



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



The Annual General Meeting is hereby informed, in accordance with the provisions of Article 528 of the Spanish Corporate Enterprises Act, of the modifications to the Regulation on the organisation and functioning of the Board of Directors of NATURGY ENERGY GROUP, S.A. and its Committees agreed in the meeting of the Board of Directors on 4 November 2020, which aim to advance in the alignment of the Company with the best corporate governance practices following the creation by the Board of Directors of a new Committee, the Sustainability Committee, and additionally, the adaptation of these Regulations to the modifications in the recommendations of the CNMV's Good Governance Code for Listed Companies approved in June 2020.

Articles 10.2.d) and 11.3. e) have been amended to regulate situations in which the actions of directors may affect the Company's reputation, in accordance with the CNMV's Good Governance Code of June 2020, and articles 24, 25 and 26 have been amended to update the names approved by the Board of Directors for the Audit and Control and Appointments, Remuneration and Corporate Governance Committees (previously called Audit Committee and Appointments and Remuneration Committee), and finally, a new article 27 has been added to regulate the composition and operation of the new Sustainability Committee, all of which are worded as follows:

***"ARTICLE 10.- Removal of directors***

*Directors shall leave office when the term for which they were appointed has elapsed and in all other cases in accordance with the law, the Bylaws and these Regulations.*

*Directors shall tender their resignation to the Board of Directors and, if the latter considers it appropriate, tender their resignation in the following cases:*

- a) When executive directors cease to perform executive duties.*
- b) When they are involved in any of the cases of incompatibility or prohibition envisaged in the law, the Articles of Association or these Regulations.*
- c) When they seriously breach their obligations as Directors, thereby jeopardising the interests of the Company.*
- d) When they are subject to circumstances that may affect the credit or reputation of the Company or, in any other way, jeopardise its interests.*
- e) When the reason for which they were appointed as independent, executive or proprietary directors ceases to exist.*



3.- *Once they have ceased to hold office, they may not provide services to a competitor for a period of two years, unless the Board of Directors exempts them from this obligation or reduces its duration.*

#### **ARTICLE 11.- Duties of Directors: General rules**

1.- *The duty of a Director is to promote and control the management of the Company in order to maximise its value for the benefit of the shareholders. In the performance of his duties, the Director shall act with the diligence of an orderly businessman and a loyal representative. Their actions shall be guided solely by the interests of the company, interpreted with full independence, seeking the best defence and protection of the interests of the shareholders as a whole.*

2.- *Directors are obliged by virtue of their office, in particular,*

a) *Inform themselves and prepare adequately for the meetings of the Board and the Committees to which they belong, obtaining sufficient information for this purpose and such co-operation or assistance as they consider appropriate.*

b) *Attend the meetings of the bodies of which they form part and actively participate in the deliberations so that their judgement contributes effectively to the decision-making process.*

c) *Oppose resolutions that are contrary to law, the Articles of Association, the Regulations of the General Meeting, the Regulations of the Board or the corporate interest, and request that their position be recorded in the minutes when they consider this to be in the company's interests.*

d) *To perform any specific duty entrusted to him by the Board of Directors and reasonably included in his commitment of dedication.*

3.- *Directors are bound by the duty of loyalty under the terms established in prevailing legislation and, in particular:*

a) *Directors must abstain from participating in the deliberation and voting on resolutions or decisions in which they or a related person has a direct or indirect conflict of interest. The above obligation to abstain shall not apply to resolutions or decisions affecting him as a director, such as his appointment or removal from office on the governing body or others of similar significance.*

b) *Directors shall also adopt the necessary measures to avoid situations in which their interests, whether their own or those of others, may conflict with the corporate interest and with their duties to the Company.*

c) *In his capacity as loyal representative of the Company, he shall inform the latter of the shares held by him or by persons related to him, under the terms*



*provided for in prevailing legislation.*

*d) Directors shall notify the Company of significant changes in their professional situation and those affecting the nature or category in which they are classified.*

*e) Directors shall inform the Company of any type of legal or administrative complaint or of any other event in which they are involved which, due to its importance, could seriously affect the reputation of the Company. The Board shall examine the matter as soon as possible and, following a report from the Appointment, Remuneration and Corporate Governance Committee, shall adopt such measures as may be advisable in the interests of the Company, and shall disseminate, where appropriate, the relevant information at the time the corresponding measures are adopted.*

*4.- The Board of Directors shall at all times endeavour to prevent Proprietary Directors from using their position to obtain advantages in terms of assets without adequate consideration, for the benefit of the shareholder who proposed them for the post.*

*5.- The foregoing provisions and, in general, all those relating to the duty of loyalty contained in these Regulations and in prevailing legislation, shall also be applicable in the event that the beneficiary is a person related to the Director.*

*6.- The General Meeting or, where appropriate, the Board of Directors may waive compliance with the foregoing provisions and, in general, all those relating to the duty of loyalty, in the cases and in accordance with the procedure established in prevailing legislation.*

#### **ARTICLE 24. Committees of the Board of Directors**

*1.- Without prejudice to the Board's statutory power to create other committees, with or without delegated powers, the following shall exist in all cases: the Appointment, Remuneration and Corporate Governance Committee, the Audit and Control Committee.*

*In the absence of specific regulations, the provisions established in these Regulations for the Board of Directors shall apply by analogy to the Committees of the Board.*

#### **ARTICLE 25.- The Appointment, Remuneration and Corporate Governance Committee**

*The Appointment, Remuneration and Corporate Governance Committee shall consist of a minimum of three and a maximum of seven Directors, appointed by the Board of Directors from among the Non-Executive Directors, bearing in mind*



*their knowledge and aptitudes. Its members shall retire when they cease to be Directors, or when so resolved by the Board of Directors.*

*At least two of the members of the Appointment, Remuneration and Corporate Governance Committee shall be Independent Directors, from which the Board of Directors shall elect the Chairman of the Committee, who 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.*

*2.- The Committee shall have the powers established by law and those entrusted to it by the Board of Directors on a general or specific basis.*

*The Committee, convened by its Chairman, shall meet as often as necessary to issue reports or proposals within its competence or as its Chairman deems appropriate or at the request of two of its members. The Committee may invite to its meetings any officer or employee it deems appropriate.*

#### **ARTICLE 26. The Audit and Control Committee**

*The Audit and Control Committee shall consist of a minimum of three and a maximum of seven Directors, appointed by the Board of Directors from among the Non-Executive Directors, at least one of whom shall be appointed with regard to their knowledge and experience in accounting, auditing or both. Its members shall retire when they cease to be Directors, or when so decided by the Board of Directors.*

*The majority of the members of the Committee shall have the status of Independent Director, from which the Board of Directors shall elect the Chairman of the Committee, who 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.*

*2.- The Committee shall have the powers established by law and those entrusted to it by the Board of Directors in general or in particular.*

*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 four times a year.*



*The Committee may invite to its meetings any officer or employee it deems appropriate.*

**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 resolved by the Board of Directors.*

*An effort shall be made, always with full respect for the principle of proportional representation, to ensure that the majority of the members of the Sustainability Committee are considered Independent Directors; if this is not possible, at least two of the members of the Sustainability Committee shall be considered Independent 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, Spain, on 2 February 2021.**

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