



**REPORT OF THE BOARD OF DIRECTORS IN
RELATION TO THE AMENDMENT THE
REGULATION ON THE ORGANISATION AND
FUNCTIONING OF THE BOARD OF
DIRECTORS OF NATURGY ENERGY GROUP,
S.A. AND ITS COMMITTEES**



The General Shareholders' Meeting is informed, in accordance with article 528 of the Corporate Enterprises Act, of the amendments made to the Regulations on the organization and functioning of the Board of Directors of NATURGY ENERGY GROUP, S.A. and its Committees agreed at the sessions of the Board of Directors on 21 December 2021 and 10 February 2022

Articles 3 and 7 of the Regulations have been amended to i) adapt the system for approving related-party transactions to the amendments introduced in the Corporate Enterprises Act and ii) to raise the materiality threshold for transactions for which the Board of Directors is competent.

Articles 3.I and 3.II have been amended to reflect the new provisions of the Corporate Enterprises Act regarding the approval of related-party transactions.

Articles 3.III and 7.4 of the Regulations on the organization and functioning of the Board of Directors and its Committees have also been amended with regard to the matters for which the Board of Directors is responsible for authorising, raising the approval thresholds for generic transactions and gas supplies, so that they will be approved by the Board by simple majority as from 300 M€ or by more than two thirds of votes as from 500 M€ (instead of 100 M€ and 200 M€ previously). The threshold for approval by simple majority for asset sales transactions is also raised from €50m to €100m in order to align them with asset purchases, and the threshold for approvals requiring more than two-thirds majority (in general transactions or procurement) is raised from €500m to €800m.

Finally, at the meeting held on 10 February 2022, the Board agreed to amend article 27 of the Regulations, regarding the composition of the Sustainability Committee, in order to eliminate the reference to the minimum number of independent directors that must form part of said Committee. This was due to the current shareholding structure of the Company, which has led to a significant reduction in the free float, resulting in a reduction in the number of independent directors from the current 5 to 3, in order to preserve the right to proportional representation of significant shareholders. Maintaining this configuration of the Sustainability Committee, in addition to making proportional



representation of significant shareholders impossible, would lead to an overload of work for the independent directors.

As a result, Article 3 of the Board's Regulations shall read as follows

ARTICLE 3.- Powers of the Board of Directors

Notwithstanding the representative and executive powers granted to the Chairman and to the delegated bodies or persons, as well as the effects that delegations and proxies conferred directly by the Company may have on third parties, a preliminary decision by the Board of Directors of Naturgy Energy Group, S.A. will be required in the following cases, with respect to the legal autonomy of the governing bodies of the companies of the Group in accordance with the legislation in the jurisdiction in which they operate:

I. Matters that may not be delegated:

- a) Those envisaged in the legislation as non-delegable.*
- b) The constitution, investment and monitoring of the management of staff pension plans and any other commitment to the same concerning the Company's long-term financial liabilities.*
- c) The appointment and dismissal of the directors who are directly answerable to the Board or any of its members, as well as the establishment of the conditions of their contracts, including their remuneration.*
- d) The matters subject to a supermajority referred to in paragraph 4 of article 7 of these Regulations.*
- e) The approval, subject to a report from the Audit Committee, of related-party transactions, except those whose competence has been attributed by law to the General Shareholders' Meeting.*

The board of directors may delegate the approval of related-party transactions under the terms established in the Corporate Enterprises Act.

II. Matters that cannot ordinarily be delegated, but that may be adopted by the delegated bodies or persons, owing to duly justified reasons of urgency and which must be ratified by the Board of Directors in the first meeting held after the adoption of the decision.

- a) The approval of the management objectives, the annual financing plan, the investments and financing policy, the corporate social responsibility policy.*
- b) The determination of the policy for the control and management of risks, including tax risks, and the supervision of the internal information and control systems.*



c) *The determination of the corporate governance policy of the Company and of the Group of which the Company is the parent company; the organization and functioning thereof and, in particular, the approval and modification of the Regulations thereof.*

d) *The approval of the financial information which, given its listed status, must be periodically published by the Company.*

e) *The definition of the structure of the group of companies of which the Company is the parent company.*

f) *The approval of all types of investments and operations that, by reason of the significant sum or the special characteristics thereof, constitute strategic operations or involve a change of strategy, or are subject to special tax or other risks, unless the approval thereof corresponds to the General Shareholders Meeting.*

g) *The approval of the creation or acquisition of shareholdings in other special purpose entities or companies registered in countries or territories that are considered to be tax havens, as well as any other analogous transactions or operations that, by reason of their complexity, may undermine the transparency of the Company and its Group.*

i) *The determination of the tax strategy of the Company.*

III. For the purpose of the provisions of section II f) above, operations of a significant sum shall be considered those whose economic magnitude exceeds the following thresholds:

a) *The approval of investments or the acquisition of assets of any nature, including contributions which are the consequence of any company transaction, of a sum equal to or greater than 100 million euros.*

b) *The transfer of shares in the capital of companies or other fixed assets by any Group company and, in general, the execution of asset transfer operations, whenever their value is equal to or greater than 50 million euros. The same limit shall apply for the granting of rights to trade names, trademarks, patents, technology or any type of industrial property belonging to any Group company.*

c) *The approval of financial operations to be executed by any Group company for a sum equal to or greater than 500 million euros.*

d) *The granting of guarantees for a sum equal to or greater than 100 million euros by companies belonging to the Group in order to guarantee the obligations of companies in which the Group holding is less than 75%.*

e) *The approval of gratuitous contributions to any company and, in particular, to any foundation, in addition to those which arise from patronage agreements, whenever their sum is greater than 100,000 euros.*



f) *The signing, modification, renewal, non- renewal or termination of gas supply contracts or any other type of contract for an amount equal to or greater than 300 million euros..*

g) *In general, the approval of any expense operation not included in the Budget and not envisaged in the above sections for a sum equal to or greater than 100 million euros.*

Unless a different system is approved when adopting the corresponding agreement, it shall be considered that a transaction does not require additional approval when its execution leads to a deviation of no more than 10% or 15 million euros over the amount authorised by the Board.

Capital investments, acquisitions or transfers of assets or expense operations that have been approved within the framework of the annual Budget shall not require the additional approval of the Board.

When required, the agreements of the Board of Directors shall be adopted prior to the report of the Committee competent in the matter.

The Chairman, the Managing Director(s) or the Secretary, shall implement the agreements adopted by the Board of Directors in accordance with this article, and shall communicate the authorisation or approval in the appropriate manner, issuing instructions to act in accordance with that agreed”

Article 7 of the Board's Regulations shall read as follows:.

“ARTICLE 7.- Conducting the meetings

1. The Board of Directors will be validly constituted whenever the majority of its members are in attendance, present or represented.

2. The Chairman will organise the discussion, seeking and encouraging the participation of all the Directors in the deliberations of the Board.

3. Each Director may grant a proxy to another Director, without this limiting the number of representations that each one can hold for their attendance at the Board of Directors Meeting. The representation of absent Directors may be granted by way of any written documentation, including any electronic means, addressed to the Chairman or Secretary of the Board prior to commencement of the meeting.

4. The agreements must be adopted with the vote of an absolute majority of the Board of Directors members in attendance, present or represented, unless the law, Articles of Association or these Regulations provide for a supermajority.

In particular, the favourable vote of more than two thirds of the Board of Directors in attendance, present or represented, shall be necessary for the valid adoption of resolutions regarding the following matters that are reserved for the plenary session of the Board and which therefore cannot be delegated:



a) *The acquisition or disposal of assets owned by the Company (regardless of the legal means used for this purpose and, in particular, even if carried out by way of merger, spin-off or other methods related to subsidiary companies) for a sum greater than 500,000,000 euros unless these are to be approved at the General Shareholders Meeting or is made in the implementation of the budget or strategic or business plan of the Company.*

b) *The approval of the annual budget and the strategic plan of the Company.*

c) *The modification of the dividend policy and the approval of a new one.*

d) *The signing, amendment, renewal, non-renewal or termination by the Company of financing or refinancing contracts for a sum greater than 500,000,000 euros.*

e) *The signing, amendment, renewal, non-renewal or termination by the Company of any material contract, other than those provided for in paragraph d) above, whose amount exceeds 500,000,000 euros in the case of gas supply contracts and 200,000,000 euros in the case of other contracts.*

f) *The material amendments in the accounting or tax policies of the Company, unless they are due to amendments in applicable law or as the result of compliance with guidelines and criteria established by the authorities competent in the matter.*

g) *The reformulation of the annual accounts of the Company, unless such reformulation is due to a legislative amendment or in order to comply with the guidelines and criteria laid down by the competent authorities in the matter.*

h) *The realization of capital investments (capex), not provided for in the annual budget of the Company, for more than 200,000,000 euros.*

i) *The amendment of the matters contained in paragraphs a) to i) above or the amendment of the supermajority voting established for any of them.*

5. *Any person that the Chairman deems appropriate may attend the meetings of the Board of Directors..”*

And Article 27 of the Regulations of the Council shall read as follows:

"ARTICLE 27.- The Sustainability Committee

"The Board may resolve to set up the Sustainability Committee, which shall consist of a



minimum of three and a maximum of six directors, appointed by the Board of Directors from among the non-executive directors, taking into account the knowledge, aptitudes and experience of the directors and the duties of the Committee. Its members shall retire when they cease to be Directors, or when so decided by the Board of Directors.

The Board of Directors shall elect the Chairman of the Committee, who shall be an Independent Director and shall not have a casting vote. The Secretary of the Committee shall be the Secretary of the Board of Directors, although the Deputy Secretary, if any, may act as Secretary of the Committee.

The Sustainability Committee shall have such powers as may be specifically entrusted to it by the Board of Directors.

The Committee, convened by its Chairman, shall meet when necessary to issue reports or proposals within its competence or when deemed appropriate by its Chairman or at the request of two of its members, and at least three times a year. The Committee may invite to its meetings any manager or employee it deems appropriate".

Madrid, 10 February 2022

The Board of Directors of NATURGY ENERGY GROUP, S.A.