,470</b>
GNL Quintero	-	31,696
Enagás Transporte, S.A.U.	30,286	30,257
Enagás, S.A.	-	59
Enagás Internacional, S.L.U.	661	561
Enagás México	314	459
Enagás Transporte del Norte, S.L.	447	447
Enagás Perú	881	910
Remaining companies	4,740	2,081
<b>TOTAL</b>	<b>1,053,604</b>	<b>1,153,103</b>



The breakdown required for the IFRS 15 application, regarding contracts with customers corresponding to 2020 and 2019 is as follows:

Segments (Nota 4.7.a)							
2020	Nature	Geographical area	Counterparty	Technical Management of the System	Infrastructures	Other activities	Total
Net revenue from customer contracts							
Connections	Services rendered	Spain	Intercompany	-	224	-	224
Other income	Services rendered	Spain	Intercompany	-	84	2,896	2,980
Other income	Services rendered	Greece	Intercompany	-	-	181	181
Corporate services	Services rendered	Spain	Intercompany	-	-	158	158
Corporate services	Services rendered	Spain	Third parties	-	-	34	34
Corporate services	Services rendered	Peru	Intercompany	-	-	25	25
Corporate services	Services rendered	Switzerland	Intercompany	-	-	1,563	1,563
Gas transmission services	Services rendered	Spain	Third parties	-	28,428	-	28,428
<b>NET REVENUE FROM CUSTOMER CONTRACTS</b>				-	<b>28,736</b>	<b>4,857</b>	<b>33,593</b>
Other operating income from customer contracts							
Usage rights	Usage rights income	Spain	Intercompany	-	8,473	-	8,473
Maintenance	Services rendered	Spain	Intercompany	-	3,254	-	3,254
Maintenance	Services rendered	Spain	Third parties	-	1,468	-	1,468
Maintenance	Services rendered	Morocco	Third parties	-	250	-	250
Other income	Services rendered	Germany	Third parties	-	-	3	3
Other income	Services rendered	Belgium	Third parties	-	-	360	360
Other income	Services rendered	Spain	Intercompany	5	1,590	72	1,667
Other income	Services rendered	Spain	Third parties	-	2,727	10	2,737
Other income	Services rendered	France	Third parties	-	19	7	26
Other income	Services rendered	Mexico	Third parties	-	-	35	35
Other income	Services rendered	Portugal	Third parties	-	1	-	1
Corporate services	Services rendered	Spain	Intercompany	-	-	482	482
<b>TOTAL OTHER OPERATING INCOME FROM CUSTOMER CONTRACTS</b>				<b>5</b>	<b>17,782</b>	<b>969</b>	<b>18,756</b>

Segments (Nota 4.7.a)							
2019	Nature	Geographical area	Counterparty	Technical Management of the System	Infrastructures	Other activities	Total
Net revenue from customer contracts							
Connections	Services rendered	Spain	Third parties	-	-	447	447
Other income	Services rendered	America	Intercompany	-	-	13	13
Other income	Services rendered	Spain	Intercompany	-	87	1,109	1,196
Other income	Services rendered	Europe	Intercompany	-	-	154	154
Other income	Services rendered	Spain	Third parties	-	90	-	90
Other income	Services rendered	America	Third parties	-	-	5	5
Corporate services	Services rendered	America	Intercompany	-	-	71	71
Corporate services	Services rendered	Spain	Intercompany	-	-	566	566
Corporate services	Services rendered	Europe	Intercompany	-	-	457	457
Gas transmission services	Services rendered	Spain	Third parties	-	28,334	-	28,334
<b>NET REVENUE FROM CUSTOMER CONTRACTS</b>				-	<b>28,511</b>	<b>2,822</b>	<b>31,333</b>
Other operating income from customer contracts							
Leases	Services rendered	Spain	Third parties	-	353	258	611
Usage rights	Usage rights income	Spain	Intercompany	-	8,909	-	8,909
Maintenance	Services rendered	Spain	Intercompany	-	3,490	-	3,490
Maintenance	Services rendered	Africa	Third parties	-	395	-	395
Maintenance	Services rendered	Spain	Third parties	-	232	-	232
Maintenance	Services rendered	Europe	Third parties	-	11	-	11
Other income	Services rendered	Spain	Intercompany	5	-	1,058	1,063
Other income	Services rendered	Europe	Intercompany	-	-	1,010	1,010
Other income	Services rendered	America	Third parties	-	-	30	30
Other income	Services rendered	Spain	Third parties	-	3,591	738	4,329
Other income	Services rendered	Europe	Third parties	-	60	295	355
Corporate services	Services rendered	America	Intercompany	-	-	95	95
Corporate services	Services rendered	Spain	Intercompany	-	2,001	1,053	3,054
Corporate services	Services rendered	Spain	Third parties	-	4	-	4
Corporate services	Services rendered	Europe	Third parties	-	-	351	351
<b>TOTAL OTHER OPERATING INCOME FROM CUSTOMER CONTRACTS</b>				<b>5</b>	<b>19,046</b>	<b>4,888</b>	<b>23,939</b>



The Management of the Enagás Group considers that there is no collection uncertainty relating to the income indicated above and therefore has not ceased to recognise any type of income for this reason.

### b) Personnel expenses

Personnel expenses	2020	2019
Wages and salaries	93,239	91,741
Termination benefits	4,797	5,807
Social Security	20,302	20,012
Other personnel expenses	10,375	10,305
Contributions to external pension funds (defined contribution plan)	2,732	2,681
Works for fixed assets (Note 2.4)	(4,733)	(5,371)
<b>TOTAL</b>	<b>126,712</b>	<b>125,175</b>

In 2020, wages and salaries include the fair value of services received as consideration for equity instruments granted, in the amount of 2,196 thousands of euros at December 31, 2020 corresponding to the portion of the Long-Term Incentive Plan payable in Enagás, S.A. shares and approved on March 29, 2019 for the executive directors and senior management, thus representing a share-based transaction (2,207 thousands of euros at December 31, 2019). Services rendered corresponding to the portion of the incentive plan payable in cash were also recognised with a credit to "Provisions" under non-current liabilities, in the amount of 705 thousands of euros at December 31, 2020, corresponding to the Long-Term Incentive Plan (2019-2021) (710 thousands of euros at December 31, 2019). In addition, the employee expense arising from the bonus payable every three years for contribution to results for the 2019-2021 period and corresponding to the remaining personnel of the Group was also included in the amount of 1,950 thousands of euros (1,898 thousands of euros in 2019).

The Enagás Group contributes, in accordance with the Pension Plan signed and adapted to the Law on Pension Plans and Funds, to an "Enagás Pension Fund" defined contribution plan, managed by Gestión de Previsión y Pensiones, S.A. with Banco Bilbao Vizcaya Argentaria, S.A. as custodian, which covers the Group's commitments to the workforce in question. The aforesaid plan recognises certain vested rights for past service and undertakes to make monthly contributions averaging 4.23% of eligible salary (4.27% in 2019). It is a mixed plan covering retirement benefits, disability and death. The total number of people adhered to the plan at December 31, 2020 totalled 1,180 participants (1,186 participants at December 31, 2019). The contributions made by the Group in this heading each year are recorded under "Personnel expenses" of the Consolidated Income Statement. At 2020 year-end there were no amounts pending payment with respect to this item.

In addition, the Group has outsourced its pension commitments with respect to its senior managers through a mixed group insurance policy for pension commitments, including benefits in the event of survival, death, and employment disability.

The average number of Group employees broken down by professional category is as follows:



At December 31, 2020, the Group had 1,357 employees (1,320 in 2019). The breakdown by professional category and gender is as follows:

Categories	2020		2019	
	Women	Men	Women	Men
Management	44	114	40	105
Technical personnel	232	485	224	475
Administrative personnel	90	9	89	13
Workers	22	361	17	357
<b>TOTAL</b>	<b>388</b>	<b>969</b>	<b>370</b>	<b>950</b>

"Management" includes senior executive management of the Group, comprising eleven people (nine men and two women).

The average number of staff during 2020 and 2019 employed by Group companies with disabilities greater than or equal to 33%, broken down by categories, is as follows:

Categories	2020	2019
Technical personnel	2	3
Administrative personnel	2	2
Workers	4	5
<b>TOTAL</b>	<b>8</b>	<b>10</b>

### c) Other operating expenses

Other operating expenses	2020	2019
External services:		
R+D expenses	648	484
Leases and royalties <sup>(1)</sup>	4,044	7,714
Repairs and conservation	51,161	48,396
Freelance professional services	29,916	27,299
Transport	24,115	24,823
Insurance premiums	6,572	6,241
Banking and similar services	193	331
Advertising, publicity and public relations	5,802	4,349
Supplies	19,530	23,114
Other services	22,602	24,575
<b>External services</b>	<b>164,583</b>	<b>167,326</b>
<b>Taxes</b>	<b>12,925</b>	<b>13,965</b>
<b>Other current management expenses</b>	<b>2,558</b>	<b>1,668</b>
<b>Other external expenses</b>	<b>9,083</b>	<b>11,058</b>
<b>Change in traffic provisions</b>	<b>69</b>	<b>4,320</b>
<b>TOTAL</b>	<b>189,218</b>	<b>198,337</b>

(1) This account includes expenses for leases, which are excluded from IFRS 16 as they relate to assets of low value or with a term of less than one year, amounting to 3,504 thousands of euros.



## 2.2 Trade and other non-current and current receivables

### Accounting policies

› Financial assets are recognised in the Consolidated Balance Sheet at the transaction date when the Group becomes party to the contractual terms of the instrument.

#### Financial assets measured at amortised cost

- › This heading comprises financial assets arising from the sale of goods or the rendering of services in the course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives with fixed or determinable payments and are not traded in an active market.
- › The said financial assets are initially recognised at fair value of the consideration paid, plus transaction costs directly attributable to the acquisition. They are subsequently measured at amortised cost and related interest accrued at the corresponding effective interest rate is recognised in the Consolidated Income Statement.
- › Receivables which do not bear explicit interest are recognised at their face value whenever the effect of not discounting the related cash flows is not significant. Subsequent measurement in this instance is still carried out at face value.

- › The Group derecognises financial assets when the contractual rights to the cash flows from the financial asset expire or are transferred, which implies transferring substantially all the risks and rewards inherent in ownership of the financial asset; this is the case in firm asset sales, trade receivable factoring transactions in which the Group retains neither credit risk nor interest rate risk, sales of financial assets with an agreement to repurchase them at their fair value, and securitisations in which the Group neither retains subordinated financing, grants any form of guarantee nor assumes any other type of risk.
- › In contrast, the Group does not derecognise financial assets, but rather recognises a financial liability at an amount equal to the consideration received, in the transfer of financial assets in which it retains substantially all the risks and rewards incidental to ownership, such as discounted bills, recourse factoring, disposals of financial assets under repurchase agreements at fixed prices or at the sales price plus interest, and securitisations of financial assets in which the Group retains subordinate liability or grants other types of guarantees which would substantially absorb all possible losses.

### Significant estimates and judgements

- › An impairment loss on financial assets measured at amortised cost arises when there is objective evidence that the Group will not be able to recover all the corresponding amounts in accordance with the original terms established. The impairment loss is recognised as an expense in the Consolidated Income Statement and is determined as the difference between the carrying amount and the present value of future cash flows discounted at the effective interest rate.
- › If, in subsequent periods, the value of the financial asset measured at amortised cost recovers, then the impairment loss is reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds the carrying amount had the impairment not been recognised. The reversal is recognised in the Consolidated Income Statement.
- › From January 1, 2018, with the application of IFRS 9, the Group recognises an impairment loss for expected credit losses on financial assets.
- › The Group assess the expected credit losses of a financial instrument in a way that reflects:
  - a) an amount weighted based on probability and not biased, determined by evaluating a series of possible outcomes;
  - b) the temporal value of money; and

- c) reasonable and well-founded information available on the date of information, without cost or disproportionate effort, on past events, current conditions and forecasts of future economic conditions. Under the new standard, an entity will measure the value correction for losses of a financial instrument in an amount equal to the expected credit losses during the life of the asset, if the risk of that financial instrument has increased significantly since its initial recognition. Conversely, that is, if the credit risk of a financial instrument has not increased significantly since the initial recognition, an entity will measure the value correction for losses at an amount equal to the expected credit losses in the next 12 months. The gain or loss resulting from impairment of value, the amount of the expected credit losses (or reversals) by which it is required that the value adjustment for losses be adjusted on the posting date to reflect the amount to be recognised under this standard will be recorded in the profit for the period. In the case of the Enagás Group, practically all financial assets present a low credit risk at the date of posting, and their exposure to events that generate credit losses during the next 12 months is therefore calculated.

	12.31.2020	12.31.2019
Customer receivables for sales and services rendered	6,254	6,416
Accounts receivable from customer contracts	3,696	3,774
Accounts receivable from customer contracts, group companies and associates	4,891	2,936
Subsidiaries and associates	637	1,045
Other receivables	265,749	216,077
<b>Subtotal</b>	<b>281,227</b>	<b>230,248</b>
Value added tax	17,846	23,754
<b>Trade and other current receivables</b>	<b>299,073</b>	<b>254,002</b>
<b>Trade and other non-current receivables (Note 3.3.a)</b>	<b>146,347</b>	<b>148,022</b>

Trade and other non-current receivables", in accordance with Royal Decree-Law 8/2014 of July 4 and Law 18/2014 of October 15, mainly includes the long-term accumulated deficit corresponding to regulated activities amounting to 79,227 thousands of euros at December 31, 2020 (80,377 thousands of euros at December 31, 2019).

"Trade and other non-current receivables" includes the amount receivable for facilities pending recognition from years prior to 2019, as well as for the gas system mismatch from 2014, for a total amount of 7,193 thousands of euros, which are in the long-term because the directors estimate their recovery over a period of time greater than one year (at December 31, 2019, the amount receivable for facilities pending collection for years prior to 2018 was recorded at 14,806 thousands of euros).

In the "Other receivables" heading, under current assets, the Enagás Group mainly records the outstanding balance corresponding to the remuneration of regulated regasification, transmission and underground storage activities at the end of financial years 2020 and 2019, in the amount of 259,779 thousands of euros and 208,132 thousands of euros, respectively. Within this amount, the balance pending settlement for 2020 amounts to 182,815 thousands of euros (at December 31, 2019, the balance pending settlement for 2019 amounted to 80,955 thousands of euros).

In November 2020, the final settlement for 2019 was published, approving the surplus of the gas system for 2019. Due to this surplus, in December the Group registered proceeds of 16,377 thousands of euros charged to the mismatches in the gas system in 2014 and 2016. After receiving the aforementioned proceeds, the full amount corresponding to gas system mismatches recognised in the short-term in the accompanying balance sheet amounts to 1,801 thousands of euros, which is the amount estimated to be collected in 2021.

In addition, the "Other receivables" heading also includes the balance pending collection relating to remuneration for Technical Management activity, amounting to 2,870 thousands of euros (4,854 thousands of euros at December 31, 2019). The trade receivables related to regulated activities follow the settlement system established in Order ECO/2692/2002, of October 28, which regulates the settlement procedures for remuneration of regulated natural gas sector and fees for specific purposes (Appendix III).

"Accounts receivable from contracts with customers" include the following items, broken down in accordance with IFRS 15:

	12.31.2020	12.31.2019
Accounts receivable from customer contracts	676	1,436
Accounts receivable from customer contracts, group companies and associates	3,000	1,076
Accounts receivable invoices to be issued from contracts with customers	3,020	2,338
Accounts receivable invoices to be issued from contracts with customers, group companies associates	1,891	1,860

The Company has not registered assets under contracts at December 31, 2020 or December 31, 2019.

At December 31, 2020, the Company did not have significant impairment losses on balances receivable from contracts with customers, either registered as accounts receivable or as unissued invoices.



## Situation of Castor Storage Facility

As explained in Note 8.1 of the 2014 Consolidated Annual Accounts of the Enagás Group, on October 4, 2014 the Official State Gazette published the Royal Decree-Law 13/2014 of October 3, by virtue of which urgent measures were adopted in connection with the gas system and title to the nuclear power plants, with a view to guaranteeing the security of people, goods, and the environment with respect to the Castor natural gas underground storage facility, which establishes, among other matters, the following:

- ▶ The termination of the operating concession for the Castor underground storage facility, granted by Royal Decree-Law 855/2008, of May 16.
- ▶ The hibernation of the facilities associated with said concession.
- ▶ The appointment of Enagás Transporte, S.A.U. for administration of said facilities, for the sole purpose of carrying out the necessary measures for maintenance and operability during the hibernation period, prioritising the objective of guaranteeing the security of the facilities for persons, goods, and the environment, while ensuring compliance with applicable regulations. Likewise, the decision included the stipulation that the maintenance and operational costs be paid to Enagás Transporte, S.A.U. with a charge to income from tolls and royalties of the gas system.
- ▶ The recognition of the investment made for the storage facility by the titleholder of the concession which was extinguished with 1,350,729 thousands of euros, and the establishment of a payment obligation for said amount by Enagás Transporte, S.A.U. to the titleholder of the extinguished concession. As a result of assuming the payment obligation, Enagás Transporte, S.A.U. enjoys the right to collect access tolls and royalties from the gas system's monthly invoicing for 30 years, for the amount paid to the titleholder of the extinguished concession plus the financial remuneration which the Royal Decree-Law expressly recognises. Likewise, this Royal Decree-Law contains the necessary measures to guarantee full effectiveness of this collection right, that said right could be freely available to Enagás Transporte, S.A.U. or its third party titleholders, and could consequently be totally or partially, ceded, transferred, discounted, pledged, or taxed in favour of any third parties, including securitisation funds or other vehicles or companies with a special purpose, either domestic or international. The cession of the collection right will be effective with respect to the gas system, which will pay the new titleholder the corresponding amounts.

In light of the above, on October 4, 2014, Enagás Transporte, S.A.U. signed an agreement with various financial entities by virtue of which it ceded the collection right charged to the gas system awarded by the aforementioned Royal Decree-Law, with said entities assuming the payment obligation imposed on Enagás Transporte, S.A.U. In this manner, on November 11, 2014, said financial entities made a payment of 1,350,729 thousands of euros to the titleholder of the extinguished concession.

Further, Enagás Transporte, S.A.U. transferred the aforementioned contractual obligations and rights inherent to ownership of the financial asset to said financial entities, thus derecognising it from the balance sheet as the Directors of the Group consider that all associated risks and benefits have been transferred.

On December 21, 2017 the Constitutional Court handed down a sentence No. 152/2017 declaring various provisions of Royal Decree-Law 13/2014 as unconstitutional and null and void due to formal errors. Specifically, (i) acknowledgement of the investment made by the renouncing concessionaire and costs accrued up to the date of said regulation becoming effective, and thus the consideration in the amount of 1,350,729 thousands of euros, as well as (ii) recognition of the correlated collection right of Enagás Transporte, S.A.U. with respect to the gas system for the amount of consideration cited, considering that in both cases the reasons given for the urgency were not justified and therefore said measures should be excluded from the ordinary legislative procedure.

Notwithstanding the foregoing, the Constitutional Court did declare the following as constitutional and valid: (i) adoption of the decision to hibernate the underground storage facility; (ii) the declaration of the extinction of the concession; and (iii) the appointment of Enagás Transporte, S.A.U. for administration of the facilities to the extent the hibernation is prolonged; as well as (iv) recognition of the right to obtain remuneration for the maintenance and operability costs for Enagás Transporte, S.A.U., including any costs incurred for the administration and other related work which said Royal Decree-Law established as a requirement.

In accordance with the analysis carried out by the Company's external legal advisors, the purchase-sale contract for the collection rights signed by Enagás Transporte, S.A.U. with the financial entities represents the transfer of rights and obligations to the financial entities and in no case does it enable the buyers (or their possible transferees) the possibility of claiming reimbursement for the price received or payment of any other amounts from the seller. Thus, in no case can adverse effects arise in connection with the financing of the operation for the Company due to the sentence of the Constitutional Court, as Enagás Transporte, S.A.U. is not titleholder to the collection right which was annulled nor is it obliged to pay the titleholder of the extinguished concession.

In addition, in relation to the above, the Supreme Court issued a ruling on October 27, 2020 partially upholding the contentious-administrative appeal filed by the financial institutions against the alleged rejection by the Council of Ministers of the claim for liability of the Legislature for the partial unconstitutionality of Royal Decree-Law 13/2014, recognising the right of these appellant banks to compensation, by way of liability of the Legislature, of the total debt recognised in their favour, in the amount of 1,350,729,000 plus the corresponding legal interest accrued.

Likewise, in accordance with the analysis carried out and the conclusions drawn by the Company's legal advisors and external legal advisors, the aforementioned sentence of the Constitutional Court does not give rise to any negative effect on the right of Enagás Transporte, S.A.U. to obtain remuneration for the administration and operations necessary for maintenance and operability of the infrastructure, as the Royal Decree-Law was not affected in such a manner by the declaration of unconstitutionality. Similarly, on the basis of these same conclusions, it is not believed that there has been any negative effect from the process that targets the liability of the Legislator State to financial institutions, since all the risks and benefits of the financial asset have been contractually transferred to the latter and the Supreme Court has also issued a final ruling in their favour.

In addition, in 2020, the following court decisions were handed down, reiterating the position adopted by the courts in previous years:

- ▶ Rulings of February 18 and May 29, 2020, by the Supreme Court, which upheld the appeals filed by the multi-sector employers' association CECOT and by the Autonomous Community of Catalonia and annulled the provisions of Ministerial Orders ETU/1977/2016 and ETU/1283/2017, which recognised the payment by Enagás Transporte, S.A.U. of the investment, administration and maintenance of the Castor infrastructure for 2017 and 2018.

Notwithstanding the above, it should be noted that since 2014 Enagás Transporte, S.A.U. has been performing the functions of administrator of the Castor storage facility, which it was legally obliged to do in accordance with the provisions of sections 1 and 2 of Article 3 of Royal Decree-Law 13/2014, which imposed on it the assumption of the administration of the facilities and of the ownership of all the rights and obligations associated with them during the entire period up to the end of the hibernation period through an agreement of the Council of Ministers referred to in Article 1.2 of the aforementioned Royal Decree-Law 13/2014.

With all of the above, in practice the aforementioned Resolution has not meant that Enagás Transporte has ceased to attend to the tasks it had been carrying out to guarantee the safety of people, property and the environment but, on the contrary, it has confirmed its obligation to continue to carry out all of the operations required for the maintenance and operation of the facilities referred to in Article 3.2 of Royal Decree-Law 13/2014 until the last phase of dismantling is completed.

And given that, due to carrying out these tasks, formerly as a storage administrator, and now as a dismantling manager, Enagás Transporte, S.A.U., has so far been assuming the costs derived from the operations maintenance and operations imposed, as well as those for the full assumption of the administration and dismantling of the storage; and given that, in addition, the right of this company to obtain remuneration for the functions entrusted by Royal Decree-Law 13/2014 and developed in relation to Castor storage remains

in force, since it does not derive from Article 6, annulled by the Constitutional Court, but is expressly recognised in Article 3.2 of the former, which subsists, it is considered that the right of Enagás Transporte, S.A.U. to receive the remuneration for the costs incurred is beyond any doubt, with only the specific terms in which this right is specified remaining in doubt, since Article 6 has been annulled.

In view of the foregoing and as it is necessary to implement an alternative mechanism to receive the remuneration for the legally entrusted tasks, on December 21, 2018, Enagás Transporte, S.A.U. has filed a claim for damages with the Ministry for Ecological Transition, requesting (i) the right of Enagás Transporte, S.A.U. to obtain compensation, for the damages sustained as a result of the administration tasks of the facilities, plus the pertinent interests, (ii) payment of the amounts corresponding to the remuneration for the costs assumed by Enagás Transporte, S.A.U., up to the moment when the resolution is issued, plus the pertinent interests, and (iii) the right of Enagás Transporte, S.A.U. to obtain compensation for the damages that may be caused to it as a consequence of the tasks of administering the facilities until such time as the Council of Ministers adopts an agreement that puts an end to the storage hibernation situation.

The aforementioned claim for liability filed on December 21, 2018 was rejected by a presumptive resolution of the Ministry for Ecological Transition, which on October 3, 2019 was challenged by Enagás Transporte before the National Court in order to recover all amounts corresponding to the tasks entrusted to it and which Enagás has continued to provide to date. The proceedings have been concluded and are awaiting a verdict and ruling.

According to the legal conclusions of the external and internal advisors, it is considered that this damages lawsuit is the mechanism initiated by the Group for recovering both the amounts deducted from the remuneration corresponding to financial year 2017, the amounts not paid referring to financial years 2018 and the following, and the amounts that have been refunded as a result of the review actions by the CNMC in relation to the settlements corresponding to 2014, 2015 and 2016, included in the final approved settlements of the 2015 and 2016 years, as well as their possible interests. Based on the above, the account receivable for the right of Enagás Transporte, S.A.U., to be paid for the Castor underground storage administration, is maintained in the balance sheet, the conclusion being that there is no negative impact on the Group's financial statements as a result of the judgements of the Constitutional Court or the Supreme Court referred to above.

At December 31, 2020, the amount recorded as revenues of the Company during financial years 2014 to 2020 pending recovery amounted to 72,825 thousands of euros (61,103 thousands of euros at December 31, 2020).



## 2.3 Trade and other payables

### Accounting policies

Trade and other payables are financial liabilities that do not accrue explicit interest and are recognised at their face value provided the effect of financial discounting is not significant.

The breakdown of the heading "Trade and Other Payables" for 2020 and 2019 is as follows:

Trade and other payables	12.31.2020	12.31.2019
Debts with related companies	10,371	3,516
Rest of suppliers	232,248	160,183
Other creditors	12,798	14,782
<b>Subtotal (Note 3.3.b)</b>	<b>255,417</b>	<b>178,481</b>
Value added tax	2,140	148
Tax Authorities creditor for withholdings and other	34,215	33,764
<b>TOTAL</b>	<b>291,772</b>	<b>212,393</b>

### Information on the average payment period

The disclosures required in the second final provision of Law 31/2014 of December 3, are as follows:

	2020	2019
<b>Days</b>		
Ratio of payments made	29	34
Ratio of pending payments	45	27
Average payment period to suppliers	30	34
<b>Amount</b>		
Total payments made	419,928	474,065
Total pending payments	29,751	26,447

## 2.4 Property, plant, and equipment

### Accounting policies

- › The cost model is applied, that is, the corresponding assets are measured at acquisition or production cost less the corresponding accumulated amortisation and any impairment losses.
  - › Acquisition or production cost includes:
    - › Finance expenses relating to the financing of infrastructure projects accrued only during the construction period, when the building work lasts for more than one year. In 2020 and 2019, no financial expenses were capitalised for this item.
    - › Personnel expenses directly related to work in progress, lowering personnel expenses in the amount of 4,733 thousands of euros at December 31, 2020 (5,371 thousands of euros at December 31, 2019) (Note 2.1.b).
    - › The book value of these assets includes an estimate of the current value of the costs to the Group for the dismantling tasks, credited to the "Long-term provisions" caption (Note 2.8.a) of the accompanying Consolidated Balance Sheet. This provision is subject to periodic review, in order to monitor possible changes in any of the hypotheses used to estimate decommissioning costs, in this case assuming the corresponding change in book value, which would be made prospectively, as has been previously indicated in Note 2.8.a to the Consolidated Annual Accounts.
  - › Non-extractable gas required for exploitation of underground natural gas storage (cushion gas) is recognised under PP&E, depreciated over the specific prevailing useful life (20 years) or over the leasing period if less.
  - › Natural gas required for minimum levels in gas pipelines and minimum operating levels for regasification plants, (also called "heel gas") is recognised as PP&E that cannot be amortised given that it is not available for sale as indicated under current regulations. It is measured at the purchase price as indicated in Order ITC/3993/2006 an Order IET/2736/2015.
  - › The restatement of assets recognised under PP&E in accordance with Royal Decree-Law 7/1996 of June 7, on balance sheet restatements, has an effect of 3,310 thousands of euros on amortisation charges in 2020 (3,311 thousands of euros in 2019).
  - › It should be noted that, without affecting the 2020 financial year, on November 20 and on December 23, 2019, Circulars 2/2019 and 8/2019 and 9/2019 were published, establishing the new regulatory and remuneration framework for financial years from January 1, 2021 (Appendix III).
- Grants**
- › The official grants relating to the assets recognised under PP&E lower the acquisition cost of said assets and are taken to the income statement over the foreseen useful lives of the corresponding assets, decreasing the related amortisation.



## Significant estimates and judgements

- › PP&E items are amortised using the straight-line method, applying annual amortisation rates that reflect the estimated useful lives of the corresponding assets.
- › The Directors consider that the carrying amounts of the assets do not exceed the recoverable amounts which result from calculating discounted future cash flows generated by said assets based on foreseen remuneration under current regulations.
- › For lease assets arising from the application of IFRS 16 as of January 1, 2019, the average term considered in each of the leases has been determined on the basis of both the economic substance and the contractually agreed duration as well as the assumptions on the extension/early termination of the contracts.
- › Depreciation is carried out on a straight-line basis in accordance with the following useful lives:

	Annual rate	Useful life (years)
Buildings	2%-5%	50 – 20
Technical facilities (transmission network)	2.5%-5%	40–20
Tanks	5%	20
Underground Storage Facilities	5%-10%	20–10
Cushion gas	5%	20
Other technical facilities and machinery	2.5%-12%	40 – 8.33
Equipment and tools	30%	3.33
Furniture and fixtures	10%	10
Information technology equipment	25%	4
Transport equipment	16%	6.25

	Opening balance	Inputs or provisions	Increases or decreases due to transfers	Decreases, disposals or reductions	Balance at year-end
<b>2020</b>					
Land and buildings	473,038	3,537	726	(120)	477,181
Technical facilities and machinery	9,194,071	8,851	15,243	(4,231)	9,213,934
Other facilities, tools, and furniture	178,305	9,616	–	(62)	187,859
Prepayments and work in progress	547,174	33,098	(15,969)	(325)	563,978
Capital grants	(601,070)	(1,198)	–	–	(602,268)
<b>Total cost</b>	<b>9,791,518</b>	<b>53,904</b>	<b>–</b>	<b>(4,738)</b>	<b>9,840,684</b>
Land and buildings	(207,924)	(14,723)	–	102	(222,545)
Technical facilities and machinery	(5,200,655)	(244,292)	–	4,098	(5,440,849)
Other facilities, tools, and furniture	(67,775)	(8,482)	–	141	(76,116)
Capital grants	430,006	10,555	–	–	440,561
<b>Total amortisation</b>	<b>(5,046,348)</b>	<b>(256,942)</b>	<b>–</b>	<b>4,341</b>	<b>(5,298,949)</b>
Technical facilities and machinery	(13,719)	(1,243)	–	–	(14,962)
Prepayments and work in progress	(96,531)	–	–	169	(96,362)
<b>Total impairment</b>	<b>(110,250)</b>	<b>(1,243)</b>	<b>–</b>	<b>169</b>	<b>(111,324)</b>
Land and buildings	265,114	(11,186)	726	(18)	254,636
Technical facilities and machinery	3,979,697	(236,684)	15,243	(133)	3,758,123
Other facilities, tools, and furniture	110,530	1,134	–	79	111,743
Prepayments and work in progress	450,643	33,098	(15,969)	(156)	467,616
Capital grants	(171,064)	9,357	–	–	(161,707)
<b>Net carrying amount of property, plant, and equipment</b>	<b>4,634,920</b>	<b>(204,281)</b>	<b>–</b>	<b>(228)</b>	<b>4,430,411</b>





2019	Opening balance	Effect of first application of IFRS 16 <sup>(1)</sup>	Inputs or provisions <sup>(2)</sup>	Increases or decreases due to transfers	Decreases, disposals or reductions	Translation differences	Perimeter variations <sup>(3)</sup>	Balance at year-end
Land and buildings	249,230	283,802	21,548	118	-	(398)	(81,262)	473,038
Technical facilities and machinery	9,681,043	368,902	65,842	9,238	(247)	6,452	(937,159)	9,194,071
Other facilities, tools, and furniture	171,130	3,651	14,997	142	(6,822)	811	(5,604)	178,305
Prepayments and work in progress	576,027	-	28,622	(9,498)	(39,292)	(221)	(8,464)	547,174
Capital grants	(600,502)	-	(568)	-	-	-	-	(601,070)
<b>Total cost</b>	<b>10,076,928</b>	<b>656,355</b>	<b>130,441</b>	<b>-</b>	<b>(46,361)</b>	<b>6,644</b>	<b>(1,032,489)</b>	<b>9,791,518</b>
Land and buildings	(98,840)	(118,364)	(15,265)	-	-	(77)	24,622	(207,924)
Technical facilities and machinery	(4,988,463)	(220,282)	(247,153)	-	-	(1,010)	256,253	(5,200,655)
Other facilities, tools, and furniture	(72,272)	-	(5,385)	-	6,822	(750)	3,810	(67,775)
Capital grants	419,220	-	10,786	-	-	-	-	430,006
<b>Total amortisation</b>	<b>(4,740,355)</b>	<b>(338,646)</b>	<b>(257,017)</b>	<b>-</b>	<b>6,822</b>	<b>(1,837)</b>	<b>284,685</b>	<b>(5,046,348)</b>
Technical facilities and machinery	(13,719)	-	-	-	-	-	-	(13,719)
Prepayments and work in progress <sup>(4)</sup>	(84,639)	-	(43,997)	-	32,105	-	-	(96,531)
<b>Total impairment</b>	<b>(98,358)</b>	<b>-</b>	<b>(43,997)</b>	<b>-</b>	<b>32,105</b>	<b>-</b>	<b>-</b>	<b>(110,250)</b>
Land and buildings	150,390	165,438	6,283	118	-	(475)	(56,640)	265,114
Technical facilities and machinery	4,678,861	148,620	(181,311)	9,238	(247)	5,442	(680,906)	3,979,697
Other facilities, tools, and furniture	98,858	3,651	9,612	142	-	61	(1,794)	110,530
Prepayments and work in progress	491,388	-	(15,375)	(9,498)	(7,187)	(221)	(8,464)	450,643
Capital grants	(181,282)	-	10,218	-	-	-	-	(171,064)
<b>Net carrying amount of property, plant, and equipment</b>	<b>5,238,215</b>	<b>317,709</b>	<b>(170,573)</b>	<b>-</b>	<b>(7,434)</b>	<b>4,807</b>	<b>(747,804)</b>	<b>4,634,920</b>

(1) The "Effect of the First-time Application of IFRS 16" includes the effects of applying this standard at January 1, 2019, with impacts on the cost of fixed assets and accumulated depreciation.  
(2) The additions of fixed assets resulting from the application of IFRS 16 recognised in 2019 amounted to 34,432 thousands of euros. In addition, the depreciation charge for the year includes an impact of 27,375 thousands of euros relating to the depreciation of assets arising from the application of this standard.  
(3) "Changes in the consolidation scope" includes the effect of including the ownership interest in GNL Quintero using the equity method, amounting to 747,287 thousands of euros, as a result of the loss of control over the company in February 2019.  
(4) The impairment charge for Prepayments and work in progress relates mainly to the investment and materials relating to the STEP project, the likelihood of which is no longer probable in view of the European regulatory framework and the uncertainty associated with the processing and viability of the project. For this reason, the assets associated with their recoverable value were recognised, and an impairment loss of 40,433 thousands of euros was recognised.

The increase in the year in "Plant and machinery" is mainly due to the project to adapt the facilities at the Lumbier compressor station for environmental authorisation, amounting to 1,357 thousands of euros.

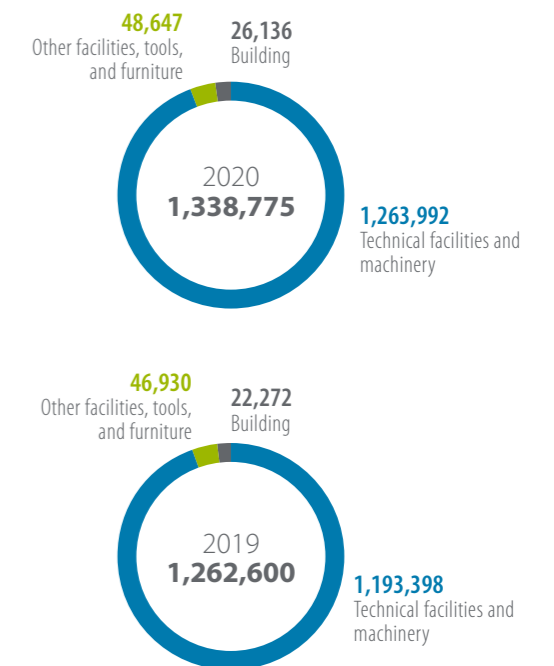
The increases in "Prepayments and work in progress" are mainly due to: the project to reduce self-consumption at the Barcelona plant to enable the plant to be operated and maintained below the Technical Minimum and even without regasification (3,315 thousands of euros); the laying of the new twin tube and 64/288FO cable in the BVV gas pipeline between Castelnou and Zaragoza, with a total of 72 km (2,542 thousands of euros); the mooring study at the Huelva Plant (2,070 thousands of euros); the renewal of electrical equipment at substation no. 3 in Barcelona (1,992 thousands of euros); switchboards and switches at electrical substations 1, 2 and 3 in Huelva (1,796 thousands of euros); and the adaptation and installation of a dock at the Huelva Plant for Small Scale (1,189 thousands of euros).

There was a deregistration of 4,232 thousands of euros as a result of the sale of electricity generators at the Huelva plant (they were fully depreciated).

There are no mortgages or encumbrances of any type on assets recorded as property, plant, and equipment.

The Group's policy is to provide sufficient insurance coverage for its assets so as to avoid any significant losses. In addition, the Group has contracted the corresponding insurance policies to cover third party civil liabilities.

Fully amortised PP&E assets recognised by the Enagás Group and still in use at 2020 and 2019 year-end are broken down as follows:





## a) Grants

Accumulated capital grants received at year-end which correspond to investments in gas infrastructure are broken down as follows:

	Grants received	Released to income	Balance at year-end
Regasification plants	83,610	(79,217)	4,393
Gas transmission infrastructure	500,215	(343,836)	156,379
Underground storage facilities	17,508	(17,508)	0
Other items of property, plant and equipment	934	0	934
<b>2020</b>	<b>602,267</b>	<b>(440,561)</b>	<b>161,706</b>
Regasification plants	79,843	(75,252)	4,591
Gas transmission infrastructure	503,719	(337,246)	166,473
Underground storage facilities	17,508	(17,508)	-
<b>2019</b>	<b>601,070</b>	<b>(430,006)</b>	<b>171,064</b>

The breakdown at year-end of said capital grants by public body which grants them is as follows:

	Grants received	Released to income	Balance at year-end
Structural funds of the European Union	436,514	(304,211)	132,303
Official bodies of the Spanish Autonomous Regions	51,905	(34,225)	17,680
Spanish Government	113,848	(102,125)	11,723
<b>2020</b>	<b>602,267</b>	<b>(440,561)</b>	<b>161,706</b>
Structural funds of the European Union	435,317	(295,698)	139,619
Official bodies of the Spanish Autonomous Regions	51,905	(33,124)	18,781
Spanish Government	113,848	(101,184)	12,664
<b>2019</b>	<b>601,070</b>	<b>(430,006)</b>	<b>171,064</b>

The breakdown by timing criteria of the balance pending application at December 31, 2020 is as follows:

	years		
	<1	2 to 5	>5
Government grants	940	3,720	7,063
Autonomous Regions grants	1,095	4,163	12,422
FEDER grants	8,309	28,067	95,927
<b>TOTAL GRANTS</b>	<b>10,344</b>	<b>35,950</b>	<b>115,412</b>

## b) Supplementary information on IFRS 16

The activity during the 2020 financial year in rights of use by category included under "Property, plant and equipment" was as follows:

	Opening balance at 12.31.2019	Additions	Disposals	Amortisation	Write-offs	Closing balance at 12.31.2020
Land and natural assets	155,783	2,218	(1)	(7,406)	1	150,595
Buildings	19,605	0	-	(3,604)	0	16,001
Technical facilities	133,758	949	-	(14,915)	0	119,792
Machinery	162	317	(188)	(204)	188	275
Furniture	124	0	(22)	(64)	22	60
Transport equipment	15,335	9,636	(1,731)	(5,344)	1,731	19,627
<b>TOTAL</b>	<b>324,767</b>	<b>13,120</b>	<b>(1,942)</b>	<b>(31,537)</b>	<b>1,942</b>	<b>306,350</b>

### Regasification plant - Port of El Musel (Gijón)

In relation to the situation of the regasification plant of the Port of El Musel (Gijón), no significant changes occurred with respect to what was described in the 2018 and 2019 annual accounts.

As previously reported, on March 1, 2016, Enagás Transporte received notification of the ruling handed down by the Supreme Court on February 29, 2016, dismissing the appeal filed by the General State Administration and said company against the sentence of July 31, 2013 passed by the Madrid High Court which upheld the contentious-administrative appeal filed by the Green Party of Asturias against the Directorate General of Energy Policy and Mining resolution of December 29, 2008 granting Enagás the prior administrative authorisation for construction of the regasification plant for liquefied natural gas in El Musel (Gijón), thereby nullifying said administrative authorisation.

The Company understands that the Supreme Court ruling does not entail any changes to the technical or economic situation of the facility, as (i) the location and technical characteristics of the facility are perfectly in line with prevailing legislation in light of the replacement of the regulation relating to annoying, unhealthy, harmful or hazardous activities with Law 34/2007, of November 15, on air quality and protection of the atmosphere and the facility; and (ii) the facility has received the necessary commissioning certification for the sole purposes indicated in the Third Transitional Provision of Royal Decree-Law 13/2012, and thus the remuneration recognised and received by the Company is justified on the basis of said Royal Decree-Law and not the nullified administrative authorisation.



The Ministry for Energy, Tourism, and Digital Agenda ruled along the same lines when it informed the High Court of Madrid in connection with the execution of the sentence requested by the Green Party of Asturias that “[...] it considers, at any rate, that the sentence has already been executed as the nullification does not involve or require the dismantling of the facility or the suspension of remuneration currently being received”. This request for the enforcement of a judgement, as well as that requested by the Llanes Neighbours and Friends Association, the Vega Collective Association for the Defence of the Rural Environment and the Association Group for the Recovery and Study of Natural Spaces, has already been resolved in a final manner by the High Court of Justice of Madrid through two Orders, of October 16, 2017 and April 11, 2018, which have considered the judgement of the court already executed in its entirety following the declaration of invalidity of the authorisation of the regasification plant and its hibernation, without the need for any further action on it.

On the other hand, Royal Decree 335/2018, of May 25, has been published and has come into force, restoring the processing of the facilities affected by section 2 of the third transitory provision of Royal Decree-Law 13/2012, of March 30. This includes the El Musel regasification plant, determining the procedure and conditions thereof, with Enagás Transporte having requested, on August 6, 2018, in accordance with the provisions of the aforementioned regulation and the LSH, a new administrative authorisation, approval of the implementation project and environmental impact statement of the LNG regasification plant project. Enagás Transporte also requested a favourable resolution of the technical and economic conditions for the provision of capacity services and for the commissioning of the facilities.

To date, these requests are in the process of environmental evaluation to obtain the Environmental Impact Statement (“EIS”).

At December 31, 2020 and 2019 the carrying amount of said investment totalled 378,887 thousands of euros.

Likewise, in accordance with Royal Decree-Law 13/2012, said regasification plant received both financial remuneration as well as remuneration for operating and maintenance costs in connection with the actions carried out by the Company to maintain the plant ready for service. Both remunerations have been recognised annually by successive Ministerial Orders on remuneration and tolls and are also included in the Resolution of December 18,

2019, of the National Commission of Markets and Competition, which establishes the remuneration for 2020 for companies that carry out the regulated activities of liquefied natural gas plants, transmission and distribution. In addition, Article 19 of Circular 9/2019 of December 12 of the National Commission of Markets and Competition, which establishes the methodology for determining the remuneration of natural gas transmission facilities and liquefied natural gas plants, continues to explicitly contemplate the remuneration methodology applicable to the El Musel plant for the 2021-2026 regulatory period.

Thus, the Directors of the Group, based on the legal opinions of internal and external advisors, do not consider it necessary to recognise any valuation adjustments.

### Regasification plant - Granadilla (Tenerife)

In relation to the project for the construction of the regasification plant in the port of Granadilla, the previously granted EIS expired in 2020. Likewise, the project is still awaiting a decision on the June 2015 request for a new administrative permit for the LNG Regasification Plant project, having filed a contentious-administrative appeal on October 20, 2020 against the rejection of the aforementioned request due to lack of response.

The foregoing circumstances give rise to a delay in the project which means that the goodwill associated with the project is not fully recoverable, and therefore an impairment loss of 2,609 thousands of euros was recognised at December 31, 2020 (Note 2.5).

Therefore, at December 31, 2020, the net carrying amount of the fixed assets associated with this project amounted to 20,669 thousands of euros, due mainly to 14,980 thousands of euros of fixed assets of work in progress associated with the project and 5,682 thousands of euros of goodwill.

The Directors of the Enagás Group, based on the legal opinions of internal advisors, believe that it is not appropriate to record an impairment in addition to that indicated above.

## 2.5 Intangible assets

### Accounting policies

#### Goodwill and business combinations

- › The acquisition of control of a subsidiary by the parent constitutes a business combination, which is recognised using the acquisition method.
- › Goodwill or negative goodwill arising on the combination is calculated as the difference between the fair value of the assets acquired and liabilities assumed which meet the relevant recognition criteria and the cost of the business combination, all measured at the acquisition date.
- › Goodwill that arises upon acquisition of companies whose functional currency is not the euro is recognised in the functional currency of the acquired company, translating to euros at the exchange rate prevailing at the balance sheet date.
- › Goodwill is not amortised and is subsequently measured at cost less any impairment losses. Goodwill impairment losses are not reversed in subsequent periods.

#### Other intangible assets

- › The cost model is applied, that is, the corresponding assets are measured at acquisition or production cost less the corresponding accumulated amortisation and any impairment losses.
- › Development costs are capitalised by amortising on a straight-line basis over the corresponding useful life, provided they are specifically itemised by project, their amounts can be clearly established, and technical success and economic and commercial feasibility of the project are reasonably assured.

- › The Group recognises all research expenses in the Consolidated Income Statement, including those development costs for which technical and commercial viability cannot be established. The amount recognised in the accompanying consolidated income statement in connection with research expenses totals 648 thousands of euros for 2020 (484 thousands of euros in 2019).
- › Concessions can only be included under assets when acquired for consideration separately by the Company and corresponding to concessions that can be transferred, or in the amount of expenses incurred to acquire them directly from the corresponding State or Public Authority. Should circumstances involving non-compliance with stipulated conditions arise which lead to the loss of rights related to a concession, the corresponding carrying amount for the concession will be written down in order to cancel the net carrying amount. These concessions are amortised on the basis of their useful lives.
- › Acquisition and development costs incurred with respect to basic IT systems used for management are recognised with a charge to “Intangible assets” in the Consolidated Balance Sheet. Maintenance costs of IT systems are recognised in the Consolidated Income Statement for the year in which they are incurred. They are measured at the amount disbursed for ownership or right-of-use of the IT programs, as well as their production cost if they are developed by the Group.

### Significant estimates and judgements

- › Amortisation of intangible assets is carried out on a straight-line basis in accordance with the following useful lives:

	Annual rate	Useful life (years)
IT applications	10%-25%	10-4
Development costs	5%-50%	20 – 2
Port concessions	1.28%-7.6%	78 – 13



2020	Opening balance	Additions or allocations <sup>(2)</sup>	Increases or decreases due to transfers	Decreases, disposals or reductions	Balance at year-end
Goodwill <sup>(1)</sup>	25,812				25,812
Other intangible assets					–
Development	8,430	256	–	–	8,686
Concessions	5,871	–	–	–	5,871
IT applications	236,679	17,401	418	(136)	254,362
Other intangible assets	12,145	2,329	(418)	(6)	14,050
<b>Total cost</b>	<b>288,937</b>	<b>19,986</b>	<b>–</b>	<b>(142)</b>	<b>308,781</b>
Other intangible assets	–				–
Development	(4,935)	(780)	–	–	(5,715)
Concessions	(4,062)	(49)	–	–	(4,111)
IT applications	(198,448)	(11,941)	–	–	(210,389)
Other intangible assets	(7,821)	(15)	–	–	(7,836)
<b>Total amortisation</b>	<b>(215,266)</b>	<b>(12,785)</b>	<b>–</b>	<b>–</b>	<b>(228,051)</b>
Goodwill	–	(2,609)			(2,609)
Other intangible assets	–	(3,591)		61	(3,530)
<b>Total impairment</b>	<b>–</b>	<b>(6,200)</b>		<b>61</b>	<b>(6,139)</b>
Total Goodwill	25,812	(2,609)	–	–	23,203
Total Other intangible fixed assets	47,859	3,610	–	(81)	51,388
<b>Net carrying amount of intangible assets</b>	<b>73.671</b>	<b>1.001</b>	<b>–</b>	<b>(81)</b>	<b>74.591</b>

(1) Includes the amounts relating to goodwill arising on the acquisition of ETN (17,521 thousands of euros). Also includes the goodwill arising on the acquisition of control of Gascán, amounting to 8,291 thousands of euros, which was impaired in 2020 by 2,609 thousands of euros, leaving a net carrying amount of 5,682 thousands of euros at December 31, 2020.

(2) The most significant additions in the year were the IT applications related to the Gas 2020 Access Circular (3,533 thousands of euros), the Gas 2020 Balancing Circular (1,180 thousands of euros), the implementation of RFP (1,708 thousands of euros) and improvements in the Metering Process Control (851 thousands of euros).

2019	Opening balance	Additions or allocations <sup>(2)</sup>	Increases or decreases due to transfers	Decreases, disposals or reductions	Translation differences	Perimeter variations <sup>(3)</sup>	Balance at year-end
Goodwill <sup>(1)</sup>	188,445	–	–	–	946	(163,579)	25,812
Other intangible assets							–
Development	8,101	329	–	–	–	–	8,430
Concessions	773,561	–	–	–	4,465	(772,155)	5,871
IT applications	224,134	15,493	800	(26)	21	(3,743)	236,679
Other intangible assets	21,964	256	(800)	–	54	(9,329)	12,145
<b>Total cost</b>	<b>1,216,205</b>	<b>16,078</b>	<b>–</b>	<b>(26)</b>	<b>5,486</b>	<b>(948,806)</b>	<b>288,937</b>
Other intangible assets							–
Development	(4,125)	(810)	–	–	–	–	(4,935)
Concessions	(68,108)	(3,859)	–	–	(365)	68,270	(4,062)
IT applications	(189,041)	(12,743)	–	19	(19)	3,336	(198,448)
Other intangible assets	(10,272)	(77)	–	11	(14)	2,531	(7,821)
<b>Total amortisation</b>	<b>(271,546)</b>	<b>(17,489)</b>	<b>–</b>	<b>30</b>	<b>(398)</b>	<b>74,137</b>	<b>(215,266)</b>
Total Goodwill	188,445	–	–	–	946	(163,579)	25,812
Total Other intangible fixed assets	756,214	(1,411)	–	4	4,142	(711,090)	47,859
<b>Net carrying amount of intangible assets</b>	<b>944,659</b>	<b>(1,411)</b>	<b>–</b>	<b>4</b>	<b>5,088</b>	<b>(874,669)</b>	<b>73,671</b>

(1) Includes the amounts relating to goodwill arising on the acquisition of ETN (17,521 thousands of euros) and that arising on the acquisition of control of Gascán (8,291 thousands of euros).

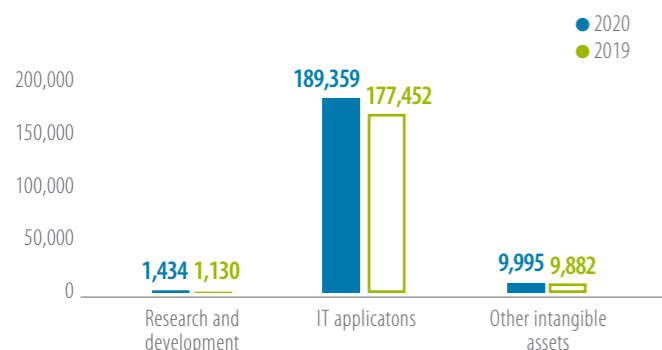
(2) The main additions in the year included IT applications for the implementation of Gas Access and Balance Circulars, as well as software related to the optimisation of the measurement process.

(3) "Changes in the consolidation scope" includes the effect of including the ownership interest in GNL Quintero using the equity method, amounting to 874,433 thousands of euros, as a result of the loss of control over the company on February 15, 2019.



Fully amortised intangible assets recognised by the Enagás Group and still in use at 2020 and 2019 year-end are broken down as follows:

### Fully amortised elements



## 2.6 Impairment of non-financial assets

### Accounting policies

- › With respect to goodwill, at the closing of each year, or more frequently if certain circumstances or changes arise which indicate that the net carrying amount of said goodwill may not be entirely recoverable, and when there are indications of impairment losses on the remaining non-current assets, the Company analyses the corresponding recoverable amounts to determine the possibility of impairment.
- › The potential impairment loss is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates at the time it arises.
- › The period used by the Enagás Group to determine the projected cash flows of the cash-generating units corresponds to the period in which the asset accrues revenue associated with the investment (Appendix III). At the closing of this period, the Enagás Group considers residual values based on the cash flows of the last period with a growth rate equal to zero.

## Significant estimates and judgements

Determination of impairment losses on non-current assets other than financial assets is based on fulfilment of a series of hypotheses which are described below in this note and are revised annually. The Group identifies its operating segments based on internal reports relating to the companies comprising the Group which are regularly reviewed, discussed, and evaluated in the decision-making process, as indicated in Note 4.7.

To the extent that assets grouped within a segment are at the lowest level at which independent cash flows can be identified, the segment is identified as a cash generating unit (CGU).

The CGUs identified by the Enagás Group in 2020 are shown below:

- › Infrastructure activity in Spain (includes transmission, regasification, and storage).
- › Technical Management of the System.

To estimate value in use, the Enagás Group prepares forecasts regarding future cash flows after taxes based on the most recent budget approved by the Directors. The best estimates available for income, costs, investment and dividends (in the case of investments accounted for using the equity method) relating to CGUs are used for said forecasts, making use of past experience, sector forecasts, and future expectations, in accordance with the prevailing regulatory framework and corresponding contracts.

The last period considered for projections is the one corresponding to the year in which the regulatory useful life ends, based on the age of the facilities at the time.

With respect to infrastructure activity, once the regulatory useful life of the facilities has elapsed, and in those cases in which the asset remains operational, the operating and maintenance costs and remuneration for the extension of useful life, (REVU) are established as fixed remuneration, calculated on the basis of the fixed operation and maintenance costs increased by a coefficient, which takes an initial value of 0.3 for transmission and regasification facilities and 0.15 for underground storage facilities, which is subsequently increased based on the number of years by which the facility exceeds the regulatory useful life, not accruing any amounts as investment remuneration, amortisation, or financial remuneration. In addition to said fixed remuneration, the Remuneration for Supply Continuity (RSC) will be maintained as it is independent of the regulatory useful life of the asset in question. Thus, when determining residual value, the following is taken into consideration:

- › The projection for the last estimated cash flow corresponding to Remuneration for Supply Continuity ("RSC"), calculated in accordance with the regulatory parameters established and described in Appendix III.
- › The projected remuneration for operating and maintenance costs for the last financial year and for the projected extension of useful life (REVU), applying the regulatory framework and the coefficients for fully amortised elements described in Appendix III.
- › Financial remuneration or remuneration related to amortisation was not taken into account as said remuneration will end when the regulatory useful life of the facilities elapses.

With respect to the activities corresponding to Technical Management of the System, residual values were calculated based on the cash flows of the last financial year, using a zero growth rate and no normalisation adjustments. This is due to the fact that, as indicated in Appendix III, revenue corresponding to this activity is meant to settle the obligations of Enagás GTS, S.A.U. as Technical Manager of the System, which is the same as that calculated annually based on the accredited costs for each

year. For the last period, the same criteria were applied as those used for infrastructure activity, under the understanding that while the gas infrastructure is operational and there is demand for gas, technical management of the gas system will continue.

As mentioned in Note 2.1 and developed in Appendix III, without affecting the 2020 financial year, on November 20 and on December 23, 2019, CNMC Circulars 2/2019 and 9/2019 and 8/2019 were published, establishing the new regulatory and remuneration framework for financial years from January 1, 2021.

The modifications in the remuneration model incorporated in these have been taken into account in the calculation of the projected flows from January 1, 2021.

The Directors consider that their projections are reliable and that past experience, taken together with the nature of the business, make it possible to predict cash flows for the periods under consideration.

- › Operating and maintenance costs were estimated considering the prevailing maintenance contracts, as well as remaining estimated costs based on sector knowledge and past experience. The projections made were consistent with the growth expected as a result of the investment plan.
  - › Other revenue and costs were projected based on sector knowledge, past experience, consistent with the growth expected as a result of the investment plan.
  - › Future dividends have been projected based on the company's knowledge, past experience and activity in free cash flows.
  - › In order to calculate present value, projected future cash flows are discounted at an after-tax rate which reflects the weighted average cost of capital (WACC) corresponding to the business and the geographical area in which the business is carried out. For its calculation, the time value of money is taken into consideration together with the risk-free rate and risk premiums generally used by analysts of the business and geographic area in question. The risk-free rate corresponds to the sovereign bonds issued by each country in the corresponding market, with sufficient depth and solvency. However, associated country risk is also taken into consideration for each geographical area. The risk premium of the asset corresponds to the risks specific to the asset, calculated taking into consideration the estimated betas in accordance with the selection of comparable businesses dedicating themselves to a similar main activity.
- The most representative hypotheses used in the projections, based on business forecasts and past experience, are the following:
- › Regulated remuneration: this has been estimated in accordance with the remuneration approved by CNMC Circulars and RD 1184/2020 for the years in which it is available, while for subsequent years the same updating mechanisms established by law have been used and a better estimate has been made for the costs paid based on audited costs.
  - › Investment: the best available information on investment plans for assets and maintenance of infrastructures and systems has been used, based on the one hand on the history of investment in maintenance and systems and, on the other, in new projects that are highly likely to be executed in accordance with the work in progress being developed with the Ministry and the CNMC.
  - › The after-tax discount rate for regulated activities in Spain is between 2.87% and 4.85%, and the pre-tax rate is between 4.1% and 6% (in 2019 the after-tax rate was between 2.95% and 3.95% and the pre-tax discount rate was between 4% and 6.3%).



## 2.7 Other current and non-current liabilities

"Other current liabilities" and "Other non-current liabilities" include mainly liabilities under contracts with customers, in accordance with IFRS 15, the breakdown and changes in which are shown below

Other current liabilities and Other non-current liabilities	Royalties Gasoducto de Extremadura, S.A. <sup>(1)</sup>	Royalties Gasoducto Al-Ándalus, S.A. <sup>(1)</sup>	Connections to basic network	Others	Total
<b>Balance at December 31, 2018</b>	<b>11,272</b>	<b>17,647</b>	<b>39,583</b>	<b>745</b>	<b>69,247</b>
Additions	-	-	586	747	1,333
Recognised in profit and loss	(6,392)	(10,330)	(1,221)	-	(17,943)
Effect of financial restatement IFRS 15	1,443	2,873	314	-	4,630
<b>Balance at December 31, 2019</b>	<b>6,323</b>	<b>10,190</b>	<b>39,262</b>	<b>1,492</b>	<b>57,267</b>
Additions	-	-	806	796	1,602
Recognised in profit and loss	(6,323)	(10,190)	(1,249)	(1,492)	(19,254)
Effect of financial restatement IFRS 15	-	-	256	-	256
<b>Balance at December 31, 2020</b>	<b>-</b>	<b>-</b>	<b>39,075</b>	<b>796</b>	<b>39,871</b>
Of which: Liabilities for short-term customer contracts					
Liabilities from long-term customer contracts	-	-	39,075	-	39,075
Other non-current liabilities	-	-	-	796	796

(1) The balances relating to the royalties of Gasoducto de Extremadura, S.A. and Gasoducto Al-Ándalus, S.A. that remained outstanding at 12/31/2019 were allocated in full to profit and loss in 2020, coinciding with the expiry date of the "gas transmission right" contracts, and the associated liability in this connection was therefore fully recognised at December 31, 2020. On expiry of these contracts, Enagás Transporte, S.A.U. regains title to the gas transmission right in both pipelines.

At December 31, 2020, the heading "Customer contract liabilities" includes performance obligations pending execution with an estimated term of more than one year, amounting to 1,298 thousands of euros (2,609 thousands of euros at December 31, 2019).

It was determined that the amounts received for the execution of connections and those received for the gas transmission contract have an associated significant financing component, which the Enagás Group recognised in the financial result of the consolidated income statement for 2020 for the amount of 256 thousands of euros (4,630 thousands of euros in 2019).

At December 31, 2020, the Enagás Group had no refund or reimbursement rights associated with contracts with customers.

## 2.8 Provisions and contingent liabilities

### Significant estimates and judgements

- › The Consolidated Annual Accounts include all significant provisions when the Group considers that it will more likely than not have to settle the related obligations. Contingent liabilities are not recognised in the Consolidated Annual Accounts, but rather are disclosed, unless the possibility of an outflow of resources embodying economic benefits is considered remote. • The policy followed with respect to the recognition of provisions for risks and expenses is to recognise the estimated amount required to settle probable or certain liabilities arising from litigation underway, pending indemnities or liabilities, sureties and similar guarantees. They are recognised upon emergence of the liability or obligation determining the indemnity or payment.
- › Provisions, which are quantified taking into consideration the best available evidence on implications of obligating events and that are re-estimated at each balance sheet date, are used to cover the specific obligations for which they were originally recognised and are partially or fully reversed when said obligations decrease or cease to exist.
- › The compensation to be received from a third party when an obligation is settled is recognised as an asset, provided it is certain that reimbursement will be received, unless there is a legal relationship whereby a portion of risk has been externalised as a result of which the Group is not liable, in which case, reimbursement will be taken into consideration in estimating the amount of any provision.
- › At year-end 2020 and 2019, several legal proceedings were underway against business groups in connection with matters relating to the normal course of their activities. The Group's legal advisors and Directors consider that the final outcome of these proceedings and claims will not have a significant effect on its future Consolidated Annual Accounts.
- › Decommissioning provisions are subject to periodic review, in order to monitor possible changes in any of the assumptions used, assuming in that case the corresponding change in book value, applied prospectively.



### a) Provisions

The movements during the period under the heading "Non-current provisions" and "Current provisions" were as follows:

2020	Opening balance	Additions and provisions	Updates	Amounts used	Balance at year-end
Personnel remuneration	2,583	2,634	(7)	–	5,210
Other long-term provisions	1,158	168	(1)	(536)	789
Dismantling	244,523	–	3,369	–	247,892
<b>Total non-current provisions</b>	<b>248,264</b>	<b>2,802</b>	<b>3,361</b>	<b>(536)</b>	<b>253,891</b>
Other short-term provisions	1,968	–	264	–	2,232
<b>Total current provisions</b>	<b>1,968</b>	<b>–</b>	<b>264</b>	<b>–</b>	<b>2,232</b>
<b>Total current and non-current provisions</b>	<b>250,232</b>	<b>2,802</b>	<b>3,625</b>	<b>(536)</b>	<b>256,123</b>

The dismantling provisions correspond to the underground storage facilities of Gaviota, Yela, and Serrablo, as well as the regasification plants of Barcelona, Cartagena, Huelva, and El Musel (Gijón) in accordance with the prevailing regulatory framework (Note 2.4 and Appendix III).

Decommissioning provisions are subject to periodic review, in order to monitor possible changes in any of the assumptions used, assuming in that case the corresponding change in book value, applied prospectively.

Additionally, this provision has been updated in the periods following its incorporation, applying a discount rate before taxes that reflects the current assessments that the market is making of the temporal value of money, and those specific risks related to the actual obligation subject provision. The discount rate used ranges from 1.09% to 1.90% depending on the remaining time period in which the dismantling work is expected to be carried out.

As a result of the effect of this restatement, at December 31, 2020 an increase of 3,369 thousands of euros was registered in the dismantling provision.

Lastly, the Group has proceeded to perform the corresponding sensitivity analyses, showing that a change in the discount rate of 5 basis points and a variation in estimated dismantling provisions of 2.5%, would result in a change in the amount recognised for the provision of (3.40%)/-3.45%.

"Personnel remuneration" includes the cash portion of the Long-Term Incentive Plan ("ILP") for the executive directors and senior management (Note 4.4), as well as the bonus payable every three years for contribution to results aimed at the remaining personnel of the Group.

The Directors of the Company consider that the provisions recognised in the accompanying Consolidated Balance Sheet for litigation and arbitration risk as well as other risks described in this note are adequate and, in this respect, they do not expect any additional liabilities to arise other than those already recorded. Given the nature of the risks covered by these provisions, it is not possible to determine a reasonably reliable schedule of payment dates, if any.

### b) Contingent liabilities

At December 31, 2020, there were no events to be considered as contingent liabilities by the Enagás Group other than those indicated in Note 3.3 in relation to the GSP project in Peru.



# 3 Capital structure, financing and financial result

## Relevant aspects

### Financial leverage

- Financial leverage at December 31, 2020 amounted to 57.3% (54.2% in 2019) (Note 3.7).
- On February 9, 2021, the credit rating agency Standard & Poor's maintained Enagás' credit rating at BBB+, but it has placed it on a negative outlook. On December 30, 2020, the credit rating agency Fitch Ratings maintained Enagás' credit rating at BBB+, putting it on a negative outlook (Note 3.7).

### Equity

- At December 31, 2020, equity has decreased by 5% compared to the previous year-end, to a total of 3,007 million euros.
- The share price of the parent company, Enagás, S.A. recognised at December 31, 2020 amounted to 17.965 euros.
- No individual or legal entity can invest directly or indirectly in a proportion in excess of 5% of the share capital of Enagás, S.A., nor exercise political rights in this company above 3% (1% for those subjects who, directly or indirectly, perform activities in the gas sector). These restrictions are not applicable to direct or indirect holdings corresponding to the public business sector (Note 3.1.a).

### Net financial debt

- Net financial debt is the main indicator used by Management to measure the Group's debt level. At December 31, 2020 net financial debt amounted to 4,288 million euros (3,755 million euros in 2019) (Note 3.4.a).
- The average annual interest rate during 2020 for the Group's gross financial debt amounted to 1.9% (2.2% in 2019). (Note 3.4.a).
- The percentage of fixed rate net financial debt at December 31, 2020 and December 31, 2019 amounted to more than 80%, with the average maturity period of the debt at December 31, 2020 being 5 years (5.2 years at December 31, 2019) (Note 3.4.a).

### Available funds

- The Group has available funds in the amount of 2,473 million euros at December 31, 2020 (2,717 million euros in 2019) (Note 3.8.b).

### Financial result

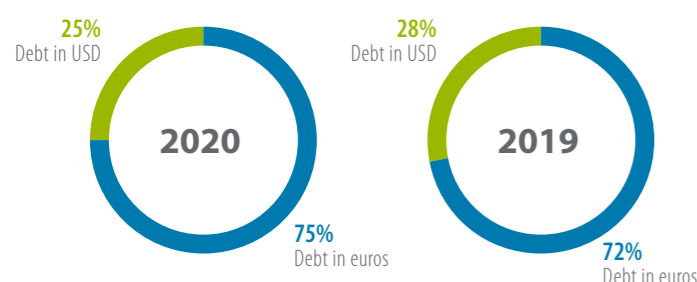
- Financial expenses and similar decreased from 134 million euros in 2019 to 108 million euros in 2020. (Note 3.5).
- Finance income and similar increased from 16 million euros in 2019 to 21 million euros in 2020. (Note 3.5).

### Derivative financial instruments

- At December 31, 2020, the net fair value of the Group's derivatives, including assets and liabilities derivatives, was 43 million euros of liabilities (85 million euros of liabilities at December 31, 2019) (Note 3.6). During 2020, the Group has arranged cash flow hedges and net investment hedges.

### Gasoducto Sur Peruano, S.A. ("GSP")

- In relation to the situation of the investment in GSP, as a result of the termination of the concession contract on January 24, 2017, the dispute between the Peruvian State and Enagás regarding the application of the investment recovery mechanism established in the GSP Concession contract continues. In this regard, an international arbitration was initiated in 2018 under the Agreement for the Promotion and Reciprocal Protection of Investments (hereinafter, APPRI) Spain-Peru, as detailed in Note 3.3.a submitted to the International Centre for Settlement of Investment Disputes (hereinafter ICSID). On January 20, 2020, Enagás presented its claim to the ICSID, while the Peruvian State presented its response to the claim on July 19, 2020, after which a phase of reply and rejoinder has begun according to the established schedule.
- At December 31, 2020, the total amount to be recovered by GSP amounted to 392,417 thousands of euros (413,154 thousands of euros at December 31, 2019) relating to both the recovery of the financial investment in this company and the credit rights associated with the recovery of the guarantees executed against the Enagás Group as a result of the termination of the concession contract in GSP (Note 3.3.a).



## 3.1 Equity

### a) Share capital

On December 19, 2019, a capital increase was carried out by means of an accelerated private placement of shares excluding the pre-emptive subscription rights of Enagás, S.A. shareholders. This capital increase with a charge to monetary contributions was carried out for a nominal amount of 34,883,721 euros by issuing and putting into circulation 23,255,814 ordinary shares of Enagás, S.A., each with a nominal value of 1.50 euros of the same class and series as the existing shares in circulation at that date.

As a result, at 2020 and 2019 year-end, the share capital of Enagás S.A. amounted to 392,985 thousands of euros, represented by 261,990,074 shares with a nominal value of 1.5 euros each, fully subscribed, and paid in.

All shares of the parent company Enagás, S.A. are listed on the four official Spanish Stock Exchanges and are traded on the continuous market. At the closing of December 31, 2020 the quoted share price was 17.965 euros, having reached a maximum of 26.26 euros per share on February 21, 2020.

It is worth noting that, subsequent to publication of Additional Provision 31 of Hydrocarbon Sector Law 34/1998, in force since enactment of Law 12/2011, of May 27, "no natural or legal person can participate directly or indirectly in the shareholder structure of Enagás, S.A. with a stake exceeding 5% of share capital, nor exercise political rights in said parent company exceeding 3%. These shares cannot be syndicated under any circumstances." Furthermore, "any party operating within the gas sector, including natural persons or legal entities that directly or indirectly own equity holdings in the former of more than 5%, may not exercise voting rights over 1%. Said limitations shall not be applicable to direct or indirect interest held by the public corporate sector."

At December 31, 2020 and 2019 the most significant shareholdings in the share capital of Enagás, S.A. were as follows (from the information published by the National Securities Market Commission (CNMV in Spanish) <sup>(1)</sup> at December 31, 2020):

Company	Investment in share capital (%)	
	12.31.2020	12.31.2019
Sociedad Estatal de Participaciones Industriales	5.000	5.000
Partler 2006 S.L.	5.000	5.000
Bank of America Corporation	3.614	3.614
BlackRock Inc.	3.383	3.383
State Street Corporation	3.008	3.008
Mubadala Investment Company PJSC	3.103	-
Credit Agricole, S.A.	3.042	-

(1) The information obtained from the CNMV was based on the last notification that each entity thus obliged must send to said body, in connection with the stipulations of Royal Decree 1362/2007, of October 19 and Circular 2/2007, of December 19.





## b) Share premium

The total amount of the capital increase for the financial year 2019 described above amounted to 500,000 thousands of euros, comprising both the nominal value of the shares and a share premium of 465,116 thousands of euros. At the end of the 2020 financial year, the share premium remained unchanged.

The Consolidated Text of the Corporate Enterprises Act expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

## c) Treasury shares

No treasury shares were acquired or disposed of in 2020.

On June 26, 2019, Enagás, S.A. finalised the process for acquiring treasury shares, which amounted to 501,946 shares, representing 0.19% of the total shares issued by Enagás, S.A. at December 31, 2020, for a total of 9,876 thousands of euros (including associated expenses of 10 thousands of euros). This acquisition took place within the framework of the "Temporary Treasury Shares Buy-Back Scheme", whose exclusive aim was to meet the obligations of delivering shares to the Executive Directors and members of the Enagás Group management team under the current remuneration scheme according to the terms and conditions of the 2019–2021 Long-Term Incentive Plan (ILP) and Remuneration Policy approved at the General Shareholders' Meeting on March 29, 2019. The shares were purchased in compliance with the conditions set out in Article 5 of Regulation EC/2273/2003 and subject to the terms authorised at the General Shareholders' Meeting held on March 29, 2019. Management of the Temporary Treasury Share Buy-Back Scheme was entrusted to Banco Bilbao Vizcaya Argentaria (BBVA), which carried out the transaction on behalf of Enagás, S.A. independently and without exercising influence on the process (Note 4.4).

No treasury shares were acquired or disposed of in 2020.

## d) Reserves

The Corporate Enterprises Act stipulates that 10% of profit for the year must be transferred to the legal reserve until it represents at least 20% of share capital. At 2020 year-end this reserve was fully funded, amounting to 78,597 thousands of euros (71,620 thousands of euros at 2019 year-end).

The legal reserve can be used to increase capital by the amount exceeding 10% of the new capital after the increase. Except for this purpose, until the legal reserve exceeds the limit of 20% of capital, it can only be used to compensate losses provided there are no other reserves available.

In addition, in 2019, expenses arising from the capital increase carried out by the Parent Company in the amount of 1,331 thousands of euros were recognised as a reduction in reserves.

In 2020 no effects were recognised in reserves as a result of the initial application of new accounting standards (Note 1.10) (negative reserve of 30,621 thousands of euros at December 31, 2019 explained by the initial application of IFRS 16 in 2019).

## e) Income and expenses recognised directly in equity

	Opening balance	Change in value	Recognised in profit and loss	Changes in consolidation scope	Balance at year-end
<b>2020</b>					
Cash flow hedges	1,398	(31,762)	13,181	–	(17,183)
Tax recognised in equity	(240)	7,988	(3,445)	–	4,303
Translation differences	(115,506)	67,292	–	–	(48,214)
<b>Fully consolidated companies</b>	<b>(114,348)</b>	<b>43,518</b>	<b>9,736</b>	<b>–</b>	<b>(61,094)</b>
Cash flow hedges	(14,671)	(27,016)	3,060	–	(38,627)
Tax recognised in equity	2,360	5,436	(943)	–	6,853
Translation differences	109,482	(219,334)	–	–	(109,852)
<b>Companies accounted for using the equity method</b>	<b>97,171</b>	<b>(240,914)</b>	<b>2,117</b>	<b>–</b>	<b>(141,626)</b>
<b>Total</b>	<b>(17,177)</b>	<b>(197,396)</b>	<b>11,853</b>	<b>–</b>	<b>(202,720)</b>
<b>Total attributable to the parent</b>	<b>(17,177)</b>	<b>(197,396)</b>	<b>11,853</b>	<b>–</b>	<b>(202,720)</b>
<b>Total attributable to minority interests</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>2019</b>					
Cash flow hedges	23,491	(32,998)	10,905	–	1,398
Tax recognised in equity	(5,920)	8,222	(2,542)	–	(240)
Translation differences	(128,553)	(7,442)	(597)	21,086	(115,506)
<b>Fully consolidated companies</b>	<b>(110,982)</b>	<b>(32,218)</b>	<b>7,766</b>	<b>21,086</b>	<b>(114,348)</b>
Cash flow hedges	5,287	(19,893)	(65)	–	(14,671)
Tax recognised in equity	(896)	3,247	9	–	2,360
Translation differences	89,225	20,257	–	–	109,482
<b>Companies accounted for using the equity method</b>	<b>93,616</b>	<b>3,611</b>	<b>(56)</b>	<b>–</b>	<b>97,171</b>
<b>Total</b>	<b>(17,366)</b>	<b>(28,607)</b>	<b>7,710</b>	<b>21,086</b>	<b>(17,177)</b>
<b>Total attributable to the parent</b>	<b>6,640</b>	<b>(31,527)</b>	<b>7,710</b>	<b>–</b>	<b>(17,177)</b>
<b>Total attributable to minority interests</b>	<b>(24,006)</b>	<b>2,920</b>	<b>–</b>	<b>21,086</b>	<b>–</b>



## 3.2 Result and variation in minority interests

### Accounting policies

- › Minority interests are those that can be attributed to shareholders who have no control over the subsidiary.
- › They are recognised under equity as a line item separate from the equity attributable to the parent.
- › In business combinations, minority interests are measured at fair value or the proportional part of net assets acquired.
- › The amount corresponding to minority interests relating to the change in equity of the subsidiary is attributed based on the percentage of interest held in the subsidiary.
- › Changes in the percentage of ownership interest held by the parent in the subsidiary which do not represent a loss of control are recognised as equity transactions.
- › The amount corresponding to minority interests is calculated for the whole Enagás Group based on the carrying amounts of the companies in which minority interests are held.

	Minority interests holding	Opening balance	Changes in the consolidation scope <sup>(2)</sup>	Dividends distributed	Translation differences	Other adjustments <sup>(1)</sup>	Distribution of results	Balance at year-end
<b>2020</b>								
ETN, S.L.	10.0%	15,482	–	(835)	–	–	936	15,583
Remaining companies		402	231	(1,200)	–	1,960	(17)	1,376
<b>Total 2020</b>		<b>15,884</b>	<b>231</b>	<b>(2,035)</b>	<b>–</b>	<b>1,960</b>	<b>919</b>	<b>16,959</b>
<b>2019</b>								
ETN, S.L.	10.0%	15,221	–	(836)	–	–	1,097	15,482
GNL Quintero, S.A.	54.6%-0%	358,211	(365,477)	–	2,920	–	4,346	–
Remaining companies		541	(6)	–	–	–	(133)	402
<b>TOTAL 2019</b>		<b>373,973</b>	<b>(365,483)</b>	<b>(836)</b>	<b>2,920</b>	<b>–</b>	<b>5,310</b>	<b>15,884</b>

(1) Other Adjustments" mainly includes the amounts recorded in the Gas Infrastructure Reserves for dividends received from Group companies and not distributed, amounting to 1,950 thousands of euros.  
 (2) "Changes in the consolidation scope" for 2019 mainly includes the effect of the change in the consolidation method of GNL Quintero, which in February 2019 was accounted for using the equity method and the profit was recorded up to that time.

The summarised financial information of these affiliates is shown below. This information is based on the amounts recognised before eliminations among Group companies:

	2020 ETN, S.L.	2019 ETN, S.L.
<b>Condensed income statement</b>		
Ordinary revenue	26,218	28,703
Cost of sales	(7,618)	(7,615)
Administrative expenses	(4,183)	(4,216)
Financial expenses	(2,587)	(2,928)
<b>Profit/(loss) before tax</b>	<b>11,830</b>	<b>13,944</b>
Income tax expense	(2,468)	(2,975)
<b>Profit/(loss) for the year from continuing operations</b>	<b>9,362</b>	<b>10,969</b>
<b>Total results</b>	<b>9,362</b>	<b>10,969</b>
Attributable to minority interests	936	1,097
Dividends paid to minority interests	835	836

	12.31.2020 ETN, S.L.	12.31.2019 ETN, S.L.
<b>Condensed balance sheet</b>		
Inventories, treasury, and current accounts (current)	12,871	19,048
PP&E and other assets (non-current)	236,471	242,902
<b>Suppliers and payables (current)</b>	<b>9,770</b>	<b>13,074</b>
Loans, credits, and deferred tax liabilities (non-current)	83,696	94,009
<b>Total equity</b>	<b>155,877</b>	<b>154,867</b>
Attributable to:		
Shareholders of the Parent	140,294	139,385
<b>Minority interests</b>	<b>15,583</b>	<b>15,482</b>

	2020 ETN, S.L.	2019 ETN, S.L.
<b>Cash flow statement</b>		
Operating income	18,205	27,060
Investment	(1,453)	(386)
Financing	(18,345)	(21,362)
<b>Total net cash flows</b>	<b>(1,593)</b>	<b>5,312</b>



## 3.3 Financial assets and liabilities

### Accounting policies

#### Financial assets

- Financial assets are recognised in the Consolidated Balance Sheet at the transaction date when the Group becomes party to the contractual terms of the instrument.
- Financial assets are classified under "Financial assets measured at amortised cost" except for the investments accounted for using the equity method (Note 1.6) and derivative financial instruments (Note 3.6).

#### Financial assets measured at amortised cost

- Items recognised under this heading are initially recognised at fair value of the consideration paid, plus transaction costs directly attributable to the acquisition. Subsequently, they are measured at amortised cost.
- Receivables which do not bear explicit interest are recognised at their face value whenever the effect of not discounting the related cash flows is not significant. Subsequent measurement in this instance is still carried out at face value. Fair value measurement
- In accordance with IFRS 13, for purposes of financial disclosure, the measurement of fair value is classified as Level 1, 2, or 3, based

on the degree that the inputs applied are observable and their importance in measuring fair value in its totality, as described below:

- Level 1** – Inputs are based on quoted prices (unadjusted) for instruments of an identical nature traded in active markets.
- Level 2** – Inputs are based on valuation models for which all significant inputs are observable in the market or can be corroborated by observable market data.
- Level 3** – Inputs are not generally observable and generally reflect estimates regarding market movements for determining the price of the asset or liability.

#### Trade and other payables

- Trade and other payables that do not accrue explicit interest are measured at their face value when the effect of financial discounting is not significant.

### Significant estimates and judgements

- In accordance with the requirements established under IFRS 9, the Group regularly calculates the effect of the expected loss on financial assets. This has had an effect on the Consolidated Income Statement for the year of 111 thousands of euros (38 thousands of euros at December 31, 2019), with the cumulative effect on the Consolidated Balance Sheet amounting to 549 thousands of euros at December 31, 2020 (438 thousands of euros at December 31, 2019).

### a) Financial assets

Categories	Amortised cost		Fair Value with changes in the income statement (*)		Fair value through profit / loss		Class	
	12.31.2020	12.31.2019	12.31.2020	12.31.2019	12.31.2020	12.31.2019	12.31.2020	12.31.2019
Equity instruments	–	–	–	–	7,431	–	7,431	–
Credits	33,295	36,191	–	–	–	–	33,295	36,191
Trade and other receivables (Note 2.2)	146,347	148,022	–	–	–	–	146,347	148,022
Derivatives (Note 3.6)	–	–	12,621	3,413	–	–	12,621	3,413
Others	402,847	418,140	–	–	–	–	402,847	418,140
<b>Total non-current financial assets</b>	<b>582,489</b>	<b>602,353</b>	<b>12,621</b>	<b>3,413</b>	<b>7,431</b>	–	<b>602,541</b>	<b>605,766</b>
Credits	2,441	11	–	–	–	–	2,441	11
Others	5,034	7,917	–	–	–	–	5,034	7,917
<b>Total current financial assets</b>	<b>7,475</b>	<b>7,928</b>	–	–	–	–	<b>7,475</b>	<b>7,928</b>
<b>Total financial assets</b>	<b>589,964</b>	<b>610,281</b>	<b>12,621</b>	<b>3,413</b>	<b>7,431</b>	–	<b>610,016</b>	<b>613,694</b>

(\*) In the specific case of those derivatives to which cash flow hedges or net investment are attributed, the accumulated amounts in equity are transferred to the Consolidated Income Statement in the periods when the covered items affect the Consolidated Income Statement.

The Directors estimate that the fair value of the financial assets at December 31, 2020 does not differ significantly with respect to their book value.

#### Equity instruments

This mainly includes the investment for 19% of the company Depositi Italiani GNL. This company will develop small-scale liquefied natural gas (LNG) in the Mediterranean. This investment is not consolidated because of the decision-making process (for taking important decisions).

#### Credits

This mainly includes loans granted to group companies consolidated using the equity method and therefore not eliminated in the consolidation process.

The detail of current and non-current loans to Group companies is detailed in Note 4.3.

#### Others

"Other non-current financial assets" include an amount of 3,090 thousands of euros (2,834 thousands of euros at December 31, 2019) corresponding to the investment made by the Group in Economic Interest Groups (EIG) whose activity is the leasing of assets managed by another entity unrelated to the Group and which retains both the majority of profits as well as the risks related to the activities, with the Group only availing itself of the regulated tax incentives in Spanish legislation. The Group attributes the carry-forward tax losses generated by these EIGs against shares and taking into account the debt registered with the Tax Authorities, recognising the corresponding financial income.

This heading also includes the accounts receivable for both the corporate guarantee granted in connection with GSP financial debt as well as the guarantee for full compliance with respect to the concession agreement, executed to the Enagás Group as a consequence of the GSP concession agreement being terminated. At December 31, 2020, the total amount to be recovered by GSP amounted to 392,417 thousands of euros (413,154 thousands of euros at December 31, 2019) relating to both the recovery of the financial investment in this company and the credit rights associated with the recovery of the guarantees executed against



the Enagás Group as a result of the termination of the concession contract in GSP, both amounts being updated and expected to be recovered by December 31, 2022.

### Gasoducto Sur Peruano (“GSP”)

In relation to the investment in Gasoducto Sur Peruano, S.A. (hereinafter “GSP”) on January 24, 2017, the Directorate General of Hydrocarbons of the Peruvian Government’s Ministry of Energy and Mines (hereinafter the “State of Peru”) sent an official letter to GSP stating “the termination of the concession agreement owing to causes attributable to the concession holder”, in accordance with the terms of Clause 6.7 of the “Improvements to the Energy Security of the Country and the Development of the Gasoducto Sur Peruano” (hereinafter “the Project”) concession agreement, because the financial close had not been evidenced within the period established in the agreement (January 23, 2017), and proceeded to the immediate enforcement of the totality of the guarantee for full compliance given by GSP (262.5 million dollars), to ensure fulfilment of the obligations relating to the concession, which in the case of Enagás generated a payment of 65.6 million dollars. Also in January 2017, they paid GSP bank financing sureties to Enagás amounting to 162 million dollars, including both principal and interest pending payment. In December 2017, the process for delivering the Concession Assets held by GSP was substantially completed with the Peruvian State assuming control over them.

As a result of the termination of the concession contract, in accordance with the opinion of external and internal legal advisors, the Peruvian State had the obligation to apply Clause 20 of the Concession Contract, calculating the Net Carrying Amount (hereinafter NCA) of the Concession Assets, calling up to a maximum of three auctions to award the Concession, with the auction result being to pay GSP the NCA. With the amount that GSP would have received for the NCA of the Concession Assets, it would have proceeded to settle its obligations to third parties and, if appropriate, reimburse the capital contributions made by its shareholders, as explained in the Consolidated Annual Accounts of the Enagás Group since 2016.

As a result of inaction by the State of Peru in relation to the aforementioned procedure, on December 19, 2017, Enagás notified the Peruvian State about the existence of a dispute relating to the investment in GSP with a view to reaching an amicable agreement on the terms of Article 9.1 of the Agreement for the Reciprocal Promotion and Protection of APPRI in Spanish signed by the Republic of Peru and the Kingdom of Spain. This notification represented the beginning of the six-month period for direct contact prior to initiating international arbitration in which the APPRI acts as the mechanism for recovering the investment in GSP. Once the required six months of direct contact between Enagás and the Peruvian State had elapsed without it being possible to reach an amicable settlement of this dispute, on July 2, 2018, Enagás filed an application for the initiation of arbitration against the Peruvian State regarding its investment in GSP with the ICSID.

Through this arbitration procedure, it is expected that the Peruvian State will reimburse Enagás for its investment in GSP, this being the mechanism by which the financial assets recorded in the balance sheet would be recovered. Thus, it is expected that the Arbitration Court hearing the arbitration procedure in the ICSID will uphold the arguments of Enagás, issuing an award recognising that the Peruvian State has not protected Enagás’ investment under the APPRI and, therefore, it must compensate it by paying it the value of that investment.

With respect to this ICSID arbitration procedure, the Arbitration Court was constituted on July 18, 2019, and Resolution No. 1 was issued on September 24, 2019, establishing the procedural rules that govern the arbitration procedure until the award is handed down.

In accordance with this Resolution, Enagás filed its claim on January 20, 2020, and the Peruvian State replied on July 17, 2020.

Subsequently, the documentary evidence phase took place in which the parties requested each other to provide documents that each party considers relevant. Enagás is currently preparing its reply, which will be followed by the Peruvian State’s rejoinder, all of which is expected to take place in 2021. Also with regard to the ICSID, on January 21, 2020, Odebrecht filed a request to initiate arbitration against the Republic of Peru to recover its investment in GSP.

Regarding the Enagás’ statement of claim, the main argument maintained by Enagás is that, if the Peruvian State had complied with its obligation under the Concession Contract, it would have calculated the NCA and organised the three auctions, which it was obliged to do, to award the Concession, and the proceeds of the auction would have been delivered to GSP, which would have applied the amount delivered to pay its creditors and return the capital to its shareholders. Enagás’ claim is based on the fact that the Peruvian State must pay 100% of the NCA to GSP, since on January 24, 2018, one year has passed since the end of the concession contract and in that time there have been no calls for auctions. The absence of an auction means that the legal advisors of Enagás believe that it should be considered that GSP would have received 100% of the NCA because it was deprived of the possibility of receiving it when not even the first auction was convened. Therefore, starting from the NCA considered, a certain payments waterfall would have been applied.

Enagás considers that, taking into account the NCA of the Concession Assets determined by an independent expert, and also taking into account the payment waterfall as per the terms of the insolvency legislation, as well as the contracts between Enagás and the members and creditors of GSP relating to subordination and credit agreements, if the State had satisfied its obligations, and thus paid GSP the amount obtained in the auction, Enagás would have recovered its investment.

There have been no changes in the amount of the NCA and the valuation made at December 31, 2020 by a firm of independent experts hired by Enagás has an updated NCA totalling 1,963 million dollars.

Taking into account this updated NCA, if the payment waterfall were to be applied to it as per the terms of the insolvency laws, the subordination and the assignment of credit agreements entered into by Enagás and its partners in GSP, Enagás would recover the total value of its investment claim with the ICSID in the amount of 511 million dollars.

In relation to the aforementioned contracts of subordination of rights and assignment of claims, their effectiveness and form of application have been successively questioned by Enagás’ partners in GSP through different arbitration proceedings. The arbitration proceedings filed by Graña y Montero questioning the legitimacy of Enagás to claim its claims against GSP are still pending. In relation to this arbitration procedure, the company’s Peruvian legal advisors consider that the possibility that such arbitration procedure will conclude with a negative result for Enagás is remote, considering such agreements to be fully valid and applicable. Likewise, the INDECOPI authority has recognised the full effectiveness of the aforementioned agreements in GSP’s bankruptcy process.

As regards the arbitration proceedings against the State of Peru, based on the conclusions determined by Enagás’ external and internal legal advisors, the recoverability of the totality of the Enagás investment in GSP, consisting of receivables in relation to the aforementioned enforced guarantees to the total of 226.8 million dollars, interests of 1.8 million dollars, various invoices for professional services rendered to the amount of 7.6 million dollars and the share capital contributed to GSP for the amount of 275.3 million dollars, is considered likely.

With regard to the recovery periods, assessing the time taken to resolve a dispute of this complexity in an international arbitration as well as the periods considered in the aforementioned ICSID Resolution No. 1, December 31, 2022 is maintained as the estimated date for obtaining an award favourable to Enagás’ interests.

Based on this, the amounts outlined in the preceding paragraph are recorded at their updated value in the Consolidated Balance Sheet dated December 31, 2020 for a total amount of 392,417 thousands of euros (413,154 thousands of euros at December 31, 2019).

### Other related matters

On March 12, 2018, Law No. 30737 was published “guaranteeing immediate payment to the Peruvian State to repair civil damage caused by corruption and related crimes”. On May 9, 2018, Supreme Decree 096-2018-EF was published, enacting the regulations of the aforementioned Law.

In accordance with Article 9 of Law No. 30737, legal persons and legal entities in the form of partnerships, consortiums and joint ventures who may have benefited from the awarding of contracts, or subsequent to it, jointly with persons who have been convicted or who may have acknowledged having committed crimes against the public administration, asset laundering or related crimes, or their equivalents against the State of Peru, in Peru or abroad are classified as Category 2, and therefore fall within its scope of application.

In June 2019, the Peruvian Judiciary approved the Effective Partnership Agreement reached between the Odebrecht Group and the Peruvian Public Prosecutor’s Office, and the GSP project was not included as one of the projects affected by corruption-related events. Subsequently, on October 15, 2019, Enagás Internacional received notification from the Peruvian Public Prosecutor’s Office informing it of the existence of an extension of this effective partnership agreement with Odebrecht, in which it would be acknowledging that it had made illegal payments - according to the Public Prosecutor’s Office - with respect to the GSP project, although there are still no facts known or consistent or proven links between GSP and corruption in the awarding of the project.

In this sense, the Peruvian State’s response to the ICSID claim also failed to provide new evidence that consistently links GSP with corruption in a proven and irrefutable manner.

Notwithstanding the above comments on the extension of the initial Effective Collaboration Agreement signed by Odebrecht and the Public Prosecutor of Peru, regarding the actions of the Public Prosecutor of Peru on the investigation of Odebrecht’s activities in Peru and other investigations carried out by the Special Team of the Peruvian Prosecutor’s Office for alleged crimes that could somehow be related to the awarding of the project “Improvements to the country’s energy security and development of the Gasoducto Sur Peruano”, there have been no significant developments. In this regard, two investigations are known to be in progress:

- ▶ The first one signed with Folder 321-2014, related to aggravated collusion between a former Odebrecht employee and a public official, whose control and clean-up phase has been resumed on June 28, 2019, after the Supreme Court rejected the request of the Ad Hoc Attorney’s Office of Peru to include one of Odebrecht’s subsidiaries as a civil third party. At this stage it is expected that a decision on the opening of the oral proceedings will be taken.

Based on the opinions of Enagás external legal advisors for the Peruvian criminal code, the possibility of sentencing Odebrecht’s former employee is considered to be remote. In this same case, the preparatory investigative court has declared the incorporation of GSP as a liable third party as wrongful.

- ▶ In relation to the second investigation opened, sealed with Folder 12-2017, with an employee of Enagás and Enagás Internacional, S.L.U. among those under investigation, on February 27, 2020, it was decided to move to the preliminary investigation stage. Based on the opinion of our external legal advisors in Peruvian criminal law, it is maintained that to date there is no indication that the investigations could be detrimental to Enagás.

In relation to this second folder, on December 30, 2020, the Attorney’s Office of Peru requested the inclusion of Enagás Internacional as a civilly liable third party, together with the possible defendants, for compensation in the aforementioned proceedings once a final judgement has been handed down. The sum requested amounts to 1,107 million dollars. The inclusion of Enagás Internacional as one of the civilly liable third parties, if applicable,



is therefore pending. The amount will be determined in detail by the criminal judge in charge once the sentence has been handed down. According to both external and internal lawyers, the amount requested has not been duly supported nor does it comply with the possible civil liability that could be claimed in the basis of the offences referred to in the indictment. An objective reference for the calculation is the one established by Law No. 30737, which assures payment of civil compensation to the Peruvian State.

Considering the very preliminary stage of the process, taking into account the elements of knowledge available to date and based on the conclusions of the specialist local lawyers, it is considered that the probability of the imposition of this compensation in any case does not exceed 50% (possible), and therefore it is not appropriate to register any provision, as it is considered a contingent liability. Likewise, in the event that it could eventually be declared well-founded, and the amount of the compensation could not be reliably estimated, the reference amount to be considered would be between 0 and 242 million dollars.

Moreover, with regard to civil compensation, even without evidence of a criminal conviction or a confession of the commission of crimes, as required under Article 9 of Law No. 30737, on June 28, 2018, the State of Peru classified Enagás Internacional on the "List of Contracts and Subjects of Category 2 indicating the legal person or legal entity included under Section II of Law No. 30737" in relation to the concession contract awarded to GSP. The application of the mentioned standard involves different measures to contribute to the payment of potential civil compensation, such as setting up an escrow account, reporting information, limiting transfers to other countries or preparing a compliance programme.

The total amount of the escrow account that would correspond to Enagás, estimated at 50% of the total average net equity, corresponding to its stake in GSP, confirmed with the Ministry of Justice, amounts to 65.5 million dollars. It is currently being determined, if applicable, how this amount would be provided, potentially through the granting of a bank bond letter.

In view of the above, it is still maintained that these regulations do not have a negative effect on the recovery of accounts receivable through the international arbitration process indicated above recorded on the balance sheet at December 31, 2020.

The Peruvian State has also affirmed that the measure prohibiting companies included in Category 2 from making transfers outside of Peru, pursuant to Law No. 30737, is applicable. Based on the conclusions of Enagás' external and internal legal advisors, it is maintained that this measure would be applicable to the investment in GSP and should not restrict the dividends received from TGP (amounting to 186 million dollars), also considering that this investment is protected by the Legal Stability Agreements in force in Peru, a regulation whose prevalence and application has been formally requested.

Based on all of the above, the directors of Enagás, in line with the opinion of their external and internal legal advisors, and of an independent expert and independent expert accountant, consider these facts to have no bearing on the estimation for recovery of the investment in the stake in GSP and the previously mentioned receivables to the amount of 392,417 thousands of euros (413,154 thousands of euros at December 31, 2019).

#### Impairment losses on assets

During financial year 2020, the group recorded, in accordance with the provisions of IFRS 9, the impact resulting from analysis of the expected loss due to loans granted to group companies consolidated using the equity method and that are not, therefore, eliminated in the consolidation process. At December 31, 2020 this accumulated amount was 298 thousands of euros (301 thousands of euros at December 31, 2019).

Furthermore, and except for the recording of the expected loss, as per IFRS 9, during the twelve months of 2020, there were no additional movements with respect to the provisions which cover impairment losses of assets held by the Group.

## b) Financial liabilities

Details of current and non-current "Financial Liabilities" of the Enagás Group at December 31, 2020 and December 31, 2019 are as follows:

Categories	Fair Value with changes in Profit and Loss		Amortised cost		Derivatives designated as hedging instruments		Class	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>Debts with credit institutions (Note 3.4)</b>	-	-	1,171,382	1,407,698	-	-	1,171,382	1,407,698
<i>Debt settlement costs and accrued interest payable</i>	-	-	(5,813)	(6,745)	-	-	(5,813)	(6,745)
<b>Debentures and other marketable securities (Note 3.4)</b>	-	-	3,500,000	3,010,000	-	-	3,500,000	3,010,000
<i>Debt settlement costs and accrued interest payable</i>	-	-	(67,741)	(80,168)	-	-	(67,741)	(80,168)
<b>Derivatives (Note 3.6)</b>	-	-	-	-	44,054	74,449	44,054	74,449
<b>Trade payables</b>	-	-	322	322	-	-	322	322
<b>Other financial liabilities (Note 3.4)</b>	15,600	15,600	304,156	323,101	-	-	319,756	338,701
<b>Total non-current financial liabilities</b>	<b>15,600</b>	<b>15,600</b>	<b>4,902,306</b>	<b>4,654,208</b>	<b>44,054</b>	<b>74,449</b>	<b>4,961,960</b>	<b>4,744,257</b>
<b>Debts with credit institutions (Note 3.4)</b>	-	-	170,842	124,433	-	-	170,842	124,433
<i>Debt settlement costs and accrued interest payable</i>	-	-	1,835	8,714	-	-	1,835	8,714
<b>Debentures and other marketable securities (Note 3.4)</b>	-	-	10,000	-	-	-	10,000	-
<i>Debt settlement costs and accrued interest payable</i>	-	-	31,672	31,294	-	-	31,672	31,294
<b>Derivatives (Note 3.6)</b>	-	-	-	-	11,221	13,879	11,221	13,879
<b>Trade payables<sup>(*)</sup> (Note 2.3)</b>	-	-	255,417	178,481	-	-	255,417	178,481
<b>Other financial liabilities (Note 3.4)</b>	-	-	63,534	55,789	-	-	63,534	55,789
<b>Total current financial liabilities</b>	<b>-</b>	<b>-</b>	<b>533,300</b>	<b>398,711</b>	<b>11,221</b>	<b>13,879</b>	<b>544,521</b>	<b>412,590</b>
<b>Total financial liabilities</b>	<b>15,600</b>	<b>15,600</b>	<b>5,435,606</b>	<b>5,052,919</b>	<b>55,275</b>	<b>88,328</b>	<b>5,506,481</b>	<b>5,156,847</b>

(\*) The amount of "Trade payables" does not include the balance with the Public Administrations as it is not a financial liability.



The detail by maturity of non-current financial debt for 2020 and 2019 is as follows:

	2022	2023	2024	2025 and later years	Total
Debentures and other marketable securities	750,000	400,000	–	2,350,000	3,500,000
Debts with credit institutions	111,742	76,742	654,332	328,566	1,171,382
<b>TOTAL</b>	<b>861,742</b>	<b>476,742</b>	<b>654,332</b>	<b>2,678,566</b>	<b>4,671,382</b>

	2021	2022	2023	2024 and later years	Total
Debentures and other marketable securities	10,000	750,000	400,000	1,850,000	3,010,000
Debts with credit institutions	121,742	111,742	76,742	1,097,472	1,407,698
<b>TOTAL</b>	<b>131,742</b>	<b>861,742</b>	<b>476,742</b>	<b>2,947,472</b>	<b>4,417,698</b>

The amounts and characteristics of the main instruments included under the headings "Debentures and other marketable securities" and "Debts with credit institutions" at December 31, 2020 are detailed below:

	Instrument	Nominal Interest	Currency of issue	Maturity	Nominal outstanding (thousands of euros)
<b>Institutional debt (EIB and ICO)</b>	Loan	EURIBOR + Margin	EUR	2031	256,666
	Loan	Fixed rate	EUR	2031	137,500
	Loan	EURIBOR + Margin	EUR	2027	41,364
	Loan	Fixed rate	EUR	2030	100,000
	Loan	EURIBOR + Margin	EUR	2022	30,000
	Loan	EURIBOR + Margin	EUR	2023	125,000
<b>Banking debt</b>	Credit line	LIBOR + Margin	USD	2021	49,100
	Loan	LIBOR + Margin	USD	2024	376,432
	Credit line	LIBOR + Margin	USD	2024	186,768
	Credit line	LIBOR + Margin	USD	2024	39,394
	<b>Nominal outstanding</b>				
Debt settlement expenses					(5,813)
Accrued interest pending payment					1,835
<b>Total financial debts with credit institutions</b>					<b>1,338,246</b>

	Instrument	Coupon	Currency of issue	Maturity	Nominal outstanding (thousands of euros)
<b>Bond issue and Private Placements</b>	EMTN bonus	4,23%	EUR	2021	10,000
	EMTN bonus	2,50%	EUR	2022	750,000
	EMTN bonus	1,25%	EUR	2025	600,000
	EMTN bonus	1,00%	EUR	2023	400,000
	EMTN bonus	1,38%	EUR	2028	750,000
	EMTN bonus	0,75%	EUR	2026	500,000
	EMTN bonus	0,38%	EUR	2032	500,000
<b>Nominal outstanding</b>					<b>3,510,000</b>
IFRS 9 and others					(67,719)
Accrued interest pending payment					31,650
<b>Total debentures and other marketable securities</b>					<b>3,473,931</b>

The amounts and characteristics of the main instruments included under the headings "Debentures and other marketable securities" and "Debts with credit institutions" at December 31, 2019 are detailed below:

	Instrument	Nominal Interest	Currency of issue	Maturity	Nominal outstanding (thousands of euros)
<b>Institutional debt (EIB and ICO)</b>	Loan	EURIBOR + Margin	EUR	2031	280,000
	Loan	Fixed rate	EUR	2031	150,000
	Loan	EURIBOR + Margin	EUR	2027	47,273
	Loan	Fixed rate	EUR	2030	110,000
	Loan	EURIBOR + Margin	EUR	2022	50,000
	Loan	EURIBOR + Margin	EUR	2023	175,000
<b>Banking debt</b>	Credit line	LIBOR + Margin	USD	2020	2,690
	Loan	LIBOR + Margin	USD	2024	409,811
	Credit line	LIBOR + Margin	USD	2024	204,905
	Credit line	LIBOR + Margin	USD	2024	102,452
	<b>Nominal outstanding</b>				
Debt settlement expenses					(6,850)
Accrued interest pending payment					8,819
<b>Total financial debts with credit institutions</b>					<b>1,534,100</b>



	Instrumento	Cupón	Moneda emisión	Vencimiento	Nominal pendiente (miles de euros)
Bond issue and Private Placements	EMTN bonus	4.23%	EUR	2021	10.000
	EMTN bonus	2.50%	EUR	2022	750.000
	EMTN bonus	1.25%	EUR	2025	600.000
	EMTN bonus	1.00%	EUR	2023	400.000
	EMTN bonus	1.38%	EUR	2028	750.000
	EMTN bonus	0.75%	EUR	2026	500.000
	<b>Nominal outstanding</b>				<b>3,010,000</b>
	IFRS 9 valuation including settlement expenses				(80,163)
	Accrued interest pending payment				31,289
	<b>Total debentures and other marketable securities</b>				<b>2,961,126</b>

### 3.4 Financial debts

#### Accounting policies

- Financial liabilities are initially measured at the fair value of the consideration received less directly attributable transaction costs.
- Subsequently, financial liabilities are recognised at amortised cost, except for derivative financial instruments, which are recognised at fair value.
- Financial liabilities are derecognised when the related contractual obligations are cancelled or expired.
- Options on interest held by minority shareholders are accounted for by recognising the minority interests arising in a business combination and recognising a financial liability against equity. The changes in fair value of the financial liability are accounted for in the Consolidated Income Statement.

	2020	2019
Debentures and other marketable securities	3,473,931	2,961,126
Debts with credit institutions	1,338,246	1,534,100
Other receivables	383,290	394,490
<b>Total financial debts</b>	<b>5,195,467</b>	<b>4,889,716</b>
<b>Non-current financial debts (Note 3.3)</b>	<b>4,917,584</b>	<b>4,669,486</b>
<b>Current financial debts (Note 3.3)</b>	<b>277,883</b>	<b>220,230</b>

The fair value of debts owed to credit entities as well as debentures and other marketable securities at December 31, 2020 and 2019 is as follows:

	2020	2019
Debts with credit institutions	1,358,665	1,550,985
Debentures and other marketable securities	3,725,050	3,161,936
<b>Fair value total</b>	<b>5,083,715</b>	<b>4,712,921</b>
<b>Carrying amount total</b>	<b>4,812,177</b>	<b>4,495,226</b>

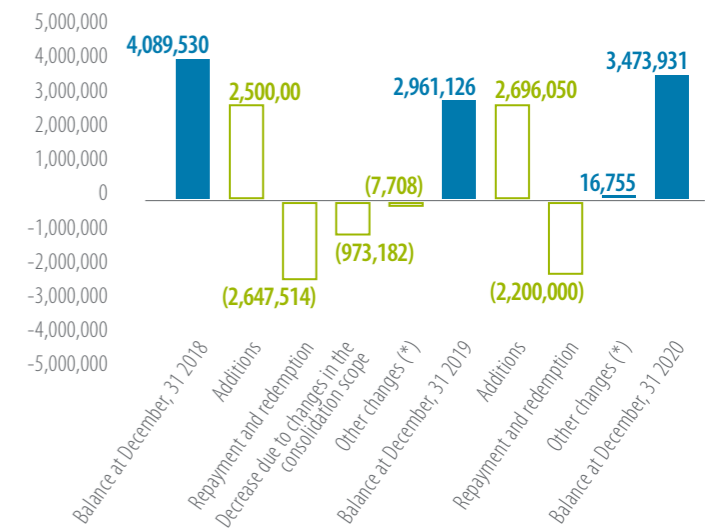
#### a) Net financial debt

Net financial debt is the main indicator used by Management to measure the Group's debt level. It is comprised of gross debt less cash in hand:

	2020	2019
Debts with credit institutions (Note 3.3)	1,338,246	1,534,100
Debentures and other marketable securities (Note 3.3)	3,473,931	2,961,126
Loans from the General Secretariat of Industry, the General Secretariat of Energy, Oman Oil and ERDF E4E	2,859	3,379
Leases (IFRS 16)	336,442	355,349
<b>Gross financial debt</b>	<b>5,151,478</b>	<b>4,853,954</b>
Cash and other cash equivalents (Note 3.8)	(863,655)	(1,098,985)
<b>Net financial debt</b>	<b>4,287,823</b>	<b>3,754,969</b>

The gross financial cost during 2020 for the Group's financial debt amounted to 1.9%(2.2% in 2019). The percentage of net financial debt at fixed interest rate at December 31, 2020 amounted to more than 80%, while the average maturity period at that date amounted to 5 years (5.2 years at December 31, 2019). The gross financial costs are determined by dividing gross financial expenses by the average gross debt multiplied by the number of effective days in the year (360 days) divided by the natural days of the period (365 days), where gross financial expenses correspond to interest on financial debt and hedges. Further, average gross debt is calculated as the daily average of nominal amounts of financial debt.

#### b) Obligaciones y otros valores negociables



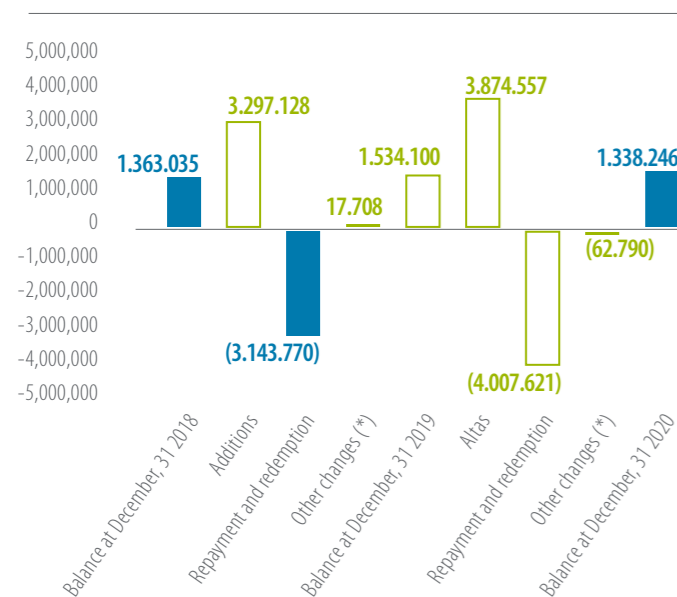
(\*) Includes interest paid, accrued interest, valuations, and other.

The most significant events of the 2020 financial year include:

- On October 27, 2020, Enagás Financiaciones S.A.U. issued a bond for the amount of 500 million euros. The inflow of funds was dated November 5, 2020, the coupon was 0.375% and its maturity will be November 5, 2032.
- On May 11, 2020, Enagás Financiaciones, S.A.U. renewed the Euro Medium Term Note (EMTN) programme for a maximum amount of 4,000 million euros, registered in the Luxembourg Stock Exchange in 2012, with Enagás, S.A. as guarantor.
- On May 13, 2020, Enagás Financiaciones, S.A.U. renewed the Euro Commercial Paper (ECP) programme for a maximum amount of 1,000 million euros, registered in the Irish Stock Exchange on May 4, 2017, with Enagás, S.A. as guarantor.



### c) Debts with credit institutions



(\*) Includes interest paid, accrued interest, valuations, and other.

The most significant events of the 2020 financial year include:

- On July 21, 2020, Enagás Internacional S.L.U. took out a 60 million dollar policy, maturing on July 31, 2021. At December 31, 2020, this policy is in full force and effect.
- On November 3, 2020, Enagás S.A. signed the extension of the Club Deal multi-currency credit policy for an amount of 1,500 million euros, with the new maturity date being December 17, 2025. As of December 31, 2020, this policy is not drawn down.
- On March 31, 2020, Enagás Financiaciones, S.A.U. arranged a loan of 200 million euros. This loan was then cancelled on November 6, 2020.

At December 31, 2020, the Group had access to credit lines in the amount of 1,884,615 thousands of euros (1,927,628 thousands of euros in 2019), of which 1,609,354 thousands of euros had not been drawn down (1,617,580 thousands of euros in 2019) (Note 3.8).

In the opinion of the Directors of the Company, this situation allows for sufficient funding to meet possible liquidity requirements in the short-term considering its current obligations.

### d) Other financial debts

	2020	2019
Loans from the General Secretariat of Industry, the General Secretariat of Energy, Oman Oil and ERDF E4E	2,859	3,379
Fair value of sales option on interest held by EVE	15,600	15,600
Leases (IFRS 16)	336,442	355,349
Others	28,389	20,162
<b>Total other financial debts</b>	<b>383,290</b>	<b>394,490</b>

At December 31, 2020 and December 31, 2019, "Other debts" mainly includes the financial liability associated with IFRS 16 on leases. Payments for this item amounted to 37,770 thousands of euros in 2020 (33,518 thousands of euros in 2019).

### 3.5 Net financial gain /(loss)

	2020	2019
Income from associates	1,173	4,242
Finance revenue from third parties	19,236	10,076
Income in cash and other cash equivalents	155	1,881
Others	-	119
<b>Financial income</b>	<b>20,564</b>	<b>16,318</b>
Financial expenses and similar	(3,434)	(6,147)
Loan interest	(100,274)	(122,377)
Capitalised interest	(18)	(19)
Others	(3,795)	(5,237)
<b>Financial expenses</b>	<b>(107,521)</b>	<b>(133,780)</b>
<b>Gains (losses) on hedging instruments</b>	<b>1,144</b>	<b>1,114</b>
<b>Exchange differences</b>	<b>18,134</b>	<b>(1,021)</b>
<b>Net financial gain (loss)</b>	<b>(67,679)</b>	<b>(117,369)</b>

## 3.6 Derivative financial instruments Accounting policies

- The Enagás Group contracts derivative financial instruments to cover its exposure to financial risk arising from fluctuations of interest rates and/or exchange rates, and does not use derivative financial instruments for speculative purposes. All derivative financial instruments are measured, both initially and subsequently, at fair value. The differences in fair value are recognised in the Consolidated Income Statement except in the case of specific treatment under hedge accounting.
- The measurement and recognition criteria for derivative financial instruments in keeping with the different types of hedge accounting are as follows:

#### a) Cash flow hedges

Hedges for exposure to changes in cash flows that: (i) are attributed to a specific risk associated with an asset or liability recognised for accounting purposes, with a highly likely expected transaction or with a firm commitment if the hedged risk is an exchange rate and (ii) may affect profit for the period. The effective portion of the changes in fair value of the hedging instrument are recognised under Equity, and the gains and losses relating to the ineffective portion are recognised in the Consolidated Income Statement. The accumulated amounts under Equity are transferred to the Consolidated Income Statement in the periods in which the hedged items affect the Consolidated Income Statement.

#### b) Net investment coverage in a foreign operation

These instruments hedge the foreign currency risk arising from net investments in foreign operations. The hedges for net investments in transactions carried out abroad are accounted for in a similar manner to cash flow hedges, though the valuation changes in these transactions are

accounted for as translation differences under "Adjustments for changes in value" in the accompanying Consolidated Balance Sheet.

These translation differences are taken to the Consolidated Income Statement when the gain or loss on disposal of the hedged item occurs.

- In order for these derivative financial instruments to be classified as hedges they are initially designated as such, and the relationship between the hedging instrument and the hedged items is documented, together with the risk management objective and the hedge strategy for the various hedged transactions. In addition, the Group verifies initially and then periodically throughout the life of the hedge (and at least at the end of each reporting period) that the hedging relationship is effective, i.e., that it is prospectively foreseeable that the changes in fair value or in the cash flows from the hedged item (attributable to hedged risk) are almost entirely offset by those of hedging instrument. Any remaining loss or gain from the hedging instrument will represent an ineffectiveness of the hedge to be recognised in income of the period.
- Hedge accounting is discontinued when the hedging instrument expires, or when it is sold, or exercised, or when it no longer qualifies for hedge accounting (after taking into account any rebalancing of the hedging relationship, if applicable). At that time, any accumulated gain or loss on the hedging instrument recognised in equity is retained in equity until the hedged transaction occurs.
- In accordance with IFRS 13, for purposes of presenting financial information, the measurements of fair value are classified as Level 1, 2, or 3, as indicated in Note 3.3.

### Significant estimates

- The Group has determined that most of the inputs employed to determine the fair value of the derivative financial instruments are in Level 2 of the hierarchy, but that the adjustments for credit risk use Level 3 inputs such as credit estimates based on a credit rating or comparable companies to evaluate the likelihood of the bankruptcy of the company or of the company's counterparties. The Group evaluated the relevancy of the inputs and recognised the corresponding adjustments to credit risk in the total valuation of derivative financial instruments, which were not significant.
- Thus, the entire portfolio of derivative financial instruments is classified under Level 2 of the hierarchy.





Category	Type	Maturity	Notional contracted	Fair value 12.31.2019	Income and expenses recognised directly in equity		Amounts transferred to the income statement			Fair value 12.31.2020
					Hedging transactions	Translation differences	Changes in results	Counterparty risks and other	Other changes <sup>(*)</sup>	
<b>Cash flow hedges</b>										
Interest rate swap	Floating to fixed	Jan-20	150,000	(82)	8	-	-	-	74	-
Interest rate swap	Floating to fixed	Mar-20	65,000	(186)	87	-	-	-	99	-
<b>Net investment coverage</b>										
Cross Currency Swap	Fixed to fixed	Apr-22	400,291	(83,950)	(17,196)	40,910	8,915	(177)	-	(51,498)
Cross Currency Swap	Fixed to fixed	May-28	237,499	(697)	(14,661)	19,937	4,266	-	-	8,845
<b>TOTAL</b>			<b>852,790</b>	<b>(84,915)</b>	<b>(31,762)</b>	<b>60,847</b>	<b>13,181</b>	<b>(177)</b>	<b>173</b>	<b>(42,653)</b>

(\*) Includes interest accrued and not paid, other commissions relating to derivative financial instruments, as well as changes in the fair value of the hedging derivative.  
 (\*\*) See Note 3.6 b)

The breakdown by maturity is as follows:

2020	2021	2022	2023	2024	2025 y siguientes	Total
Derivatives	(11,221)	(47,784)	(3,691)	(3,642)	23,685	<b>(42,653)</b>

2019	2020	2021	2022	2023	2024 y siguientes	Total
Derivatives	(13,879)	(12,500)	(70,227)	(3,937)	15,628	<b>(84,915)</b>

### a) Cash flow hedges

The Enagás Group's cash flow hedges expired in 2020.

### b) Net investment coverage in foreign operations

The main characteristics of the two derivative financial instruments contracted as net investments hedges are the following:

Category	Contracted amount in Euros	Contracted amount in USD	Type	Maturity
Cross Currency Swap	400,291	550,000	Fixed to fixed	April 2022
Cross Currency Swap	237,499	270,000	Fixed to fixed	May 2028
<b>Total</b>	<b>637,790</b>	<b>820,000</b>		

The investments considered as hedged items in the aforementioned hedging relationships are the following:

Project	Investments hedged in USD
GNL Quintero, S.A.	179,989
Subgrupo Altamira LNG, C.V.	52,423
TgP	587,588
<b>Total</b>	<b>820,000</b>

As explained in Note 3.7 below, the Enagás Group directly finances part of the foreign investments with foreign currency, which is then designated as a net foreign investment.

By this means, the Enagás Group tries to designate exchange rate hedges to cover fluctuations in the exchange rates of its investments in foreign currency. As required by IFRS 9, an eligible hedged item and hedging instrument have to be designated. By this means, the exchange fluctuations of the investment in foreign currency are associated with the fluctuations due to the debt obtained to finance the acquisition, which is also in that currency (Note 3.7), in such a way that there is no impact on the income statement.

## 3.7 Financial and capital risk management

The Enagás Group is exposed to certain risks which it manages with a risk control and management model which is directed towards guaranteeing achievement of the Company's objectives in a predictable manner with a medium-low risk profile. This model allows to adapt to the complexity of the business activity in a competitive environment globalised, in a complex economic context, where the materialisation of risks is faster and with an evident contagion effect.

The model is based on the following:

- The consideration of some standard types of risk to which the Company is exposed.
- Separation and independence of risk control and management functions articulated in three lines of "defence".



- ▶ The existence of Governing Bodies responsible for matters relating to risk exposure.
- ▶ Establishing a risk-prone framework which defines the risk levels considered acceptable and that are in line with established business objectives and the market environment in which the Group carries out its activities.
- ▶ The transparency of information supplied to third parties, to guarantee its reliability and accuracy.

The integral analysis of all risks allows the appropriate control and management thereof, an understanding of the relationships between them and facilitates their joint assessment. Enagás has established a regulatory framework through its "Risk control and management policy" and "General risk control and management standard," which define the basic principles governing the risk function and identify the responsibilities of the company's various governing bodies.

The risk control and management function is articulated around three lines of defence, each presenting different responsibilities:

- ▶ First line of defence: organisational units which assume risks in the normal course of their activities. They are the owners of the risks and are responsible for identifying and measuring their respective risk exposure.
- ▶ Second line of defence: the Sustainability and Risk Department, in charge mainly of ensuring that the risk control and management system works correctly, defining the regulatory framework and approach, and performing regular monitoring and overall control of the company's risks.
- ▶ Third line of defence: the Internal Audit Department, responsible for supervising the efficiency of the established risk controls.

The Governing Bodies responsible for risk control and management are the following:

- ▶ The Board of Directors is responsible for approving the risk control and management policy. Other responsibilities with respect to risks are delegated in the Audit and Compliance Committee.
- ▶ The main function of the Audit and Compliance Committee is to supervise the efficacy of the risk control and management systems as well as evaluating Group risk exposure (identification, measurement, and establishment of management measures).

- ▶ The main functions of the Risk Committee is the establishment of global risk strategies, establishing the global risk limits for the Group, reviewing the level of risk exposure, and acting to correct any instances of non-compliance.

The main risks of a financial and tax nature to which the Group is exposed are as follows:

#### Credit risk

Credit risk relates to the possible losses arising from the non-payment of monetary or quantifiable obligations of a counterparty to which the Enagás Group has granted net credit which is pending settlement or collection.

Credit risk in connection with trade receivables arising from its commercial activity is historically very limited as the Group operates in a regulated environment (Note 1.1). However, regulations have been developed establishing standards for managing guarantees in the Spanish gas system and which oblige shippers to provide guarantees for: (i) contracting capacity in infrastructure with regulated third-party access and international connections, (ii) settlement of imbalances; and (iii) participation in the organised gas market.

The Enagás Group is also exposed to the risk of its counterparties not complying with obligations in connection with financial derivatives and placement of surplus cash balances. In order to mitigate this risk, these transactions are carried out in a diversified manner with highly solvent entities.

#### Interest rate risk

Interest rate fluctuations affect the fair value of those assets and liabilities that accrue interest at fixed rates, and the future cash flows from assets and liabilities that accrue interest at floating rates.

The objective of interest rate risk management is to create a balanced debt structure that minimises financial costs over a multi-year period while also reducing volatility in the Consolidated Income Statement.

Based on the Enagás Group's estimates and debt structure targets, hedges are put in place using derivatives that reduce these risks (Note 3.6).

#### Exchange rate risk

Exchange rate fluctuations may affect positions held with regard to debt denominated in foreign currency, certain payments for services and the purchase of capital goods in foreign currency, income and expenses relating to companies whose functional currency is not the euro and the effect of converting the financial statements of those companies whose currency is not the euro during the consolidation process. With a view to mitigating said risk, the Group can avail itself of financing obtained in US dollars, as well as contracting derivative financial instruments which are subsequently designated as hedging instruments (Note 3.6). In addition, the Enagás Group tries to balance the cash flows of assets and liabilities denominated in foreign currency in each of its companies.

#### Liquidity risk

Liquidity risk arises as a consequence of differences in the amounts or payment and collection dates relating to the different assets and liabilities held by the Group.

The liquidity policy followed by the Enagás Group is oriented towards ensuring that all short-term payment commitments acquired are fully met without having to secure funds under burdensome terms. For this purpose, different management measures are taken such as maintenance of credit facilities ensuring flexibility, sufficient amounts and sufficient maturities, diversified sourcing for financing needs via access to different markets and geographical areas, as well as the diversification of maturities in debt issued.

The financial debt of the Group at December 31, 2020 has an average maturity of 5 years (5.2 years at December 31, 2019) (Note 3.4).

#### Tax risk

The Enagás Group is exposed to possible modifications in tax regulatory frameworks and uncertainty relating to different possible interpretations of prevailing tax legislation, potentially leading to negative effects on results.

The Enagás Group has a Board-approved tax strategy, which includes the policies governing compliance with its tax obligations, attempting to avoid risks and tax inefficiencies

#### Other risks

Given the dynamic nature of the business and its risks, and despite having a risk control and management system that responds to the best international recommendations and practices, it is not possible to guarantee that some risk may exist that is not identified in the inventory of the Enagás Group.

In addition, the internationalisation process carried out by the Enagás Group in recent years means that a part of its operations are carried out by companies over which it does not exercise control and which perform their activities within different regulatory frameworks and with different business dynamics, so that potential risks may arise relating to financial investment.

### a) Quantitative information

#### Interest rate risk

The percentage of net debt at fixed interest rates at December 31, 2020 and December 31, 2019, amounted to more than 80%. Taking into account these percentages of net financial debt at fixed rates, and after performing a sensitivity analysis to changes in market interest rates, the Group considers that, according to its estimates, the impact on results of such variations on financial costs relating to variable rate debt could be as follows:

	Interest rate change			
	2020		2019	
	25 pbs	-10 pbs	25 pbs	-10 pbs
Change in financial costs	2,806	(1,123)	2,680	(1,072)

In addition, the aforementioned changes would not produce any significant changes in the Company's equity position in connection with contracted derivatives.

#### Exchange rate risk

The Enagás Group obtains financing fundamentally in euros, although it maintains certain financing in US dollars. The currency that generates the greatest exposure to exchange rate changes is the US dollar.

The exposure of the Group to changes in the US dollar/ euro exchange rate is mainly determined by the effect of translating the financial statements of the companies whose functional currency is the US dollar. In addition, there are Group companies whose functional currency is the Peruvian nuevo sol and pound sterling.

Further, the Group also holds loans denominated in US dollars granted by Enagás Internacional, S.L.U. to companies in which it does not control a majority stake.



The sensitivity of profit/(loss) for the year and equity to exchange rate risk, via appreciation or depreciation of exchange rates and based on the financial instruments held by the Group at December 31, 2020, is shown below:

Thousands of euros				
Appreciation / (Depreciation) of the euro against the dollar				
	2020		2019	
	5.00%	-5.00%	5.00%	-5.00%
Effect on net profit	3,330	(3,330)	2,644	(2,644)
Effect on equity	269	(269)	6,957	(6,957)

## b) Capital management

The Company carries out capital management at corporate level and its objectives are to ensure financial stability and obtain sufficient financing for investments, optimising the cost of capital in order to maximise the value created for the shareholder while maintaining its commitment to solvency.

The Enagás Group uses its leverage ratio as an indicator for monitoring its financial situation and capital management. The ratio is defined as the result of dividing consolidated net financial debt by net consolidated assets (understood as the sum of net financial debt and consolidated own funds).

The Group's financial leverage, calculated as the ratio of net financial debt and total financial debt plus own funds at December 31, 2020 and 2019, is as follows:

	2020	2019
Net financial debt (Note 3.4)	4,287,823	3,754,969
Shareholders' equity	3,192,745	3,170,142
<b>Financial leverage</b>	<b>57.3%</b>	<b>54.2%</b>

On February 9, 2021, the credit rating agency Standard & Poor's maintained Enagás' credit rating at BBB+, but it has placed it on a negative outlook. Also, on December 30, 2020, the credit rating agency Fitch Ratings maintained Enagás' credit rating at BBB+, putting it on a negative outlook.

## 3.8 Cash flows

### Accounting policies

Under the Cash and other cash equivalents heading of the Consolidated Balance Sheet the Group recognises cash in hand, sight deposits, and other highly liquid short-term investments that can be readily converted into cash and are not exposed to the risk of changes in value.

#### a) Cash and cash equivalents

	12.31.2020	12.31.2019
Treasury	713,655	1,004,472
Other cash and cash equivalents	150,000	94,513
<b>Total</b>	<b>863,655</b>	<b>1,098,985</b>

"Other liquid assets" includes those deposits that have a maturity of less than three months.

Generally, the banked cash accrues interest at rates similar to daily market rates. The deposits maturing in the short-term are easily convertible into cash, and accrue interest at the going market rates. There are no significant restrictions on cash drawdown other than those indicated in Note 3.3.a in relation to GSP project in Peru.

#### b) Available funds

In order to guarantee liquidity, the Enagás Group has arranged loans and credit lines which it has not drawn down. Thus, liquidity available to the Enagás Group is broken down as follows:

Available funds	12.31.2020	12.31.2019
Cash and cash equivalents	863,655	1,098,985
Other available funds (Note 3.4)	1,609,354	1,617,580
<b>Total available funds</b>	<b>2,473,009</b>	<b>2,716,565</b>

In the opinion of the Directors of the Company, this situation allows for sufficient funding to meet possible liquidity requirements in the short-term considering its current obligations.

### c) Reconciliation of movements in liabilities arising from financing activities and cash flows

	Debts with credit institutions	Debentures and marketable securities	Total	
<b>12.31.2019</b>	<b>1,534,100</b>	<b>2,961,126</b>	<b>4,495,226</b>	
Cash flows	Issues	3,874,557	2,696,050	6,570,607
	Repayment and redemption	(4,007,621)	(2,200,000)	(6,207,621)
	Interest paid	(25,078)	(44,374)	(69,452)
Without an impact on cash flows	Interest expense	16,780	62,192	78,972
	Changes due to exchange rates and other	(54,492)	(1,063)	(55,555)
<b>12.31.2020</b>	<b>1,338,246</b>	<b>3,473,931</b>	<b>4,812,177</b>	

The information for the 2019 financial year is detailed below:

	Debts with credit institutions	Debentures and marketable securities	Total	
<b>12.31.2018</b>	<b>1,363,035</b>	<b>4,089,530</b>	<b>5,452,565</b>	
Cash flows	Issues	3,297,128	2,500,000	5,797,128
	Repayment and redemption	(3,143,770)	(2,647,514)	(5,791,284)
	Interest paid	(21,055)	(46,774)	(67,829)
Without an impact on cash flows	Perimeter variations	-	(1,005,117)	(1,005,117)
	Interest expense	19,226	70,414	89,640
	Changes due to exchange rates and other	19,536	587	20,123
<b>12.31.2019</b>	<b>1,534,100</b>	<b>2,961,126</b>	<b>4,495,226</b>	



# 4 Other information

## Relevant aspects

### Remuneration for Board of Directors and Senior Management

- › Remuneration to the Board of Directors, without taking into account the insurance premiums, amounted to 4,855 thousands of euros (4,588 thousands of euros in 2019) (Note 4.4).
- › Remuneration to the Senior Managers, without taking account of pension plans and insurance premiums, amounted to 4,597 thousands of euros (4,267 thousands of euros in 2019) (Note 4.4).

## 4.1 Investment properties

### Accounting policies

#### Investment properties

- › The cost model is applied for measuring investment property, that is, the corresponding assets are measured at acquisition cost less the corresponding accumulated amortisation and any impairment losses. However, as one plot of land is not currently in use, it was measured at its recoverable amount, calculated as the fair value less necessary costs for its sale.
- › The market appraisal was performed by the independent expert in accordance with the Governing Rules of the Royal Institution of Chartered Surveyors (RICS), set out in the so-called "Red Book" - RICS Valuation - Professional Standards, January 2014. Said market valuations defined by RICS are internationally recognised by advisors and accountants providing services for investors and corporations that own investment properties, as well as by The European Group of Valuers (TEGoVA) and The International Valuation Standards Committee (IVSC).

	Balance at December 31, 2018	Impairment allowances 2019	Balance at December 31, 2019	Impairment allowances 2020	Balance at December 31, 2020
2020					
Cost <sup>(1)</sup>	47.211	-	47.211	-	47.211
Impairment	(27.601)	-	(27.601)	(590)	(28.191)
<b>Carrying amount</b>	<b>19.610</b>	<b>-</b>	<b>19.610</b>	<b>(590)</b>	<b>19.020</b>

(1) Corresponds entirely to a plot of land located at km 18 of the A-6 motorway in Las Rozas (Madrid). The independent company Jones Lang LaSalle España, S.A. issued a valuation report dated December 31, 2020, which concluded that the recoverable amount of the plot at that date amounted to 19,020 thousands of euros (19,610 thousands of euros at December 31, 2019). It is worth noting that the aforementioned independent expert's report did not include any scope limitations with respect to the conclusions reached. There are no mortgages or encumbrances of any type on said property. In addition, the Group has contracted the corresponding insurance policies to cover third party civil liabilities.

## 4.2 Tax situation

### Accounting policies

- › Income tax expense for the year is calculated as the sum of current tax, resulting from applying the corresponding tax rate to taxable income for the year (after applying any possible deductions) and any changes in deferred tax assets and liabilities.
- › Corporate income tax is recognised in the Consolidated Income Statement or in equity accounts in the Consolidated Balance Sheet depending on where the related profits or losses were recognised.
- › Deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include the temporary differences, identified as those amounts expected to be payable or recoverable, arising from the difference between the book value of assets and liabilities and their tax bases, as well as any unused tax credits. These amounts are measured by applying the tax rate to the corresponding temporary differences or tax credits at which they are expected to be recovered or settled.
- › Deferred tax assets are only recognised when the Group expects sufficient future taxable profits to recover the deductible temporary differences. Deferred tax liabilities are recognised for all taxable temporary differences except for those arising from the initial recognition of goodwill.
- › Recognised deferred tax assets are reassessed at the end of each reporting period and the appropriate adjustments are made when there are doubts as to their future recoverability.
- › The Group offsets deferred tax assets and deferred tax liabilities corresponding to one and the same tax authority, as established in IAS 12.74.



## Significant estimates and judgements

- › In accordance with prevailing legislation in Spain, tax returns cannot be considered final until they have been inspected by the tax authorities or until the four-year inspection period has elapsed. However, the four-year period can vary in the case of Group companies subject to other fiscal regulations. The Directors of the Company consider that all applicable taxes open to inspection described in this note have been duly paid so that even in the event of discrepancies in the interpretation of prevailing tax legislation with respect to the tax treatment applied, the resulting potential tax liabilities, if any, would not have a material impact on the accompanying Consolidated Annual Accounts.
- › The deferred tax assets were recognised in the balance sheet as the Directors believe, based on the best estimate of future profits and reversals of deductible temporary differences that it is probable that these assets will be recovered.

## b) Tax returns

Enagás S.A. has been the parent company of the Tax Consolidation Group 493/12 for Corporate Income tax from January 1, 2013, comprised of the following subsidiaries at December 31, 2020:

- › Enagás Transporte, S.A.U.
- › Enagás GTS, S.A.U.
- › Enagás Internacional, S.L.U.
- › Enagás Financiaciones, S.A.U.
- › Enagás Emprende S.L.U.
- › Infraestructuras del Gas, S.A.
- › Scale Gas Solutions, S.L.
- › Efficiency for LNG Applications, S.L.
- › Enagás Services Solutions, S.L.
- › Sercomgas Gas Solutions, S.L.
- › Enagás Holding USA, S.L.U.
- › Bioengás Renovables, S.L.
- › Enagás Renewable, S.L.U.
- › Roblasun S.L.U. 1, Roblasun S.L.U. 2, Roblasun S.L.U. 3, Roblasun S.L.U. 4, Roblasun S.L.U. 5 y Roblasun S.L.U. 6
- › Windmusel 1 S.L.U., Windmusel 2 S.L.U. y Windmusel 3 S.L.U.
- › Cierzosun 1, S.L.U., Cierzosun 2, S.L.U., Cierzosun 3, S.L.U. y Cierzosun 4, S.L.U.
- › H2Green Global Solutions, S.L.

The Group's remaining companies file individual income tax returns in accordance with the applicable tax laws.

## a) Balances with Tax Authorities

	2020	2019
<b>Debit balances</b>		
Deferred tax assets (Note 4.2.f)	85,912	96,738
Income tax and other taxes <sup>(1)</sup>	23,492	6,761
Value added tax	17,846	23,754
<b>TOTAL</b>	<b>41,338</b>	<b>30,515</b>
<b>Credit balances</b>		
Deferred tax liabilities (Note 4.2.f)	245,481	265,744
Income tax	2,174	5,230
Value added tax	2,140	148
Tax Authorities creditor for withholdings and other	34,215	33,764
<b>TOTAL</b>	<b>38,529</b>	<b>39,142</b>

(1) Corresponds mainly to the Corporate Income Tax of the 2020 Tax Group, amounting to 23,323 thousands of euros (6,761 thousands of euros at December 31, 2019).

## c) Corporate income tax

	2020	2019
<b>Before-tax consolidated accounting results</b>	<b>546,895</b>	<b>540,033</b>
Permanent differences and consolidation adjustments <sup>(1)</sup>	(122,788)	(88,581)
<b>Consolidated tax base</b>	<b>424,107</b>	<b>451,452</b>
<b>Tax rate</b>	<b>25%</b>	<b>25%</b>
Adjusted result by tax rate <sup>(2)</sup>	(106,027)	(112,863)
Effect of applying different rates to tax base	3,242	236
<b>Tax base</b>	<b>(102,785)</b>	<b>(112,627)</b>
Effect of deductions	2,379	1,751
Other adjustments to corporate income tax	(1,568)	(1,229)
<b>Corporate income tax for the period</b>	<b>(101,974)</b>	<b>(112,105)</b>
Current income tax <sup>(3)</sup>	(89,694)	(97,782)
Deferred income tax	9,662	9,291
Adjustments to income tax rate	(21,942)	(23,614)

(1) The permanent differences mainly correspond to the elimination of the results of companies consolidated under the equity method, as well as other consolidation adjustments relating to the reconciliation of local regulations and IFRS, among others.

(2) In order to determine income tax, a 25% rate was applied to all Spanish companies, except for those that file tax returns under the special regime of Vizcaya (Enagás Transporte del Norte, S.L) where a 24% rate is applied. For both 2019 and 2020, the tax rates applicable to the foreign companies Enagás Perú, S.A.C.; Enagás Chile S.P.A.; Enagás México, S.A. de C.V. and Enagás USA, L.L.C. were 29.5%, 27%, 30% and 24.7%, respectively.

(3) In 2020, 101,860.17 thousands of euros were paid (97,967.83 thousands of euros in 2019) in connection with the amount to be disbursed for settling 2020 corporate income tax, of which 96,248 thousands of euros correspond to the Tax Consolidation Group (92,807 thousands of euros in 2019).

## d) Tax recognised in equity

	2020			2019		
	Increases	Decreases	Total	Increases	Decreases	Total
<b>Income and expenses recognised directly in equity</b>						
Tax effect on cash flow hedges	13,424	–	13,424	11,851	(382)	11,469
<b>Amounts transferred to the income statement</b>						
Tax effect on cash flow hedges	–	(4,388)	(4,388)	1,157	(3,690)	(2,533)
<b>Total income tax recognised in equity</b>	<b>13,424</b>	<b>(4,388)</b>	<b>9,036</b>	<b>13,008</b>	<b>(4,072)</b>	<b>8,936</b>



### e) Years open for inspection and tax audits

In accordance with prevailing legislation in Spain, tax returns cannot be considered final until they have been inspected by the tax authorities or until the four-year inspection period has elapsed. However, the four-year period can vary in the case of Group companies subject to other fiscal regulations.

In January 2018, Enagas Transporte S.A.U. was notified by the Spanish Tax Agency that a general tax inspection was being initiated with respect to the special tax on hydrocarbons corresponding to 2015 and 2016. Notification was also received regarding the initiation of a partial verification with respect to VAT on imports and inspection of importation rights corresponding to 2016. During 2020, these proceedings were completed and did not give rise to any fees for the Group.

In addition, the Enagas Group has the claims filed in relation to the corporate income tax settlement agreements for 2012 to 2015 pending resolution by the Central Economic-Administrative Tribunal. However, it is not expected that any liabilities will arise that will significantly affect the Group's equity situation.

Likewise, at the end of 2020, the years 2017 to 2020 are pending review for the applicable taxes, with the exception of income tax, which is pending review for the years 2016 to 2020.

### f) Deferred tax assets and liabilities

	Initial measurement	Recognised on profit and loss	Recognised in equity	Utilization	Translation differences	Final value
<b>Deductible temporary differences</b>						
Capital grants and others	1,084	(106)	–	–	–	978
Amortisation deduction limit R.D.L. 16/2012 <sup>(1)</sup>	21,082	(4,183)	–	(163)	–	16,736
Provisions for personnel remuneration	4,481	423	–	–	(16)	4,888
Fixed assets provision	34,082	1,248	–	–	–	35,330
Provisions for litigation and other	26,792	(5,855)	–	–	(500)	20,437
Derivatives	36	(64)	2,786	–	(181)	2,577
<b>Carry-forward tax losses</b>	4,960	–	–	(3,202)	(141)	1,617
<b>Deductions pending and other<sup>(2)</sup></b>	4,221	(872)	–	–	–	3,349
<b>Total deferred tax assets</b>	96,738	(9,409)	2,786	(3,365)	(838)	85,912
Accelerated amortisation <sup>(3)</sup>	(241,347)	12,673	–	–	–	(228,674)
Derivatives	(2,031)	–	1,996	–	35	–
Deferred expenses	(9,076)	2,039	–	–	–	(7,037)
Others	(13,290)	4,527	–	(1,238)	231	(9,770)
<b>Total deferred tax liabilities</b>	(265,743)	19,239	1,996	(1,238)	266	(245,481)
<b>Carrying amount</b>	(169,005)	9,830	4,782	(4,603)	(572)	(159,569)

(1) Arises from the limitation to tax deductible amortisation with respect to the corporate income tax for the years 2013 and 2014. Said amortisation is recoverable from a tax point of view from 2015 on a straight line basis over 10 years.

(2) In addition, it includes the deduction to be applied from 2015 in accordance with the thirty-seventh transitory provision of Law 27/2014, by virtue of which those contributors for whom limited amortisation was applicable in 2013 and 2014 will have the right to a 5% deduction of the tax base with respect to the amounts included in the taxable income for the corresponding period.

(3) Arising from application of accelerated amortisation of certain assets for tax purposes during the period 2009–2014.



The Enagás Group offset deferred tax assets in the amount of 84,546 thousands of euros from the Tax Consolidation Group in Spain (93,857 thousands of euros in 2019) against deferred tax liabilities in its consolidated statement of financial position in accordance with IAS 12.

	Final value of assets and deferred tax liabilities by nature	Offset of deferred tax assets and liabilities - Tax Group	Final value
Deferred tax assets	96,738	(93,857)	<b>2,881</b>
Deferred tax liabilities	(265,744)	93,857	<b>(171,887)</b>
<b>Net value 2019</b>	<b>(169,006)</b>	-	<b>(169,006)</b>
Deferred tax assets	85,912	(84,546)	<b>1,366</b>
Deferred tax liabilities	(245,481)	84,546	<b>(160,935)</b>
<b>Net value 2020</b>	<b>(159,569)</b>	-	<b>(159,569)</b>

The Enagás Group has unregistered deferred tax assets and liabilities amounting to 20,894 thousands of euros and 19,906 thousands of euros, respectively, at the end of 2020 (21,774 thousands of euros and 12,615 thousands of euros, respectively, at the end of 2019). These correspond mainly to taxable temporary differences associated with investments in companies that are accounted for using the equity method and that meet the requirements established in IFRS to apply the accounting exception.

## 4.3 Related party transactions and balances

### Accounting policies

- › In addition to subsidiaries, associates, and multigroup companies, the Group's "related parties" are considered to be its "key management personnel" (members of the Board of Directors and Senior Managers, along with their close relatives), and the entities over which key management personnel may exercise significant influence or control, as established in the Order EHA/3050/2004, of September 15, and Circular 1/2008 of January 30 of the CNMV.
- › The terms of transactions with related parties are equivalent to those made on an arm's length basis and the corresponding remuneration in kind has been recorded.

Income and expenses	Directors and Senior Managers	Group Personnel, Companies or Entities	Other related parties	Total <sup>(1)</sup>
<b>2020</b>				
<b>Expenses:</b>				
Financial expenses	-	-	4,061	<b>4,061</b>
Services received	-	32,751	338	<b>33,089</b>
Other expenses	9,671	-	-	<b>9,671</b>
<b>Total Expenses</b>	<b>9,671</b>	<b>32,751</b>	<b>4,399</b>	<b>46,821</b>
<b>Income:</b>				
Financial income <sup>(2)</sup>	-	1,173	6	<b>1,179</b>
Services rendered	-	10,736	-	<b>10,736</b>
Other income	-	3,106	-	<b>3,106</b>
<b>Total income</b>	<b>-</b>	<b>15,015</b>	<b>6</b>	<b>15,021</b>
<b>2019</b>				
<b>Expenses:</b>				
Financial expenses	-	-	11,670	<b>11,670</b>
Services received	-	41,085	307	<b>41,392</b>
Other expenses	9,026	-	-	<b>9,026</b>
<b>Total Expenses</b>	<b>9,026</b>	<b>41,085</b>	<b>11,977</b>	<b>62,088</b>
<b>Income:</b>				
Financial income <sup>(2)</sup>	-	4,242	11	<b>4,253</b>
Services rendered	-	9,528	-	<b>9,528</b>
Gains on the sale or derecognition of assets	-	31	-	<b>31</b>
Other income	-	3,106	-	<b>3,106</b>
<b>Total income</b>	<b>-</b>	<b>16,907</b>	<b>11</b>	<b>16,918</b>

(1) No transactions were carried out during 2020 and 2019 with significant shareholders.

(2) The effective collection of debt interest on subordinated debt amounted to 824 thousands of euros in 2020 (3,945 thousands of euros in 2019).



Other transactions	Significant shareholders	Group Personnel, Companies or Entities	Other related parties	Total
<b>2020</b>				
Guarantees for related party debt (Note 1.9)	-	622,920	-	<b>622,920</b>
Guarantees and sureties granted - Other (Note 1.9)	-	630	14,699	<b>15,329</b>
Dividends and other earnings distributed	96,352	-	-	<b>96,352</b>
<b>2019</b>				
Guarantees for related party debt (Note 1.9)	-	522,952	-	<b>522,952</b>
Guarantees and sureties granted - Other (Note 1.9)	-	29,154	23,333	<b>52,487</b>
Investment commitments (Note 1.9)	-	765,974	-	<b>765,974</b>
Dividends and other earnings distributed	66,554	-	-	<b>66,554</b>

The detail of current and non-current loans to related parties is as follows:

	Interest rate	Maturity	12.31.2020	12.31.2019
<b>Non-current credits to related parties (*)</b>				
Gasoducto de Morelos, S.A.P.I. de C.V.	7.50%	September-2033	8,000	10,617
Planta de Regasificación de Sagunto, S.A.	Eur6m + Spread	June-2025	23,593	25,185
Gas to Move	1.80%	Nov.-2021	-	690
Knutsen Scale Gas, SL	7.00%	Aug.-2027	2,000	-
<b>Current loans to related parties</b>			<b>2,441</b>	<b>11</b>
Planta de Regasificación de Sagunto, S.A.	Eur6m + Spread	June-2025	8	11
Gas to Move	1.80%	Nov.-2021	940	-
Gas to Move	2.34%	Nov.-2021	1485	-
Seab Power Ltd.	4.00%	Dec.-2021	8	-
<b>Total</b>			<b>36,034</b>	<b>36,503</b>

(\*) Unaffected by the expected loss.

The Banco Santander Group qualified as a related party for the years 2020 and 2019.

In this regard, of the transactions indicated in the preceding tables, 4,061 thousands of euros in financial expenses for 2020 corresponds to this related party (11,670 thousands of euros in 2019), including the financial expenses arising from interest rate hedges. In addition, 14,699 thousands of euros of guarantees and sureties granted by this related party at December 31, 2020 (14,424 thousands of euros at December 31, 2019) have been maintained.

In addition, this banking entity carried out the following transactions with the Enagás Group:

- On November 3, 2020, Enagás S.A. signed the extension of the Club Deal multi-currency credit policy, in which the related party represents 9.63% of all banks participating, for an amount of 1,500 million euros, with the new maturity date being December 17, 2025. As of December 31, 2020, this policy is not drawn down.
- On July 30, 2019, Enagás Internacional S.L.U. arranged a five-year credit facility in US dollars for an amount of 180 million dollars. As of December 31, 2020, this policy is drawn down for an amount of 48 million dollars.
- In addition, on the same date, Enagás S.A. arranged a five-year credit facility in US dollars for an amount of 230 million dollars. At December 31, 2020, this policy was drawn down for an amount of 228 million dollars.
- At December 31, 2020, the available balance in the company's current accounts amounted to 275,262 thousands of euros.
- The Directors consider that no additional significant liabilities will arise in connection with the transactions disclosed in this note other than those already recognised in the accompanying consolidated balance sheet.

## 4.4 Remuneration for the Board of Directors and Senior Management

### Accounting policies

#### Share-based payments

- The Group classifies its share-based settlement plan for executive directors and senior management according to the manner of settling the transaction:
  - With Company shares: Personnel expense is determined based on the fair value of the shares to be delivered at the grant date, taking into account the degree to which the objectives relating to said plan have been fulfilled. This expense is recognised over the stipulated period during which employee services are rendered with a credit to "Other equity instruments" in the accompanying balance sheet.
  - In cash: Personnel expenses is determined based on the fair value of the liability at the date recognition requirements are met. Personnel expenses are recorded as services provided in the stipulated period (Note 2.8) with a credit to "Long-term provisions", until their settlement is estimated at less than one year, when the associated provision is reclassified to the Personnel line under the heading "Trade and other payables" on the liabilities side of the accompanying Balance Sheet. The liability is subsequently measured at fair value at each balance sheet date, up to and including the settlement date, with changes in fair value recognised in the Income Statement.
- The Enagás Group used the Monte-Carlo model to evaluate this programme. The fair value of the equity instruments at the granting date is adjusted to include the market conditions relating to this plan. Likewise, the Company takes into account the fact that the dividends accrued during the plan period are not paid to the beneficiaries as they do not become shareholders of the Company until the plan has effectively been settled.





## Significant estimates and judgements

- › The Enagás Group estimates fair value of the equity instruments granted on an accrual basis over the corresponding plan period (from January 1, 2019 to December 31, 2021) plus the loyalty period of approximately four months for full disbursement.
- › As for that part of the plan payable in shares, the Enagás Group estimates the fair value of the amount payable in cash on an accrual basis over the plan period (January 1, 2019 to December 31, 2021) plus the loyalty period of approximately four months for full disbursement.
- › At December 31, 2020, the overall accounting assumption estimate is made assuming that all the objectives have been 95-100% achieved.

Remuneration received	Salaries	Per diems	Other items	Pension plans	Insurance premiums
<b>2020</b>					
Board of Directors	2,400	2,272	183	–	67
Senior Management	4,403	–	194	72	80
<b>Total</b>	<b>6,803</b>	<b>2,272</b>	<b>377</b>	<b>72</b>	<b>147</b>
<b>2019</b>					
Board of Directors	2,346	2,064	178	–	58
Senior Management	4,092	–	175	72	41
<b>Total</b>	<b>6,438</b>	<b>2,064</b>	<b>353</b>	<b>72</b>	<b>99</b>

The remuneration of the members of the Board of Directors for their membership of the Board and those corresponding to the Chairman and the Chief Executive Officer for the exercise of their executive functions during the year 2020 have been approved in detail by the General Shareholders' Meeting held on March 29, 2019 as part of the 'Directors' Remuneration Policy for 2019, 2020 and 2021 financial years', approved as Item 7 of the Agenda.

The Group has outsourced its pension commitments with respect to its Senior Managers through a mixed group insurance policy for pension commitments, including benefits in the event of survival, death, and employment disability. The Executive Chairman and the Chief Executive Officer are part of the group covered by this policy and of the total premium paid for this during the year, 372 thousands of euros corresponded to them.

The members of the Senior Management also form part of the group insured under the mixed group insurance policy for pension commitments. The total premium paid for the same during the financial year amounts to 649 thousands of euros.

The two executive directors are beneficiaries of the 2019-2021 Long-Term Incentive Plan approved by the General Shareholders Meeting on March 29, 2019 under Item 8 of the Agenda. In said meeting, a total of 118,635 rights relating to shares were assigned. Said rights do not constitute acquisition of shares until the programme finalises, the final bonus depending on the degree to which the programme objectives have been met.

Members of Senior Management (members of the Management Committee) are equally beneficiaries of the 2019-2021 Long-Term Incentive Plan. As approved by the General Shareholders' Meeting, the Board has assigned them a total of 160,236 rights relating to shares as well as an incentive in cash amounting to 950 thousands of euros. Said rights do not constitute acquisition of shares or collection of any amounts until the programme has finalised, the final bonus depending on the degree to which the programme objectives have been met.

The aforementioned remuneration, broken down for each member of the Board of Directors, without taking into account insurance premiums, is as follows:

	2020	2019
Mr Antonio Llardén Carratalá, (Executive Director) <sup>(1)</sup>	1,886	1,847
Mr Marcelino Oreja Arburúa (Chief Executive Officer) <sup>(2)</sup>	957	937
Sociedad Estatal de Participaciones Industriales (Proprietary Director) <sup>(4)</sup>	160	160
Mr Luis García del Río (Independent Director) <sup>(4)</sup>	160	160
Mr Martí Parellada Sabata (External Director) <sup>(4)</sup>	160	160
Mr Luis Javier Navarro Vigil (External Director) <sup>(3)(4)</sup>	–	44
Mr José Blanco López (Independent Director) <sup>(3)(4)</sup>	69	–
Ms Rosa Rodríguez Díaz (Independent Director) <sup>(4)</sup>	160	160
Ms Ana Palacio Vallelersundi (Independent Leading Director) <sup>(4)</sup>	190	190
Ms Isabel Tocino Biscarolasaga (Independent Director) <sup>(4)</sup>	175	175
Mr Antonio Hernández Mancha (Independent Director) <sup>(4)</sup>	160	160
Mr José Montilla Aguilera (Independent Director) <sup>(3)(4)</sup>	69	–
Mr Gonzalo Solana González (Independent Director) <sup>(4)</sup>	160	160
Mr Cristóbal José Gallego Castillo (Independent Director) <sup>(3)(4)</sup>	69	–
Mr Ignacio Grangel Vicente (Independent Director) <sup>(4)</sup>	160	160
Ms Eva Patricia Úrbez Sanz (Independent Director) <sup>(3)(4)</sup>	160	115
Mr Santiago Ferrer i Costa (Proprietary Director) <sup>(4)</sup>	160	160
<b>Total</b>	<b>4,855</b>	<b>4,588</b>

(1) The remuneration for the Executive Chairman in 2020 was approved in detail by the General Shareholders' Meeting on March 29, 2019 as part of the "Directors' Remuneration Policy for 2019, 2020 and 2021 financial years". During 2020, the Executive Chairman received fixed remuneration in the amount of 1,000 thousands of euros and variable remuneration in the amount of 600 thousands of euros; he also received 130 thousands of euros for Board membership and other remuneration in kind amounting to 156 thousands of euros (the changes in remuneration in kind with respect to previous years is exclusively a result of measurement differences without there having been any additional items included in the remuneration). Thus, the combined amounts totalled 1,886 thousands of euros. In addition, he was also the beneficiary of a life insurance policy with a premium of 66 thousands of euros for the year. The Group has outsourced its pension commitments with respect to its Senior Managers through a mixed group insurance policy for pension commitments, including benefits in the event of survival, death, and employment disability. The Executive Chairman is one of the beneficiaries covered by this policy, and of the total premium paid during the year, 236 thousands of euros correspond to the Executive Chairman. The Executive Chairman is a beneficiary of the 2019-2021 Long-Term Incentive Plan approved at the General Shareholders' Meeting held on March 29, 2019. Item 8 of its Agenda states that the meeting assigned him a total of 79,090 performance shares. These shares do not entail an acquisition of the shares until the end and settlement of the programme and the final remuneration depends on the level of achievement of the goals of the programme. As a result of settlement of the long-term Incentive 2016-2018, approved by the General Meeting of Shareholders held on March 18, 2016, as item 8 on the Agenda, in 2019 the Executive Chairman received 54,669 gross shares in Enagás S.A. The Executive Chairman is subject to the obligation to maintain the shares received for a period of two years from handover. Once that period has elapsed, the shares will be freely available. The fixed remuneration of the Executive Chairman remains unchanged from 2017.

(2) The remuneration for the Chief Executive Officer in 2020 was approved in detail by the General Shareholders' Meeting on March 29, 2019 as part of the "Directors' Remuneration Policy for 2019, 2020 and 2021 financial years". During 2020, the CEO received fixed remuneration in the amount of 500 thousands of euros and variable remuneration in the amount of 300 thousands of euros; he also received 130 thousands of euros for Board membership and other remuneration in kind amounting to 27 thousands of euros (the changes in remuneration in kind with respect to previous years are exclusively a result of measurement differences without there having been any additional items included in the remuneration). Thus, the combined amounts totalled 957 thousands of euros. In addition, he was also the beneficiary of a life insurance policy with a premium of 0.9 thousands of euros for the year. The Chief Executive Officer is also beneficiary of the mixed group insurance policy for pension commitments, and the share of the premium corresponding to the Chief Executive Officer for this policy amounted to 136 thousands of euros for the year. The Chief Executive Officer is a beneficiary of the 2019-2021 Long-Term Incentive Plan approved at the General Shareholders' Meeting held on March 29, 2019. Item 8 of its Agenda states that the meeting assigned him a total of 39,545 performance shares. Said rights do not constitute acquisition of shares until the programme finalises, the final bonus depending on the degree to which the programme objectives have been met. As a result of settlement of the long-term Incentive 2016-2018, approved by the General Meeting of Shareholders held on March 18, 2016, as item 8 on the Agenda, in 2019 the Chief Executive Officer received 21,759 gross shares in Enagás S.A. The Chief Executive Officer is subject to the obligation to maintain the shares received for a period of two years from handover. Once that period has elapsed, the shares will be freely available. The fixed remuneration of the Chief Executive Officer remains unchanged from 2018.

(3) On June 30, 2020, Mr José Blanco López, Mr José Montilla Aguilera and Mr Cristóbal José Gallego Castillo were appointed Directors. On March 29, 2019 Mr Luis Javier Navarro Vigil resigned as Director and Ms Eva Patricia Úrbez Sanz occupied his position.

(4) The remuneration for these Directors relating to Board and committee membership was approved in detail by the General Shareholders' Meeting on March 29, 2019 as part of the "Directors' Remuneration Policy for 2019, 2020 and 2021".



## Share-based payments

On March 29, 2019, the Enagás, S.A. General Shareholders' Meeting approved the second cycle of the Long-Term Incentive Plan aimed at executive directors and senior management of the Company and its Group. The objective of the Plan is to (i) encourage the sustainable achievement of the objectives of Enagás Group's Strategic Plan, (ii) give the opportunity to share the creation of value with participants, (iii) foster a sense of belonging to the Company, (iv) be competitive, and (v) align with the requirements of institutional investors, proxy advisors, and best Corporate Governance practices and, especially, those resulting from the recommendations of the CNMV's Good Governance Code.

The plan consists of an extraordinary mixed multi-year incentive which will permit the beneficiaries to receive, after a certain period of time, a bonus payable in (i) Enagás, S.A. shares and (ii) cash; provided that certain strategic objectives of the Enagás Group are met.

With respect to the portion payable in shares, a maximum of 501,946 shares are deliverable, all of which will come from the Enagás S.A.'s treasury shares. Furthermore, the beneficiaries of the plan are not guaranteed any minimum value for the assigned shares. The cash part of the plan is limited to an estimated payment of approximately 3.5 million euros should all the objectives be fully met.

This plan is aimed at persons who, due to their level of responsibility on their position in the Enagás Group, contribute decisively to achieving the Company's objectives. The Plan initially designated 48 beneficiaries, notwithstanding the possibility that new recruitments due to mobility or professional level changes may include new beneficiaries during the measurement period.

The objectives set for the evaluation of the achievement of the Plan consist of:

- ▶ Accumulated results corresponding to the Funds for Operations ("FFO") of the Enagás Group. This metric shows the financial soundness and net profit growth, which are the cornerstones of the Enagás Group 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. Fulfilling this objective will satisfy the Company forecasts for the distribution of Group, investment and debt amortisation dividends. It accounts for 25% of the total objectives.
- ▶ Accumulated cash flows received from affiliates ("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.

▶ Total shareholder return ("TSR"). To ensure appropriate, competitive shareholder remuneration. It takes into account share performance and the dividend policy. This objective comprises two components, each with a relative importance of 15% of the total objectives:

- a) The absolute TSR is measured as the acquisition of a target share price at the end of financial year 2021. The target price has been established by investing estimated share dividends and is based on profitability and market parameters.
- b) Relative TSR: relative TSR shall be understood as the difference (expressed as a percentage) between the final value of an investment in ordinary shares and the initial value of that investment, bearing in mind that the calculation of said final value will consider dividends or other similar items (i.e. script dividends) received by the shareholder for said investment during the corresponding period. This metric shall be calculated against the Comparison Group formed by fifteen companies.

▶ Compliance with the Sustainability Plan. It reflects the company's commitment to creating long-term value responsibly in the social and environmental backdrop. Its weight in the objectives total will be 10%, and it will consist of three indicators:

- a) Average reduction in CO2 emissions in the 2019-2021 period vs. 2018;
- b) Increase in the percentage of women on the Board of Directors, in the management team and in the staff; and
- c) Investment associated with the increased presence of renewable gases in the energy mix.

Regarding the measurement period, although it will occur during the period from January 1, 2019 to December 31, 2021, its settlement will take place on the following dates:

- a) The beneficiary will receive 50% of the incentive within thirty (30) days following approval of the 2021 annual accounts by the General Shareholders' Meeting. This 50% will apply to the assets part of the incentive as well as the cash part of the incentive;
- b) The beneficiary will receive the remaining 50% of the incentive once a period of one year has elapsed from the first payment date.

In this regard, and since the Regulation establishes the obligation for the beneficiaries to continue to provide their services to the Enagás Group until the first payment date in order to receive 50% of the incentive, and until the second payment date in order to receive the remaining 50%, the Enagás Group accrues the estimated fair value of the equity instruments granted taking account both of the target measurement period (January 1, 2019 to December 31, 2021) and the service conditions established for the period required to consolidate the remuneration.

The portion of said plan to be settled in Enagás, S.A. shares is considered a share-based transaction payable in equity instruments in accordance with IFRS 2 and, in keeping with said standard, the fair value of services received, as consideration for the equity instruments granted, is included in the Consolidated Income Statement at December 31, 2019, under "Personnel expenses" in the amount of 2,196 thousands of euros and a credit to "Other equity instruments" in the consolidated balance sheet at December 31, 2020 (2,207 thousands of euros at December 31, 2019).

For the valuation of this programme, the Enagás Group used the Monte-Carlo model, widely used in financial practice for the valuation of options, in order to include the effect of market conditions in the valuation of the equity instruments granted. The fair value of the equity instruments at the granting date is adjusted to include the market conditions relating to this plan. Likewise, the Company takes into account the fact that the dividends accrued during the plan period are not paid to the beneficiaries as they do not become shareholders of the Company until the effective delivery of the Company's shares. The breakdown and fair value of the shares at the granting date of the ILP of the Enagás Group are as follows:

	<b>ILP 2019-2021</b>
Total shares at the concession date <sup>(1)</sup>	501,946
Fair value of the equity instruments at the granting date (EUR)	25.94
Dividend yield	4.77%
Expected volatility	16.86%
Discount rate	0.62%

(1) This number of shares reflects the maximum number of shares to be delivered under the plan, and includes both the possibility of achieving the maximum degree of fulfilment of objectives established in the plan (125%), as well as the possibility that new hiring, staff mobility, or changes in professional levels, lead to the inclusion of new beneficiaries during the measurement period.

With respect to that part of the bonus payable in cash, the Enagás Group recognised the rendering of services corresponding to this plan as personnel expenses amounting to 705 thousands of euros with a credit to "Provisions" under non-current liabilities in the consolidated balance sheet at December 31, 2020 (693 thousands of euros at December 31, 2019). As in the case of the share-based payment plan component, the Enagás Group accrues the estimated fair value of the cash-settled amount over the term of the plan (January 1, 2019 to December 31, 2021) and the service conditions established for the period of time required for the consolidation of the remuneration.



## 4.5 Other information concerning the Board of Directors

The information included below as required by Article 229 and subsequent of the Spanish Corporate Enterprises Act was prepared considering that they are companies with similar or complementary activities to those carried out by Enagás, that is, natural gas transmission, regasification, distribution, and commercialisation activities regulated by Law 31/1198 of the Hydrocarbons Sector.

As of December 31, 2020 and 2019, the Directors have reported that they do not hold any shares in the share capital of companies with the same, similar or complementary type of activity as the Enagás Group.

Positions held or duties performed by Group directors at companies whose corporate purpose is the same, similar or complementary disclosed to Enagás, S.A. at December 31, 2020 and 2019, are as follows:

DIRECTOR	COMPANY	POSITIONS
<b>2020</b>		
Marcelino Oreja Arburúa	Mibgas Derivatives, S.A.	Director
Marcelino Oreja Arburúa	Enagás Emprende, S.L.U.	Joint Director
Marcelino Oreja Arburúa	Enagás Services Solutions, S.L.U.	Joint Director
Marcelino Oreja Arburúa	Enagás Transporte del Norte, S.L.	Chairman
Marcelino Oreja Arburúa	Enagás Renovable, S.L.U.	Joint Director
Marcelino Oreja Arburúa	Tallgrass Energy G.P.	Director
Antonio Llardén Carratalá	Enagás GTS, S.A.U.	Representative of the Sole Director of Enagás, S.A.
Antonio Llardén Carratalá	Enagás Transporte, S.A.U.	Representative of the Sole Director of Enagás, S.A.

DIRECTOR	COMPANY	POSITIONS
<b>2019</b>		
Marcelino Oreja Arburúa	Mibgas Derivatives, S.A.	Director
Marcelino Oreja Arburúa	Enagás Emprende, S.L.U.	Joint Director
Marcelino Oreja Arburúa	Enagás Services Solutions, S.L.U.	Joint Director
Marcelino Oreja Arburúa	Enagás Transporte del Norte, S.L.	Chairman
Marcelino Oreja Arburúa	Enagás Renovable, S.L.U.	Joint Director
Marcelino Oreja Arburúa	Tallgrass Energy G.P.	Director
Antonio Llardén Carratalá	Enagás GTS, S.A.U.	Representative of the Sole Director of Enagás, S.A.
Antonio Llardén Carratalá	Enagás Transporte, S.A.U.	Representative of the Sole Director of Enagás, S.A.

There are no activities of the same, similar or complementary nature to those carried out by Enagás which are performed by its Board members, on their own behalf or on behalf of third parties, not included in the above section.

At 2020 year-end, neither the members of the Board of Directors of the Company nor any parties related to them, as defined in Article 229 of the Corporate Enterprises Act, had notified the remaining Board members of any conflicts of interest, direct or indirect, with those of the Company.

## 4.6 Other Information

### a) Environmental information

Activities for protection of the environment and biodiversity, energy efficiency, reduction in emissions, and the responsible consumption of resources are essential elements in the Enagás Group's environmental management to mitigate the impact of its activities.

The Group has integrated protection of the environment within its policy and strategic programmes via implementation of an Environmental Management System developed and certified by LLOYD'S, in accordance with the requisites of standard UNE EN ISO 14001, which guarantees compliance with applicable environmental legislation and continuous improvement of its environmental behaviour with respect to the activities it carries out in the LNG storage and regasification plants of Barcelona, Cartagena and Huelva, the underground storage facilities of Serrablo, Gaviota, and Yela, the basic gas pipeline network facilities, the Olmos headquarters, the Zaragoza laboratory, and management of development projects for new infrastructure.

In 2020, the certifying company LLOYD'S issued the corresponding audit report on the environmental management system with favourable results, concluding that the system's maturity and degree of development ensure continuous improvement for the company in this field.

The Enagás Group makes ongoing efforts to identify, characterise, and minimise the environmental impact of its activities and facilities, evaluating the related risks and strengthening eco-efficiency, responsible management of waste and discharges, minimising the impact in terms of emissions and climate change.

In addition, the Group incorporates environmental criteria in its relationship with suppliers and contractors, as well as in connection with decision-making with respect to the awarding of contracts for the rendering of services and products.

During 2020, environmental actions were carried out in the amount of 7,757 thousands of euros, recognised as investments under assets in the Balance Sheet (7,850 thousands of euros in 2019). The Company also assumed environmental expenses amounting to 5,960 thousands of euros in 2020, recognised under "Other operating expenses" (4,565 thousands of euros in 2019).

The Group has arranged sufficient civil liability insurance to meet any possible contingencies, compensation and other risks of an environmental nature which it might incur.

The Group did not benefit from any tax incentives during 2020 as a consequence of activities relating to the environment.

### b) Greenhouse gas emission rights

Some of the Enagás Group's facilities are included within the scope of Law 1/2005 of March 9, which regulates the commercial regime for greenhouse gas emission rights.

On November 15, 2013, the Council of Ministers approved the final assignation of free greenhouse gas emission rights to institutions subject to the greenhouse gas emission allowance trading regime for the period 2013-2020, among which the Enagás Transporte, S.A.U. facilities are included.

The rights assigned for 2020 and 2019 were measured at 24.24 euros/right and 24.98 euros/right, respectively, the spot price on the first working day of 2020 and 2019 of SENDECO2, Sistema Europeo de Negociación de CO2, a company engaged in the purchase and sale of emission rights on its own account and in providing technical and administrative advice on industrial facilities subject to the Trade Directive (EU ETS). The rights consumed at the end of the year are taken to income, resulting in additions for the year of 1,218 thousands of euros and 1,249 thousands of euros, respectively.

In addition, 97,750 emission allowances were acquired for consideration in 2020 for a total amount of 2,286 thousands of euros (in 2019, 70,000 allowances were acquired for consideration in the amount of 1,670 thousands of euros).

The Enagás Group consumed 129,707 greenhouse gas emission rights during 2020 (168,926 rights during 2019).

The expense relating to emission allowances recognised in the income statement amounted to 1,981 thousands of euros, which is included under "Other Current Management Expenses" (1,601.5 thousands of euros in 2019).

During 2020 the Enagás Group did not engage in any negotiations for future contracts relating to greenhouse gas emission rights, nor were there any contingencies relating to penalties or provisional cautionary measures in the terms established by Law 1/2005.



### c) Audit fees

Other operating expenses<sup>3</sup> includes the fees for audit and non-audit services provided by the auditor of the Group, Ernst & Young, S.L., or by a company belonging to the same group or related to the auditor, broken down as follows:

Categories	2020		2019	
	Services rendered by the accounts auditor and related companies	Services provided by other auditors of the Group	Services rendered by the accounts auditor and related companies	Services provided by other auditors of the Group
Audit services <sup>(1)</sup>	1,104	320	1,051	486
Other assurance services <sup>(2)</sup>	427	-	353	-
<b>Total audit and related services</b>	<b>1,531</b>	<b>320</b>	<b>1,404</b>	<b>486</b>
<b>Total professional services<sup>(3)</sup></b>	<b>1,531</b>	<b>320</b>	<b>1,404</b>	<b>486</b>

(1) Audit services: This heading includes services rendered for the performance of statutory audits of the Group's annual accounts and the limited review work performed with respect to the Interim and Quarterly Consolidated Financial Statements as well as the Certification of the Internal Control over Financial Reporting (ICFR) System.

(2) Other audit-related assurance services: This heading includes the work relating to the Annual Corporate Governance Report, the review of non-financial information included in the Management Report, the agreed-upon procedures report on the ICFR, the Audit Reports for issuing Comfort letters, as well as the issuing of Agreed-Upon Procedures in relation to the regulatory costs information sent to the CNMC on June 30, 2020.

(3) Law 22/2015 on the Audit of Accounts establishes that non-audit services provided by the auditor must be less than 70% of the average fees paid for audit services for three consecutive years. The amount of non-audit services rendered by the accounts auditors (Ernst & Young, S.L.) amounts to 39% of the audit service fees invoiced (30% for the Group).

## 4.7 Information by segments

### Accounting policies

#### Basis of segmentation

- › Segment reporting is structured based on the Group's various business lines as described in Note 1.1.
- › The Group identifies its operating segments based on internal reports relating to the companies comprising the Group which are regularly reviewed, discussed and evaluated in the decision-making process.

### a) Primary business segments

#### Regulated activities - Infrastructure Activity

**Gas transmission:** Represents the main activity, consisting in the delivery of gas via its transmission network, comprised of primary transmission pipelines (with maximum design pressure equal to or greater than 60 bars) and secondary transmission pipelines (with maximum design pressure ranging from 16 to 60 bars) up to the distribution points, as owner of most of the gas transmission network in Spain.

**Regasification:** The gas is transported from the producing countries in methane tankers at 160°C below zero in its liquid state (LNG) and is unloaded at the regasification plants where it is stored in cryogenic tanks. At these facilities, via a physical process which normally makes use of seawater vaporisers, the temperature of the liquefied gas is increased until it is transformed into its gaseous state. The natural gas is injected into the gas pipelines for transmission to the whole peninsula.

**Storage of gas:** The Enagás Group operates the following underground storage facilities: Serrablo (located between Jaca and Sabiñánigo - Huesca), Gaviota (offshore storage, located close to Bermeo - Vizcaya), and Yela (Guadalajara).

#### Regulated activities - Activity of the Technical Manager of the System

The Enagás Group continued carrying out its functions as Technical Manager of the System in 2020 in compliance with Royal Decree 6/2000 of June 23 and Royal Decree 949/2001 of August 3, with a view to guaranteeing supply continuity and security of supply, as well as the correct coordination among the access points, storage, transmission and distribution points.

#### Non-regulated activities

Includes all unregulated activities and transactions relating to investments in associates and joint ventures, except those relating to BBG, Saggas, MIBGAS and Iniciativas del Gas, S.L.

The foregoing activities may be performed by Enagás, S.A., either on its own or through companies with an identical or similar purpose in which it has an ownership interest, always within the scope and limits established by applicable legislation on hydrocarbons. In accordance with said legislation, the activities related to transmission and technical management of the system which are of a regulated nature must be carried out by two subsidiaries entirely owned by Enagás, S.A. (Enagás Transporte, S.A.U. and Enagás GTS, S.A.U., respectively).

The structure of this information is designed as if each business line were an independent business, with its own resources, distributed on the basis of the assets assigned to each line in accordance with an internal system of cost allocation by percentages.

INCOME STATEMENT	Infrastructures		Technical Management of the System		Other activities		Adjustments <sup>(1)</sup>		Total Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Operating income	1,051,339	1,120,294	28,031	26,738	68,187	98,305	(63,506)	(62,603)	1,084,051	1,182,734
Third parties	1,041,865	1,109,773	25,015	24,500	3,168	34,189	160	-	1,070,208	1,168,462
Group	9,474	10,521	3,016	2,238	65,019	64,116	(63,666)	(62,603)	13,843	14,272
Provisions for amortisation of fixed assets	(253,902)	(248,778)	(6,070)	(6,162)	(9,915)	(19,576)	160	10	(269,727)	(274,506)
Operating profit	559,994	582,557	3,602	2,670	50,916	72,131	62	44	614,574	657,402
Financial income	2,474	409	349	76	456,528	454,713	(438,787)	(438,880)	20,564	16,318
Financial expenses	(18,817)	(25,011)	(143)	(164)	(95,788)	(115,486)	7,227	6,881	(107,521)	(133,780)
Income tax	(129,007)	(136,374)	(748)	(621)	27,804	24,902	(23)	(12)	(101,974)	(112,105)
Net profit	413,691	424,264	3,060	1,961	458,771	428,359	(431,520)	(431,966)	444,002	422,618

(1) Adjustments<sup>1</sup> includes the eliminations of inter-company transactions (rendering of services and credits granted).



The breakdown of operating income by segment, with the breakdown according to IFRS 15 of income from customer contracts for 2020, is as follows:

NIIF 15 Operating income	Infrastructures		Technical Management of the System		Other activities		Adjustments <sup>(1)</sup>		Total Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Operating income	1,051,339	1,120,294	28,031	26,738	68,187	98,305	(63,506)	(62,603)	1,084,051	1,182,734
Revenue from customer contracts	41,151	47,557	5	5	5,826	7,710	-	-	46,982	55,272
Third parties	32,893	33,070	-	-	449	2,124	-	-	33,342	35,194
Group	8,258	14,487	5	5	5,377	5,586	-	-	13,640	20,078
Others	1,010,188	1,072,737	28,026	26,733	62,361	90,595	(63,506)	(62,603)	1,037,069	1,127,462
Third parties	1,008,972	1,076,703	25,015	24,500	2,719	32,065	160	-	1,036,866	1,133,268
Group	1,216	(3,966)	3,011	2,233	59,642	58,530	(63,666)	(62,603)	203	(5,806)

(1) "Adjustments" includes the eliminations of inter-company transactions (rendering of services and credits granted).

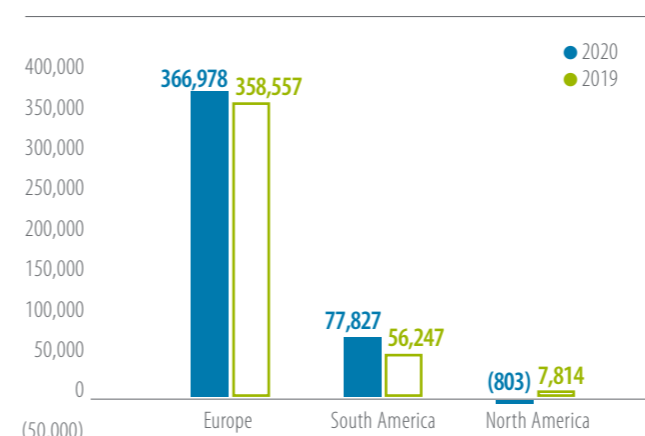
Balance sheet	Infrastructures		Technical Management of the System		Other activities		Adjustments <sup>(1)</sup>		Total Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Total assets	5,446,325	5,517,802	151,530	99,114	7,654,186	7,505,796	(4,243,118)	(4,278,488)	9,008,923	8,844,224
Acquisition of fixed assets	50,820	127,791	8,184	7,514	14,886	11,214	-	-	73,890	146,519
Non-current liabilities <sup>(2)</sup>	460,095	461,201	(7,931)	(887)	2,958	1,050	(425)	(459)	454,697	460,905
Deferred tax liabilities	170,779	174,191	(8,442)	(1,097)	(977)	(748)	(425)	(459)	160,935	171,887
Provisions	250,241	246,256	511	210	3,139	1,798	-	-	253,891	248,264
Other non-current liabilities	39,075	40,754	-	-	796	-	-	-	39,871	40,754
Current liabilities <sup>(2)</sup>	253,846	300,919	138,197	85,270	67,877	53,185	(168,148)	(226,981)	291,772	212,393
Trade and other payables	253,846	300,919	138,197	85,270	67,877	53,185	(168,148)	(226,981)	291,772	212,393

(1) "Adjustments" includes the eliminations of inter-company transactions (rendering of services and credit granted) as well as the elimination of Investments-Shareholders equity.  
 (2) Financial liabilities are not included.

## b) Segments by geographical information

The majority of companies in the Enagás Group operating outside Europe were consolidated under the equity method, with the corresponding expenses and income thus recognised under "Profit/(loss) from investments consolidated under the equity method" in the Consolidated Income Statement. In view of this, the information relating to geographical markets is based on net revenue.

The distribution of consolidated results for 2020 and 2019, broken down by geographical markets, is as follows:



## 4.8 Stocks

As established in Order IET/2736/2015 of December 17: "From October 1, 2016, the quantity of working gas is zero." At December 31, 2015, the Enagás Group, as Technical Manager of the System, maintained control of approximately 755 GWh of working gas necessary for enabling operation of the gas system as established in the fifth additional provision to Order ITC/3863/2007 of December 28. This gas is not reflected in the financial statements as it is gas available for the System and therefore not owned by the Enagás Group.

## 4.9 Subsequent events

On January 19, 2021 Enagás, S.A. and Enagás Internacional, S.L.U. signed loan agreements maturing on December 28, 2021 for 225 million dollars and 100 million dollars, respectively (184 million euros and 82 million euros converted at the closing euro/dollar rate stated on Note 1.3.a).

On February 16, 2021, the shareholders of Tallgrass Energy agreed to distribute a dividend of 91 million dollars, of which the Enagás Group received approximately 27.3 million dollars.

This dividend was distributed on February 19, 2021.

Since January 1, 2021 until the date on which these Consolidated Annual Accounts were drawn up, no events have occurred that would significantly affect the profit (loss) of the Group or its equity.

# 5 Explanation added for translation to English

These Consolidated Annual Accounts are a translation of financial statements originally issued in Spanish and prepared in accordance with International Financial Reporting Standards as adopted by the EU, in conformity with Regulation (EC) No. 1606/ 2002. In the event of a discrepancy, the Spanish-language version prevails.

These Consolidated Annual Accounts are presented on the basis of the regulatory financial reporting framework applicable to Enagás Group (Note 1.2). Certain accounting practices applied by the Group that conform to that regulatory framework may not conform to other generally accepted accounting principles and rules.



# Appendix

## Appendix I. Subsidiaries at December 31, 2020

Subsidiaries	Country	Activity	% stake and Voting Rights controlled by the Enagás Group	Amount of Share Capital in functional currency
Enagás Transporte, S.A.U.	Spain	Regasification, storage, and transmission of gas	100.00%	532,089,120 euros
Enagás GTS, S.A.U.	Spain	Technical Management of the Gas System	100.00%	5,914,451 euros
Enagás Internacional, S.L.U.	Spain	Holding	100.00%	181,618,086 dollars
Enagás Financiaciones, S.A.U.	Spain	Financial management	100.00%	890,000 euros
Enagás Transporte del Norte, S.L.	Spain	Gas transmission	90.00%	38,501,045 euros
Enagás Chile, S.P.A.	Chile	Holding	100.00%	383,530,442 dollars
Enagás México, S.A.	Mexico	Holding	100.00%	3,342,486 dollars
Enagás Perú, S.A.C.	Peru	Holding	100.00%	4,173,447 dollars
Enagás USA, LLC	USA	Holding	100.00%	236,349,829 dollars
Enagás Intern. USA, S.L.U.	Spain	Holding	100.00%	121,400,865 dollars
Infraestructuras de Gas, S.A.	Spain	Holding	85.00%	340,000 euros
Enagás Emprende, S.L.U.	Spain	Holding	100.00%	13,835,325 euros
Efficiency for LNG Applications, S.L.	Spain	Development of industrial projects and activities relating to LNG terminals	95.91%	176,131 euros
Scale Gas Solutions, S.L.	Spain	Development and implementation of facilities for the supply of natural gas as fuel for vehicles, including its design, construction and maintenance	100.00%	3,994,944 euros
Enagás Services Solutions, S.L.	Spain	Holding	100.00%	5,293,500 euros
Hydrogen to Gas, S.L.	Spain	Development of industrial projects and activities to promote hydrogen production and transport infrastructures	60.00%	74,750 euros

Subsidiaries	Country	Activity	% stake and Voting Rights controlled by the Enagás Group	Amount of Share Capital in functional currency
Sercomgas Gas Solutions, S.L.	Spain	Provision of commercial services for the purpose of improving the daily operational management of gas shippers	84.00%	88,536 euros
Bioengas Renovables, S.L.	Spain	Development and integrated management of energy projects for the production of renewable gases from organic matter	92.50%	744,000 euros
Enagás Renewable, S.L.U.	Spain	Development of projects to promote the role of renewable gases in the energy transition	100.00%	1,296,000 euros
Smart Energy Assets, S.L.	Spain	Provision of improvement and efficiency services in the measurement of gas at the delivery points of the transmission network	73.00%	135,000 euros
Roblasun 1, S.L.U.	Spain	Production of solar electric energy	100.00%	13,890 euros
Roblasun 2, S.L.U.	Spain	Production of solar electric energy	100.00%	13,890 euros
Roblasun 3, S.L.U.	Spain	Production of solar electric energy	100.00%	13,890 euros
Roblasun 4, S.L.U.	Spain	Production of solar electric energy	100.00%	39,300 euros
Roblasun 5, S.L.U.	Spain	Production of solar electric energy.	100.00%	39,300 euros
Roblasun 6, S.L.U.	Spain	Production of solar electric energy	100.00%	39,300 euros
CierzoSun 1, S.L.U.	Spain	Production of solar electric energy	100.00%	13,890 euros
CierzoSun 2, S.L.U.	Spain	Production of solar electric energy	100.00%	13,890 euros
CierzoSun 3, S.L.U.	Spain	Production of solar electric energy	100.00%	13,890 euros
CierzoSun 4, S.L.U.	Spain	Production of solar electric energy	100.00%	13,890 euros
WindMusel 1, S.L.U.	Spain	Production of wind electric energy	100.00%	11,712 euros
WindMusel 2, S.L.U.	Spain	Production of wind electric energy	100.00%	9,534 euros
WindMusel 3, S.L.U.	Spain	Production of wind electric energy	100.00%	9,534 euros
H2Groom Global Solutions S.L.	Spain	Development of industrial projects and activities to promote hydrogen production and transport infrastructures	99.5%	175,300 euros



## Appendix II. Joint ventures, joint operations, and associates

Company	Country	Activity	%	% of voting rights controlled by the Enagás Group	Thousands of euros <sup>(2)</sup>		Net carrying amount in functional currency	
					Net carrying amount	Dividends received	Thousands of euros	Thousands of dollars
<b>Joint operations</b>								
Gasoducto Al-Ándalus, S.A.	Spain	Gas transmission	66.96%	66.96%	79	13,311	79	–
Gasoducto de Extremadura, S.A.	Spain	Gas transmission	51.00%	51.00%	33	6,483	33	–
<b>Joint ventures</b>								
Bahía de Bizkaia Gas, S.L.	Spain	Storage and regasification	50.00%	50.00%	54,884	9,500	54,884	–
Subgrupo Altamira LNG, C.V. <sup>(3)</sup>	Netherlands/Mexico	Holding/Regasification	40.00%	40.00%	46,878	1,480	–	52,423
Gasoducto de Morelos, S.A.P.I. de C.V.	Mexico	Gas transmission	50.00%	50.00%	14,576	–	–	16,205
Morelos EPC, S.A.P.I. de C.V.	Mexico	Engineering and construction	50.00%	50.00%	3	–	–	4
EC Soto La Marina SAPI de CV	Mexico	Natural gas compression	50.00%	50.00%	6,539	–	–	6,640
Compañía Operadora de Gas del Amazonas, S.A.C.	Peru	Operation and maintenance	51.00%	51.00%	20,605	1,188	–	23,995
Tecgas, Inc.	Canada	Holding	51.00%	51.00%	1,251	–	–	1,344
EC Soto la Marina O&M SAPI de CV	Mexico	Operation and maintenance	50.00%	50.00%	1	–	–	2
Morelos O&M, S.A.P.I. de CV	Mexico	Operation and maintenance	50.00%	50.00%	36	91	–	39
Iniciativas de Gas, S.L. <sup>(4)</sup>	Spain	Holding	60.00%	60.00%	46,648	–	46,648	–
Planta de Regasificación de Sagunto, S.A. <sup>(4)</sup>	Spain	Storage and regasification	72.50%	72.50%	1,500	11,600	1,500	–
Gas to Move Transport Solutions, S.L.	Spain	Development of industrial projects related to LNG	78.30%	78.30%	4,539	–	4,539	–
Subgrupo Senfluga Energy Infrastructure	Greece	Holding	18.00%	18.00%	29,794	3,649	29,794	–
Axent Inf. Tel., S.A.	Spain	Construction, maintenance and operation of a telecommunications network.	49.00%	49.00%	5,348	–	5,348	–
Vira Gas Imaging, S.L.	Spain	Development and commercialisation of technological activities	40.00%	40.00%	259	–	259	–

Company	Country	Activity	%	% of voting rights controlled by the Enagás Group	Thousands of euros <sup>(2)</sup>		Net carrying amount in functional currency	
					Net carrying amount	Dividends received	Thousands of euros	Thousands of dollars
<b>Joint ventures</b>								
UNUE Gas Renovable, S.L.	Spain	Construction of a biogas plant.	49.00%	49.00%	1,060	–	1,060	–
Green Ports Project, S.L.	Spain	Small scale in ports	50.00%	50.00%	30	–	30	–
Senfluga 2, S.R.L.	Greece	Holding	40.00%	40.00%	27	–	27	–
Knutsen Scale Gas, SL	Spain	Bunkering	50.00%	50.00%	502	–	502	–
GNL Quintero, S.A.	Chile	LNG reception, unloading, storage and regasification	45.40%	45.40%	333,124	33,114	–	400,908
<b>Associates</b>								
Transportadora de gas del Perú, S.A.	Peru	Gas transmission	28.94%	28.94%	487,451	56,610	–	629,450
Tallgras Energy LP.	USA	Oil & Gas transmission and extraction	28.42%	30.20%	1,461,535	–	–	1,623,123
Trans Adriatic Pipeline, A.G. <sup>(3)</sup>	Switzerland (3 and 4)	Gas transmission	16.00%	16.00%	217,757	–	217,757	–
Mibgas Derivatives, S.A.	Spain	Operation of the (organised) gas market	28.34%	28.34%	432	–	432	–
Seab Power Ltd.	United Kingdom	Development of systems to transform waste into energy	12.75%	12.75%	252	–	252	–
Alantra Energy Transition, S.A.	Spain	Promotion of projects in the field of energy transition	29.40%	29.40%	176	–	176	–
Solatom CSP, S.L.	Spain	Use of heat as an energy source	7.15%	7.15%	250	–	250	–
Mibgas, S.A.	Spain	Operation of the (organised) gas market	13.34%	13.34%	417	–	417	–

(1) For those companies whose local currency is different to that of the Group, the euro (Note 1.3), the "net carrying amount" of the financial investment is shown in historic euros and includes the capitalised acquisition costs.

The euros corresponding to "dividends received" are translated at the exchange rate corresponding to the transaction date.

(2) This company has three permanent establishments in Greece, Italy, and Albania.

(3) Both companies are owned together with other international industrial partners. Their activity consists in the development and operation of infrastructure projects, such as the regasification plant already operational in Altamira and the TAP project (declared Project of Common Interest by the European Union).

(4) Iniciativas de Gas, S.L. and Infraestructuras de Gas, S.L. each hold a 50% stake in Planta de Regasificación de Sagunto Gas, S.A. Both companies are in turn affiliates of the Enagás Group, which holds a 60% stake and an 85% stake in them, respectively. Thus, the indirect interest held by the Enagás Group in Planta de Regasificación de Sagunto Gas, S.A. amounts to 72.5%. The dividend distribution is carried out by Planta de Regasificación de Sagunto Gas, S.A.



## Balance sheet figures 2020

Company	Thousands of euros								
	Figures for affiliate <sup>(1)(2)</sup>								
	Assets			Equity		Liabilities			
	Long-term	Short-term		Other results	Remaining equity	Long-term		Short-term	
	Cash and cash equivalents	Remaining short-term assets	Financial liabilities			Remaining liabilities	Financial liabilities	Remaining liabilities	
Gasoducto Al-Ándalus, S.A.	-	2,474	9,129	-	8,283	-	-	-	3,320
Gasoducto de Extremadura, S.A.	-	1,392	6,199	-	5,528	-	-	-	2,063
Bahía de Bizkaia Gas, S.L.	190,150	30,513	17,603	(6,370)	72,960	117,124	34,810	14,488	5,253
Subgrupo Altamira LNG, C.V.	221,722	10,169	6,642	57	144,795	18,687	52,880	16,232	5,883
Gasoducto de Morelos, S.A.P.I. de C.V.	220,016	10,876	7,966	(7,252)	37,346	112,753	71,322	187	24,502
Morelos EPC, S.A.P.I. de C.V.	-	261	20	-	134	-	-	-	146
GNL Quintero, S.A.	1,708,646	414,056	27,104	(6,925)	869,629	846,470	343,743	70,310	26,579
EC Soto La Marina SAPI de CV	61,057	4,091	1,195	-	12,183	46,984	4,189	2,704	283
Transportadora de gas del Perú, S.A.	2,025,692	135,371	79,809	-	1,020,515	693,799	418,382	32,876	75,300
Trans Adriatic Pipeline, A.G.	4,798,641	75,841	200,793	(170,032)	1,273,505	3,448,971	369,055	8,171	145,605
Compañía Operadora de Gas del Amazonas, S.A.C.	48,504	8,855	21,122	-	27,786	-	7,279	-	43,416
Tecgas, Inc.	-	37	-	-	37	-	-	-	-
EC Soto la Marina O&M SAPI de CV	1,698	191	73	-	128	1,644	-	-	189
Morelos O&M, S.A.P.I. de CV	151	603	143	-	567	-	-	-	330
Iniciativas de Gas, S.L.	976	491	5,000	-	6,461	-	-	-	6
Planta de Regasificación de Sagunto, S.A.	334,648	41,831	29,489	(5,051)	143,642	146,902	73,541	22,273	24,662
Mibgas, S.A.	179	1,855	53,417	-	2,973	-	-	-	52,478
Gas to Move Transport Solutions, S.L.	5,231	894	1,811	-	472	3,324	2,415	-	1,726
Axent Inf. Tel., S.A.	16,355	2,668	6,355	-	7,769	1,664	-	-	15,946
Senfluga Energy Infrastructure	821,065	170,362	69,812	(8,195)	532,104	394,044	33,061	26,902	83,323
Grupo Tallgrass Energy LP	7,665,598	345,642	316,708	-	2,917,808	4,193,037	781,774	-	435,329
SEaB Power Ltd.	1,649	17	568	-	1,646	277	-	241	70
UNUE Gas Renewable, S.L.	988	942	217	-	2,147	-	-	-	-
Mibgas derivatives, S.A.	-	322	913	-	227	-	-	1,008	-
Solatom CSP	79	756	3	-	471	-	351	-	16
Knutssen Scale Gas	2,891	138	-	-	1,000	2,000	-	29	-

(1) Data provided as though companies were 100% invested, in accordance with IFRS.

(2) For those companies whose functional currency is different to the Group's functional currency, the euro (Note 1.3), the balance sheet figures were translated at the exchange rate prevailing at year-end.

## Income Statement figures 2020

Company	Thousands of euros						Net profit / (loss)
	Figures for affiliate <sup>(1)(2)</sup>						
	Income statement						
	Revenue	Amortisation	Interest income	Interest expense	Income tax	Other expenses and income	
Gasoducto Al-Andalus, S.A.	36,325	(7,269)	-	(30)	(5,550)	(6,835)	16,640
Gasoducto de Extremadura, S.A.	24,341	(2,274)	-	(17)	(4,019)	(5,984)	12,048
Bahía de Bizkaia Gas, S.L.	61,569	(15,403)	149	(7,000)	(5,647)	(16,380)	17,289
Subgrupo Altamira LNG, C.V.	65,517	(14,834)	1,951	(2,861)	(15,766)	(8,700)	25,306
Gasoducto de Morelos, S.A.P.I. de C.V.	37,556	(16,041)	20	(9,417)	(3,749)	(686)	7,683
Morelos EPC, S.A.P.I. de C.V.	-	-	-	-	-	(27)	(27)
EC Soto La Marina S.A.P.I. de C.V.	11,806	(4,629)	29	(1,640)	(1,023)	(3,118)	1,424
Transportadora de gas del Perú, S.A.	599,478	(156,364)	729	(52,702)	(67,530)	(186,040)	137,571
Trans Adriatic Pipeline, A.G.	91,132	(24,875)	59	(12,152)	(12,218)	48,928	90,874
Compañía Operadora de Gas del Amazonas, S.A.C.	117,870	(4,970)	48	(657)	(1,289)	(109,523)	1,480
Tecgas, Inc.	-	-	-	-	-	N.D.	N.D.
EC Soto la Marina O&M S.A.P.I. de C.V.	1,796	-	0	(0)	(49)	(1,706)	41
Morelos O&M, S.A.P.I. de C.V.	1,970	(21)	-	-	(24)	(1,727)	198
GNL Quintero	199,894	(53,805)	3,002	(45,634)	(15,218)	(35,297)	52,941
Subgrupo Senfluga Energy Infrastructure	230,961	(5,017)	-	(18,944)	(28,995)	(97,232)	80,773
Tallgrass Energy LP	701,514	(220,838)	-	(222,209)	9,834	-	30,666
Iniciativas de Gas, S.L.	-	-	-	-	-	(35)	(35)
Planta de Regasificación de Sagunto, S.A.	72,813	(29,415)	345	(9,044)	(4,759)	(15,194)	14,746
Mibgas, S.A.	4,405	(36)	-	-	-	(3,907)	(102)
Gas to Move Transport Solutions, S.L.	9,965	(572)	-	(80)	664	(11,969)	(1,993)
Vira Gas Imaging	150	(5)	-	-	-	(268)	(123)
Axent Inf. Tel., S.A.	1,516	(308)	-	-	-	(2,080)	(872)
SEAB Power Ltd.	445	(157)	-	(10)	65	(465)	(122)
Solatom CSP, S.L.	83	(23)	-	-	-	(148)	(89)
Green Ports Project, S.L.	-	-	-	-	5	(16)	(11)
Mibgas Derivatives	275	-	-	-	-	(352)	(77)
Alantra Energy Transition	N.D.	N.D.	N.D.	N.D.	N.D.	N.D.	N.D.
UNUE Gas Renewable, S.L.	-	-	-	-	5	(16)	(11)

(1) Data provided as though companies were 100% invested, in accordance with IFRS.

(2) For those companies whose local currency is different to the Group's functional currency, the euro (Note 1.3), the income statement figures were translated at the average exchange rate for the reporting period.





## Balance sheet figures 2019

Thousands of euros

Company	Figures for affiliate <sup>(1)(2)</sup>								
	Assets			Equity		Liabilities			
	Long-term	Short-term		Other results	Remaining equity	Long-term		Short-term	
		Cash and cash equivalents	Remaining short-term assets			Financial liabilities	Remaining liabilities	Financial liabilities	Remaining liabilities
Gasoducto Al-Ándalus, S.A.	7,922	13,281	2,474	-	20,323	-	-	-	3,354
Gasoducto de Extremadura, S.A.	3,698	7,439	2,653	-	11,384	-	-	-	2,406
Bahía de Bizkaia Gas, S.L.	210,219	38,892	9,168	(5,644)	74,614	138,147	25,816	14,833	10,513
Subgrupo Altamira LNG, C.V.	305,240	11,058	7,483	(29)	188,180	50,890	57,337	17,619	9,783
Gasoducto de Morelos, S.A.P.I. de C.V.	250,177	10,733	12,984	(4,079)	34,846	127,113	28,219	7,816	79,980
Morelos EPC, S.A.P.I. de C.V.	-	318	18	-	173	-	-	-	163
GNL Quintero, S.A.	1,690,547	412,678	21,904	(41,455)	842,005	983,545	281,107	18,922	41,006
EC Soto La Marina SAPI de CV	76,577	3,029	3,295	-	23,940	-	2,053	56,155	754
Transportadora de gas del Perú, S.A.	2,403,726	100,432	77,257	-	1,216,300	785,394	495,012	16,507	68,201
Trans Adriatic Pipeline, A.G.	4,295,271	29,250	50,744	(89,713)	1,118,562	2,891,118	244,071	-	211,227
Compañía Operadora de Gas del Amazonas, S.A.C.	54,415	11,304	20,564	-	28,229	-	7,279	-	50,775
Tecgas, Inc.	-	40	-	-	40	-	-	-	-
EC Soto la Marina O&M SAPI de CV	2,220	418	30	-	276	2,180	-	-	212
Morelos O&M, S.A.P.I. de CV	42	394	183	-	416	-	-	-	202
Iniciativas de Gas, S.L.	976	525	-	-	1,495	-	-	-	6
Planta de Regasificación de Sagunto, S.A.	388,300	40,700	16,614	(4,221)	163,913	204,414	52,878	24,142	4,489
Mibgas, S.A.	776	1,732	33,613	-	3,347	-	-	31,715	1,059
Gas to Move Transport Solutions, S.L.	3,621	(213)	1,830	-	1,311	787	690	-	2,450
Axent Inf. Tel., S.A.	5,069	295	1,446	-	2,637	1,828	-	1,083	1,262
Subgrupo Senfluga Energy Infrastructure	838,547	139,468	80,786	(4,829)	492,584	422,382	44,025	42,160	62,478
Prairie Group	2,887,200	291,432	4,519	-	2,205,231	965,157	-	-	12,763
Grupo Tallgrass	8,955,269	8,369	343,753	-	5,809,277	3,065,582	22,494	-	410,037
SEaB Power Ltd.	2,259	-	331	-	2,151	130	-	309	-

(1) Data provided as though companies were 100% invested, in accordance with IFRS.

(2) For those companies whose functional currency is different to the Group's functional currency, the euro (Note 1.3), the balance sheet figures were translated at the exchange rate prevailing at year-end.

## Income Statement figures 2019

Thousands of euros

Company	Figures for affiliate <sup>(1)(2)</sup>						
	Income statement						
	Revenue	Amortisation	Interest income	Interest expense	Income tax	Other expenses and income	Net profit / (loss)
Gasoducto Al-Ándalus, S.A.	35,790	(7,251)	-	-	(5,245)	(7,559)	15,734
Gasoducto de Extremadura, S.A.	24,255	(3,185)	-	-	(3,764)	(6,022)	11,285
Bahía de Bizkaia Gas, S.L.	62,176	(15,399)	151	(7,923)	(10,055)	(17,285)	11,666
Subgrupo Altamira LNG, C.V.	66,970	(15,417)	3,792	(4,840)	(11,834)	(12,939)	25,733
Gasoducto de Morelos, S.A.P.I. de C.V.	38,204	(13,148)	-	(11,607)	(4,023)	(2,497)	6,929
Morelos EPC, S.A.P.I. de C.V.	-	-	-	-	-	(5,022)	(5,022)
EC Soto La Marina S.A.P.I. de C.V.	12,163	(4,724)	59	(2,786)	618	(2,775)	2,555
EC Soto La Marina EPC S.A.P.I. de C.V.	-	-	-	-	-	-	-
Transportadora de gas del Perú, S.A.	622,742	(156,662)	2,367	(61,409)	(72,828)	(182,027)	152,184
Trans Adriatic Pipeline, A.G.	-	(984)	475	(1,313)	(45)	(37,414)	(39,281)
Compañía Operadora de Gas del Amazonas, S.A.C.	145,067	(680)	54	(27)	(1,122)	(140,529)	2,764
Tecgas, Inc.	-	-	-	-	-	N.D.	N.D.
EC Soto la Marina O&M S.A.P.I. de C.V.	2,060	-	-	-	(46)	(1,962)	52
Morelos O&M, S.A.P.I. de C.V.	1,732	(15)	-	-	(28)	(1,624)	66
GNL Quintero	188,658	(56,714)	8,096	(46,607)	(12,178)	(48,270)	32,985
Subgrupo Senfluga Energy Infrastructure	243,349	5,159	-	(19,583)	(33,640)	(112,736)	87,706
Prairie Group	-	-	2,909	(60,541)	-	(238)	(57,870)
Tallgrass Energy LP	598,282	(188,226)	-	(108,907)	24,589	21,360	347,099
Iniciativas de Gas, S.L.	-	-	-	-	-	(72)	(72)
Planta de Regasificación de Sagunto, S.A.	74,880	(29,453)	376	(10,139)	(4,986)	(15,733)	14,946
Mibgas, S.A.	4,113	(45)	-	-	(117)	(3,801)	150
Gas to Move Transport Solutions, S.L.	4,457	(161)	-	(38)	582	(6,586)	(1,746)
Vira Gas Imaging	431	-	-	-	11	(475)	(34)
Axent Inf. Tel., S.A.	786	(173)	2	(79)	-	(1,494)	(959)
SEAB Power Ltd.	241	-	-	-	-	(230)	11

(1) Data provided as though companies were 100% invested, in accordance with IFRS.

(2) For those companies whose local currency is different to the Group's functional currency, the euro (Note 1.3), the income statement figures were translated at the average exchange rate for the reporting period.



## Appendix III. Regulatory framework

### a) Economic sustainability of the gas system and remuneration framework for the first regulatory period (2014-2020)

The general remuneration framework applicable from 2002, based on the Hydrocarbons Law 34/1998 of October 7, and later developments of said law, was updated subsequent to the promulgation of Law 18/2014 of October 15, on approving urgent measures for growth, competitiveness, and efficiency.

The basic principles of this new framework, which is applied to the remuneration period in force until 2020, are as follows:

- ▶ The principle of economic and financial sustainability of the gas system is established as a guiding principle for actions conducted by Public Administrations and other subjects participating in the gas system. By virtue of said principle, any regulatory measure with respect to the sector which involves an increased cost for the gas system or a reduction of income must incorporate an equivalent reduction in other cost items or an equivalent increase in income which ensures equilibrium in the system. In this manner, the possibility of deficits accumulating is definitively eliminated. This principle of economic and financial sustainability must be understood in such a manner that income collected in connection with the use of the facilities can cover the totality of costs generated by the system. The regulated remuneration methodologies in the natural gas sector consider the necessary costs for a company to manage its activities well and efficiently in accordance with the principle for performing its activities at the lowest cost for the system. This principle is reinforced with the establishment of restrictions relating to the appearance of temporary annual imbalances, establishing a rebalancing mechanism via the obligation for automatic reviews of the corresponding tolls and royalties if certain thresholds are exceeded. The thresholds introduced allow for deviations deriving from one-off circumstances or volatility affecting gas demand which, as such, may be reversed in the following period without the need to modify the tolls and royalties, while guaranteeing that mismatch levels that could place the system's financial stability at risk cannot be reached.
- ▶ Regulatory periods of six years are fixed to establish the remuneration of regulated activities, providing regulatory stability for said activities. The first regulatory period terminates on December 31, 2020. From January 1, 2021, the subsequent consecutive regulatory periods will each last six years.

### b) Remuneration of transmission, regasification and storage activities

The remuneration system for transmission, regasification, and storage facilities was established under harmonised principles adapting the net carrying amount of the asset as a basis for calculating the remuneration on the investment. It also incorporates a variable remuneration based on the transmitted, regasified or stored gas, and the type of asset, with elimination of any procedure for automatic revision of values and remunerative parameters based on price indices.

The methodology on which the current remuneration framework is based, is the following:

- ▶ Remuneration is comprised of a fixed portion for availability (RA) of the facility and a variable portion for supply continuity (RCS). The fixed portion for availability (RA) includes operation and maintenance costs for each year, amortisation and financial remuneration calculated by applying the annual net value of the investment and the financial remuneration rate determined for each regulatory period. Inclusion of the variable portion for supply continuity (RCS) in the remuneration for the facilities balances income and system costs by linking part of said costs to the changes in demand. This portion is based on the total changes in domestic consumption of natural gas, excluding supply through satellite plants, of regasified gas and the change in the useful gas stored. Once the regulatory useful life of the facilities has elapsed, and in those cases in which the asset remains operational, the operating and maintenance costs are established as fixed remuneration, increased by a coefficient based on the number of years by which the facility exceeds the regulatory useful life, not accruing any amounts as investment remuneration.

#### b.1) Accredited fixed cost Remuneration for Availability (RA)

This cost is determined individually for each of the assets in production. This parameter compensates the investment and operating costs of the assets used for operating in the gas system.

**b.1.1.** Remuneration for investment costs is comprised of the following:

- ▶ Value of assets recognised. The amounts recognised for assets in the previous regulatory framework are maintained. For facilities commissioned before 2002, the corresponding amounts are calculated based on the carrying amounts of the assets once the accounting restatement of 1996 is taken into account (Royal Decree-Law 7/1996), less grants received for the purpose of financing said assets, applying a restatement coefficient comprised of the adjusted average Consumer Price Index (CPI) and Industrial Price Index (IPRI) to this difference. For the new facilities commissioned from 2002, the standard

value of each investment as established by the regulator is used, while for those which require expansion, the real cost is used.

Given that there are no standard values for investments in underground storage facilities, they are also measured at real cost.

Transmission facilities commissioned from 2008 are measured by taking the average of the standard value and real cost. Regasification facilities commissioned from 2006 are measured at real cost plus 50% of the difference between the standard value and said real cost, up to a maximum of the standard value.

- ▶ Remuneration for amortisation of system assets. The value of the resulting amount recognised for the investment is amortised applying a rate corresponding to its useful life, obtaining the related income in this manner. The new framework maintains the useful lives of the assets except for gas pipelines, which are attributed a useful life of 40 years for all facilities, regardless of when they were commissioned.
- ▶ Financial remuneration of the amount invested. This item is calculated by applying a financial remuneration rate to the net carrying amounts of the assets without restatement. During the first regulatory period, the remuneration rate for assets relating to transmission, regasification, and basic storage with a right to remuneration on account of the gas system will be the average of the returns generated by the ten-year government bonds in the secondary market among titleholders of unsegregated accounts with respect to the previous 24 months preceding the regulation becoming effective, increased by a spread of 50 basis points. The financial remuneration rate for the regulatory period was set at 5.09% (ratified by Law 8/2015, of May 21).
- ▶ Remuneration for fully amortised assets. Once the regulatory useful life of each fixed asset finalises, if the asset is still in use, the remuneration accrued for said facility corresponding to remuneration for investment, amortisation, and financial remuneration will be nil. In contrast, remuneration for operation and maintenance of the asset "i" each year "n" will be increased. In this manner, the value recognised will be the amount corresponding to it multiplied by a coefficient for increasing its useful life,  $\mu_{in}$ .

**b.1.2.** The remuneration for operating costs of the transmission and regasification assets is calculated by applying the operating unit costs of operation and maintenance in force, regardless of the start-up date of the fixed asset. For underground storage assets and for others for which the application of a singular system is determined, operating costs are calculated based on the actual costs audited.

#### b.2) Remuneration for continuity of supply (RCS)

Remuneration for continuity of supply (RCS) is calculated as a whole for each of the activities: transmission, regasification, and underground storage.

The remuneration for this item in a year "n" is calculated in all cases from the remuneration of the previous year, "n-1", multiplied by an efficiency factor (it is fixed at a value of 0.97 for the first regulatory period) and the variation in demand (excluding the supply through satellite plants in the facilities of the gas transmission pipeline network, considering the variation in total gas demand issued by all the regasification plants of the gas system and considering the variation of useful gas stored at November 1 of the corresponding year in storage facilities).

Remuneration for continuity of supply which results for each activity in year "n" will be divided among each of the facilities "i" which remain in operation, based on a coefficient,  $a_i$ , which results from dividing the replacement cost of facility "i" by the sum of the replacement costs for all facilities. This replacement cost is calculated based on the prevailing unit investment costs, except for singular facilities and underground storage, for which the investment value will be used.

#### b.3) Variable accredited cost for regasification and transfer of LNG to tankers

It is determined on the basis of the kWh actually regasified as well as those loaded into LNG tanks in each period and the variable unit value of regasification in the period considered increased for each plant and service, for the assets that have exceeded the regulatory useful life, by their corresponding useful life extension coefficients. These useful life extension coefficients are set in the CNMC Resolution published at the end of each year for the following year.

For the LNG vessel loading services from regasification plants or cooling down vessels, a cost is recognised identical to the variable cost of truck loading. For ship-to-ship transfer the cost is 80% of said value.

### c) Income corresponding to Technical Management of the System (GTS)

Income from this activity is calculated annually based on the accredited cost for each year and is meant to repay the obligations of Enagás GTS, S.A.U. as Technical Manager of the System, which includes coordinating the development, operation, and maintenance of the transmission network, supervising the security of natural gas supply (storage levels and emergency plans), carrying out plans for future development of gas infrastructure, and controlling third-party access to the network.



The fee for the remuneration of the Technical Manager of the System for 2020 to be collected from companies that own regasification, transmission, storage, and gas distribution facilities as a percentage of billing for tolls and royalties relating to third-party network access rights amounted to 0.8% until March 6 and 0.785% from March 7. This fee is paid into the CNMC account held for this purpose by said companies within the deadlines and in the manner established in the settlement procedure.

The previous percentage over billing is calculated based on the result of applying maximum tolls and royalties to the amounts invoiced, without deducting possible discounts which may have been agreed upon by the owners and users of the facilities.

Notwithstanding the above, the remuneration recognised for the Technical Management of the System for 2020 in accordance with the Resolution of February 26, 2020, of the National Commission of Markets and Competition, which establishes the quota for financing the technical manager of the system for 2020, amounts to 25,007 thousands of euros.

#### d) Toll associated with third party access to the gas system

The revenues collected from the application of tolls for third party access to gas facilities are exclusively used to support the remuneration of regulated activities for gas supply. As gas system revenues are used to finance all gas system costs, they must be sufficient to meet the full costs of the gas system.

The tolls and royalties are established so that their setting responds as a whole to the following principles:

- ▶ Ensure the recovery of the investments made by the titleholders during their useful life.
- ▶ Allow a reasonable return on financial resources invested.
- ▶ Determine the operating costs remuneration system in a way that encourages effective management and improvement of productivity that should be partly passed on to users and consumers.

In addition, tolls and royalties will take into account the costs incurred by the use of the network in a way that optimises the use of infrastructures and can be differentiated by pressure levels, consumption characteristics and duration of contracts.

In the same way as for the other years since the current regulatory period came into force, for 2020 and until October 1, the same pre-tax amounts of tolls and royalties for the use of network facilities have been applied for the basic network for secondary transmission and distribution of natural gas that were

set in Order IET/2446/2013, of December 27. This means that tolls have remained at the same values since 2014.

From October 1, 2020 to September 30, 2021, the toll values published by the National Commission on Markets and Competition in its Resolution of September 22, 2020, establishing the tolls for access to the transmission networks, local networks and regasification from October 2020 to September 2021, are applicable, due to the entry into force of Circular 6/2020, at which time the powers are adapted as indicated in Royal Decree 1/2019 and the National Commission on Markets and Competition is authorised to issue this resolution under Article 7.1 bis of Law 3/2013 of June 4.

#### e) System of settlement of costs and regulated revenues

The billing and collection of the remuneration of regulated activities are subject to the settlement procedure established through Ministerial Order ECO/2692/2002, of October 28, which regulates procedures for the settlement of the remuneration of regulated activities and establishes the information system that companies must present.

It is understood that there are annual mismatches between revenues and costs of the gas system if the difference between income and the payable costs of a financial year results in a negative amount.

Law 18/2014, of October 15, establishes the principle of economic and financial sustainability in the gas system. In accordance with this principle, revenues from the system will be used exclusively to sustain own remuneration of the regulated activities concerning the supply of gas and, furthermore, the revenues must be sufficient to satisfy all of the costs incurred by the gas system. In addition, in order to ensure economic sufficiency and avoid the appearance of new deficits ex ante, all regulatory measures relating to the gas system which involve an increase in costs for the system or a reduction of income must incorporate an equivalent reduction in other cost items or an equivalent increase in income which ensures equilibrium for the system.

In addition, the current remuneration framework establishes a specific methodology for resolving temporary imbalances between revenues and costs of the system, with a series of measures aimed at definitively ending the deficit of the gas system, such as:

- ▶ As long as there are annual amounts pending payment from previous years, tolls and royalties cannot be revised downwards, but will be increased if there are negative mismatches that exceed a set limit.
- ▶ A period of several years is established for the recovery of imbalances, also recognising financial costs to the companies regulated by the financing of these imbalances, in such a way that the subjects shall recover:

The accumulated deficit of the gas system at December 31, 2014 during the fifteen years following the date of approval of the final settlement of that financial year, recognising an interest rate in conditions equivalent to those of the market. And the temporary imbalances between income and expenses resulting for 2015 during the following five years, also recognising an interest rate in conditions equivalent to those of the market.

These imbalances amounted to 27.2 million euros, 90 million euros and 24.8 million euros in the years 2015, 2016 and 2017, respectively. Interest rates of 0.836% for 2015, 0.716% for 2016 and 0.923% for 2017 are applied in calculating the yearly amounts for these imbalances, as set forth in Order TEC/1367/2018.

If the annual mismatch between revenues and recognised remuneration is positive, the amount will be used to settle the outstanding annual payments relating to mismatches from previous years. This amount will be applied first to the temporary imbalances between revenues and costs of the system and then to those annual payments relating to the accumulated deficit of the gas system at December 31, 2014.

In turn, Article 9 of Order TEC/1367/2018, of December 20, establishes priority for the existence of various temporary imbalances with balances pending amortisation. In particular, it is established, on the one hand, that early repayment shall apply firstly to those with an associated higher interest rate and, on the other hand, that the distribution of the early repayment among rights-holders shall be proportional to the amount of the right they hold. In this sense and, given that in 2019 the annual mismatch between income and remuneration resulted in a surplus of 353,859 thousands of euros, the collection right pending receipt for the 2016 mismatch (33,475 thousands of euros) has been fully amortised and the 2014 mismatch (320,384 thousands of euros) has been partially amortised.

#### f) Adequacy of powers between the Government and the Regulator: Second regulatory period (2021-2026)

In 2019, the basis for determining the framework of the gas system applicable during the 2021-2026 regulatory period will be established.

The process begins with the publication in the Official State Gazette - BOE of RD-Law 1/2019 on urgent measures to adapt the CNMC's powers, where the basic legislation of the electricity and gas sectors is modified in order to perform a distribution of powers between the Government and the CNMC to adapt them to the requirements of EU law.

In this distribution of powers, the CNMC receives the transfer of all powers related to:

- ▶ Toll and remuneration methodologies in transmission, distribution and LNG plants, as well as the establishment of their values.
- ▶ Remuneration parameters and asset bases.
- ▶ GTS methodology and remuneration
- ▶ Determining the price for use of network connection facilities
- ▶ Approving the NGTS in relation to the balance system, programming, international connections and losses

Furthermore, the **Ministry** will be responsible for:

- ▶ Establishing energy policy guidelines (Order TEC/406/2019)
- ▶ Methodology for calculating royalties and remuneration of basic services for access to Underground Storage Facilities and approval of their values
- ▶ Determining TUR rates
- ▶ Structure and methodology of the charges for costs of facilities not associated with the use of these facilities (CNMC rate, deficit annuities, regulated remuneration of Mibgas, etc.).
- ▶ Approval of the NGTS related to supply assurance, emergency, gas quality and input/output control.

In order to guarantee the proper functioning of both institutions, a Cooperation Committee is created between the Ministry and the CNMC, a transitional regime is established to ensure an orderly transfer of functions and to avoid affecting the legal security of the parties operating in the sectors, and the bases for the next gas and electricity remuneration period are developed.

The CNMC, within the scope of its regulatory powers, must take into account the strategic priorities established by the Government, which are embodied in energy policy guidelines adopted by order of the head of MITECO.



In these energy policy guidelines the government:

- ▶ Is committed to regasification plants, promoting their competitiveness with respect to other international plants, favouring international connections and committing to a deep and liquid LNG market.
- ▶ Is positioned in favour of biomethane and other renewable gases, with special mention of the injection of hydrogen generated from renewable electricity.
- ▶ Encourages the extension of the operation of those facilities that have exceeded their useful life in terms of remuneration.
- ▶ Discourages investment in new infrastructure except for assets that are necessary to ensure the supply of the whole system or that are strategic for meeting energy policy objectives.

To comply with RDL 1/2019, the CNMC has established a schedule for the publication of circulars to be developed throughout 2019.

As regards remuneration, the CNMC must publish the following circulars to update, for the second regulatory period, the remuneration model in force, as well as the system of access tolls for each of the services provided by the facility, taking into account the infrastructures involved in the provision of each service:

- ▶ Circular establishing the methodology for calculating the financial remuneration rate of electricity transmission and distribution and regasification activities, transmission and distribution of natural gas, corresponding to Circular 2/2019 of November 12.
- ▶ Circular establishing the methodology for the remuneration of the technical manager of the gas system, Circular 1/2020, January 9.
- ▶ Circular establishing the methodology for the calculation of tolls for the regasification, transmission and distribution of natural gas.
- ▶ Circular establishing the methodology for the remuneration of regulated natural gas transmission and regasification activities, corresponding to Circular 9/2019 of December 12.

In the operational field, it shall publish the following circulars with the aim of encouraging and facilitating competition, promoting greater use of gas infrastructure, harmonising, simplifying and establishing a transparent and competitive mechanism for the allocation and use of capacity, making the operations of agents more flexible and resolving situations of congestion at regasification plants, as well as contemplating measures to regularise the physical imbalance of LNG at regasification plants and in underground storage:

- ▶ Circular establishing the rules for natural gas balance, Circular 2/2020, January 9
- ▶ Circular establishing the access and capacity allocation mechanisms to be applied in the natural gas system, corresponding to Circular 8/2019 of December 12

### g) Remuneration of LNG transmission, regasification and storage activities in the second regulatory period 2021-2026

In accordance with the aforementioned adequacy of powers between the Government and the Regulator, the CNMC published, at the end of 2019, Circular 9/2019 establishing the remuneration system for transmission and regasification activities. The proposed methodology opts to maintain the principles established in the current regulatory framework, defined in Law 18/2014, adapting them to current gas market conditions, while establishing an orderly and progressive transition between the two remuneration frameworks.

The review of the remuneration framework established by this Circular was completed with the approval by the CNMC, on December 2, 2020, of Circular 8/2020, which establishes the unit reference values for investment and operation and maintenance for the period 2021-2026, as well as the minimum criteria for audits of investments and costs at natural gas transmission facilities and LNG plants.

The basic principles maintained in the new remuneration framework are as follows:

- ▶ Establish remuneration appropriate to a low-risk activity.
- ▶ Ensure the recovery of the investments made by the titleholders during their useful life.
- ▶ Allow a reasonable return on financial resources invested.
- ▶ Determine the operating costs remuneration system in a way that encourages effective management and improvement of productivity that should be partly passed on to users and consumers.
- ▶ Contribute to the economic and financial sustainability of the natural gas system.
- ▶ Consider the costs necessary for performing the activity by an efficient and well-managed company in accordance with the principle of performing the activity at the lowest cost to the gas system with homogeneous criteria throughout Spain, notwithstanding the specific arrangement provided for island and extra-peninsular territories.

From a methodological perspective, the following aspects are maintained in the new framework:

- ▶ Remuneration continues to be calculated individually for each facility.
- ▶ The net carrying amount of the asset is maintained as the basis for calculating the return on investment
- ▶ Any procedure for automatic adjustment of values and remuneration parameters according to price indices is removed.
- ▶ Depreciation continues to be calculated on a straight-line basis and the useful lives of the assets are maintained.
- ▶ The operating and maintenance costs of facilities that are individually remunerated continue to be calculated on the basis of the unit costs in force established in Circular 8/2020 for the facilities to which these unit reference values apply and on the basis of the audited costs for the individual facilities.

What has disappeared for the second regulatory period is the mid-term review of remuneration parameters.

The new methodology shares many components with the current one, but also has new ones as well as calculation particularities in existing components.

To ensure the visibility of the joint impact of the review of the remuneration framework and the new unit values, the Justifying Memorandum of CNMC Circular 8/2020, of December 2 updated the estimate of the average annual economic impact during the period 2021-2026 of the methodology proposed in Circular 9/2019, for the gas system as a whole, using the new demand values for 2020 and the new unit values. According to the aforementioned Report, there was an average annual reduction of approximately 138 million euros over the remuneration that would result from maintaining the current methodology, which represents a reduction of 12%. Although the 2020 Report does not break down the impact by activity, it is considered that most of the impact corresponds to transmission. According to the data in the 2019 Report, the reduction was 3% for regasification and 14% for transmission.

One of the most significant novelties, although it has practically no material impact, is that in order to allow the temporary coordination of remuneration with the methodology of tolls and royalties, in accordance with the European Commission Regulation the remuneration is now calculated per gas year.

The gas year for which the remuneration of the facilities is determined runs from October 1 of year "n-1" to September 30 of year "n", both inclusive, with the exception of 2021 which starts on January 1, 2021.

The remuneration accrued in one year for gas by each company that owns natural gas transmission facilities and liquefied natural gas plants will be the result of adding up the following remuneration components for each of its facilities:

- ▶ Return on investment (RINV) which aims to recover the investments made and to obtain a reasonable return.
- ▶ Remuneration for operation and maintenance of the facility (RO&M).
- ▶ Productivity and efficiency remuneration adjustments (ARPE)
- ▶ Remuneration for facilities in special administrative situations (RSAE)
- ▶ Remuneration for investment in facilities with cross-border impacts resulting from the application of Article 12 of Regulation (EU) No. 347/2013, (RIIT).

Each of these components is presented below:

#### g.1) Return on investment (RINV)

It is determined for each of the assets in production entitled to individual remuneration and is intended to provide remuneration for investment costs. Investment remuneration includes amortisation, financial remuneration and remuneration for minimum gas filling, which remain practically the same as in the current framework, and remuneration based on the gas vehicle.

Remuneration for investment costs is comprised of the following:

- ▶ Value of assets recognised. The values recognised in the current framework for assets brought into operation are maintained. For facilities commissioned before 2002, the corresponding amounts are calculated based on the carrying amounts of the assets once the accounting restatement of 1996 is taken into account (Royal Decree-Law 7/1996), less grants received for the purpose of financing said assets, applying a restatement coefficient comprised of the adjusted average Consumer Price Index (CPI) and Industrial Price Index (IPRI) to this difference. For the new facilities commissioned from 2002, the standard value of each investment as established by the regulator is used, while for those which require expansion, the real cost is used.

Transmission facilities commissioned from 2008 are measured by taking the average of the standard value and real cost.



Regasification facilities commissioned from 2006 are measured at real cost plus 50% of the difference between the standard value and said real cost, up to a maximum of the standard value.

The new framework does present a novelty for the regasification facilities to be launched from 2020 as they will be valued as transmission facilities. That is, at the average cost between the standard value and the actual cost, without limiting it to the standard cost.

The resulting value is reduced by the amounts transferred and financed by third parties, 90% of the amounts obtained from the sale of dismantled equipment and the subsidies received (90% if they come from the European Union).

Another aspect of the new framework, applicable to transmission and regasification facilities, is that the unit investment reference values in force at the time of obtaining authorisation for the facilities will be applicable to new facilities that come into operation from 2021 onwards. Previously, these were the unit values in force when the commissioning certificate was obtained.

- **Remuneration for amortisation of system assets (A).** The value of the resulting amount recognised for the investment is amortised applying a rate corresponding to its useful life, obtaining the related income in this manner. In the new framework, the useful lives of the assets in the current framework are maintained, except for the secondary pumps of the regasification plants (which go from 20 to 10 years). In addition, for new facilities, the remuneration for amortisation starts to accrue from the date of commissioning of the facility. This is different from the current framework, as the accrual for transmission facilities started on January 1 of the year following the commissioning. The remuneration is accrued until the facility is depreciated.

Depreciation is calculated for the facilities of the trunk network and regasification plants commissioned prior to January 1, 2021 and for primary transmission pipelines of local influence with administrative authorisation prior to January 1, 2021.

- **Financial remuneration of the amount invested (FR).** It is calculated by applying a financial remuneration rate to the net carrying amounts of the assets without restatement and accrues until the net value is zero.

From the second regulatory period onwards, the remuneration rate on the transmission and regasification assets is no longer indexed to the government's bonds, but is established on the basis of the average WACC capital cost of the transmission

and regasification activity. For the second period, the rate was established in Circular 2/2019 and was set at 5.44%. The financial remuneration is calculated for facilities with individualised remuneration with the right to remuneration by amortisation and begins to accrue from the same date as the latter.

- **Financial remuneration for heel gas and minimum fill (RFNMLL).** The calculation method of the current framework is maintained. The remuneration is calculated by applying the financial remuneration rate to the purchase value of the gas and has no amortisation. It starts to accrue from the later of the date of purchase of the gas and the date of commissioning of the facility until the closure of the facility or the delivery of the gas to the GTS for use as operating gas.
- **Remuneration based on the gas transmitted or processed (RGV).** This remuneration is applied to the primary transmission facilities in the local area of influence awarded by competition and to new regasification plants and primary gas pipelines in the area of influence directly authorised after December 31, 2020. The annual remuneration is that which results from multiplying a unit remuneration coefficient by the gas transmitted or processed annually and is accrued from the date of commissioning. In no case may the RGV remuneration, in each gas year, be greater than the amounts invoiced for tolls and royalties.

For facilities awarded by competition, the unit remuneration (ROC) is that offered by the company awarded the contract. For facilities awarded directly (RUM), the unit remuneration is the average remuneration calculated as the sum of the amortisation and financial remuneration during the useful life of the project divided by the sum of the annual gas volumes foreseen by the owner of the facility when the economic justification of the project was presented for award. For these facilities, given that the remuneration risk is greater than for the trunk facilities, the financial remuneration rate is increased by a differential provisionally set at 0.39%, resulting in a rate of 5.83%.

The RGV remuneration is accrued until the present value of the sum of the recognised annual remuneration, discounted at the previous remuneration rate, is at the present value of the recognised investment.

## g.2) Remuneration for operation and maintenance of the facilities (RO&M)

For transmission and regasification assets to which the standard unit costs apply, the remuneration for operation and maintenance is calculated by applying the reference unit costs of operation and maintenance in force, regardless of the date of commissioning of the fixed asset (COMVU).

For the second regulatory period 2021-2026, the standard unit costs are those published in Circular 8/2020.

For one-off assets, costs are calculated on the basis of actual audited costs (COMsing).

Apart from the above costs, other costs not included in the unit reference values (OCOM) are also recognised and will be recognised on the basis of their audited cost. These costs include:

- Direct and indirect capitalised operating expenses. When the capitalised expenses exceed 250,000 euros, they will be recognised with amortisation and financial remuneration based on their audited investment value, considering a useful life of 2 years. In these cases, the accrual will occur from January 1 of the year following their commissioning. Capitalised expenses below this limit will be recognised as an expense for the year up to the limit established by the CNMC.
- The acquisition cost of the operating gas for transmission and of the odorant.
- The cost of electricity supply for LNG plants and for electric motors in compressor stations. In the case of the regasification plants this audited cost replaces the variable remuneration existing in the current framework.
- The cost increases from January 1, 2021 for municipal fees for public domain occupancy and for port fees for port domain occupancy.

## g.3) Remuneration for adjustments to productivity and efficiency (ARPE)

Under this item, facilities that are at the end of their useful life (REVU) are remunerated, as are the transitional remuneration for continuity of supply (RCS), the remuneration for efficiency in operating and maintenance costs (RMP) and the remuneration for incentives to shrinkage reduction (IM) and promote gas in maritime and land transport. The items included are the following:

- **Remuneration for extension of useful life for fully depreciated assets (REVU).** Once the regulatory useful life of each fixed asset finalises, if the asset is still in use, the remuneration accrued for said facility corresponding to remuneration for investment, amortisation, and financial remuneration will be nil. In contrast, remuneration for operation and maintenance of the asset "i" each year "n" will be increased. In this manner, the value recognised will be the amount corresponding to it multiplied by a coefficient for increasing its useful life,  $\mu_{in}$ . This coefficient is gradually increasing, the starting value being higher than the current remuneration framework, from 0.15 to 0.3.
- **Remuneration for continuity of supply (RCS).** A transitional remuneration is established for the RCS during the 2021-2026 regulatory period. The RCS is no longer indexed to the variation in demand or regasification but is calculated on the basis of the RCS recognised in the year 2020, adjusted by the following coefficients for the different gas years of the second regulatory period: ¾ of 95% for 2021, 80% for 2022, 65% for 2023, 50% for 2024, 35% for 2025 and 20% for 2026.
- **Remuneration for productivity improvements in operating and maintenance costs in regulatory periods (RMP).** This item intends to allow the carrier to retain part of the operating and maintenance cost efficiencies achieved over the previous regulatory period and is calculated per company, which is currently set at 50%. Under this item, the company is attributed 50% of the reduction in costs in the current regulatory period with respect to the unit costs of the previous regulatory period.
- **Shrinkage reduction incentive (IM).** The same methodology is applied as at present until it is reviewed by the CNMC. To this end, the CNMC is expected to approve a new Circular in 2021 to establish the methodology for calculating this incentive.
- **Incentive remuneration for the development of natural gas in maritime and land transport (IDS).** This incentive aims to promote the use of natural gas as a fuel in maritime and land transport and is calculated by multiplying the gas invoiced for service stations connected to the transmission network and the LNG invoiced in regasification plants for use as maritime fuel by unit coefficients, which in both cases is 0.50 euros/MWh.

## g.4) Remuneration for facilities in special administrative situations (RSAE)

This remuneration is applicable to the Musel plant whose authorisation processing is currently suspended and corresponds to a transitional remuneration sum of the financial remuneration calculated on the standard investment value and the actual audited operation and maintenance costs.

It also applies to regasification plants with a unique and temporary financial regime such as the provision of LNG logistics services, in accordance with Article 60.7 of Law 18/2014, which will be defined by the CNMC in due course.



### g.5) Remuneration for investments with cross-border impacts (RIIT)

This item is aimed at remunerating any costs that a carrier may incur as a result of the cross-border distribution of investment costs for a project of common European interest, as established in Article 12 of Regulation (EU) 347/2013 of the European Parliament and of the Council, of April 17, 2013.

Pipelines which affect reverse flow capacities or change the capacity to transport gas across the borders of the Member States concerned by at least 10% compared to the situation prior to the project is put into service may, in the case of natural gas, be considered as a project of common interest as set out in Appendix II to this Regulation. In the case of storage of natural gas, liquefied natural gas (LNG) or compressed natural gas (CNG), they will be considered as a project of common interest when the project is intended for the direct or indirect supply of at least two Member States or for compliance with the infrastructure standard (n-1) at regional level, in accordance with European Regulation 2017/1938 on Security of Supply.

### g.6) Introduction of the principle of financial prudence

For the purpose of incorporating a principle of financial prudence required of the holders of transmission assets and liquefied natural gas plants, a penalty is established for companies whose ratios are outside the recommended value ranges set forth in the CNMC Communication 1/2019.

Accordingly, a company's annual remuneration in calendar year n could be reduced by up to 10% if the overall ratio defined in that communication, calculated on the basis of the financial statements for year n-2, is less than 0.9. However, this penalty would not be applicable until 2024, based on the 2022 financial statements.

### h) Remuneration for underground storage activity

In accordance with Royal Decree 1184/2020, of December 29, which establishes the methodologies for calculating charges in the gas system, the regulated remuneration of basic underground storage facilities and the fees applied for their use, the remuneration of the owners of basic underground storage facilities shall be determined per gas year, prior to the start of the gas year and in accordance with the methodology established in this Royal Decree 1184/2020, of December 29, following a report by the National Commission of Markets and Competition and the agreement of the Government's Delegated Commission for Economic Affairs.

In general, the remuneration methodology for underground storage is consistent with that established by the CNMC for transmission activities and LNG plants, although there are some differences due to the specific nature of underground storage facilities.

Other differences include the absence of unit reference values for investment and operation and maintenance, as well as the fact that the starting coefficient established for calculating the remuneration for the extension of useful life remains at 15%, compared to 30% for other activities. This difference is justified precisely because the operation and maintenance costs of each underground storage facility are established on the basis of their real audited costs and not on the basis of a reference unit value.

The annual remuneration of each company will be obtained as the sum of the individual remunerations of all the storage facilities it owns. The titleholders of basic underground storage facilities shall be entitled to the following remuneration:

- Remuneration for investment in facilities with individualised remuneration and in the purchase of gas for use as cushion gas.
- Provisional remuneration for operation and maintenance costs.
- Remuneration for life extension.
- Remuneration for productivity improvements.
- Transitional remuneration for continuity of supply, in accordance with the second transitional provision.
- Review, if applicable, of the provisional operation and maintenance remuneration.

Another novelty of the new remuneration framework is that it establishes a greater level of detail in the definition of the useful life of investments in underground storage facilities. Thus, previously a useful life of 20 years was established for all investments, but now a distinction is made between useful lives of 10 years for research and vehicles, 20 years for facilities, off-shore platforms, vessels, helicopters and cushion gas, 40 years for gas pipelines and 50 years for onshore civil works.

The remuneration of each holder will be reduced according to the related income obtained, and by application of the penalty for insufficient financial prudence, calculated in accordance with Article 27 of Circular 9/2019, of December 12, of the National Commission of Markets and Competition, which establishes the methodology for determining the remuneration of natural gas transmission facilities and liquefied natural gas plants.

Pursuant to the provisions of additional provision seven of Order ITC/3802/2008, of December 26, which establishes the tolls and fees associated with third-party access to gas facilities, for each gas year up to and including calendar year 2039, the annual remuneration of the storage facilities owned by Enagás Transporte, S.A.U. shall be reduced by 705,329 euros.

### i) Income corresponding to Technical Management of the System (GTS)

#### Remuneration recognised in the second regulatory period 2021-2026

In accordance with the adequacy of powers between the Government and the Regulator, the CNMC published, at the beginning of 2020, Circular 1/2020, establishing the methodology for the remuneration of the Technical Manager of the System.

This establishes a methodology that allows the remuneration of the GTS to be set on the basis of known criteria and parameters, thus giving the remuneration framework the transparency, security and visibility in the medium-term that it lacked.

The Circular establishes regulatory periods of 3 years for the GTS, as opposed to 6 years for transmission and regasification activities.

The new remuneration methodology is based on the following principles:

- Obtaining a reasonable return for a low-risk activity.
- Consideration of the costs incurred by an efficient and well-managed company.

The methodology takes into account that the activity of the GTS requires few assets, basically in software and applications, that its costs correspond mainly to personnel and external services costs, and that its activity is strongly conditioned by European regulations and projects, in a changing and evolving environment, to which it must continuously adapt.

The remuneration is the sum of a basic remuneration (Bret), an incentive remuneration (RxInc), a remuneration for new obligations (CR) and a remuneration (D) for the difference, positive or negative, between the amounts received by the technical manager of the system for the application of the quota for the financing of the remuneration and the annual remuneration to be established for year n and for the difference between the estimate of the incentive remuneration term and the amount resulting from the level of compliance with it (the National Commission of Markets and Competition will determine by resolution the level of compliance with the incentives for year n)

The basic remuneration is made up of:

- Remuneration for OPEX, (BOpex): based on financial and regulatory accounting.
- Margin on recognised OPEX, (BMarg\_Opex), set at 5%.
- Remuneration for depreciation, (BAmort), based on the depreciation of financial and regulatory accounting.

- Financial remuneration, (BRF) by applying a remuneration rate to the net asset value. The rate is the same as for transmission and regasification activity, 5.44% for the period 2021-2026.

Remuneration for incentives that can be up to +/- 5% of the basic remuneration, depending on the incentive mechanism established by the CNMC for each regulatory period. However, for the regulatory period 2021-2023 the limits are set at +/-2%. At the end of 2020, the Circular establishing these incentives was being processed, and it is expected to be approved during 2021 and come into force on October 1, 2021.

The remuneration for new obligations is established on the basis of a regulatory account, the balance of which is established for each regulatory period, divided by 3, for each of the years of the regulatory period. For the regulatory period 2021-2023, the regulatory account is 5 million euros.

Thus, for the regulatory period 2021-2023, the basic remuneration is set at 25.007 million euros and the remuneration of the regulatory account at 1.667 million euros.

By 2020, the remuneration of the GTS will be equal to the basic remuneration.

As in the current framework, the remuneration of the GTS will be recovered through the application of a fee, calculated as a percentage of the turnover from tolls and royalties.

### j) Development of the regulatory framework in 2020

The main regulatory developments applicable to the gas sector, approved in the course of 2020, were the following:

#### 1. Supranational regulations

##### Gas regulation

##### European Green Deal

**Communication from the Commission dated January 14, 2020** on the Investment Plan for a Sustainable Europe.

**Communication from the European Commission** to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the 2030 climate target plan.

##### Hydrogen

**Communication from the European Commission** to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the EU Hydrogen Strategy.



## Energy System Integration

**Communication from the European Commission** to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the Energy System Integration Strategy.

## GHG emissions

**Communication from the Commission** on guidelines for certain State aid measures in the context of the greenhouse gas emission allowance trading scheme after 2021.

**Commission Implementing Decision (EU) 2020/1834 of December 3, 2020** on greenhouse gas emissions covered by Decision 406/2009/EC of the European Parliament and of the Council for each Member State in 2018.

**Communication from the Commission on the EU-wide quantity of emission allowances for 2021** and the market stability reserve under the EU Emissions Trading Scheme.

**Implementing Regulation (EU) 2020/2085 of the Commission of December 14, 2020** amending and correcting Implementing Regulation (EU) 2018/2066 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council.

**Commission Implementing Decision (EU) 2020/2126 of December 16, 2020** establishing annual emission allocations of Member States for the period from 2021 to 2030 in accordance with Regulation (EU) 2018/842 of the European Parliament and of the Council.

**Commission Decision (EU) 2020/2166 of December 17, 2020** on the determination of Member States' auctioning quotas for the period 2021-2030 of the EU Emissions Trading Scheme.

## Methane emissions

**Communication from the European Commission** to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the EU strategy to reduce methane emissions.

## Projects of Common Interest

**Delegated Regulation (EU) 2020/389 of the Commission of October 31, 2019** amending Regulation (EU) No 347/2013 of the European Parliament and of the Council with regard to the Union's list of projects of common interest.

## EU funds and mechanisms

**Commission Implementing Regulation (EU) 2020/1001 of July 9, 2020** laying down the procedures for implementing Directive 2003/87/EC of the European Parliament and of the Council as regards the operation of the Modernisation Fund in support of investments to modernise energy systems and improve energy efficiency in certain Member States.

**Commission Implementing Regulation (EU) 2020/1294 of September 15, 2020** on the Union's renewable energy financing mechanism.

**Council Regulation (EU) 2020/2094 of December 14, 2020** establishing a European Union Recovery Instrument to support recovery from the COVID-19 crisis.

**Regulation (EU) 2020/2221 of the European Parliament and of the Council of December 23, 2020** amending Regulation (EU) 1303/2013 as regards additional resources and implementing rules in order to provide assistance to help repair the crisis in the context of the COVID-19 pandemic and its social consequences and to prepare for a green, digital and resilient recovery of the economy (EU REACT).

## Sustainable Finance Package

**Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020** on a framework to facilitate sustainable investment, amending Regulation (EU) 2019/2088.

## REMIT

**Commission Decision (EU) 2020/2152 of December 17, 2020** on the fees payable to the European Union Agency for the Cooperation of Energy Regulators for the collection, management, processing and analysis of information notified pursuant to Regulation (EU) 1227/2011 of the European Parliament and of the Council.

## Offshore renewable energy

**Communication from the European Commission** to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on an EU strategy for realising the potential of offshore renewable energy for a climate-neutral future (Offshore Renewable Energy (ORE) Strategy).

## Other regulations

**Commission Implementing Decision (EU) 2020/669 of May 18, 2020** amending Implementing Decision 2013/801/EU, as regards conferring implementation of the Innovation Fund to the Innovation and Networks Executive Agency.

Communication from the European Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the assessment of national energy and climate plans at EU level.

**Communication from the European Commission** to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the wave of renewal.

**Communication from the European Commission** to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the Sustainable Mobility Strategy.

**Communication from the Commission** to the European Parliament and the Council on the Cybersecurity Strategy.

## 2. Spanish Regulation

### In relation to the general framework of the gas system and its facilities

**Circular 1/2020 of January 9** of the National Commission of Markets and Competition establishing the methodology for the remuneration of the technical manager of the gas system.

**Circular 2/2020 of January 9** of the National Commission of Markets and Competition establishing the standards for natural gas balance.

**Circular 4/2020 of March 31** of the National Commission of Markets and Competition establishing the methodology for determining the remuneration of natural gas distribution.

**Resolution of February 13, 2020**, of the Directorate General of Energy Policy and Mines, publishing the assigned and available capacity in basic underground natural gas storage facilities for the period April 1, 2020 to March 31, 2021.

**Resolution of February 26, 2020**, of the National Commission of Markets and Competition establishing the quota for the financing of the technical manager of the system for 2020.

**Royal Decree-Law 23/2020 of June 23**, approving measures in the field of energy and other areas for economic recovery.

**Circular 6/2020, of July 22**, of the National Commission of Markets and Competition, establishing the methodology for calculating natural gas transmission, local networks and regasification tolls.

**National Climate Change Adaptation Plan (PNACC) 2021-2030**, of September 22, 2020, of the Council of Ministers at the proposal of the Ministry for Ecological Transition and the Demographic Challenge.

**Hydrogen Road Map: a commitment to renewable hydrogen, of October 6, 2020**, of the Government at the proposal of the Ministry for Ecological Transition and the Demographic Challenge.

**Plan for the Recovery, Transformation and Resilience of Spain, of October 8, 2020**, of the Government at the proposal of the Ministry for Ecological Transition and the Demographic Challenge.

**The Council of Ministers approved, on November 3, 2020**, the Long-Term Decarbonisation Strategy, which sets the path to achieving climate neutrality by 2050.

**The Council of Ministers approved, on November 3, 2020**, the Royal Decree on auctions to exploit the full potential of renewable energies in the economic recovery.

**Royal Decree 960/2020 of November 3, 2020**, regulating the economic scheme for renewable energies for electricity production facilities.

**Order PCM/1029/2020, of October 30, 2020**, publishing the Agreement of the National Security Council approving the procedure for drawing up a new National Energy Security Strategy.

**Royal Decree-Law 34/2020 of November 17, 2020** on urgent measures to support business solvency and the energy sector, and on tax matters.

**Royal Decree 1089/2020, of December 9, 2020**, which develops aspects relating to the adjustment of the free allocation of greenhouse gas emission rights in the period 2021-2030.

**Circular 8/2020, of December 2, 2020**, of the National Commission of Markets and Competition, establishing the unitary benchmark values for investment and operation and maintenance for the 2021-2026 regulatory period and the minimum requirements for audits of investments and costs in natural gas transmission facilities and liquefied natural gas plants.

**Law 9/2020, of December 16, 2020**, amending Law 1/2005, of March 9, regulating the greenhouse gas emissions trading scheme, to intensify emission reductions in a cost-effective manner.

**Resolution of December 17, 2020**, of the National Commission on Markets and Competition establishing the amount of remuneration for the technical manager of the system for 2021 and the quota for its financing.

**Royal Decree 1184/2020, of December 29**, which establishes the methodologies for calculating charges in the gas system, the regulated remuneration of basic underground storage facilities and the fees applied for their use.



**Order TED/1286/2020, of December 29**, which establishes the remuneration and access fees for basic underground storage facilities for 2021.

**In relation to the operation of the gas system**

**Resolution of April 3, 2020**, of the National Commission of Markets and Competition, establishing the detailed procedure for the development of market mechanisms for the allocation of capacity in the gas system.

**Resolution of April 15, 2020**, of the National Commission of Markets and Competition, approving the framework contract for access to gas system facilities.

**Resolution of June 9, 2020**, of the National Commission of Markets and Competition, approving the procedure for the qualification and deregistration of the balance portfolio of users of the gas system in the virtual balance tank, the virtual balance point and the virtual balance storage; and the framework contract for the balance portfolio.

**Resolution of September 22, 2020**, of the National Commission of Markets and Competition, establishing the tolls for access to transmission networks, local networks and regasification from October 2020 to September 2021.

**Order TED/902/2020, of September 25**, which modifies Order ITC/1660/2009, of June 22, establishing the methodology for calculation of the last resort natural gas tariff, in order to adapt it to the new toll structure of the gas system.

**Resolution of September 29, 2020**, of the Directorate General of Energy Policy and Mines, publishing the natural gas tariff of last resort.

On February 22, 2021, the Board of Directors of Enagas, S.A. prepared the Consolidated Annual Accounts for the year ended December 31, 2020, consisting of the accompanying documents attached hereto, in accordance with the provisions of Article 253 of the Corporate Enterprise Act and Article 37 of the Code of Commerce, and remaining applicable standards.

DECLARATION OF RESPONSIBILITY: For the purposes of article 8.1 b) of Spanish Royal Decree 1362/2007, of October 19, 2007, the directors state that, to the best of their knowledge, the Consolidated Annual Accounts, prepared in accordance with applicable accounting principles, provide a true and fair view of the equity, financial position and results of the Group.

**Chairman**

Mr Antonio Llardén Carratalá

**Chief Executive Officer**

Mr Marcelino Oreja Arburúa

**Board of Directors**

Sociedad Estatal de Participaciones Industriales-SEPI  
(Represented by Mr Bartolomé Lora Toro)

Mr Antonio Hernández Mancha

Ms Eva Patricia Úrbez Sanz

Ms Ana Palacio Vallelersundi

Mr Martí Parellada Sabata

Mr Santiago Ferrer Costa

Mr Luis García del Río

Ms Rosa Rodríguez Díaz

Mr Gonzalo Solana González

Ms Isabel Tocino Biscarolasaga

Mr Ignacio Grangel Vicente

José Mr José Blanco Lopez

Mr Cristóbal José Gallego Castillo

Mr José Montilla Aguilera

DILIGENCE to record, in accordance with the provisions of Article 253.2 of the Corporate Enterprises Act and Article 366.1.2 of the Companies Registry Regulations, that the Consolidated Annual Accounts corresponding to the financial year 2020 have been prepared with the agreement of all the members of the Board of Directors, but have not been signed by any of them, either by handwritten or electronic signature, in any case, due to material impossibility, given that the Board meeting at which the Annual Accounts and the Consolidated Management Report were prepared was held in virtual format, due to the restrictions arising from the declaration of a state of emergency in Spain by Royal Decree 956/2020 of November 3 and subsequent implementing regulations.

Electronic signature of the Secretary to the Board

**Secretary to the Board of Directors:**

Mr Rafael Piqueras Bautista



# Annual Report on Directors' Remuneration





## ISSUER'S PARTICULARS

Financial year\_end: 31/12/2020

CIF: A-28294726

Corporate name: ENAGÁS, S.A.

Registered office: PASEO DE LOS OLMOS, 19 MADRID

## A. Company remuneration policy for the current financial year

**A.1.** Explain the current directors' remuneration policy applicable to the current financial year. As far as is relevant, certain information referring to the remuneration policy approved by the general shareholders' meeting can be included, provided that it is clear and specific.

Descriptions must be provided of the specific resolutions for the current financial year, both for the directors' remuneration for the role itself and for the Board's performance of executive functions in accordance with the provisions of the contracts signed with the executive directors and with the remuneration policy approved by the general meeting.

In all cases the following must be provided:

- ▶ A description of the corporate procedures and bodies involved in setting and approving the remuneration policy and its conditions.
- ▶ Indicate and if necessary explain whether or not comparable companies were taken into account in setting the company's remuneration policy.
- ▶ Information on whether or not any external advisor was involved and their personal details.

The Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagás Board confers the Board the power to adopt decisions on the remuneration of Directors and Senior Management. Specifically, the Sustainability, Appointments and Remuneration Committee (hereinafter the "CSNR") is responsible for supporting the Board on matters relating to remuneration of Directors and Senior Management.

The Committee consists of seven Directors, with six being Independent Directors and one Proprietary Director: Ana Palacio Vallelersundi (Chairwoman,

Independent); Ignacio Grangel Vicente (Independent); Antonio Hernández Mancha (Independent); Santiago Ferrer Costa (Proprietary); Gonzalo Solana González (Independent); Patricia Úrbez Sanz (Independent) and Cristóbal José Gallego Castillo (Independent). The General Shareholders' Meeting 2019 approved the Remuneration Policy for the 2019-2021 period. The Policy for the 2019-2021 period 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 CSNR 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 benchmark companies. 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 CSNR 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.

This Policy also takes 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 a continuation of the Remuneration Policy and Long-term Incentive with respect to those of 2016 were therefore proposed to this Board.

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 these represent on the Company's shareholding body.

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

The 2016-2018 Policy included a Long-Term Incentive Plan as part of the Executive Directors' Remuneration 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 Plan should be maintained as part of the Company's remuneration structure and in successive remuneration policies submitted to the Board for approval.

The continuity of this Policy makes it necessary to implement a new Long-Term Incentive for 2019-2021.

The structure and content of the Long-Term Incentive 2019-2021 also provide continuity with the previous Long-Term Incentive, 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 Return metric for the Shareholder, so that in the future the potential effects of large investment projects, such as GSP, will be more clearly captured.

**Relative importance of the variable remuneration components compared to the fixed items (remuneration mix) and the criteria and objectives considered when setting them and to guarantee an adequate balance between the fixed and variable remuneration components. In particular, indicate the actions taken by the company in relation to the remuneration scheme to reduce exposure to excessive risks and to align it with the long-term objectives, values and interests of the company, including, where appropriate, measures provided to ensure that the remuneration policy addresses the company's long-term results, measures adopted in relation to categories of personnel whose professional activities have a material impact on the risk profile of the entity and measures provided to avoid conflicts of interest.**

Please also indicate whether or not the company has established any period for accrual or consolidation of certain variable remuneration items, in cash, shares or other financial instruments, any deferral in the payment of amounts or delivery of already accrued and consolidated financial instruments or whether there is any agreed clause on reducing the deferred remuneration not yet consolidated or requiring the director to return the remuneration received, when the remunerations have been based on data subsequently clearly shown to be inaccurate.



The General Shareholders' Meeting 2019 approved the Remuneration Policy for the 2019-2021 period. This Policy is continuous and maintains the fundamental premises that inspired the previous Policy approved for the 2016-2018 period.

With respect to the Executive Directors, the remuneration policy for 2019-2021 includes the following bases:

- ▶ Maintain the level of contribution to existing social security plans.
- ▶ Maintain annual variable remuneration and the three-year Long-Term Incentive.
- ▶ Maintain, during the three years of the period, the remuneration for the Executive Directors for their Board membership set for 2018.
- ▶ Enable the possibility of applying increases in fixed remuneration in the terms set out in the Policy.

With regard to variable remuneration, the annual variable must be differentiated from the long-term variable.

#### Variable annual remuneration.

As variable annual remuneration, the Executive Directors have the right to receive a variable bonus for fulfilling the objectives set forth by the Board of Directors at the proposal of the CSNR for the corresponding year. The variable bonus cannot exceed 60% of the annual fixed monetary remuneration in any case.

At the beginning of each year contemplated in the Policy, the Board will approve the objectives applicable to the Executive Chairman and the Chief Executive Officer for these purposes. At year-end, the Board, on the proposal of the CSNR will evaluate the degree to which the targets have been met and decide the variable annual remuneration for the Chairman and the Chief Executive Officer.

At the proposal of the CSNR, the Board has already established the objectives that apply in 2021 to the Executive Directors for these purposes, consisting of the following in general terms:

1. Improvement of the economic results of the Company in the form of an increase in net profit.
2. Consolidate the Company's regulated revenue.
3. Consolidation of the Company's Strategic Plan, particularly in aspects affecting its international development as well as through the development of new services, to contribute to diversification and entrepreneurship.
4. Sustainability and Good Governance.

An additional aim associated with the management of the COVID-19 situation was also contemplated, in order to enable the response given by the Company to be measured and evaluated. Appendix 2 to this report contains details of the objectives.

#### Long-term variable remuneration (Long-Term Incentive 2019-2021).

The Executive Directors will be beneficiaries of the 2019-2021 Long-Term Incentive Plan in the terms indicated in the following sections of this section and which are reproduced herein as they affect them.

It must be remembered that the Long-Term Incentive will not have a direct effect on the remuneration of the Chairman and the Chief Executive Officer 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 and the Chief Executive Officer will be paid the Incentive according to their Level of Attainment of targets over the multi-year period. They will receive all this Incentive in the form of shares, and will be obliged to hold the shares received in 2022 for two (2) years, and those received in 2023 for one (1) year. In 2024, the Executive Chairman and 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. The maximum total remuneration may not exceed 125% of the initial target remuneration. The annualised Incentive in the 100% attainment level scenario for the Executive Directors would 50% of the annual fixed remuneration in 2019.

A maximum of 79,090 shares are assigned to the Chairman and 39,545 to the Chief Executive Officer. Clawback clauses - If certain circumstances occur which show, at a later date, that targets have not in fact been met, then the Board may, at the proposal of the CSNR, 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.

#### Amount and nature of the fixed components that are expected to accrue in the year to the directors in their capacity as such.

Insofar as concerns the "Directors' Remuneration Policy for 2019, 2020 and 2021" approved in the General Shareholders' Meeting 2019, the Director's fixed remuneration for 2019, 2020 and 2021 shall remain unchanged with respect to 2018; the maximum amount to be received for this concept is 2,241,000 euros. This maximum amount was increased to 2,600,000 euros at the GSM held on June 30, 2020 in order to accommodate the incorporation of 3 more members to the board of directors, as explained below.

The amounts and items for 2021 are the following:

Individual remuneration of Directors in their capacity as such:-

The allocation by item and the remuneration for each Director in 2021 will be as follows: (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 Chairperson of each Committee; (vi) A fixed annual amount of 15,000 euros for serving as Independent Leading Director.

As a result of applying the aforementioned criteria to determine, in line with the individual remuneration, the maximum remuneration figure for the Board in 2021, the maximum annual remuneration amount to be paid to all the directors in their position as such in that financial year, which was approved by the General Meeting's 2020 pursuant to article 529 septdecies.1 of the Spanish Corporate Enterprises Act and article 36 of the Articles of Association, is 2,600,000, euros.

#### The amount and type of the fixed components will accrue in the financial year for the performance of senior management functions by the executive directors.

The company expects the fixed annual remuneration of the Chairman and CEO to remain unchanged in 2021. The amount of fixed annual remuneration received by the Chairman and CEO in 2021 will be reported in next year's annual report on remuneration.

#### The amount and type of any remuneration component in kind accrued during the year, including, but not limited to, the insurance premiums paid to the director.

In accordance with the "Directors' Remuneration Policy for 2019, 2020 and 2021" approved by the General Shareholders' Meeting 2019 and in accordance with the terms of the contracts approved by the Board, the executive directors receive a fixed annual remuneration in kind for common items for this type of services and similar to those received by the entire Company management team (vehicle, medical insurance, etc.).

The Executive Directors are also an insured participants 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.

The Executive Chairman received the following amounts for these items in 2020: payments in kind amounting to 156 thousands of euros; a life insurance premium amounting to 66 thousands of euros and contributions to the Directors' Pension Plan amounting to 236 thousands of euros.

The Chief Executive Officer received the following amounts for these items in 2020: payments in kind amounting to 27 thousands of euros; a life insurance premium amounting to 0.9 thousands of euros and contributions to the Directors' Pension Plan amounting to 136 thousands of euros.

The Directors' Remuneration Policy for 2019, 2020 and 2021 does not provide for variations in the items that make up the annual fixed remuneration in kind for 2021 and any differences in their amount will be the result of applying the price increases at all times and, where applicable, the valuation rules that apply to them.

**Amount and type of the variable components, differentiating between those established in the short and long-term. Financial and non-financial parameters, the latter including social, environmental and climate change parameters, selected to set the variable remuneration in the current financial year, explanation of the extent to which the parameters relate to the performance of both the director and the entity and to its risk profile, and the methodology, necessary term and techniques provided for ascertaining the effective degree of compliance with the parameters used in the design of the variable remuneration at the end of the financial year, explaining the criteria and factors it applies in terms of the time required and methods for verifying that the performance or other conditions to which the accrual and consolidation of each component of variable remuneration was linked have been effectively met.**

**Indicate the range, in monetary terms, of the different variable components based on the degree of compliance with the established objectives and parameters and whether or not there is a maximum monetary amount in absolute terms.**



The Executive Directors are the only Directors that receive variable remuneration.

Variable annual remuneration.-

In accordance with the "Directors' Remuneration Policy for 2019, 2020 and 2021", the Executive Chairman and the Chief Executive Officer have a recognised right to receive a variable annual bonus for meeting the objectives set forth by the Board of Directors at the proposal of the CSNR for the corresponding year. The variable bonus cannot exceed 60% of the annual fixed monetary remuneration in any case.

At the beginning of each year, and contemplated in the "Directors' Remuneration Policy for 2019, 2020 and 2021", the Board will approve the objectives applicable to the Executive Chairman and Chief Executive Officer for these purposes. At year-end, the CSNR will appraise the extent to which the targets have been fulfilled and decide the variable annual remuneration for the executive directors.

At the proposal of the CSNR, the Board established the objectives that apply in 2021 to the Executive Chairman and Chief Executive Officer for these purposes, consisting of the following in general terms:

1. - Improvement of the economic results of the Company in the form of an increase in net profit.
2. - Consolidate the Company's regulated revenue.
3. - Consolidation of the Company's Strategic Plan, particularly in aspects affecting its international development as well as through the development of new services, to contribute to diversification and entrepreneurship.
4. - Sustainability and Good Governance.

An additional aim associated with the management of the COVID-19 situation was also contemplated, in order to enable the response given by the Company to be measured and evaluated. Appendix 2 to this report contains details of the associated objectives.

Long-term variable remuneration (Long-Term Incentive 2019-2021).-

In accordance with the "Directors' Remuneration Policy for 2019, 2020 and 2021" the Board, after receiving a report from the CSNR, proposed the approval of a Long-term Incentive to the General Shareholders' Meeting, to apply also to the members of the Management Committee and the rest of the Company's management team.

The Executive Chairman and the Chief Executive Officer are beneficiaries of the 2019-2021 Long-Term Incentive Plan and will be entitled to a number of equivalent shares up to 50% of their fixed annual remuneration for each of the three years included in the Plan, under the terms set out in the draft of the "Directors' Remuneration Policy for 2019, 2020 and 2021" put forward to the General Shareholders' Meeting 2019.

The Long-Term Incentive will not have a direct effect on the 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.

The specific number of Enagás shares and the gross cash amount to be handed over to each Beneficiary on the Payment Dates, if the conditions established for this are met, will be established in accordance with the Level of Attainment of the

following indicators during the Period for Measuring Targets: (i) Total Shareholder Return (hereinafter, "TSR"). It will comprise two components: the absolute TSR and the relative TSR. 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. Relative TSR is measured in comparison with a group of 15 companies (RED ELÉCTRICA, SNAM, TERNA, NATIONAL GRID, REN, IBERDROLA, NATURGY, ENEL, RWE, E.ON, ENGIE, CÉNTRICA, UNITED UTILITIES, SEVERN TRENT, PENNON GROUP). (ii) Funds from Operations. (iii) Accumulated cash flow received from affiliates. (iv) Compliance with the Sustainability Plan. Details of the specific indicators that measure these objectives and the associated levels of achievement are included in Appendix 1.

The Long-Term Incentive will be settled in 2022 and the Executive Chairman and the Chief Executive Officer will receive up to 50% of the incentive that corresponds to the degree of achievement of the objectives over the multi-year period and the remaining 50% in 2023. They will receive all this Incentive in the form of shares, and will be obliged to hold the shares received in 2022 for two years, and those received in 2023 for one year. If the minimum degree of achievement of objectives is not met, the incentive shall amount to zero.

**Main properties of long-term savings schemes. Among other information, the contingencies covered by the system will be indicated, whether it is by contribution or a defined benefit, the annual contribution that must be made to defined contribution schemes, the benefit to which beneficiaries are entitled in defined benefit schemes, the conditions of consolidation of the economic rights for directors and their compatibility with any type of payment or compensation for early termination or dismissal or arising from severance of the contractual relationship, in the terms provided, between the company and the director.**

**It should be indicated whether the accrual or consolidation of any of the long-term savings plans is linked to meeting certain objectives or parameters related to the director's short and long-term performance.**

1.- The Directors' Pension Plan is a Mixed Plan with a defined contribution for the contingencies of retirement and permanent disability and with a defined benefit for death in active service of the Participant, the contributions being a percentage of the Participant's Fixed Remuneration. The accrual or consolidation of rights is not linked to any type of achievement of objectives or performance evaluation.

The Directors' Pension Plan establishes that the Executive Chairman and the Chief Executive Officer will not have economic rights if their termination results from a decision of the policyholder due to wilful or gross misconduct in the exercise of the functions of these roles, that damages the interests of the policyholder. The insured party will nevertheless have economic rights if the termination takes place by decision of the policyholder for any reason unrelated to any serious or culpable breach of the duties of the Executive Chairman/Chief Executive Officer.

2.- The Employment Pension Plan of the Enagás Group is a defined contribution plan that is endowed externally and covers the contingencies of retirement, disability and death.

The Executive Chairman and the Chief Executive Officer are currently suspended participants of the Enagás Employment Pension Plan and their consolidated economic rights are not conditioned by any assumption; they are suspended until the redemption of the Plan for the reasons specified in its regulations.

The Company and the Executive Chairman have mutually agreed that the rights and obligations of the parties to the Pension Plan and the Directors' Pension Plan will be extended beyond the age of 65.

**Any type of payment or compensation for early termination or dismissal resulting from severance of the contractual relationship in the terms provided between the company and the director, whether at the behest of the company or the director, as well as any agreements entered into, such as exclusivity, postcontractual non-competition and seniority or loyalty arrangements, which give the director the right to any type of receipt.**

Enagás is not required to pay out any compensation in the event of termination of the appointment as non-executive director.

**Indicate the conditions to apply to the contracts of executive directors exercising senior management functions. Among them, disclose the duration, limits on the amount of termination payments, seniority requirements, notice periods, payments related to the duration of a notice period ("garden leave") and any other clauses covering hiring bonuses, as well as indemnities or "golden parachutes" in the event of early termination of the contractual arrangement between the company and the executive director. Include, inter alia, non-competition, exclusivity, seniority or loyalty and post-contractual non-competition agreements or arrangements, unless they have been explained in the previous section.**

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

The relationship between Enagás and the Executive Chairman is governed by a "Contract for services associated with the position of Executive Chairman" approved by the Board of Directors with all the requirements set forth in Article 249.3 of the 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 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 Executive Chairman or because the Company has failed to comply with its contractual obligations, the Executive

Chairman will be entitled to an indemnity equivalent to two years' salary of his annual fixed remuneration, understood as that held by the Chairman at the time of the termination of employment plus the remuneration in-kind and the last annual variable remuneration received. The compensation for this item was fixed at three years but the Chairman reduced this to two years 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 seniority and loyalty of the Executive Chairman are motivated by the participation in the "Company Directors' Pension Plan" already described in this report.

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

The relationship between Enagás and the Chief Executive Officer is governed by a "Contract for services associated with the position of Chief Executive Officer" approved by the Board of Directors with all the requirements set forth in Article 249.3 of the LSC. 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. Nevertheless, the amount in his favour from the "Directors' Pension Plan" will be deducted from the resulting amount. The seniority and loyalty of the Chief Executive Officer are motivated by the participation in the "Company Directors' Pension Plan", already described in this report.

**The nature and estimated amount of any other supplementary remuneration accrued by the directors in the current year as payment for services rendered other than those integral to their role.**



Enagás Directors have not accrued any other remuneration for this item.

**Other remuneration items such as those resulting, where applicable, from the company granting the director advances, loans and guarantees and other remunerations.**

Enagás Directors have not accrued any other remuneration for this item.

**The nature and estimated amount of any other expected supplementary remuneration not included in the previous sections, whether paid by the entity or another group entity, accrued by the directors in the current year.**

Enagás Directors have not accrued any other remuneration for this item.

**A.2. Explain any relevant change in the remuneration policy applicable in the current year derived from:**

- ▶ A new policy or change to the policy already approved by the Board.
- ▶ Significant changes in the specific board resolutions for the current financial year in respect of the current remuneration policy compared to those of the previous year.
- ▶ Proposals applicable to the current financial year that the board of directors would have agreed to submit to the general shareholders' meeting to which this annual report will be submitted.

The remuneration policy for directors currently in force, covering 2019, 2020 and 2021 financial years, was approved by the 2019 General Shareholders' Meeting on March 29, 2019 and it was amended at the 2020 General Shareholders' Meeting on June 30, 2020. Its content is explained in section A.1 of this report.

Concerning this amendment in 2020, 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 was proposed to the Board by the CSNR at its meeting on May 22, 2020. The amendment of the Policy proposed by the CSNR to the Board and that the Board presented to the Meeting for approval 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 CSNR and the Audit and Compliance Committee.

The maximum number of Directors was fourteen in 2019 and increased to sixteen in 2020, following approval by the General Meeting. Consideration was given to the fact that there will be eleven ordinary meetings of the Board each year and four meetings for each of the Committees, and that the maximum number of members of the Committees, which in 2019 was six for the CSNR and five for the Audit and Compliance Committee, was increased to seven for both in 2020, after approval by the General Meeting.

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 2,600,000 euros for 2020 and 2021.

In 2021, the new Directors' Remuneration Policy 2022-2024 will be submitted for approval by the General Shareholders' Meeting. It maintains continuity with the fundamental premises of the previous policies while also incorporating technical improvements. Consideration will also be given to the new 2022-2024 Long-Term Incentive Plan that gives continuation to the previous one, although it will include a series of improvements aligned with the corporate governance and proxy advisors recommendations. Details of this new Policy and the new Long-Term Incentive Plan will be published in the Annual Report on Directors' Remuneration in 2022.

**A.3. Identify the direct link to the document that outlines the current remuneration policy of the company, which must be available on the company's website.**

<https://www.enagas.es/enagas/es/AccionistasElInversores/GobiernoCorporativo/PropuestasDocumentacionAccionista>

**A.4. Explain, in the light of the information provided in section B.4, how the shareholders' vote in the general meeting to which the annual remuneration report of the previous year was submitted for a vote, in an advisory capacity was taken into account.**

The Directors' Remuneration Report submitted to advisory voting in the General Shareholders' Meeting 2020 was approved by 75.91% of votes cast. In addition, the result of the vote on the 2020 remuneration report was analysed with the various proxy advisors and investors during the 2021 Corporate Governance and Sustainability Roadshow. As part of this analysis, one of the investors explained that he had voted against the report after identifying the existence of a "warning" in the report by one of the proxy advisors (ISS).

After analysing this aspect with ISS, the "warning" was identified as having been due to the comparative salary of the CEO with regard to that of the peer group. As there were no variations in salary, the "warning" was found to be the result of the way in which the three-year incentive (ILP) is calculated in the report, since the total amount was calculated for a single year (the year in which it was paid).

This effect will only exist in ILP payment years and will be reduced in both the ILP scheme currently in force and the one being proposed for the future, as in both cases a partial deferral scheme has been agreed that provides for two payments instead of one.

## B. Overall summary of how the remuneration policy was applied during the year

**B.1. Explain the process followed to apply the remuneration policy and determine the individual remunerations reflected in section C of this report. This information will include the role performed by the remuneration committee, the decisions taken by the board of directors and, where appropriate, the identity and role of the external advisors whose services have been used in the process of applying the remuneration policy in the year closed.**

The Policy was proposed to the Board by the Sustainability, Appointments and Remuneration Committee (hereinafter, the "CSNR"). The CSNR 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 quidecies of the Corporate Enterprises Act and Article 45 of the Articles of Association.

The CSNR hired the independent external advisory firm Willis Towers Watson, which analysed the 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 and tax factors of this policy.

The CSNR 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 three 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.

**B.2. Explain the different actions taken by the company with respect to the remuneration scheme and how they have contributed to reducing exposure to excessive risks and adjusting it to the company's long-term objectives, values or interests, including a reference to: measures in place to guarantee that the remuneration accrued takes account of the long-term results of the company and achieves an appropriate balance between the fixed and variable components of the remuneration; the**

**measures adopted with respect to categories of personnel whose professional activities have a material effect on the entity's risk profile and what measures have been taken to avoid conflicts of interest, if any.**

The General Shareholders' Meeting 2019 approved the Remuneration Policy for the 2019-2021 period. The Policy for the 2019-2021 period 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. One of the premises 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 Executive Directors will be beneficiaries of the 2019-2021 Long-Term Incentive Plan in the terms indicated in section A) above and which are reproduced herein as they affect them.

It must be remembered that the Long-Term Incentive will not have a direct effect on the remuneration of the Chairman and the Chief Executive Officer 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 and the Chief Executive Officer will be paid the Incentive according to their Level of Attainment of objectives over the multi-year period. They will receive all this Incentive in the form of shares, and will be obliged to hold the shares received in 2022 for two (2) years, and those received in 2023 for one (1) year. In 2024, the Executive Chairman and 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. The maximum total remuneration may not exceed 125% of the initial target remuneration. The annualised Incentive in the 100% attainment level scenario would be up to 50% of Executive Directors' fixed annual remuneration by 2019. A maximum of 79,090 shares are assigned to the Chairman and 39,545 to the Chief Executive Officer.

Clawback clauses - If certain circumstances occur which show, at a later date, that targets have not in fact been met, then the Board may, at the proposal of the CSNR, 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.

**B.3. Explain how the remuneration accrued and consolidated in the year complies with the provisions of the current remuneration policy.**

Disclose the relationship between remuneration obtained by directors and the company's profits or some other measure of enterprise results, explaining, as appropriate, how changes in the company's performance may have influenced the variation in directors' remuneration, including accruals whose payment has been deferred and how they contribute to the short and long-term results of the company.

In accordance with the 2019-2021 Remuneration Policy applicable to financial year 2020 and amended by the 2020 General Shareholders' Meeting, the maximum amount of annual remuneration payable to all the Directors in their capacity as such for that year amounts to 2,600,000 euros. In accordance with the information reported in section C.1 of this report, the remuneration amounts actually received by the directors for this item in 2020 amounts to 2,272,000 euros.

As regards the executive directors, the Remuneration Policy 2019-2021 mentions the specific amounts that the executive directors accrue in the years in which the Policy was in force as monetary and in kind fixed remuneration, as well as the percentages of annual variable remuneration due to them and the parameters to set them, linked to financial, sustainability and development ratios of the Company's strategic plan. The variable bonus cannot exceed 60% of the annual fixed monetary remuneration in any case. The amount charged under this item in 2020 corresponds to the degree of compliance with the 2019 company objectives approved by the Board of Directors of Enagás and reported in section D of the Directors' Remuneration Report for 2019. Under this item, the Chairman collected 600 thousands of euros and the Chief Executive Officer 300 thousands of euros.

Likewise, the Remuneration Policy 2019-2021 established that the executive directors are also beneficiaries of the 2019-2021 Long-Term Incentive Plan in the terms already indicated in section B.7 of this report, which aims to link the long-term remuneration of the executive directors with the performance of a set of parameters (dividend, sustainability, etc.) guaranteeing the long-term sustainable growth of the Company. Under the terms of the Remuneration Policy 2019-2021, this plan would grant the Chairman a maximum of 79,090 shares and the Chief Executive Officer a maximum of 39,545, based on the level of compliance with the objectives set and which will be defined and settled in 2022 once the General Shareholders' Meeting approves the annual accounts for the 2021 financial year.

**B.4. Disclose the outcome of the advisory vote at the annual general meeting on the Annual Report on Directors' Remuneration of the previous year, indicating the number of votes against:**

	Number	% of total
Votes cast	126,202,139	100.00
	Number	% of votes cast
Votes against	13,832,922	11.44
Votes in favour	91,824,974	75.91
Abstentions	15,304,441	12.65

**Observations**

**B.5. Explain how the fixed components accrued and consolidated during the year were determined by the directors in their capacity as such, and how they varied with respect to the previous year.**

Insofar as concerns the "Directors' Remuneration Policy for 2019, 2020 and 2021" approved in the GSM of 2019, the fixed remuneration amounts for the members of the Board of Directors shall be as follows for the year 2020:

Individual remuneration of Directors in their capacity as such.-

The allocation by item and the remuneration amount for each Director in 2019 will be as follows: (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 Chairperson of each Committee; (vi) A fixed annual amount of 15,000 euros for serving as Independent Leading Director. As a result of applying the aforementioned criteria to determine, in line with the individual remuneration, the maximum remuneration figure for the Board in 2019, the maximum annual remuneration amount to be paid to all the Directors in their position as such, and which the Board proposes for the General Meeting's approval for the purposes of Article 529 septdecies.1 of the Corporate Enterprises Act and Article 36 of the Articles of Association is 2,241,000 euros.

Insofar as concerns the "Directors' Remuneration Policy for 2019, 2020 and 2021" approved by the 2020 General Shareholders' Meeting, explained in section A.2 of this report, the fixed remuneration amounts for the Directors shall be as follows for the year 2020:

Individual remuneration of Directors in their capacity as such.-

The allocation by item and the remuneration amount for each Director in 2020 will be as follows: (i) an annual fixed amount of 100,000 euros for belonging to the Board; (ii) an annual variable amount of up to 30,000 euros for attending the Board meetings; (iii) an annual fixed amount of 25,000 euros for belonging to one of the Board Committees; (iv) an annual variable amount of up to 5,000 euros for attending the Committee meetings; (v) an annual fixed amount of 15,000 euros for the holding the position of Chairperson on each Committee; and (vi) an annual fixed amount of 15,000 euros for the holding the position of Independent Leading Director. As a result of applying the aforementioned criteria to determine, in line with the individual remuneration, the maximum remuneration figure for the Board in 2020, the maximum annual remuneration amount to be paid to all the Directors in their position as such, and which the Board proposes for the General Meeting's approval for the purposes of Article 529 septdecies.1 of the Corporate Enterprises Act and Article 36 of the Articles of Association is 2,600,000 euros.

In accordance with the information reported in section C.1 of this report, the remuneration amounts actually received by the Directors under this item in 2020 amounted to 2,272,000 euros while the amount accrued for this item in 2019 was 2,064,000 euros.

**B.6. Explain how the salaries accrued and consolidated during the closed financial year were determined for each of the executive directors for the performance of management functions and how they varied with respect to the previous year.**

The remuneration for the Executive Chairman in 2020 was approved in detail by the General Shareholders' Meeting on March 29, 2019 as part of the "Directors' Remuneration Policy for 2019, 2020 and 2021". During financial year 2019, the Executive Chairman received fixed remuneration of 1,000 thousands of euros and variable remuneration of 600 thousands of euros. The annual variable remuneration (up to 60% of annual fixed remuneration) paid in 2020 was approved by the Board and is in proportion to the level of attainment of the 2019 company objectives reported in section D of the Annual Report on Directors' Remuneration for the previous year; likewise, he received remuneration for membership of the Board in the amount of 130 thousands of euros, as well as other remuneration in kind in the amount of 156 thousands of euros (the variations in remuneration in kind with respect to previous years is exclusively due to valuation differences in the remuneration without receipt of remuneration in kind for new items), with an aggregate total of 1,886 thousands of euros.

The remuneration for the Chief Executive Officer in 2020 was approved in detail by the General Shareholders' Meeting on March 29, 2019 as part of the "Directors' Remuneration Policy for 2019, 2020 and 2021". During financial year 2020, he received fixed remuneration of 500 thousands of euros and variable remuneration of 300 thousands of euros. The annual variable remuneration (up to 60% of annual fixed remuneration) was approved by the Board and is in proportion to the degree of achievement of the 2019 company objectives reported in section D of the Annual Report on Directors' Remuneration for the previous year; likewise, he received remuneration for membership of the Board in the amount of 130 thousands of euros, as well as other remuneration in kind in the amount of 27 thousands of euros (the variations in remuneration in kind with respect to previous years is exclusively due to valuation differences in the remuneration without receipt of remuneration in kind for new items), with an aggregate total of 957 thousands of euros.

In 2019, the Executive Chairman received 1,000 thousands of euros of fixed remuneration and 564 thousands of euros of variable remuneration; likewise he was paid 130 thousands of euros in attendance fees (fixed remuneration plus fee for attending Board meetings) and 153 thousands of euros of remuneration in kind, with an aggregate total of 1,847 thousands of euros.

In 2019, the Chief Executive Officer received 500 thousands of euros of fixed remuneration and 282 thousands of euros of variable remuneration, with both components approved by the Board. In addition, the Chief Executive Officer was paid 130 thousands of euros in attendance fees (fixed remuneration plus fee for attending Board meetings) and 25 thousands of euros of remuneration in kind, with an aggregate total of 937 thousands of euros.



**B.7. Explain the nature and main features of variable components of the remuneration schemes accrued and consolidated in the closed financial year.**

In particular:

- Identify each of the remuneration plans that have set the different variable remunerations accrued by each of the directors during the year, including information on their scope, their approval date, implementation date, conditions of consolidation (if any), accrual periods and validity, criteria used for the evaluation of performance and how this has impacted on the setting of the variable amount accrued, as well as the measurement criteria used and the time needed for suitable measurement of all the stipulated conditions and criteria. The criteria and factors it has applied in terms of the time required and methods for verifying that the performance or other conditions to which the accrual and consolidation of each component of variable remuneration was linked have been effectively met must be explained in detail.

In the case of share option plans or other financial instruments, the general characteristics of each plan shall include information on the conditions both for acquiring unconditional ownership (consolidation), and for the exercise of such options or financial instruments, including the price and period in which they can be exercised.

- Each of the directors, and their class (executive, external proprietary, external independent or other external directors) that are entitled to schemes or plans that include variable remuneration.
- Disclose, where applicable, the periods of accrual or deferral of payment established and/or any holding or lock-up periods of the shares or other financial instruments.

**Explain the short-term variable components of the remuneration schemes:**

The Executive Directors are the only Directors that receive variable remuneration.

Variable annual remuneration.-

In accordance with the 2019-2021 Remuneration Policy, the annual variable remuneration of the Executive Chairman and the Chief Executive Officer involves receipt of a variable annual bonus for meeting the objectives set forth by the Board of Directors at the proposal of the CSNR for the corresponding financial year. The variable bonus cannot exceed 60% of the annual fixed monetary remuneration in any case. At the beginning of each year contemplated in the "Director's remuneration Policy for 2019, 2020 and 2021", the Board will approve the objectives applicable to the Executive Chairman and Chief Executive Officer for these purposes. At year-end, the Board, at the proposal of the CSNR, shall appraise the degree of achievement of the objectives set and decide the variable annual remuneration for the executive directors.

The Board, at the proposal of the CSNR, established the Company's objectives applicable to the Chairman and Chief Executive Officer for 2019 and which were actually collected in 2020 based on the level of compliance, also approved by the Board and reported in section D of the Directors' Remuneration Report for 2019 and generally refer to:

- Improvement of the economic results of the Company in the form of an increase in net profit.
- Consolidate the Company's regulated revenue.
- Consolidation of the Company's strategic plan, specifically as regards its international development, as well as the development of new services, to contribute to diversification and Entrepreneurship
- Sustainability and Good Governance.

The amounts collected by the executive directors in 2020 under this item are: 600 thousands of euros by the Chairman and 300 thousands of euros by the Chief Executive Officer.

**Explain the long-term variable components of the remuneration schemes:**

The Executive Directors are the only Directors that receive variable remuneration.

Long-term incentive (ILP 2019-2021).

The CSNR and the Board deemed it convenient to include an ILP as part of the remuneration policy of Executive Directors for the 2019-2021 period. This will also apply to the members of the Management Committee and the rest of the Company's management team. The intention of the CSNR and the Board is for the ILPs to remain as an element in the company's remuneration structure and their proposal is that they be included in subsequent remuneration policies presented to the GSM for approval.

Objectives:

- 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.
- 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 advisors and with the best Good Corporate Governance practices, particularly those based on the recommendations of the Code of Good Governance approved by the CNMV.

The Executive Chairman and the Chief Executive Officer are beneficiaries of the 2019-2021 Long-Term Incentive in the terms set forth in the "Directors' Remuneration Policy for 2019, 2020 and 2021" and in section A.1 of this report, which are understood. It must be remembered that the Long-Term-Incentive will not have a direct effect on the 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. The Long-Term-Incentive will be settled in 2022 once the General Shareholders' Meeting approves the annual accounts for 2021 and the Executive Chairman and the Chief Executive Officer will receive the incentive that corresponds to the degree of achievement of the objectives over the multi-year period. This incentive will be received, in full, in shares, with the obligation to hold them for two (2) years on the first Payment Date and for one (1) year on the second Payment Date.

**B.8. Indicate whether there has been a reduction or claim for the return of certain variable components accrued when, in the first case, the payment of amounts not consolidated was deferred or, in the second case, was consolidated and paid, based on data which has subsequently proved to be manifestly inaccurate. Describe the amounts reduced or returned under the reduction (malus) or clawback clauses, why they have been enforced and the financial years to which they correspond.**

No amount was reduced or reclaimed.

**B.9. Explain the main characteristics of long-term savings schemes whose amount or annual equivalent cost is shown in the tables in Section C, including retirement and any other survival benefit, which are partially or totally funded by the company, whether gifted internally or externally, indicating the type of plan, whether it is contributionbased or defined benefit, the contingencies it covers, the conditions for consolidating economic rights for the directors and their compatibility with any type of compensation for early termination or severance of the contractual relationship between the company and the director.**

1.- The Directors' Pension Plan is a Mixed Plan with a defined contribution for the contingencies of retirement and permanent disability and with a defined benefit for death in active service of the Participant, the contributions being a percentage of the Participant's Fixed Remuneration. The accrual or consolidation of rights is not linked to any type of achievement of objectives or performance evaluation.

The Directors' Pension Plan establishes that the Executive Chairman and the Chief Executive Officer will not have economic rights if their termination results from a decision of the policyholder due to wilful or gross misconduct in the exercise of the functions of these roles, that damages the interests of the policyholder. The insured party will nevertheless have economic rights if the termination takes place by decision of the policyholder for any reason unrelated to any serious or culpable breach of the duties of the Executive Chairman/Chief Executive Officer.

In 2020, the Company contributed 236 thousands of euros to the Chairman for this item and 136 thousands of euros to the Chief Executive Officer.

2.- The Employment Pension Plan of the Enagás Group is a defined contribution plan that is endowed externally and covers the contingencies of retirement, disability and death.

The Executive Chairman and the Chief Executive Officer are currently suspended participants of the Enagás Employment Pension Plan and their consolidated economic rights are not conditioned by any assumption; they are suspended until the redemption of the Plan for the reasons specified in its regulations.

The Company and the Executive Chairman have mutually agreed that the rights and obligations of the parties to the Pension Plan and the Directors' Pension Plan will be extended beyond the age of 65.

**B.10. Explain, where appropriate, compensation or any other type of payment derived from the early termination, whether decided by the company or the director, or cancellation of contract, in the terms provided therein, accrued and/or received by the directors during the year closed.**

No director of Enagás has received or accrued any amount under this item during 2020.

**B.11. Indicate whether there have been significant changes in the contracts of those with senior management functions as executive directors and, where appropriate, explain them. Likewise, explain the main conditions of the new contracts signed with executive directors during the financial year, unless they have been explained in section A.1.**

The contracts of the Chairman and the Chief Executive Officer were not modified during 2020.

**B.12. Explain any supplementary remuneration accrued by directors as compensation for services provided other than those inherent in their post.**

The Enagás Directors do not receive any remuneration under this item.

**B.13. Explain any remuneration derived from advances, loans or guarantees granted, along with the rate of interest, essential features and any amounts returned, as well as the obligations assumed on their behalf in the form of guarantees.**

The Enagás Directors do not receive any remuneration under this item.



**B.14. Detail the remuneration in kind accrued by the directors during the year, briefly explaining the nature of the different salary components.**

**Executive Chairman.-**

In accordance with the Remuneration Policy 2019-2021 and with the terms of the contract approved by the Board, the Chairman 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., including the account deposits that correspond to personal income tax). 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.

The Executive Chairman received the following amounts for these items in 2020: Payments in kind amounting to 156 thousands of euros (variations in remuneration in kind in relation to previous years are exclusively the result in differences in valuation of said remuneration, with no further remuneration in kind paid for other items); a life insurance premium totalling 66 thousands of euros.

In addition, contributions were made to the Directors’ Pension Plan amounting to 236 thousands of euros. The Executive Chairman is a member of the group insured by the civil liability policy that covers the contractual and non-contractual responsibilities that correspond to the activities undertaken in their posts. The Company compensates the Executive Chairman for the amounts incurred as travel, accommodation, board and other similar expenses as a result of carrying out the functions of the post, in accordance with the expense and travel policy prevailing at the Company at any given time.

**Chief Executive Officer.-**

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., including the account deposits that correspond to personal income tax). 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.

The Chief Executive Officer received the following amounts for these items in 2020: Payments in kind amounting to 27 thousands of euros (variations in remuneration in kind in relation to previous years are exclusively the result in differences in valuation of said remuneration, with no further remuneration in kind paid for other items); a life insurance premium totalling 0.9 thousands of euros and contributions to the Directors’ Pension Plan totalling 136 thousands of euros. 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.

**B.15. Explain the remuneration accrued by the director by virtue of payments made by the listed company to another entity at which the director is employed where such payments are designed to remunerate the services provided by the director at the listed company.**

Enagás Directors have not accrued any other remuneration for this item.

**B.16. Explain any kind of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be a related-party transaction or when its issuance would detract from a true and fair view of the total remuneration accrued by the director.**

Enagás Directors have not accrued any other remuneration for this item.

## C. Itemised individual Remuneration corresponding to each Director

Name	Type	2020 accrual period
MR ANTONIO LLARDÉN CARRATALÁ	Executive Chairman	From 01/01/2020 to 31/12/2020
MR MARCELINO OREJA ARBURÚA	Chief Executive Officer	From 01/01/2020 to 31/12/2020
MR ANTONIO HERNÁNDEZ MANCHA	Independent Director	From 01/01/2020 to 31/12/2020
MS ANA PALACIO VALLELERSUNDI	Independent Director	From 01/01/2020 to 31/12/2020
MR MARTÍ PARELLADA SABATA	Other External Directors	From 01/01/2020 to 31/12/2020
MR SANTIAGO FERRER COSTA	Proprietary Director	From 01/01/2020 to 31/12/2020
MR LUIS GARCÍA DEL RÍO	Independent Director	From 01/01/2020 to 31/12/2020
MS ISABEL TOCINO BISCAROLASAGA	Independent Director	From 01/01/2020 to 31/12/2020
MS ROSA RODRÍGUEZ DÍAZ	Independent Director	From 01/01/2020 to 31/12/2020
MR GONZALO SOLANA GONZÁLEZ	Independent Director	From 01/01/2020 to 31/12/2020
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	Proprietary Director	From 01/01/2020 to 31/12/2020
MR IGNACIO GRANGEL VICENTE	Proprietary Director	From 01/01/2020 to 31/12/2020
MS EVA PATRICIA URBEZ SANZ	Independent Director	From 01/01/2020 to 31/12/2020
MR JOSÉ BLANCO LÓPEZ	Independent Director	From 01/01/2020 to 31/12/2020
MR JOSÉ MONTILLA AGUILERA	Independent Director	From 30/06/2020 to 31/12/2020
Don CRISTÓBAL JOSÉ GALLEGO CASTILLO	Independent Director	From 30/06/2020 to 31/12/2020





**C.1.** Complete the following tables regarding the individual remuneration accrued by each director (including remuneration received for the discharge of executive duties) during the year

a) Remuneration accrued at the reporting company:

i) Remuneration accrued in cash (in thousands of euros).

Name	Fixed remuneration	Per diems	Remuneration for membership of board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Termination benefits	Other items	Total 2020	Total 2019
MR ANTONIO LLARDÉN CARRATALÁ	100	30		1,000	600				1,730	1,694
MR MARCELINO OREJA ARBURÚA	100	30		500	300				930	912
MR ANTONIO HERNÁNDEZ MANCHA	100	35	25						160	160
MS ANA PALACIO VALLELERSUNDI	100	35	40					15	190	190
MR MARTÍ PARELLADA SABATA	100	35	25						160	160
MR SANTIAGO FERRER COSTA	100	35	25						160	160
MR LUIS GARCÍA DEL RÍO	100	35	25						160	160
MS ISABEL TOCINO BISCAROLASAGA	100	35	40						175	175
MS ROSA RODRÍGUEZ DÍAZ	100	35	25						160	160
MR GONZALO SOLANA GONZÁLEZ	100	35	25						160	160
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	100	35	25						160	160
MR IGNACIO GRANGEL VICENTE	100	35	25						160	160
MS EVA PATRICIA URBEZ SANZ	100	35	25						160	115
MR JOSÉ BLANCO LÓPEZ	45	16	8						69	
MR JOSÉ MONTILLA AGUILERA	45	16	8						69	
MR CRISTÓBAL JOSÉ GALLEGO CASTILLO	45	16	8						69	

**Observations**



ii) Table of movements in remuneration systems based on shares and gross profit of shares or consolidated financial instruments.

Name	Name of the Plan	Financial instruments at the beginning of 2020		Financial instruments granted during financial year 2020		Financial instruments consolidated during the financial year			Financial instruments maturing but not exercised	Financial instruments at the end of 2020	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent / consolidated shares	Price of the consolidated shares	Gross profit of consolidated shares or financial instruments (thousands of euros)	No. of instruments	No. of instruments
Mr ANTONIO LLARDÉN CARRATALÁ	Long-term incentive plan	79,090	79,090					0.00		79,090	79,090
Mr MARCELINO OREJA ARBURÚA	Long-term incentive plan	39,545	39,545					0.00		39,545	39,545
Mr ANTONIO HERNÁNDEZ MANCHA	Plan							0.00			
Ms ANA PALACIO VALLELERSUNDI	Plan							0.00			
Mr MARTÍ PARELLADA SABATA	Plan							0.00			
Mr SANTIAGO FERRER COSTA	Plan							0.00			
Mr LUIS GARCÍA DEL RÍO	Plan							0.00			
Ms ISABEL TOCINO BISCAROLASAGA	Plan							0.00			
Ms ROSA RODRÍGUEZ DÍAZ	Plan							0.00			
Mr GONZALO SOLANA GONZÁLEZ	Plan							0.00			
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	Plan							0.00			
Mr IGNACIO GRANGEL VICENTE	Plan							0.00			
Ms EVA PATRICIA URBEZ SANZ	Plan							0.00			
Mr JOSÉ BLANCO LÓPEZ	Plan							0.00			
Mr JOSÉ MONTILLA AGUILERA	Plan							0.00			
Mr CRISTÓBAL JOSÉ GALLEGO CASTILLO	Plan							0.00			

**Observations**



iii) Long-term savings schemes.

Name	Remuneration through consolidation of rights to savings schemes
Mr ANTONIO LLARDÉN CARRATALÁ	236
Mr MARCELINO OREJA ARBURÚA	136
Mr ANTONIO HERNÁNDEZ MANCHA	
Ms ANA PALACIO VALLELERSUNDI	
Mr MARTÍ PARELLADA SABATA	
Mr SANTIAGO FERRER COSTA	
Mr LUIS GARCÍA DEL RÍO	
Ms ISABEL TOCINO BISCAROLASAGA	
Ms ROSA RODRÍGUEZ DÍAZ	
Mr GONZALO SOLANA GONZÁLEZ	
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	
Mr IGNACIO GRANGEL VICENTE	
Ms EVA PATRICIA URBEZ SANZ	
Mr JOSÉ BLANCO LÓPEZ	
Mr JOSÉ MONTILLA AGUILERA	
Mr CRISTÓBAL JOSÉ GALLEGO CASTILLO	

Name	Contribution by the company in the year (thousands of euros)				Cumulative amount of funds (thousands of euros)			
	Savings schemes with consolidated economic rights		Savings schemes with unconsolidated economic rights		Savings schemes with consolidated economic rights		Savings schemes with unconsolidated economic rights	
	2020	2019	2020	2019	2020	2019	2020	2019
Mr ANTONIO LLARDÉN CARRATALÁ	236	246			2,981	2,825		
Mr MARCELINO OREJA ARBURÚA	136	160			742	635		
Mr ANTONIO HERNÁNDEZ MANCHA								
Ms ANA PALACIO VALLELERSUNDI								
Mr MARTÍ PARELLADA SABATA								
Mr SANTIAGO FERRER COSTA								
Mr LUIS GARCÍA DEL RÍO								
Ms ISABEL TOCINO BISCAROLASAGA								
Ms ROSA RODRÍGUEZ DÍAZ								
Mr GONZALO SOLANA GONZÁLEZ								
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)								
Mr IGNACIO GRANGEL VICENTE								
Ms EVA PATRICIA URBEZ SANZ								
Mr JOSÉ BLANCO LÓPEZ								
Mr JOSÉ MONTILLA AGUILERA								
Mr CRISTÓBAL JOSÉ GALLEGO CASTILLO								

**Observations**



iv) Details of other items

Name	Category	Remuneration amount
Mr ANTONIO LLARDÉN CARRATALÁ	Life insurance premium	66
Mr MARCELINO OREJA ARBURÚA	Life insurance premium	1
Mr ANTONIO HERNÁNDEZ MANCHA	Category	
Ms ANA PALACIO VALLELERSUNDI	Category	
Mr MARTÍ PARELLADA SABATA	Category	
Mr SANTIAGO FERRER COSTA	Category	
Mr LUIS GARCÍA DEL RÍO	Category	
Ms ISABEL TOCINO BISCAROLASAGA	Category	
Ms ROSA RODRÍGUEZ DÍAZ	Category	
Mr GONZALO SOLANA GONZÁLEZ	Category	
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	Category	
Mr IGNACIO GRANGEL VICENTE	Category	
Ms EVA PATRICIA URBEZ SANZ	Category	
Mr JOSÉ BLANCO LÓPEZ	Category	
Mr JOSÉ MONTILLA AGUILERA	Category	
Mr CRISTÓBAL JOSÉ GALLEGU CASTILLO	Category	

**Observations**

b) Remuneration accrued by directors for sitting on the boards of other group companies: :

i) Remuneration accrued in cash (in thousands of euros)

Name	Fixed remuneration	Per diems	Remuneration for membership of board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Termination benefits	Other items	Total 2020	Total 2019
Mr ANTONIO LLARDÉN CARRATALÁ										
Mr MARCELINO OREJA ARBURÚA										
Mr ANTONIO HERNÁNDEZ MANCHA										
Ms ANA PALACIO VALLELERSUNDI										
Mr MARTÍ PARELLADA SABATA										
Mr SANTIAGO FERRER COSTA										
Mr LUIS GARCÍA DEL RÍO										
Ms ISABEL TOCINO BISCAROLASAGA										
Ms ROSA RODRÍGUEZ DÍAZ										
Mr GONZALO SOLANA GONZÁLEZ										
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)										
Mr IGNACIO GRANGEL VICENTE										
Ms EVA PATRICIA URBEZ SANZ										
Mr JOSÉ BLANCO LÓPEZ										
Mr JOSÉ MONTILLA AGUILERA										
Mr CRISTÓBAL JOSÉ GALLEGU CASTILLO										

**Observations**



ii) Table of movements in remuneration systems based on shares and gross profit of shares or consolidated financial instruments.

Name	Name of the Plan	Financial instruments at the beginning of 2020		Financial instruments granted during financial year 2020			Financial instruments consolidated during the financial year			Instruments maturing but not exercised	Financial instruments at the end of 2020	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent / consolidated shares	Price of the consolidated shares	Gross profit of consolidated shares or financial instruments (thousands of euros)	No. of instruments	No. of instruments	No. of equivalent shares
Mr ANTONIO LLARDÉN CARRATALÁ	Plan							0.00				
Mr MARCELINO OREJA ARBURÚA	Plan							0.00				
Mr ANTONIO HERNÁNDEZ MANCHA	Plan							0.00				
Ms ANA PALACIO VALLELERSUNDI	Plan							0.00				
Mr MARTÍ PARELLADA SABATA	Plan							0.00				
Mr SANTIAGO FERRER COSTA	Plan							0.00				
Mr LUIS GARCÍA DEL RÍO	Plan							0.00				
Ms ISABEL TOCINO BISCAROLASAGA	Plan							0.00				
Ms ROSA RODRÍGUEZ DÍAZ	Plan							0.00				
Mr GONZALO SOLANA GONZÁLEZ	Plan							0.00				
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	Plan							0.00				
Mr IGNACIO GRANGEL VICENTE	Plan							0.00				
Ms EVA PATRICIA URBEZ SANZ	Plan							0.00				
Mr JOSÉ BLANCO LÓPEZ	Plan							0.00				
Mr JOSÉ MONTILLA AGUILERA	Plan							0.00				
Mr CRISTÓBAL JOSÉ GALLEGO CASTILLO	Plan							0.00				

**Observations**



iii) Long-term savings schemes.

**Remuneration through consolidation of rights to savings schemes**

Name
Mr ANTONIO LLARDÉN CARRATALÁ
Mr MARCELINO OREJA ARBURÚA
Mr ANTONIO HERNÁNDEZ MANCHA
Ms ANA PALACIO VALLELERSUNDI
Mr MARTÍ PARELLADA SABATA
Mr SANTIAGO FERRER COSTA
Mr LUIS GARCÍA DEL RÍO
Ms ISABEL TOCINO BISCAROLASAGA
Ms ROSA RODRÍGUEZ DÍAZ
Mr GONZALO SOLANA GONZÁLEZ
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)
Mr IGNACIO GRANGEL VICENTE
Ms EVA PATRICIA URBEZ SANZ
Mr JOSÉ BLANCO LÓPEZ
Mr JOSÉ MONTILLA AGUILERA
Mr CRISTÓBAL JOSÉ GALLEGU CASTILLO

Name	Contribution by the company in the year (thousands of euros)				Cumulative amount of funds (thousands of euros)			
	Savings schemes with consolidated economic rights		Savings schemes with unconsolidated economic rights		Savings schemes with consolidated economic rights		Savings schemes with unconsolidated economic rights	
	2020	2019	2020	2019	2020	2019	2020	2019
Mr ANTONIO LLARDÉN CARRATALÁ								
Mr MARCELINO OREJA ARBURÚA								
Mr ANTONIO HERNÁNDEZ MANCHA								
Ms ANA PALACIO VALLELERSUNDI								
Mr MARTÍ PARELLADA SABATA								
Mr SANTIAGO FERRER COSTA								
Mr LUIS GARCÍA DEL RÍO								
Ms ISABEL TOCINO BISCAROLASAGA								
Ms ROSA RODRÍGUEZ DÍAZ								
Mr GONZALO SOLANA GONZÁLEZ								
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)								
Mr IGNACIO GRANGEL VICENTE								
Ms EVA PATRICIA URBEZ SANZ								
Mr JOSÉ BLANCO LÓPEZ								
Mr JOSÉ MONTILLA AGUILERA								
Mr CRISTÓBAL JOSÉ GALLEGU CASTILLO								

**Observations**

iv) Details of other items

Name	Category	Remuneration amount
Mr ANTONIO LLARDÉN CARRATALÁ	Category	
Mr MARCELINO OREJA ARBURÚA	Category	
Mr ANTONIO HERNÁNDEZ MANCHA	Category	
Ms ANA PALACIO VALLELERSUNDI	Category	
Mr MARTÍ PARELLADA SABATA	Category	
Mr SANTIAGO FERRER COSTA	Category	
Mr LUIS GARCÍA DEL RÍO	Category	
Ms ISABEL TOCINO BISCAROLASAGA	Category	
Ms ROSA RODRÍGUEZ DÍAZ	Category	
Mr GONZALO SOLANA GONZÁLEZ	Category	
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	Category	
Mr IGNACIO GRANGEL VICENTE	Category	
Ms EVA PATRICIA URBEZ SANZ	Category	
Mr JOSÉ BLANCO LÓPEZ	Category	
Mr JOSÉ MONTILLA AGUILERA	Category	
Mr CRISTÓBAL JOSÉ GALLEGU CASTILLO	Category	



c) Summary of remuneration (in thousands of euros):

Should include amounts for all remuneration components referred to in the present report accrued by the director, in thousands of euros.

Name	Remuneration accrued in the Company				Remuneration accrued in group companies				Total 2020 company + group	
	Total remuneration in cash	Gross profit of consolidated shares or financial instruments	Remuneration through savings schemes	Remuneration through other items	Total 2020	Total remuneration in cash	Gross profit of consolidated shares or financial instruments	Remuneration through savings schemes		Remuneration through other items
Mr ANTONIO LLARDÉN CARRATALÁ	1,730		236	222	2,188					2,188
Mr MARCELINO OREJA ARBURÚA	930		136	28	1,094					1,094
Mr ANTONIO HERNÁNDEZ MANCHA	160				160					160
Ms ANA PALACIO VALLELERSUNDI	190				190					190
Mr MARTÍ PARELLADA SABATA	160				160					160
Mr SANTIAGO FERRER COSTA	160				160					160
Mr LUIS GARCÍA DEL RÍO	160				160					160
Ms ISABEL TOCINO BISCAROLASAGA	175				175					175
Ms ROSA RODRÍGUEZ DÍAZ	160				160					160
Mr GONZALO SOLANA GONZÁLEZ	160				160					160
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	160				160					160
Mr IGNACIO GRANGEL VICENTE	160				160					160
Ms EVA PATRICIA URBEZ SANZ	160				160					160
Mr JOSÉ BLANCO LÓPEZ	69				69					69
Mr JOSÉ MONTILLA AGUILERA	69				69					69
Mr CRISTÓBAL JOSÉ GALLEGU CASTILLO	69				69					69
<b>TOTAL</b>	<b>4,672</b>		<b>372</b>	<b>250</b>	<b>5,294</b>					<b>5,294</b>

Observations

Of the 222,000 euros under the heading "through other items" of the remuneration paid to Mr Antonio Llardén Carratalá, 156,000 euros correspond to remuneration in kind and 66,000 euros to the life insurance premium. In the case of the remuneration paid to Mr Marcelino Oreja Arburúa, of the 28,000 euros under the heading "through other items", 27,000 correspond to remuneration in kind and 900 to the life insurance premium.



## D. OTHER INFORMATION OF INTEREST

If any material aspect of directors' remuneration exists that has not been addressed in this report, which you feel is necessary to provide a fuller view of the company's director remuneration practices, please explain these details briefly.

Not applicable

This Annual Report on Directors' Remuneration was approved by the company's board of directors at its meeting held on:

22/02/2021

List whether any directors voted against or abstained from voting on the approval of this Report.

Yes    No

### Name or corporate name of board members who voted against or abstained from voting on the approval of this report

### reasons (voted against, abstention, non-attendance)

### Explain the reasons

Mr CRISTÓBAL JOSÉ GALLEGO CASTILLO	Abstention	Waits for more knowledge of the retribution system.
Mr SANTIAGO FERRER COSTA	Abstention	Mr Santiago Ferrer Costa, Proprietary Director at the proposal of the shareholder Sociedad Estatal de Participaciones Industriales (SEPI), abstained from voting on the current report, expressing that the SEPI Board of Directors must determine whether SEPI's vote, as an Enagás, S.A. shareholder, matters on this and other proposals for discussion at the 2021 General Shareholders' Meeting.
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	Abstention	Mr Bartolomé Lora Toro, representative, who is a natural person, of the legal person Sociedad Estatal de Participaciones Industriales (SEPI), abstained from voting on the current report, expressing that the SEPI Board of Directors must determine whether SEPI's vote, as an Enagás, S.A. shareholder, matters on this and other proposals for discussion at the 2021 General Shareholders' Meeting.





# Appendix

## Appendix 1. 2019-2021 Long-Term Incentive Plan Targets

Strategic priorities	Targets	Minimum (75%)	Target (100%)	Maximum (125%)	Weight
<b>Shareholder remuneration</b>	Guarantee of <b>Total Return for Enagás Shareholders (TSR)</b> . • <b>Relative TSR:</b> Enagás position in the ranking of the Comparison Group. (REE, SNAM, TERNA, NATIONAL GRID, REN, IBERDROLA, NATURGY, ENEL, RWE, E.ON, ENGIE, CÉNTRICA, UNITED UTILITIES, SEVERN TRENT, PENNON GROUP). • <b>Absolute TSR.</b>	• 8th (40%) • 23.5 €/share	• 5th (104%) • 24.3 €/share	• 1st-4th (125%) • 25.2 €/acción	30% (15%/ 15%)
<b>Regulated assets</b>	Consolidation of cash flows as a driver for solvency and ensuring a dividend payment for Enagás shareholders. • Accumulated results corresponding to the <b>Company's Funds From Operations (FFO)</b>	2,079 M€	2,110 M€	2,140 M€	25%
<b>International growth</b>	<b>Consolidation of cash flows contributed by affiliates to the shareholder (Enagás Group)</b> • <b>Accumulated cash flows received from affiliates (Dividend)</b>	292 M€	353 M€	413 M€	35%
<b>Sustainability</b>	Guarantee of sustainable and organic growth through the fulfilment of initiatives contained in the <b>Sustainability Plan</b> . • Average reduction in CO <sub>2</sub> emissions in the 2019-2021 period vs. 2018. • Percentage of women on: • the Board of Directors • Pre-executive and executive positions • Workforce • Investment associated with the increased presence of renewable gases in the energy mix.	• 5% • 25% • 30% • 30% • 15 M€	• 5.5% • 30% • 35% • 35% • 20 M€	• 7.5% • 35% • 40% • 40% • 25 M€	10%

## Appendix 2. 2020 Company Targets – Enagás S.A.

Strategic guidelines	Targets	Annual targets	Indicators	Target value	Weight	Result	Percentage achieved
DE1. Shareholder remuneration	C1: Improve Company Financial Performance	a) Net profit growth	a) Net profit at December 31, 2020	a) 440M€	30%	a) 444M€	100%
DE2. Regulated assets	C2: Strengthening Regulated Revenues	a) Efficiency b) Small scale development c) Digitalisation promotion	a.) Gas Assets Department operating margin a.) Preparation of proposals for the interests of Enagás b.) Origination of demand and service quality b.) Preparation of virtual gas pipeline proposal and sustainability analysis c) Fulfilment of identified cross-cutting digital initiatives	a1) 41% a2) 3 proposals b1) 700 GWh b2) 100% c) 100%	20%	a.) 42,6% a.) 100% b.) 965 Gwh b.) 100% c) 100%	100%
DE3. International growth	C3: Consolidation of the Company's Strategic Plan	a) Consolidation of international business b) Diversification, Rendering of services and Entrepreneurship	a.) Monitoring of business drivers in the markets where present a.) Identification and development of new business opportunities a.) Fulfilment of the subsidiaries' business plan and growth promotion (fulfilment of budget and business plan) b.) Investments and actions to promote hydrogen and other renewable gases and undertaking actions associated with Fibre Optics and Services projects b.) Fulfilment of the Enagás Emprede action plan	a1) 100% a2) 100% a3) 100% b1) 100% b2) 100%	25%	a.) 100% a.) 100% a.) 70% b.) 100% b.) 98%	92%
DE4. Sustainability	C4: Sustainability and Good Governance	a) Enagás Positioning vis-à-vis socially responsible investors b) Action on climate change c) People and culture: c1) Diversity and equal opportunities c2) Fostering people and cultural transformation	a) Sustained presence on sustainability indexes (DJSI) b.) Emission reduction (CO <sub>2</sub> e, GHG and CH <sub>4</sub> ) b.) Undertaking promotion projects c.) Percentage of women in managerial and pre-managerial positions and degree of achievement regarding the associated action plan c.) Degree of achievement regarding the Strategic Plan for People and Resources and the Agility Programme	a) Sustained presence on DJSI b1) 276,913 t CO <sub>2</sub> e (GHG) and 46,706 t CO <sub>2</sub> e (CH <sub>4</sub> ) b2) 100% c1) 35% and 90% c2) 90% and 90%	15%	a) Sustained presence on DJSI b.) 209,968 t CO <sub>2</sub> e (GHG) / 44,021 t CO <sub>2</sub> e (CH <sub>4</sub> ) b.) 100% c.) 37,1% and 100% c.) 99% and 100%	100%
DE5. COVID	C5: Managing the COVID-19 crisis	a) Company response to the COVID-19 situation. Contingency plans b) Actions to improve resilience c) Crisis management assessment	a) Implementation of contingency plans associated with people, infrastructure, security of supply and stakeholders. b) Achievement of initiatives regarding people (new ways of working), infrastructure and security of supply c) Qualitative evaluation of crisis management regarding the impact of COVID-19 on sustainability and stakeholders	a) 100 % b) 100% c) Approval by the Board of Directors, Chairman and CEO	10%	a) 100 % b) 100% c) 100%	100%