



REPORT ON THE FUNCTIONING
OF THE APPOINTMENTS,
REMUNERATION AND
CORPORATE GOVERNANCE
COMMITTEE OF NATURGY
ENERGY GROUP, S.A. DURING
FINANCIAL YEAR 2022.



The Board of Directors, pursuant to Recommendation N^o. 36 of the Unified Code of Good Governance, Article 8 of the Regulations of the Board of Directors and its Committees and Article 529 nonies of the Spanish Corporate Enterprises Act, is required to conduct an annual assessment of the quality and effective functioning of the Board itself and of its Committees, following a report from the same. In financial year 2022, the assessment process was carried out in-house.

Accordingly, this report on the Appointments, Remuneration and Corporate Governance Committee is issued in light of the following considerations and conclusions:

I.- BACKGROUND AND LEGAL REGULATIONS

The Articles of Association of Naturgy Energy Group SA establish in Article 8 that the Company shall have an Appointments, Remuneration and Corporate Governance Committee, setting forth the basic characteristics of the same with respect to their composition and functioning. Article 25 of the Regulation of the Board alludes to the Appointments, Remuneration and Corporate Governance Committee, underscoring, amongst other provisions, that it shall have the powers and functions provided for under the Law as well as the general or specific powers and functions delegated thereto by the Board of the Directors. The Board of Directors at its meeting on 24 November 2020 adopted a decision supplementing this list.

II.- KEY FACTS

In addition to its regular supervisory functions, the Committee dealt with the following relevant matters during 2022:

- The process of filling two vacancies to be covered by the right of proportional representation exercised by the significant shareholders Criteria Caixa and IFM Global Infrastructure Fund.
- The new configuration of the Board of Directors' Committees due to the reduction in the number of independent directors.
- Analysis and assessment of the implications of the Gemini Project..

III.- COMPOSITION OF THE APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE

The Appointments, Remuneration and Corporate Governance Committee has changed its composition in 2022 as a result of the reduction in the number of independent directors from 5 to 3, due to the considerable reduction in the company's free float and the exercise of the right to proportional representation by two significant shareholders, and is now composed of five directors and a non-director secretary. The Chairman is an independent director.

As at 31 December 2022, the distribution of positions on the Nomination, Remuneration and Corporate Governance Committee was as follows:



Chairman:	Mr. Pedro Sainz de Baranda Riva	Independent
Committee Members:	Mr. Claudio Santiago Ponsa	Independent
	Mr. Rajaram Rao	Proprietary
	Mr. Enrique Alcántara García-Irazoqui	Proprietary
	Mr. Javier de Jaime Guijarro (RIOJA S.à.r.l.)	Proprietary
Secretary:	Mr. Manuel García Cobaleda	

The profile of each of the members is available on the website of the Company www.naturgy.com (Shareholders and Investors - Corporate Governance - Governing Bodies - Composition of the Board of Directors of NATURGY ENERGY GROUP, S.A.).

Taking into consideration the profiles of the members of the Commission during the year 2022, it can be concluded that its composition is balanced, with profiles that accredit extensive management experience in general and people management experience in particular, with knowledge of the energy sector and in matters of health and safety, financial vision and international vision.

In addition, it should also be noted that the extensive experience in the exercising of their management functions demonstrated by all the Members of the Appointments, Remuneration and Corporate Governance Committee has fostered, high quality debates on issues submitted to this Committee for their deliberation, facilitating the adoption of best-interest decisions in this financial year of the duties that, in accordance with Article 529 quincecies of the Spanish Corporate Enterprises Law were delegated to the Appointments, Remuneration and Corporate Governance Committee.

IV.- POWERS AND FUNCTIONS

The Appointments, Remuneration and Corporate Governance Committee exercise the powers and functions that the Board of Directors, pursuant to the provisions set forth in Article 529 15 of the Spanish Corporate Enterprises Law, the Articles of Association and its Organisation and Functioning Regulation have assigned to them.

The Appointments, Remuneration and Corporate Governance Committee, in addition to the functions of the Spanish Corporate Enterprises Law exercises, in response to resolution of the Board of Directors on 24 November 2020, the following functions:

- Composition and operation of the Board: verify the policy for selecting directors, analyse the operation of the Committee itself and of the Board, propose the appointment of independent directors and report on proprietary directors, prepare a report in the event of the separation of an independent director, prepare a report in situations in which the actions of a director could damage the Company's reputation
- Remuneration: proposal for a remuneration policy, remuneration of the Board and the Executive Chairman, basic conditions for the main executives, observance of the Company's general remuneration policy
- Raise proposals and inform initiatives in the field of Corporate Governance.



- Supervising compliance with the company's corporate governance rules.

V.- FUNCTIONING

In compliance with that set forth in Article 25 of the Regulation, the Appointments, Remuneration and Corporate Governance Committee shall meet when necessary for submitting reports and proposals within the scope of their competency, when deemed appropriate by its Chairman or on prior request by two (2) of its members.

The Secretary of the Appointments, Remuneration and Corporate Governance Committee has ordinarily called meetings with a notice period over that set out in the Regulation, following instructions from the Chairman and taking with them to the calls all-available information considered appropriate or relevant on the issues to be discussed.

During financial year 2022, the Nomination, Remuneration and Corporate Governance Committee met on 4 occasions and the attendance rate was 100%.

The Chief People Officer attended most of the Committee's meetings. The Committee has also benefited from the services of various external advisors, mainly in labour matters.

During the 2022 financial year, his work in the following areas stands out:

1 Corporate Governance:

The Committee has launched and coordinated the process of self-evaluation of the Board and its Committees, with a high degree of participation of the directors through qualitative comments, of which we can highlight the high evaluation obtained with respect to the functioning of the Board and its Committees, and particularly the references to the high professionalism and diversity of knowledge of the Directors.

2 Remuneration:

The Committee has been responsible for implementing the Directors' Remuneration Policy approved by the 2022 General Shareholders' Meeting, as well as supervising the remuneration policy of the management team.

It has also worked on the analysis of the implications of the Gemini Project on the remuneration of the Company's senior executives.



3 Appointments:

The Committee has reported favourably on the proposed appointments of the proprietary directors Jaime Siles Fernández Palacios at the proposal of IFM and Ramón Adell Ramón, at the proposal of Criteria Caixa

4 Supervision of the functions of the executive director:

The Committee has evaluated the performance of the executive director, at the beginning of the year to set their remuneration and on an ongoing basis during the year.

VI.- CONCLUSION

The Appointments, Remuneration and Corporate Governance Committee operated normally during financial year 2022, fully exercising its powers without interference and respecting both current legislation and the RCA itself. As far as the Chairman's performance of his duties is concerned, he has completely adjusted to the Company's requirements and requests.

**This assessment report of the functioning of the Appointments, Remuneration and Corporate Governance Committee corresponding to financial year 2022 was approved in the meeting held on 7 February 2023*