

## GENERAL SHAREHOLDERS' MEETING

15 MARCH 2022

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### REPORT PREPARED BY THE BOARD OF DIRECTORS OF NATURGY ENERGY GROUP, S.A. FOR THE PURPOSES OF ARTICLES 286, 297 AND 506 OF THE CORPORATE ENTERPRISES ACT ON THE PROPOSED RESOLUTION AUTHORISING THE BOARD TO INCREASE THE SHARE CAPITAL, WITH THE POWER TO EXCLUDE PRE-EMPTIVE SUBSCRIPTION RIGHTS.

This report is prepared pursuant to the obligation established in article 286 of the Corporate Enterprises Act (hereinafter "LSC"), in conjunction with articles 297 and 506 of the said Act.

Pursuant to article 297.1 b) LSC, the General Shareholders' Meeting may, subject to the requirements established for the amendment of the Articles of Association, delegate to the Board of Directors the power to resolve on one or more occasions to increase the share capital up to a specific amount, at the time and in the amount decided by the Board of Directors, without prior consultation of the General Shareholders' Meeting. Such capital increase or increases may not exceed half of the share capital and must be carried out by means of cash contributions within a maximum period of five (5) years, in both cases taking the time of authorisation as a reference.

In addition, as permitted by article 506 LSC in the case of listed companies, when the General Shareholders' Meeting delegates to the directors the power to increase the share capital pursuant to the provisions of article 297. 1 b) referred to above, it may also grant them the power to exclude pre-emptive subscription rights in relation to the share issues that are the object of the delegation, when the interests of the Company so require, although this proposal for exclusion must be stated in the notice of the General Shareholders' Meeting and a report by the directors justifying the proposal must be made available to the shareholders.

The proposal to which this report refers also includes, as permitted by article 506 of the aforementioned Act, the power of the directors to exclude, in whole or in part, the pre-emptive subscription rights of the shareholders in relation to the share issues covered by this delegation, when the interests of the company so require, all in accordance with the terms of the aforementioned article 506 of the LSC.

In any event, it is expressly stated for the record that if, in use of the aforementioned powers, the Board of Directors decides to suppress the pre-emptive subscription right in relation to a specific share capital increase, it shall issue a Report detailing the specific reasons of corporate interest justifying such measure, which shall be the



subject of the correlative Auditor's Report referred to in article 506 of the LSC. Both reports shall be made available to the shareholders and communicated to the first General Shareholders' Meeting held after the resolution to increase the share capital, in accordance with the provisions of the aforementioned article.

### **Justification and timeliness of the proposed agreement**

The dynamics of any commercial company and, in particular, of companies whose shares are admitted to official trading, requires that their governing and administrative bodies have at all times the most suitable instruments at their disposal to respond adequately to the demands of the Company itself or the needs of the market in each case. These needs may include providing the Company with new economic resources to meet such demands, which may be obtained through new capital contributions.

In view of the current global economic situation and the high volatility of the markets, speed of execution is of particular importance and becomes a determining factor for the successful achievement of a potential raising of additional resources.

The LSC, in order to avoid difficulties such as not being able to foresee a priori the short or medium-term needs to increase share capital and having to go to the General Shareholders' Meeting to increase the amount of share capital, with the costs and delay that this would entail, thereby hindering a swift and effective response, allows, in Article 297. 1 b) allows the General Meeting of Shareholders to authorise the Board of Directors to increase the share capital, within certain limits, complying with a series of requirements, without prior consultation of the General Meeting, as well as the possibility of excluding the pre-emptive subscription right, in accordance with the provisions of article 506 LSC, in the event of reasons of corporate interest justifying such a measure.

Based on this legal possibility, frequently used by companies whose shares are admitted to official trading, the General Meeting of Shareholders held on 20 April 2017 authorised the Board of Directors to increase the share capital, once or several times, up to a maximum amount of € 500,344,670.- by issuing new ordinary, preference or redeemable shares, voting or non-voting, at par or with share premium.

The share capital currently stands at 969,613,801.-€, and it is proposed that the Board of Directors be delegated to authorise an increase in share capital up to the maximum amount corresponding to 50% of the share capital; consequently, the maximum authorised capital limit would amount to 484,806,900.-€ (amount equivalent to 50% of the share capital as at the date of this report).

Furthermore, in accordance with the provisions of article 506 LSC, the delegation to the Board of Directors to increase the capital referred to in this Report also includes the power to exclude, in whole or in part, the pre-emptive subscription rights of the shareholders in relation to the share issues agreed in the exercise of



the aforementioned delegation, when the interests of the Company so require, all in accordance with the terms of the aforementioned article.

The Board of Directors considers that this power to exclude pre-emptive subscription rights, as a complement to the power to increase capital, is justified, on the one hand, by the relative lowering of the costs associated with the transaction (including, in particular, the fees of the financial institutions participating in the issue) that such exclusion usually allows in comparison with an issue with pre-emptive subscription rights, and, on the other hand, by enabling the directors to be in a position to significantly increase the speed of action and response that is sometimes required in today's financial markets, allowing the Company to take advantage of times when market conditions are more favourable. In addition, the removal of pre-emptive subscription rights is less distortive to trading in the Company's shares during the issuance period, which is generally shorter than in a rights issue.

However, it should be noted that the exclusion of pre-emptive subscription rights is a power delegated by the General Meeting to the Board of Directors and that it is up to the Board of Directors to decide in each case whether or not to exclude pre-emptive subscription rights, taking into account the specific circumstances and in compliance with the legal requirements.

In the event that the Board of Directors decides to make use of the possibility of excluding the pre-emptive subscription right in relation to a specific capital increase that it may resolve to make use of the authorisation granted by the General Meeting of Shareholders, it shall issue, at the time the increase is resolved, a report explaining the specific reasons of corporate interest justifying the decision to exclude the right, which shall in turn be subject to the relevant auditors' report referred to in article 506 of the LSC. Both reports shall be made available to the shareholders and communicated to the first General Meeting held after the resolution to increase the share capital, in accordance with the provisions of the aforementioned article.

**Proposed resolution:**

**FOURTEEN.- Delegation to the Board of Directors of the power to carry out capital increases within the limit established in article 297.1.b) of the Capital Companies Act, within the legal period of five years from the date of this meeting, and with the power to exclude pre-emptive subscription rights, in whole or in part, in accordance with the provisions of article 506 of the Capital Companies Act.**

To delegate to the Board of Directors, as broadly as is legally necessary, the power to increase the share capital of the Company, in accordance with the provisions of article 297.1. b) of the Capital Companies Act, within the legal period of five years from the date of this General Meeting, up to the maximum amount corresponding to 50% of the



share capital of the Company at the time of this authorization, with the power to carry out the increase on one or more occasions, in the amount it decides, by issuing new voting or non-voting, ordinary or preference shares, including redeemable shares, or any other type of shares permitted by law, with or without a share premium, the consideration for such shares consisting of cash contributions; and may establish the terms and conditions of the capital increase, inter alia, determine the par value of the shares to be issued, the issue premium, their characteristics and any privileges conferred on them, the attribution of the right of redemption and the conditions thereof, as well as the exercise thereof by the Company.

Any capital increases resolved by the Board of Directors under this delegation of powers shall be carried out through the issue and flotation of new ordinary, preference or redeemable shares, voting or non-voting, or any other type, with a fixed or variable premium, or without premium, the consideration for which shall consist of cash contributions.

The Board of Directors may establish, in all matters not provided for in this delegation resolution, the terms and conditions of the capital increases, including, but not limited to, the characteristics of the shares, the type of issue, the investors and markets for which the increases are intended and the placement procedure, as well as freely offer the new shares that are not subscribed within the preferential subscription period or periods, in the event that this right is not excluded.

The Board of Directors may also provide that, in the event of incomplete subscription, the capital increase shall be without effect or that the share capital shall be increased only by the amount of the subscriptions made, as well as redraft Article 4 of the Articles of Association concerning the share capital and the number of outstanding shares, after each increase has been approved and implemented.

2.-The Board of Directors is also expressly empowered to:

(i) that, in accordance with the provisions of article 506 of the Capital Companies Act, it may exclude, in whole or in part, the shareholders' pre-emptive subscription rights, when the corporate interest so requires. In this case, the capital may be increased, once or several times, up to a maximum nominal amount equal to 20% of the share capital of the Company at the time of approval of this resolution.

(ii) to apply for admission to trading, continued listing and, if appropriate, delisting, on organised secondary markets, in Spain or abroad, of the shares that may be issued by virtue of this authorisation, taking the necessary or appropriate steps and actions before the competent bodies of the various national or foreign securities markets for admission to trading, continued listing and/or, if appropriate, delisting.



(iii) that, in turn, it may delegate or substitute the powers contained in this resolution.

(iv) to redraft the article of the Articles of Association relating to share capital once the increase has been agreed and implemented.

3.- This delegation entails the express revocation, insofar as it has not been used prior to the adoption of this resolution, of the delegation conferred on the Board of Directors, by virtue of the resolution adopted by the Ordinary General Shareholders' Meeting held on 20 April 2017, with a similar nature to that included in this point on the Agenda.”

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