

ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

IDENTIFICATION OF ISSUER

FINANCIAL YEAR REFERENCE DATE 31/12/2021

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Registered Name:

NATURGY ENERGY GROUP, S.A.

Registered Office:

Avenida de América, 38 – 28008 Madrid

A COMPANY REMUNERATION POLICY FOR THE CURRENT FINANCIAL YEAR

A.1.1 Explain the Remuneration Policy for Directors in force applicable to the current financial year. Insofar as it is relevant, certain information referring to the Remuneration Policy approved by the General Meeting for Shareholders may be included, as long as the same is clear, specific and concise.

The decisions specific to the current financial year should be described, including the remuneration of the Directors for their capacity as such as well as for exercising executive functions, that the Board may have carried out in accordance with that set forth in the contracts signed with the Executive Directors and with the Remuneration Policy approved by the General Meeting of Shareholders.

In any case, information should be given on the following aspects, at the very least:

- a. Description of the procedures and bodies of the Company involved in the determination and approval of the Remuneration Policy and its terms and conditions.**
- b. Indicate and, as the case may be, explain if comparable companies have been examined to establish the Company's Remuneration Policy.**
- c. Information on whether any External Consultant has participated and, as the case may be, the identity of the same.**
- d. Procedures under the existing directors' remuneration policy for applying temporary exceptions to the policy, the conditions under which such exceptions may be used and the components that may be subject to exception under the policy.**

In establishing its remuneration policies, the Company's objective, in accordance with article 9 of the Articles of Association, is to promote the long-term profitability and sustainability of the Company, through the generation of value in a sustained manner over time, ensuring transparency and competitiveness in its remuneration policy.

Article 9 of the Articles of Association also establishes a system of remuneration for directors for generic functions and for specifically executive or delegated functions.

The remuneration policy for directors is periodically reviewed by the Board of Directors following a report from the Appointments and Remuneration Committee, in order to keep it in line with best practices in the relevant market and with the objectives set out in the Articles of Association.

The remuneration policy in force at the date of preparation of this report is that approved at the Annual General Meeting held on 9 March 2021 for the period 2021-2023.

According to the current policy, remuneration for non-executive functions consists of a fixed remuneration package and may also be paid in shares or by reference to shares. The distribution of such remuneration, within the limit established in the Remuneration Policy, shall be made by the Board of Directors, and the remuneration may be different depending on the Committee or Committees to which each Director belongs and the dedication and responsibility required in each of the positions. It may also be different depending on the responsibility and functions that each Director assumes on the Board or on the Committees.

The Executive Chairman's remuneration for the performance of specifically executive or delegated functions consists of the following items:

- Basic fixed annual remuneration. This includes any remuneration received for membership of any administrative body of a company of the Naturgy group, except the parent company.

- Annual variable remuneration: this is based on 100% of the total annual fixed monetary remuneration and shall be adjusted according to the degree of achievement of objectives. Its receipt in cash may be

replaced each year by mutual agreement, in whole or in part, by a contribution to a social welfare system.

- Multi-year variable remuneration or Long-Term Incentive Programme (LTIP); linked to the profitability obtained by shareholders in the reference period, which substantially coincides with that of the 2018-2022 Strategic Plan.

- Other social benefits such as health insurance, company car, housing assistance, life and disability insurance, limited gas and electricity rebates and group savings insurance.

In addition to the above, the Board of Directors may establish other variable remuneration in the event of special transactions, both in terms of targets linked to their achievement and in terms of remuneration for the achievements obtained

The remuneration for executive and non-executive functions for the financial year 2022 was approved by the Board on 1 February 2022. The targets for the annual variable remuneration of the Executive Chairman were also set at this meeting. At its meeting of 25 November 2021, the Board of Directors approved the amendment of the ILP, among other aspects, to extend its ordinary duration from 31 July 2023 to 31 December 2025, in order to make it coincide with the duration of the Company's new Strategic Plan 2021-2025. This amendment is subject to the condition precedent of its approval by the Ordinary General Meeting of 2022. maintain his multi-year variable remuneration. rights in accordance with the LTI approved at the 2019 AGM, without modifications.

During the 2022 financial year and due to the changes in the remuneration of directors introduced by Law 5/2021, of 12 April, which amends the revised text of the Capital Companies Act, the Board, following a favourable report from the aforementioned Committee, has proposed to the next General Shareholders' Meeting to be held on 5 March 2019, the approval of a new Remuneration Policy that will be in force from the date of approval and for the following three financial years. This new Policy includes a remuneration scheme for directors for both executive and non-executive functions similar to the 2021-2023 Remuneration Policy, already explained in the preceding paragraphs, although, (a) it takes into account the new 2021-2025 Strategic Plan, which translates especially into the adaptation of the multi-year variable remuneration scheme for executive directors authorised by the 2019 General Shareholders' Meeting and (b) it incorporates all those references necessary to comply with the new wording of article 529 novodecies of the Spanish Companies Act, and (c) it includes all those references necessary to comply with the new wording of article 529 novodecies of the Spanish Companies Act. 529 novodecies of the Capital Companies Act, with regard to (i) their contribution to the business strategy and to the long-term interests and sustainability of the company, (ii) the express reference to the relative proportion of the different components of the remuneration, (iii) the explanation of how the remuneration and employment conditions of the company's employees have been taken into account when setting the remuneration policy and (iv) the explanation of the decision-making process followed for its determination.

The Appointments and Remuneration and Corporate Governance Committee has used the consultant PeopleMatters to compare the remuneration of other entities and to determine the remuneration of the management team and thus also of the executive chairman.

The Remuneration Policy in force at the date of this report does not provide for temporary exceptions..

A.1.2. Relative importance of the variable remuneration items in relation to fixed remuneration items (remuneration mix) and what criteria and objectives are followed to determine the different components of the Directors' remuneration package and for guaranteeing an appropriate balance between the fixed and variable components of the remuneration. In particular, explain the actions adopted by the Company in relation to the remuneration system to reduce exposure to excessive risks and adapt it to the long-term objectives, values and interests of the Company, which will include, where appropriate, reference to measures designed to ensure that the Remuneration Policy considers the long-term results of the Company, measures adopted for those categories of personnel whose professional activities have a material effect on the Company's risk profile and measures adopted to avoid conflicts of interest.

Likewise, indicate whether the Company has established a period for the accrual or consolidation of certain variable remuneration concepts, in cash, shares or other financial instruments, a period of deferral in the payment of amounts or delivery of financial instruments already accrued and consolidated, or whether any clause has been agreed upon to reduce deferred remuneration that has not yet been consolidated or that obliges the director to return the remuneration received, when such remuneration has been based on data whose inaccuracy has subsequently been clearly demonstrated.

The remuneration of the Executive Chairman, the only director who receives variable remuneration, is balanced into 3 main components designed with a similar weighting:

- A fixed component that is paid in all events, in a way that there is no exposure to risk.
- A variable component with a time horizon of one year, linked to specific, measurable business objectives that are recurrent and therefore avoid excessive risk-taking. This is reinforced by the fact the assessment of the same is performed once the Annual Accounts have been audited and submitted, and with a claw back clause for the 18 months following after receiving the variable annual remuneration.
- A variable component with a very long-term time horizon A variable component with a very long-term time horizon linked to the Company's Strategic Plan. Its inception dates back to 2018 and its expiry period will coincide with that of the 2021-2025 Strategic Plan, if ratified by the 2022 AGM, or otherwise it would expire in July 2023. Since this type of remuneration exceeds the norm, it moderates excessive risk-taking and provides more long-term value creation than usual. This remuneration component is linked to a minimum profitability threshold below which the surplus will not be distributed, even if there is one, and to a claw back clause during the 18 months following receipt of the plan.

Between the variable components there is a reasonable balance not only in terms of time horizon but also amount and even objectives since the annual variable remuneration leans towards operational objectives that consider the immediate interests of the Company, whilst multi-variable remuneration leans mainly towards the long-term interest of the Shareholders, in line with that established in the Articles of Association.

The annual variable remuneration is only decided on and paid once the audited Annual Accounts of the Company are made available to the Board of Directors and any qualifications in the report of the Company's external auditor that reduce these results will be taken into account. The Board of Directors is entitled not to consider these qualifications if there is a reasoning disagreement .

Both the annual variable remuneration as well as the multi-year variable remuneration have a claw-back system for eighteen (18) months from payment of the same.

- A.1.3 Amount and nature of the fixed components that are due to be paid in the financial year to Directors in their capacity as such.

The remuneration of the Directors for the financial year for non-executive functions consists in a yearly fixed allocation.

The amount of the remuneration for 2022 of the Directors for their status as such (non-executive functions) approved by the Board of Directors at its meeting of 1 February 2021, following a report from the Appointments, Remuneration and Corporate Governance Committee:

a) For Board membership

- Chairman of the Board of Directors: 1.100.000 €/year.
- Board Member: 175,000 €/year.
- Coordinating Director: 30.000 €/year

b) For Committees membership

- Committee Chairman: 66,000 €/year.
- Committee Member: 44,000 €/year.

A.1.4. Amount and nature of the fixed components that are to be paid in the financial year for exercising Senior Management functions by the Executive Directors.

In the meeting on 1 February 2022, the Board set the fixed component of the remuneration of the Executive Chairman at € 2.112.000 (fixed total annual monetary remuneration), including the remuneration that he receives for being a member of the governing body of NATURGY ENERGY GROUP S.A. This amount is therefore the sum of € 1.100.000 that he receives as Chairman of said Board of Directors for the exercising of non-executive functions and € 1.012.000 that he receives as annual fixed base remuneration for exercising executive or delegated functions.

A.1.5. Amount and nature of any remuneration component paid in cash in the financial year including, but not limited to insurance premiums paid in favour of the Director.

Explain cash remunerations

The Executive Chairman is beneficiary of an insurance policy for temporary disability (100% of the total gross annual fixed monetary remuneration he/she has been receiving, for up to eighteen (18) months). He is also beneficiary of an insurance policy that covers death or total permanent disability or severe disability, in which NATURGY ENERGY GROUP S.A. acts as the Policyholder, taking the age of the Executive Chairman as a base to calculate the yearly insurance premium and the sum insured, being the insurance company who establishes and communicates the said premium. The sum insured in the event that the contingencies covered occur (death, permanent or severe disability) is equivalent to three and a half (3.5) years' annuities of total annual gross fixed monetary remuneration

The Company takes out and pays a global premium for a joint civil liability insurance policy for all Board Members and Directors of NATURGY ENERGY GROUP, S.A. extending to both the Parent Company and the Group subsidiaries and affiliates and therefore also covers all the Directors of NATURGY ENERGY GROUP S.A. both executives and non-executives, in which the Directors are named as Insured Parties, to cover any liability they may incur when exercising their duties as Directors. In particular, the contract with the Executive Chairman stipulates the obligation that the Company has to take out a civil liability insurance.

Since the civil liability insurance is contracted globally the part attributable to the Directors as remuneration in cash can not be calculated.

The remuneration package of the Executive Chairman also includes the following items, similar to the rest of the members of Senior Management: medical healthcare, life, temporary disability and Group savings-linked insurance policies, company car, housing assistance and capped gas and electricity usage discounts.

A.1.6 Amount and nature of the variable components, differentiating between those established at short and long term. Financial and non-financial parameters, including in the latter, social, environmental and climatic change parameters, selected to determine the variable remuneration in the current financial year, explication on the extent to which these parameters correlate with the performance of the Board Members as well as the entity itself and with its risk profile, and the methodology, time required and planned techniques for being able to determine, at the end of the financial year, the effective rate of attainment of the parameters used in the design of the variable remuneration, explaining the criteria and factors it applies in terms of the time required and methods for verifying that the performance or other conditions attached to the accrual and consolidation of each component of variable remuneration have been effectively fulfilled.

Indicate the range in monetary terms of the different variable components depending on the rate of attainment of the objectives and parameters established, and if any maximum monetary amount exists in absolute terms.

Explain the variable components of the remuneration systems
<p>Directors do not receive this type of remuneration for exercising non-executive functions.</p> <p>For the Executive Chairman who exercised executive and delegated functions, the variable components of the remuneration system are the following:</p> <ul style="list-style-type: none"> - Annual variable remuneration <p>It is based on 100% of the total annual fixed monetary remuneration multiplied by the degree of achievement of objectives effectively reached during the year. It has a maximum degree of achievement of 150%. This remuneration will not be received if the degree of achievement does not reach 80%.</p> <p>The Executive Chairman may decide to substitute the payment of all or part of the annual variable remuneration for a company contribution to a social welfare system to be agreed upon on an annual basis.</p> <p>The targets and weightings are as follows:</p> <ul style="list-style-type: none"> - Operational efficiency weighted by 25%. - Ordinary Ebitda-Capex Maintenance weighted at 25%. - Ordinary net profit: weighted 25%. - Qualitative objectives weighted 15% <ul style="list-style-type: none"> - Assessment of qualitative factors by the Board 10% (commitment to the project, transformation, team work). - Contribution to business growth 5% - ESG weighted at 10% <ul style="list-style-type: none"> - Health and safety - Gender and diversity <p>- Multi-year variable remuneration:</p> <p>The Executive Chairman's multi-year variable remuneration is configured through a long-term incentive (LTI) in which, in addition to the Executive Chairman, 28 active executives participate. The long-term incentive was approved by the Board in June 2018 and ratified by the General Meeting of Shareholders held on 5 March 2019.</p> <p>In July 2021, the company approved the 2021-2025 Strategic Plan, which extends the planning horizon, and thus the long-term objectives for executives, to December 2025. Therefore, in accordance with the current Remuneration Policy, this obliges the Board of Directors to adapt the Incentive Plan and thus extend it by 50% of the initial period, as it was linked to the previous Strategic Plan 2018-2022 which expired two and a half years earlier,</p>

The Board of Directors has decided to extend the ordinary expiry of the current ILP from 31 July 2023 to 31 December 2025. For this adaptation of the ILP, the Board of Directors has approved a new Regulation identical to the previous one except for the duration and the powers of the Board of Directors in the management of the Incentive Plan.

The Board has carried out all the necessary preparatory work, including the consent to the extension of the term by all directors - also establishing a liquidity amount for such extension, and subject to the condition precedent that the amendment be approved by Naturgy's 2022 Shareholders' Meeting. The amount corresponding in the case of the Executive Chairman for all amendments to the current ILP regulations and their term extension is €1,548,966 for each of the years 2021 and 2022.

In the event that the General Meeting decides not to approve the modification of the incentive or if 30 June 2022 arrives without it being approved, the executive Chairman will not receive the amounts for modification of the scheme and will maintain his multi-year variable remuneration rights in accordance with the LTI approved at the 2019 Shareholders' Meeting, without modifications and expiring in July 2023. In the event that the shareholders' meeting does approve the amendment, such amounts will be deducted from the final settlement of the incentive, if applicable.

Notwithstanding the fact that the detail of the incentive is also set out in the 2019 AGM resolution and in the proposed 2022 AGM resolution, its characteristics are:

The incentive covers the period of the 2022-2025 Strategic Plan, ordinarily expiring in December 2025 and is related to the total return obtained by NATURGY ENERGY GROUP S.A. shareholders.

It is instrumented through the acquisition of a package of NATURGY shares by a wholly-owned company that may generate a surplus. This surplus, if any, is the incentive to be delivered to the participants.

Only the surplus value generated will be received as a multi-year variable incentive and only if the pre-set minimum profitability threshold has been exceeded, which implies a share price of €19.15 at the time of maturity of the LTI and assuming that all dividends envisaged in the 2022-2025 Strategic Plan (and those actually distributed in the 2018-2022 Plan) are paid out. This is consistent with the return requirements associated with financial discipline and contained in the Strategic Plan and is higher than the share price on the day of appointment of the Executive Chairman (6 February 2018, €17.69). Therefore, even if the holding company were to have a positive result, if this threshold is not reached, the amount of the ILP would be zero.

The ILP includes a claw back clause during the 18 months following receipt of the incentive in the event of a material change in the annual accounts that significantly affects the share price.

In addition, and in accordance with the internal regulations governing the ILP, this remuneration mechanism includes a recommendation for its beneficiaries by virtue of which, at the end of the period of validity, they must have acquired or, as the case may be, must hold a package of Naturgy shares whose value reaches at least half of the gross annual fixed remuneration.

The Appointments, Remuneration and Corporate Governance Committee shall annually verify the volume of shares held by each beneficiary.

The Board of Directors, at the reasoned proposal of the Nomination, Remuneration and Corporate Governance Committee, may adopt such decisions as it deems necessary for the administration, interpretation, correction, development or continuity of the incentive scheme in the event of substantial changes in the circumstances of the Plan, taking into account the corporate interest of the Company and the objectives of the Plan.

The Board of Directors may adopt such decisions as it deems necessary to keep the multi-year variable remuneration scheme in line with the Strategic Plan in force at any given time, carrying out such preparatory work as may be necessary before submitting any amendments requiring such approval to the General Meeting of Shareholders for approval.

In the event of leaving the Company before the end of the plan, the executive chairman shall lose his rights in the event of voluntary termination of his duties or serious breach and shall maintain them in the event of retirement, disability, death or termination not attributable to him, although in the event of maintaining them, he shall only be entitled to the incentive that finally results in the proportional part of his time spent with respect to the duration of the Plan.

A.1.7. Main features of long-term saving schemes. Amongst other information, explain the contingencies covered by the scheme, whether contribution or defined benefit, the contribution per year to be made to defined contribution scheme, the benefit to which the beneficiaries have the right in the case of defined benefit schemes, the terms and conditions of the vested economic rights in favour of the Directors and their compatibility with any type of compensation for resolution or early termination of the contractual relationship between the Company and the Director.

State if the payment or consolidation of any of the long-term saving schemes are linked to the attainment of determined objectives or parameters related to the short or long-term performance of the Director.

Explain the long-term saving systems
<p>Directors do not receive this type of remuneration for exercising non-executive functions.</p> <p>In regard to the executive or delegated functions that the Executive Chairman exercises, the same benefits that are currently available to the members of Management Committee of the Company are afforded to him under the following terms:</p> <p><u>Group savings-linked insurance policy:</u> the Executive Chairman is afforded the right to receive a series of contributions that are set forth in an insurance contract and are governed by the rules laid down for this purpose. NATURGY ENERGY GROUP S.A. makes yearly contributions to the foregoing instrument of an amount equal to 20% of their fixed monetary remuneration. Contingencies covered include the survival on the date specified, death or total, permanent or severe disability. The Group savings-linked insurance policy is not compatible with possible compensation in the event of termination. There is no right to receive any amount for any of the contingencies in the event of:</p> <ul style="list-style-type: none"> • Voluntary resignation without respecting the notice period set in the contract and without reaching prior agreement with the Board of Directors of the Company. • Material breach deemed wilful or negligent of professional obligations insofar as the breach causes serious harm to the interests of the Company. • At any time during the year following the termination of the provision of the services as Executive Chairman, for a different reason to that of contingency events, perform activities directly related to those of the Company. <p><u>Social welfare system linked to annual variable remuneration:</u> The Executive Chairman may decide to replace the payment of all or part of the annual variable remuneration on an annual basis with a company contribution to a social welfare system to be agreed. This is what he has decided for the variable annual remuneration corresponding to the financial years 2018, 2019 2020 and 2021. The contingencies covered are the same as those established for the previous instrument, and the company may implement the coverage of the aforementioned contingencies by subscribing to one or more insurance contracts with a minimum interest rate guarantee and a share in profits. There is no right to receive any amount for any of the contingencies in the same cases as the previous instrument, except in the case of voluntary resignation without prior notice or without reaching an agreement with the Board of Directors.</p>

- A.1.8 Any type of payment or compensation by resolution or early termination or derived from the termination of the contractual relationship, under the terms of the same between the Company and the Director, whether wilful by the Company or the Director, as well as any type of terms agreed, such as exclusivity, post-contractual non-compete and loyalty covenants, that give the Director rights to any type of payment.

Directors who do not exercise executive functions do not qualify for this type of compensation.

A.1.9 Indicate the conditions that must be respected in contracts for individuals carrying out Senior Management duties as Executive Directors. Amongst others, specify the duration, limits on compensation amounts, tenure clauses, notice periods, and payment in lieu of the aforementioned notice period, and any other clauses on hiring bonuses, as well as on severance payments or golden parachutes for the early termination of the contractual relationship between the Company and the Executive Director. Include, among others, the non-compete, exclusivity, tenure or loyalty and post-

contractual non-compete covenants or agreements (not including those described in the previous section).

Explain the terms and conditions of the Executive Director Contract
<p>The Executive Chairman's contract was approved at the Board of Directors' meeting held on 6 February 2018, following a favourable report from the Appointments, Remunerations and Corporate Governance Committee. It was subsequently adapted on 31 October 2018 in order to include the new ILP long-term incentive scheme as well as other minor adaptations, and again on 30 December 2021 to reflect the amendments resulting from the modification of the ILP as described in section A.1.6.</p> <p>The contract contains, in addition, a clause requiring advance notice of at least six (6) months from the Executive Chairman except for cases of force majeure, an exclusivity clause for as long as the same exercises his functions and a non-disclosure undertaking, which will remain binding even after the contract has ended.</p> <p>The Chairman's contract establishes compensation for the cessation or non-renewal of the position of Director for the overall amount of two (2) years of: (i) fixed total annual monetary remuneration, (ii) the annual variable remuneration and (iii) according to the concept of multi-year variable remuneration, a lump sum equivalent to 1.25 of the fixed total annual monetary remuneration. This concept will only be multiplied by a full year if, at the time of accrual, the minimum profitability target of the LTI Plan has not been reached; the second full year can be recovered if the minimum target was finally reached at the end of the Plan.</p> <p>The compensation will not be payable in the event of serious and culpable breach of their professional obligations that causes significant damage to the interests of Naturgy. Furthermore and as a post-contractual non-competition agreement, compensation equivalent to one year's fixed remuneration has been established.</p> <p>The contract of the Executive Chairman sets out the termination of the contract and the payment of compensation if he forfeits his executive functions and continues as non-executive Chairman. In this case, the compensation provided is identical to that of the previous section, but reduced by half, that is, one full year.</p> <p>If in the case that the capacity of Chairman is rescinded, but the same still holds office as CEO, a reduction of planned remuneration is provisioned for in the Contract.</p>

A.1.10 The estimated amount and nature of any supplementary remuneration paid to the Directors during the current financial year for services provided other than those inherent to their position.

Explain supplementary payments
Not applicable

A.1.11 Other remuneration concepts such as for example those derived, as the case may be, from those granted by the Company to the Director in the form of advances, loans and guarantees or other remuneration(s).

Explain the advances, loans, guarantees and other remuneration(s)
The Members of the Board are not granted advances, loans or guarantees.

A.1.12 The estimated amount and nature of any other additional remuneration planned not included in the preceding paragraphs, whether settled by the Company or another entity of the Group that is paid out to the Directors in the current financial year.

Not applicable

A.2 Explain any relevant change to the Remuneration Policy applicable in the current financial year as a result of:

- **A new policy or modification to a Policy approved by the General Meeting of Shareholders.**
- **Relevant changes to the specific determinations established by the Board for the current financial year of the Remuneration Policy in force with respect to those applied in the previous financial year.**
- **Proposals that the Board of Directors have agreed to submit to the General Meeting of Shareholders and that apply to this Annual Report and that are to be implemented during the current financial year.**

The Board, following a favourable report from the Appointments, Remuneration and Corporate Governance Committee, has proposed to the next General Shareholders' Meeting to be held, the approval of a Remuneration Policy that continues the one approved by the General Shareholders' Meeting in 2020, proposing two specific adaptations to that policy: (a) to take into account the new 2021-2025 Strategic Plan, which translates especially into the adaptation of the multi-year variable remuneration scheme for the executive director authorised by the 2019 General Shareholders' Meeting and (b) to incorporate all those references necessary to comply with the new wording of art. 529 novodecies of the Capital Companies Act: i) it incorporates all those references necessary to comply with the new wording of art. 529 novodecies of the Capital Companies Act, with regard to i) their contribution to the business strategy and to the long-term interests and sustainability of the company, ii) the express reference to the relative proportion of the different components of the remuneration, iii) the explanation of how the remuneration and employment conditions of the company's employees have been taken into account when setting the remuneration policy and iv) the explanation of the decision-making process followed for its determination.

A.3 Identify the direct link to the document in which the Company's remuneration policy in force is referenced and that must be available at the corporate website.

[file:///C:/Users/uf776989/Downloads/Politica remuneraciones consejeros aprobada Junta ES.pdf](file:///C:/Users/uf776989/Downloads/Politica%20remuneraciones%20consejeros%20aprobada%20Junta%20ES.pdf)

A.4 Explain, taking into account the data given in section B.4, the result of the General Meeting of Shareholders advisory vote on the Annual Report on the previous year's remuneration.

During the 2021 financial year, it was the shareholders themselves who approved by a large majority the Remuneration Policy 2021-2023, one of the new features of which was to entrust the Board with the adaptation of the long-term incentive when the end of its term was approaching or when the Strategic Plan changed. The Board has complied with this provision in November 2021, based on the previous work of the Nomination, Remuneration and Corporate Governance Committee during the preceding months.

B GENERAL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED FOR THE FINANCIAL YEAR ENDED

B.1.1 Explain the process followed to apply the Remuneration Policy and used to determine the individual remuneration earned shown in section C of this report. This information is to include the role played by the Remuneration Committee, the decisions taken by the Board of Directors and, where appropriate, the identify and role of the External Consultants whose services were used in the process of implementing the Remuneration Policy in the financial year ended.

The Board of Directors approved the individual remuneration of the Directors for the exercise of non-executive functions for the financial year 2021 at its meeting of 2 February 2021, maintaining unchanged with respect to 2020 both the fixed remuneration component of €1,100,000 for the Chairmanship of the Board, as well as the part corresponding to executive functions of €960,000. The targets for the 2021 annual variable remuneration were set by the Appointments, Remuneration and Corporate Governance Committee and the Board of Directors on 2 February 2021. The settlement of the short-term variable remuneration for 2021 took place at the Board of Directors' meeting of 1 February 2022, once the annual accounts for 2021 had been prepared by the Board, which, moreover, were unqualified by the external auditor.

B.1.2 Explain any deviations from the established procedure for the application of the remuneration policy that have occurred during the year.

B.1.3 Indicate whether any temporary exceptions to the remuneration policy have been applied and, if so, explain the exceptional circumstances that have led to the application of these exceptions, the specific components of the remuneration policy affected and the reasons why the company considers that these exceptions have been necessary to serve the long-term interests and sustainability of the company as a whole or to ensure its viability. Also quantify the impact that the application of these exceptions has had on the remuneration of each director during the year.

B.2 Explain the actions adopted by the Company in relation to the remuneration system to reduce exposure to excessive risks and adapt it to the long-term objectives, values and interests of the Company, which will include, where appropriate, reference to measures designed to ensure that the Remuneration Policy considers the long-term results of the Company and guaranteeing an appropriate balance between the fixed and variable components of the remuneration, what measures have been adopted for those categories of personnel whose professional activities have a material effect on the Company's risk profile and measures adopted to avoid conflicts of interest, as the case may be.

With respect to the remuneration for the exercising of non-executive functions, the establishing of a fixed remuneration for all the Directors is considered to be an efficient instrument for reducing exposure to excessive risks and the incorporation of a long-term perspective.

In regard to the remuneration of the Executive Chairman, it should be noted that it is balanced on three (3) key similar weighted components:

- A fixed component that is paid in all events, in a way that there is no exposure to risk.
- A variable component with a time horizon of one year, linked to specific, measurable business objectives that are recurrent and therefore avoid excessive risk-taking. This is reinforced by the fact the assessment of the same is performed once the Annual Accounts have been audited and submitted.
- A variable component with a very long-term time horizon (ordinarily ending in July 2023 and therefore substantially coincides with that of the 2018-2022 Strategic Plan). Since this type of remuneration exceeds the norm, it moderates excessive risk-taking and provides more long-term value creation than usual.

Between the variable components there is a reasonable balance not only in time horizon terms but also amount and even objectives since the annual variable remuneration tends towards operational objectives that consider the immediate interest of the Company, whilst multi-year variable remuneration tends mainly towards the long-term interest of the Shareholders, an element that is frequently over looked or passed over to other remuneration schemes.

The variable annual remuneration of the Executive Chairman was determined once the Board of Directors had received the Company's audited accounts and taking into account the external audit report.

The annual variable remuneration and the multi-year variable remuneration have a claw-back system for eighteen (18) months from its payment.

B.3 Explain how the remuneration accrued and consolidated in the financial year complies with the provisions of the current remuneration policy and, in particular, how it contributes to the long-term and sustainable performance of the company.

Likewise report on the relationship between the remuneration obtained by the Directors and the Company's results or other performance-related measurements, explaining, where appropriate, how variations in the performance of the Company are able to impact variation in the remuneration of Directors, including those accrued whose payment has been deferred, and how the same contribute to the short and long-term results of the Company.

The total amount of remuneration accrued during 2021 does not exceed the maximum amount established in the Remuneration Policy approved by the General Meeting of Shareholders on 9 March 2021.

The annual variable remuneration amount due to the Executive Chairman was determined once the audited Annual Accounts were available to the Board (the same being linked to the evolution of the key indicators of the Company as detailed in section B.7 and related to the results of the Company in 2021).

The multi-year incentive of the Executive Chairman, approved by the General Meeting of Shareholders in March 2019, aligns his remuneration with long-term value creation for the way in which it is structured

B.4 Report on the result of the General Meeting of Shareholders advisory vote on the Annual Report on the previous financial year's remuneration, indicating where appropriate the number of votes against, if any:

	Number	% of Total
Votes Cast	790.325.783	96,87

	Number	% Votes Cast
Votes Against	90.534.321	11,45
Votes in Favour	699.063.605	88,45
Abstentions	727.857	0,09

Observations

B.5 Explain how the fixed components accrued and consolidated during the year by the directors in their capacity as such have been determined, their relative proportion for each director and how they have varied from the previous year..

The remuneration of the Members of the Board for exercising non-executive functions was:

a) For membership of the Board

- Chairman of the Board of Directors: 1,100,000 €/year.
- Board Member: 175,000 €/year.
- Coordinating Director: 30,000 €/year.

b) For membership of committees

- Committee Chairman: €66,000/year
- Member of the Committee: €44,000/year

B.6 Explain how the salaries earned were determined during the financial period ended for each Executive Director for exercising their management functions, and how they have varied with respect to the previous year.

The remuneration for the Executive Chairman exercising executive or delegated functions includes the following items:

- Annual fixed base remuneration, including remuneration received for being Member of any governing body of any company of the Naturgy group, except its parent company: €960.000
- Annual variable remuneration based on an amount equivalent to the total annual fixed monetary remuneration, to which a percentage has been applied according to the achievement metric, and which amounted to €2,321,620. The aforementioned amount will be settled as a voluntary contribution to the social welfare plan of which the Executive Chairman is a beneficiary, in accordance with the terms of the contract.
- The long-term incentive programme has been continued in 2021 as in September 2021 the Board of Directors decided not to tender the shares of the ILP vehicle in the takeover bid announced on 26 January.

Other benefits and pension entitlements equivalent to those generally afforded to members of Senior Management of the Company (private medical healthcare insurance, housing assistance company car,

life and disability insurance, limited discounts on capped gas and electricity usage discounts, savings system) as well as the obligation to take out, at the Company's expense, a civil liability insurance.

B.7 Explain the nature and main characteristics of the variable components of the remuneration systems paid in the financial year ended.

In particular:

- a) Identify each of the remuneration plans that have determined the different variable remuneration accrued by each of the directors during the financial year, including information on their scope, date of approval, date of implementation, conditions, if any, of consolidation, accrual periods and validity, criteria used to evaluate performance and how this has impacted on the setting of the variable amount accrued, as well as the measurement criteria that have been used and the time needed to be able to properly measure all the conditions and criteria stipulated. The criteria and factors that have been applied in terms of the time required and methods to check that the performance conditions or any other conditions to which the accrual and consolidation of each component of variable remuneration was linked have to be explained in detail.
- b) For plans involving share options and other financial instruments, the general features of the plan should include information on the conditions for each plan regarding acquiring unconditional ownership (consolidation) as well as exercising said options or financial instruments, including price and exercising period.
- c) Each of the Directors, and their category (CEO, external proprietary directors, external independent directors or other external directors), who are beneficiaries of remuneration systems or plans included in the variable remuneration.
- d) Where applicable, information shall be provided on the established periods of accrual, consolidation or deferral of payment of consolidated amounts that have been applied and/or the periods of retention/disposal of shares or other financial instruments, if any.

Explain the short-term variable components of the remuneration system

When calculating the annual variable remuneration of the Executive Chairman corresponding to financial year 2021 due to be paid as a contribution to the pension scheme to which the Executive Chairman is beneficiary, according to that set forth in his contract, the indicators and weightings fixed by the Board of Directors were taken into account once the Strategic Plan was approved and subject to prior favourable report from the Appointments and Remuneration Committee. To be precise, in 2020 the following parameters to determine the rate of attainment of the objectives have been considered:

- Operational efficiency weighted at 25%. Achievement 117,8% Opex reduction without capture costs
- Ordinary Ebitda-Capex Maintenance weighted at 25%. Achievement 104.2%.
 - Maximization of comparable cash generation
- Ordinary net profit: weighted at 25%. Achievement 108.3%.
 - Maximization of comparable consolidated net profit
- Qualitative objectives weighted at 15%. Achievement 130%
 - Teamwork 5% Transformation
 - Transformation 5% Contribution to business growth
- Contribution to business growth 5%
- ESG objectives weighted at 10%. Achievement 105.6%
 - Health and safety

- Health and safety
- Gender diversity management team

The calculation is based on 100% of the total annual fixed monetary remuneration and multiplied by the degree of achievement of objectives effectively reached in the year (for a degree of achievement of 100%, 100% of the total annual fixed monetary remuneration is received). The maximum level of achievement is 150%. This remuneration will not be received if the degree of achievement does not reach 80%.

Therefore, the amount of the Annual Variable Remuneration corresponding to the financial year 2021 and which will be settled as a contribution to the social welfare plan of which the Executive Chairman is a beneficiary, is €2,321,620, having reached a total degree of achievement of 112.7%.

Explain the long-term variable components of the remuneration system

As the long-term incentive linked to the 2018-2023 Strategic Plan is substantially analogous to the one that will govern if approved by the 2022 AGM, the details for 2021 are the same as described in section A.1.6 and in the previous years' reports..

- B.8 Indicate whether certain variable components have been reduced or returned when payment of non-consolidated amounts has been deferred in the former case or, second, have been consolidated and paid according to data which has subsequently proved to be clearly inaccurate. Describe the reduced or refunded amounts for applying the reduction and refund clauses (claw-back), when they were exercised and the financial years to which they correspond.**

Not applicable

- B.9 Explain the main features of the long-term savings systems whose amount or equivalent annual cost figure in the tables in Section C, including retirement and any other survivor benefits, partially or wholly funded by the Company, whether provided internally or externally, indicating the type of plan, whether defined benefit or contribution, the contingencies covered, the conditions of the vested economic rights of the Directors and their compatibility with any type of compensation for early termination of the contractual relationship between the Company and the Director.**

Directors do not receive this type of remuneration for exercising non-executive functions.

The Executive Chairman shall be afforded the benefits that are available to Directors of the Company. Such benefits are explained in Section A.1 (long-term savings systems)

- B.10 Explain, as the case may be, the compensation or any other type of payment as a result of early termination, whether voluntary by the Company or the Director, or due to the contract coming to an end, under the terms set forth in the same, accrued and/or received by the Directors during the financial year ended.**

Not applicable

- B.11 Explain if there have been any significant modifications to the Contracts of those who exercise Senior Management functions such as Executive Directors, and as the case may be, explain the same.**

Likewise, explain the main terms and conditions of the new contracts signed with Executive Directors during the financial year, except if already explained in Section A.1.

The Executive President's multi-year variable remuneration was provided for in his contract of 6 February 2018, although it could not be determined until the Strategic Plan was approved. Once this Plan had been approved, the Board approved a new long-term incentive scheme involving the Chief Executive Officer and other executives, a scheme that was confirmed by the AGM on 5 March 2019.

B.12 Explain any supplementary remuneration paid to Directors as compensation for services provided other than those inherent to their position

Not applicable

B.13 Indicate any payment in the form of advances, loans and guarantees, indicating the interest rate, key features and any amounts repaid, as well as the obligations assumed on their behalf as security.

Not applicable

B.14 Detail the remuneration in cash paid to Directors during the financial year, briefly explaining the nature of the different salary components.

The contributions to the Executive Chairman's pension plans amounted to EUR 412 thousand in the financial year 2021. The amount corresponding to the variable remuneration 2021 must be added to the aforementioned amount, 2,321,620, which will be settled as a voluntary contribution to the Social Welfare Plan of which the Chairman is a beneficiary. Premiums paid for life and disability insurance amounted to 68 thousand euros during the year. The amount of the limited allowance for electricity and gas consumption, company vehicle, housing assistance and health care insurance amounted to 100 thousand euros during the year.

B.15 Explain the remuneration earned by the Director in virtue of the payments made by the listed company to a third party in which the Director provides services, when said payments are made to remunerate the Director's services in the Company.

Not applicable

B.16 Explain and detail the amounts accrued during the year in relation to any other type of remuneration, including all benefits in any form, such as when it is considered a related-party transaction or, especially, when it significantly affects the true and fair view of the total remuneration accrued by the director, explaining the amount granted or pending payment, the nature of the consideration received and the reasons why it would have been considered, as the case may be, that it does not constitute remuneration to the director in his capacity as such or in consideration for the performance of his

executive duties, and whether or not it has been considered appropriate to include it among the amounts accrued in the "other items" section of section C.

Not applicable

C BREAKDOWN OF INDIVIDUAL REMUNERATION EARNED BY EACH OF THE DIRECTORS

Name	Category	Accrual Period Q
RAMÓN ADELL RAMÓN/	Independent	From 01/01/2021 to 31/12/2021
ENRIQUE ALCÁNTARA-GARCÍA IRAZOQUI	Proprietary	From 13/05/2021 to 31/05/2021
FRANCISCO BELIL CREIXELL	Independent	From 01/01/2021 to 31/12/2021
HELENA HERRERO STARKIE	Independent	From 01/01/2021 to 31/12/2021
MARCELINO ARMENTER VIDAL	Proprietary	From 01/01/2021 to 10/05/2021
LUCY CHADWICK	Proprietary	From 01/01/2021 to 31/12/2021
RAJARAM RAO	Proprietary	From 01/01/2021 to 31/12/2021
ISABEL ESTAPÉ TOUS	Proprietary	From 01/01/2021 to 31/12/2021
Theatre Directorship Services Beta, S.à.r.l.	Proprietary	From 01/01/2021 to 31/12/2021
CLAUDI SANTIAGO PONSÀ	Independent	From 01/01/2021 to 31/12/2021
PEDRO SAINZ DE BARANDA RIVA	Independent	From 01/01/2021 to 31/12/2021
FRANCISCO REYNES MASSANET	Executive Chairman	From 01/01/2021 to 31/12/2021
Rioja S.à.r.l.	Proprietary	From 01/01/2021 to 31/12/2021

C.1 Complete the following tables on the individual remuneration of each of the Directors (including remuneration for carrying out Executive duties) paid during the financial year.

a) **Remuneration earned in the Company covered in this report:**

i) **Payment in cash (in thousands of €)**

Name/Category/Accrual Period	Salary	Fixed Remuneration	Allowance	Short-term Variable Remuneration	Long-term Variable Remuneration	Remuneration for Membership on Committees of the Board	Compensation	Other Items	Financial Year Total Q	Financial Year Total Q-1
FRANCISCO REYNES MASSANET/ Executive	2.158 (*)									
RAMÓN ADELL RAMÓN/ Independent	205		110						315	355
ENRIQUE ALCÁNTARA-GARCÍA IRAZOQUI/ Proprietary	111		28						139	50
MARCELINO ARMENTER VIDAL/ Proprietary	175		150						325	325
FRANCISCO BELIL CREIXELL / Independent	175		110						285	325
LUCY CHADWICK/ Proprietary	175		88						263	185
HELENA HERRERO STARKIE / Independent	175		110						285	235
ISABEL ESTAPÉ TOUS/ Proprietary	175		88						263	185
RAJARAM RAO/ Proprietary	175		44						219	235
Rioja S.à.r.l. / Proprietary	175		44						219	235
PEDRO SAINZ DE BARANDA RIVA / Independent	175		88						263	295
CLAUDI SANTIAGO PONSÀ/ Independent	175		88						263	235
Theatre Directorship Services Beta, S.à.r.l. / Proprietary	175		88						263	235

(*) Does not include the amount corresponding to the accrued annual variable remuneration paid in year t-1 as a contribution to pension systems, as contractually established.

ii) **Table on share-based and gross return on shares or consolidated financial instrument remuneration systems**

Name	Plan Name	Financial instruments at the beginning of financial year Q		Financial instruments allocated during financial year Q		Financial instruments consolidated during financial year Q				Financial instruments due but not exercised	Financial instruments at the end of financial year Q	
		Nº instruments	Nº equivalent shares	Nº instruments	Nº equivalent shares	Nº instruments	Nº equivalent /consolidated shares	Price of consolidated shares	Gross return on shares or consolidated	Nº instruments	Nº instruments	Nº equivalent shares

										financial instruments (in thousands €)			
Director 1:	Plan 1												
	Plan 2												

Observations

iii) Long-term Saving Systems

	Remuneration for vested rights to Savings System (*)
Mr. Francisco Reynés Massanet	2734

(*) Includes the amount corresponding to the accrued annual variable remuneration to be settled in year t as a contribution to pension schemes, as contractually established..

Name	Funds paid in by the Company in financial year (thousands of €)				Amount of the accumulated funds (thousands €) (*)			
	Savings system with vested economic rights		Savings system with no vested economic rights		Financial year Q		Financial year Q-1	
	Financial year Q	Financial year Q-1	Financial year Q	Financial year Q-1	Savings system with vested economic rights	Savings system with no vested economic rights	Savings system with vested economic rights	Savings system with no vested economic rights
Mr. Francisco Reynés Massanet		--	2734	2330		10302		7586

Observations

iv) Detail of other items

Name	Item	Remuneration Amount
Mr. Francisco Reynés Massanet	life insurance	68

Observations

b) Remuneration paid to directors of listed companies for their membership of the governing bodies of their subsidiaries:

i) Payment in cash (in thousands of €)

Name	Fixed Remuneration	Allowance	Remuneration for Membership on Committees of the Board	Salary	Short-term Variable Remuneration	Long-term Variable Remuneration	Compensation	Other Items	Financial Year Total Q	Financial Year Total Q-1
Director 1:	0	0	0	0	0	0	0	0	0	0
Director 2:										

Observations

ii) Table on share-based and gross return on shares or consolidated financial instrument remuneration systems

Name	Plan Name	Financial instruments at the beginning of financial year Q		Financial instruments allocated during financial year Q		Financial instruments consolidated during financial year Q				Financial instruments due but not exercised	Financial instruments at the end of financial year Q	
		N° instruments	N° equivalent shares	N° instruments	N° equivalent shares	N° instruments	N° equivalent /consolidated shares	Price of consolidated shares	Gross return on shares or consolidated financial instruments (in thousands €)	N° instruments	N° instruments	N° equivalent shares
Director 1:	Plan 1											
	Plan 2											

Observations

iii) Long-term Saving Systems

	Remuneration for vested rights to Savings System
Director 1:	

Name	Funds paid in by the Company in financial year (thousands of €)				Amount of the accumulated funds (thousands of €)			
	Savings system with vested economic rights		Savings system with no vested economic rights		Financial year Q		Financial year Q-1	
	Financial year Q	Financial year Q-1	Financial year Q	Financial year Q-1	Savings system with vested economic rights	Savings system with no vested economic rights	Savings system with vested economic rights	Savings system with no vested economic rights
Director 1:								

Observations

iv) Detail of other items

Name	Item	Remuneration Amount
Director 1:		

Observations

c) Summary of remunerations (in thousands of €):

The amounts corresponding to all the remuneration items included in this report that have been earned by the Director must be included in the summary, in thousands of euros.

Name	Remuneration earned in the Company				Remuneration earned in companies of the Group				
	Total Remuneration in Cash	Gross return on shares or consolidated financial	Name	Total Remuneration in Cash	Gross return on shares or consolidated	Name	Total Remuneration in Cash	Gross return on shares or consolidated	Name
RAMÓN ADELL RAMÓN/ Independent	315				315				
ENRIQUE ALCÁNTARA-GARCÍA IRAZOQUI/ Proprietary	139				139				

MARCELINO ARMENTER VIDAL/ Proprietary	78				78					
FRANCISCO BELIL CREIXELL / Independent	285				285					
LUCY CHADWICK/ Proprietary	263				263					
HELENA HERRERO STARKIE / Independent	285				285					
ISABEL ESTAPÉ TOUS/ Proprietary	263				263					
RAJARAM RAO/ Proprietary	219				219					
Rioja Bidco Shareholdings , S.L.U. / Proprietary	219				219					
Rioja S.à.r.l. / Proprietary	263				263					
PEDRO SAINZ DE BARANDA RIVA /	263				263					
CLAUDI SANTIAGO PONSÁ/ Independent	263				263					
Theatre Directorship Services Beta, S.à.r.l. / Proprietary	263				263					
FRANCISCO REYNES MASSANET/ Executive	2160		2734	68	4962					
TOTAL	5015		2734	68	7817					

Observations

C.2 Indicate the changes over the last five years in the amount and percentage change in the remuneration earned by each of the listed company's directors during the year, the consolidated results of the company and the average remuneration on a full-time equivalent basis of the employees of the company and its subsidiaries who are not directors of the listed company.

	Total amounts accrued and % annual change								
	Exercise t	% variación t/t-1	Exercise t-1	% changet-1/t-2	Exercise t-2	% changet-2/t-3	Ejercicio t-3	% variación t-3/t-4	Ejercicio t-4
Executive Directors									
FRANCISCO REYNES MASSANET	4.962	9,1 %	4.549	-8,1 %	4.948	11,5 %	4.436	— %	—
Consejeros Externos									
RAMÓN ADELL RAMÓN/ Independiente	315	-11,3 %	355	— %	355	0,3 %	354	20,8 %	293
ENRIQUE ALCÁNTARA-GARCÍA IRAZOQUI/ Dominical	139	183,7 %	50	-79,1 %	235	13,0 %	208	24,6 %	167
MARCELINO ARMENTER VIDAL/ Dominical	78	-66,8 %	235	— %	235	-8,2 %	256	1,2 %	253
FRANCISCO BELIL CREIXELL Independiente	285	-12,3 %	325	— %	325	1,9 %	319	14,7 %	278
LUCY CHADWICK/ Dominical	263	41,4 %	185	— %	—	— %	—	— %	—
HELENA HERRERO STARKIE / Independiente	285	21,3 %	235	— %	235	13,0 %	208	24,6 %	167
ISABEL ESTAPÉ TOUS/ Dominical	263	41,4 %	185	— %	—	— %	—	— %	—
RAJARAM RAO/ Dominical	219	-6,8 %	235	— %	235	-15,2 %	277	-5,5 %	293
Rioja S.à.r.l. / Dominical	219	-6,8 %	235	139,8 %	98	— %	—	— %	—
PEDRO SAINZ DE BARANDA RIVA / Independiente	263	-10,8 %	295	— %	295	99,3 %	148	— %	—
CLAUDI SANTIAGO PONSÁ/ Independiente	263	11,9 %	235	— %	235	99,2 %	118	— %	—
Theatre Directorship Services Beta, S.à.r.l. / Dominical	263	11,9 %	235	— %	235	37,4 %	171	— %	—

	Total amounts accrued and % annual change								
	Exercise t	% variación t/t-1	Exercise t-1	% changet-1/t-2	Exercise t-2	% changet-2/t-3	Ejercicio t-3	% variación t-3/t-4	Ejercicio t-4
Consolidated results of the company	1.214	— %	-347	— %	1.401	— %	-2.822	— %	1.360
Average employee remuneration	57.900	4,31 %	55.506	-4,14 %	57.905	0,92 %	57.378	5,12 %	54.582

Observations:

Note: On average employee remuneration, data are at group level expressed in euros. Does not include company Social Security costs.

The difference between 2020 vs 2019 corresponds to the deconsolidation of CGE (Chile) as well as the variation in Variable Remuneration.

Data for 2021 are estimated, pending the final closing and final settlement of the Variable Remuneration'21 for the workforce included in this scheme.

D OTHER INFORMATION OF INTEREST

If there is any other relevant information on Director remuneration that has not been included in the rest of the sections of this report, but which should be included in order to gather more complete and reasoned information on the structure and compensation practices of the Company with regard to its Directors, please briefly describe such information below.

It should be noted that since numbers with two decimal places are not allowed on the form of the Annual Report Circular on Directors' Remunerations, there are some minor variations in the figures indicated when compared with the actual figures.

This Annual Remuneration Report was approved by the Board of Directors of the Company at the meeting on 1 February 2022.

Please indicate whether any Directors have voted against or abstained from the approval of this report.

Yes No

Name and Company Name of the Members of the Board that have voted against approving this report.	Reasons (against, abstention, non-attendance)	Explain the reasons