



REPORT ON THE FUNCTIONING  
OF THE APPOINTMENTS,  
REMUNERATION AND  
CORPORATE GOVERNANCE  
COMMITTEE OF NATURGY  
ENERGY GROUP, S.A. DURING  
FINANCIAL YEAR 2020.



The Board of Directors, pursuant to Recommendation N<sup>o</sup>. 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 2020, the assessment process was conducted by an External Advisor.

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.

## II.- KEY FACTS

During financial year 2020, the Appointments, Remuneration and Corporate Governance Committee has worked on the analysis and implementation, when necessary, of the appropriate measures to adapt to the modification of the Code of Good Governance of the CNMV in June 2020

Likewise, they have been engaged in implementing the assessment process by and External Advisor of both the Board of Directors as well as its Committees.

It has also worked intensively on the design of the Company's new organisational structure and on the appointment of the new senior managers who joined the Company in June 2020.

Finally, the Committee participated in the processes of disintegration and renewal of proprietary directors that took place during the year

## 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 2020, positions on the Appointments, Remuneration and Corporate Governance Committee were arranged as follows:

<b>Chairman:</b>	<b>Mr. Ramón Adell Ramón</b>	<b>Independent</b>
<b>Committee Members:</b>	Mr. Francisco Belil Creixell	Independent
	Mr. Pedro Saínz de Baranda Riva	Independent
	Mr. Claudio Santiago Ponsa	Independent
	Mr. Rajaram Rao	Proprietary
	Mr. Marcelino Armenter Vidal	Proprietary
	Mr. Javier de Jaime Guijarro (RIOJA S.à.r.l.)	Proprietary
<b>Secretary:</b>	Mr. Manuel García Coboleda	

The profile of each of the members is available on the website of the Company [www.naturgy.com](http://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 2019 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 2020 the Appointments, Remuneration and Corporate Governance Committee has met on nine (9) occasions.

The Committee's meetings were held at the Company's registered office, located at Avenida de San Luis no. 77, Madrid. It should also be noted that when it was not possible for directors to attend in person, the systems that technology offers to guarantee their attendance (videoconference, telepresence and/or telephone assistance) were used.



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.

The Appointments, Remuneration and Corporate Governance Committee has acted within its competencies, adopting as many resolutions and issuing all reports for which they are responsible or have been expressly requested from them.

During 2020, the Committee have focused their activity in three areas:

### **1 Corporate Governance:**

i) The CNMV's modifications to its corporate governance recommendations published in June 2020 have been analysed in detail and proposals for measures to adapt to its recommendations have been drawn up. The Board approved all of these proposals: a new general policy for communicating economic, financial and corporate information and the modification of the policy for selecting directors, the risk policy and the policy for communication with shareholders and investors, as well as the modification of the Board's regulations and the review of the distribution of powers between the three Board committees.

ii) The Committee has worked intensely on the Board's self-assessment process, which this year was carried out with the help of an external advisor. Following the evaluation process, the external consultant concluded that Council and the Committees are functioning to a high degree of satisfaction, but that there are a number of views on Council which require reflection by Council, and therefore no concrete action plan has been developed

iii) various measures have been proposed to amend the Board Regulations in order to advance alignment with best corporate governance practices

### **2 Remuneration:**

The Committee was responsible for implementing the Directors' Remuneration Policy approved by the 2020 General Shareholders' Meeting, as well as supervising the management team's remuneration policy.

### **3 Appointments:**

i) The Committee proposed the re-election of Director Helena Herrero and reported favourably on the incorporation of Director Lucy Chadwick and Isabel Estapé and the renewals of Mr. Rao and Mr. Armenter and

ii) also examined the profile of the three new executives who have joined the company reporting directly to the executive director



## VI.- CONCLUSION

The Appointments, Remuneration and Corporate Governance Committee operated normally during financial year 2020, fully exercising its powers without interference and respecting both current legislation and the RCA itself. This year, it was characterized by its adaptation to the new Good Governance recommendations of the CNMV and the design of the Company's new organizational structure. As far as the Chairman's performance of his duties is concerned, he has completely adjusted to the Company's requirements and requests.

*\*This assessment report of the functioning of the Appointments, Remuneration and Corporate Governance Committee corresponding to financial year 2020 was approved in the meeting held on 1 february 2021*