



REPORT ON THE FUNCTIONING
OF THE APPOINTMENTS,
REMUNERATION AND
CORPORATE GOVERNANCE
COMMITTEE OF NATURGY
ENERGY GROUP, S.A. DURING
FINANCIAL YEAR 2021.



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 2021, 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. And the Board of Directors at its meeting on 24 November 2020 adopted a decision supplementing this list.

II.- KEY FACTS

In addition to the regular quarterly, half-yearly or annual oversight functions (e.g. on risk, cybersecurity or treasury shares), the Committee dealt with the following relevant matters during 2021:

- The process of filling the vacancy left by a Proprietary Director.
- The status of the Long Term Incentive (LTI) and its extension to cover the period of the Company's new Strategic Plan.

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

The composition of the Appointments, Remuneration and Corporate Governance Committee respects, in its structure and typology of its members, the guiding principles of Corporate Governance, fulfilling the recommendation that the majority of its members be Independent.



The Appointments, Remuneration and Corporate Governance Committee comprises seven (7) Directors and one (1) Non-member Secretary.

At 31 December 2021, positions on the Appointments, Remuneration and Corporate Governance Committee were arranged as follows:

Chairman:	Mr. Ramón Adell Ramón	Independent
Committee Members:	Mr. Francisco Belil Creixell	Independent
	Mr. Pedro Saínz de Baranda Riva	Independent
	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.).

The profiles of the members of the Committee during 2021 have provided a well-balanced composition with respect to the profiles of its members in such a way that there are profiles with extensive Management experience in general as well as People Management in particular, with knowledge of the Energy Sector and in matters involving Safety and Health, as well as having financial and international vision. Moreover, the presence of the previous Chairman of the Committee, Mr. Belil, assures the continuity of the work by the same.

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 2021 the Appointments, Remuneration and Corporate Governance Committee has met on eight (8) occasions and the attendance rate is close to 100%.



The business discussed at the meetings was rich and varied during the year, with the active involvement of all Directors, with most of the resolutions being unanimously adopted by those present at the meetings.

During 2021, the Committee have focused their activity in three areas:

1 Corporate Governance:

The Committee has implemented and coordinated the process of self-assessment of the Board, of which the high degree of contributions from directors through qualitative comments is noteworthy, agreeing to address the suggestions made by directors regarding i) improvements in the risk management framework in view of the new disclosure requirements and always in accordance with best practices, ii) reduction in the number of board meetings, iii) progress in the implementation of the Strategic Plan linked to renewable objectives and iv) increase the capacities of the Executive Director and the management team.

2 Remuneration:

The Committee has been responsible for implementing the Directors' Remuneration Policy approved by the 2021 General Shareholders' Meeting, as well as supervising the remuneration policy of the management team.

It has also worked on aligning the ILP of the Executive Chairman and other senior executives of the Company with the new Strategic Plan.

3 Appointments:

i) The Committee has reported favourably on the proposed appointment of the Proprietary Director Mr. Alcantara to replace Mr. Armenter.

VI.- CONCLUSION

The Appointments, Remuneration and Corporate Governance Committee operated normally during financial year 2021, 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.