



Report on the functioning of  
the Audit and Control  
Committee of the Board of  
Directors of Naturgy Energy  
Group, S.A.  
during Financial Year 2022.



The Board of Directors, pursuant to Recommendation N°. 36 of the Unified Code of Good Governance, Article 8 of the Regulations of the organization and functioning 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 Audit and Control Committee is issued in light of the following considerations and conclusions:

## I.- BACKGROUND AND LEGAL REGULATIONS

The Articles of Association of Naturgy establish in Article 8 that the Company shall have an Audit Committee, setting forth the characteristics of the same with respect to its composition and functioning.

Article 26 of the Regulations of the Board of Directors specifies its competences which substantially coincide with those established by law. And the Board of Directors of 24 November 2020 and 21 December 2021 adopted two decision complementing this list.

In addition to complying with these legal requirements, the Regulation of the Committee follows the principles and recommendations for functioning established in the Code of Good Governance of Listed Companies approved by the Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores, or CNMV for short) of November 2020 and has taken into account the Technical Guide 3/2017, on Spanish Audit Committees for Public Interest Entities, of 27 June 2017.

## II.- KEY FACTS

In addition to regular oversight functions, e.g. on risk, cybersecurity or treasury shares, the Commission has addressed the following relevant issues during 2022:

- Implications of Project Geminis
- The independence of the External Auditor
- The authorisation of the provision of non-audit services by the external auditor
- Approval of the update of the Group's Crime Prevention Model



- Supervision of the Company's Whistleblowing Channel.
- Monitoring the work plan of the internal audit area.
- Monitoring of related-party transactions

### III.- COMPOSITION OF THE AUDIT COMMITTEE

The Audit and Control Committee is made up of five Directors and one Non-Member Secretary, the Independent Directors being the majority.

At 31 December 2022, positions on the Audit and Control Committee were arranged as follows:

<b>Chairman:</b>	Mr. Claudi Santiago Ponsa	Independent
<b>Committee Members:</b>	Mr. José Antonio Torre de Silva López de Letona (THEATRE DIRECTORSHIP SERVICES BETA, S.à.r.l)	Proprietary
	Mr. Pedro Sáinz de Baranda Riva	Independent
	Mr. Ramón Adell Ramón	Independent
	Mrs. Helena Herrero Starkie	Independent
<b>Secretary:</b>	Mr. Manuel García Cobaleda	

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

The composition of the Committee is particularly well-balanced, supported by the presence of profiles in regard to accounting and auditing, new technologies, legal, financial and risk management, including institutional.

### IV.- POWERS AND FUNCTIONS

The Audit and Control Committee exercises the powers entrusted to it by the Board of Directors within the framework of article 529.14 of the LSC, the Articles



of Association, its Rules of Organisation and Operation and the agreements of the Board of Directors of 24 November 2020 and 21 december 2021 :

- Report on related-party transactions to be approved by the general meeting or the board of directors and supervise the internal procedure established by the company for those whose approval has been delegated.
  - In regard to the information and control systems:
    - Supervise the preparation process and the integrity of the financial and non-financial information relating to the company and the control and management systems for financial and non-financial risks relating to the company, if applicable, to the group, including operational, technological, legal, social, environmental, political and reputational risks or risks related to corruption, reviewing compliance with regulatory requirements, the appropriate definition of the scope of consolidation and the correct application of accounting criteria.
    - Establish and supervise a mechanism that, while guaranteeing confidentiality and even anonymity, allows employees and other persons related to the company to communicate potentially significant irregularities, including financial and accounting irregularities, or irregularities of any other nature, related to the company that they notice within the company or its group.
    - Ensure in general that the policies and systems established for internal control are effectively applied in practice
- In relation to the internal auditor
- Ensuring the independence of the unit assuming the internal audit function
  - Setting the annual budget, approving the annual audit plan and supervising its monitoring, setting the fixed remuneration, setting and evaluating the variable remuneration and proposing it to the Executive Chairman for his dismissal and appointment. Contrary to the recommendation of the CNMV, it is considered more appropriate for this functional unit to be part of the Commission as a whole and not of the Chairman of the Commission, as it is the Commission and not its Chairman who exercises this set of competences.
  - Receive regular information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.



- With regard to the Compliance Officer
  - Ensuring the independence of the compliance unit
  - Setting the annual budget, approving the annual compliance plan and supervising its monitoring, setting the fixed remuneration, setting and evaluating the variable remuneration.
  - Receive regular information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
  
- In relation to the external auditor.
  - In the event of the external auditor resigning, examine the circumstances that may have caused it.
  - Ensure that the remuneration of the external auditor for its work does not compromise its quality or independence.
  - Supervise that the Company notifies the CNMV of the change of auditor and accompanies it with a statement regarding the possible existence of disagreements with the outgoing auditor and, if these have existed, their content.
  - Ensure that the external auditor holds an annual meeting with the Board of Directors in order to inform it of the work carried out and of the evolution of the Company's accounting situation and risks.
  - Ensure that the company and the external auditor comply with current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other regulations on auditor independence
  
- Additionally:
  - Analyse and inform the Board of Directors about the economic conditions and the impact on the accounts and, in particular, if applicable, about the exchange ratio, in relation to the operations of structural and corporate modifications that the Company plans to carry out.
  - Supervise the exercise of the internal control and risk management department's functions.
  - Supervision of compliance with the Codes of Conduct.

## V.- FUNCTIONING

In compliance with that set forth in Article 26 of the Regulation, the Audit and Control 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 of its members and at least four times a year.

The Audit and Control Committee has ordinarily called meetings within the minimum notice period set forth 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 addressed.

During 2022 the Audit and Control Committee has met on 8 occasions (one of them in writing and without a session) and the attendance rate is close to 100%.

At certain meetings the Company's senior executives from the supervisory and control areas were invited to give talks or presentations on matters relating to their competencies or to answer questions on matters within the scope of their competency that were raised by the Directors. The Internal Audit Manager and the Compliance Officer have attended most of the Committee meetings, and the external auditor has attended 3 meetings.

The self-assessment carried out this year, which highlighted the high degree of contributions from the directors through qualitative comments.

## VI.- RISK CONTROL

During the financial year 2022, the Audit and Control Committee has supervised the effectiveness of the internal control and risk management systems, ensuring that they identify the different types of risks and the measures to mitigate them and to address them in case they materialise.

In particular, it was briefed on the status of litigation, tax risks and cybersecurity risks as well as on the Company's risk map. The Committee paid particular attention to the risks arising from commodity developments and how they are reflected in accounting and market reporting..

In addition, during financial year 2022, the Committee monitored the effectiveness of the ICFR with the support of the Internal Audit unit and the External Auditor.

In 2022, given the volatility of the energy scenario, the main risks examined were those inherent to the activity carried out, such as: exposure to regulatory risks, fuel and pool volatility in Spain, exchange rate, interest rate, credit or counterparty risks.



## VII.- RELATIONSHIP WITH EXTERNAL AUDITOR

During 2022 and according to the resolution adopted by the General Shareholders' Meeting held on 9 March 2021, KMPG Auditores S.L. were appointed as the Accounts Auditor of the Company.

In order to comply with the functions established in letters e and f of section 4 of article 529 quaterdecies of the Capital Companies Act, the Audit and Control Committee has supervised all proposals to contract non-audit services with the Accounts Auditor to ensure that they were neither prohibited, nor incompatible with their work as auditors, nor did they compromise their independence, all in accordance with the limitations established in current legislation and in particular in article 16 of the Accounts Auditing Act.

The Internal Audit Department has been in charge of coordinating with the External Auditor the contracting needs of non-audit services that were required by the Company and subsequently informing the Audit and Control Committee in order to obtain its authorisation.

The Company's Internal Audit Manager periodically submitted to the Audit and Compliance Committee exhaustive information on the non-audit engagements requested by the Company, attaching in each case the auditors' letter of independence and the letter justifying the need for the service signed by the corresponding Director.

The Audit and Compliance Committee reviewed said documentation in order to obtain guarantees regarding the independence of the auditors, verifying that they did not fall within any of the grounds for incompatibility set out in the Audit Act, and that the services to be contracted were permitted as they were not related to the auditing of accounts.

In accordance with the exceptional procedure established by the Committee itself, in cases where the urgency of the engagement required it, it was the Chairman of the Committee who received the corresponding documentation and analysed that these were not prohibited services and that they did not compromise the independence of the auditors, authorising the engagement, although in all cases, the Chairman reported on the use of this power at the first meeting of the Audit and Compliance Committee held, where this decision was ratified.

It should be noted that as a result of the relations with the Accounts Auditor, and after analysing the non-audit work contracted and related services and the written confirmation of the Accounts Auditor on its independence, the Committee states



that it has not identified issues in the independence of the firm KPMG in the provision of its services, both those corresponding to the Accounts Auditor's work and those services provided additional to the accounts audit and associated services.

### VIII.- RELATED-PARTY TRANSACTIONS

a) Transactions approved by the Board of Directors, following a report from the Committee

In February 2022, the approval of a related-party transaction between Fundació Bancaria Caixa d'Estalvis i Pensions de Barcelona and Gas Natural Comercializadora for the contracting of various electricity supplies was submitted to this Committee for a prior report.

The Commission analysed the explanatory documentation of the aforementioned related-party transaction and carried out the following verifications before issuing a favourable report on the contracting of said transaction

- i) That the Board of Directors was competent to authorise this related-party transaction, given that the value of the contract was not equal to or greater than 10 % of the total assets according to the last annual balance sheet approved by the company.
- ii) That the terms and conditions of the offer are in line with the signals of offers to customers in a similar segment.

The Audit and Control Committee considered the above-mentioned transaction to be a fair and reasonable transaction from the point of view of the company and, if applicable, of the shareholders other than the related party, and reported favourably to the Board of Directors for approval of the related-party transaction.

b) Transactions approved by the Executive Chairman without a prior report from the Committee

The Board of Directors of Naturgy at its meeting held on 21 December 2021 agreed to delegate to the Executive Chairman or another director performing similar executive functions the power to approve the related-party transactions referred to in article 529. 4 duovicies, specifically:

- a) transactions between Naturgy Energy Group S.A. and the companies forming part of its group that are carried out within the scope of ordinary management and under market conditions;



b) transactions entered into under contracts whose standardised conditions are applied en masse to a large number of customers, are carried out at prices or rates established generally by the party acting as supplier of the good or service in question, and whose amount does not exceed 0.5% of the net turnover of the company.

On 27 June 2022, authorization was requested from the Executive Chairman to enter into a related-party transaction between Fundació Bancaria Caixa d'Estalvis i Pensions de Barcelona and Gas Natural Comercializadora for the contracting of various gas supplies between 1 July 2022 and 30 September 2025.

This is a contract whose standardized conditions apply to a large number of customers and whose amount does not exceed 0.5% of the company's turnover.

Prior to the issuance of this report, the Audit and Compliance Committee prepared an annual report detailing all transactions authorized in the period, including justification of the reasonableness of such transactions from the company's point of view, verifying the fairness and transparency of such transactions and, where applicable, compliance with the criteria applicable to the exceptions provided for in art. 529.4 duovicies LSC.

## IX.- CONCLUSION

The Audit and Control Committee has worked during financial year 2022 as expected, fully exercising their competencies without interference. With regard to the performance of the functions by the Chairman during the period, the same has conformed in full to the decisions of the Committee.

*\*This assessment report of the functioning of the Audit and Control Committee corresponding to financial year 2022 was approved in the meeting held on 6 february 2023.*