

ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

IDENTIFICATION OF ISSUER

FINANCIAL YEAR REFERENCE DATE 31/12/2023

CIF A-08015497

Registered Name:

NATURGY ENERGY GROUP, S.A.

Registered Office:

Avenida de América nº 38 – 28028 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.**

Article 9 of Naturgy's Articles of Association establishes that the remuneration policy for directors shall be approved by the General Shareholders' Meeting in the manner and within the periods established by the regulations in force.

The current Remuneration Policy was approved at the Ordinary General Meeting held on 15 March 2022, applicable from the date of its approval and for the following three financial years.

Prior to its approval, the Appointments, Remuneration and Corporate Governance Committee analysed the new legislation introduced by Law 5/2021, of 12 April, amending the revised text of the Capital Companies Act and other circumstances arising since the previous review of the Policy in March 2021, drawing up a new Remuneration Policy proposal supported by a specific report which was submitted for consideration by the Board of Directors, who proposed its approval to the General Meeting of Shareholders.

The Policy sets out a remuneration scheme for directors for both executive and non-executive functions in which (a) it takes account of the 2021-2025 Strategic Plan, which translates especially into the adaptation of the multi-year variable remuneration scheme for the Executive Director initially authorised by the 2019 General Shareholders' Meeting and (b) it incorporates all those references necessary to comply with the wording of art. 529 novodecies of the Capital Companies Act, regarding 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 Directors' Remuneration Policy is reviewed periodically by the Board of Directors following a report from the Nomination, Remuneration and Corporate Governance 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.

In accordance with the current Policy, remuneration for non-executive functions consists of a fixed allowance and may also include remuneration in shares or by reference to shares. The distribution of such remuneration, within the limit established from time to time 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:

- i) Fixed annual remuneration. This includes any remuneration received for membership of any governing body of a Naturgy group company, except the parent company.
- ii) 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.
- iii) 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 2021-2025 Strategic Plan.
- iv) Other social benefits such as medical insurance, company car, housing assistance, life and disability insurance, limited gas and electricity rebates and group savings insurance.
- v) In addition to the above, the Board of Directors may establish other variable remuneration in the case of singular operations, both with objectives linked to their achievement and in terms of remuneration for achievements.

The remuneration for executive and non-executive functions for 2024 was approved by the Board at its meeting of 26 February 2024. The targets for the annual variable remuneration of the executive Chairman were also set at the aforementioned meeting.

The Appointment, Remuneration and Corporate Governance Committee has used the consultant PeopleMatters to benchmark the remuneration of other entities and to determine the remuneration of the management team and thus of the Executive Chairman.

Article 10 of the current Remuneration Policy contemplates the possibility that the Board of Directors may approve and apply temporary exceptions to the policy, following a reasoned proposal by the Nomination, Remuneration and Corporate Governance Committee, which may be total or partial, although:

- i) The maximum annual amount to be received by all the Directors in a financial year, as set out in Section 4 of the aforementioned Policy, may not be waived.
- ii) Exceptions shall only be in force from the time they are agreed by the Board of Directors until the next Shareholders' Meeting is held, at which the continuation of the exception must be submitted for approval.

During the financial year 2024, the Board of Directors has not approved the application of any temporary exception.

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 receiving variable remuneration, is balanced into 3 main components designed with a similar weighting:

- A fixed component that accrues in any event, so that it does not involve any exposure to risk.
- A variable component with a time horizon of one year, linked to pre-set, specific and quantifiable objectives, aligned with the social interest and with Naturgy's strategy, such as economic-financial variables, efficiency and profitable growth, quality and safety issues, sustainability, environment or good governance which, as it is recurrent, prevents it from encouraging the assumption of excessive risks. This is reinforced by the fact that it is assessed after the annual accounts have been audited and prepared and by the existence of a claw back clause during the 18 months following receipt of the annual variable remuneration.
- A variable component with a very long-term time horizon linked to the Company's Strategic Plan. Exceeding the norm for this type of remuneration, it moderates risk-taking and offers longer-term value creation than usual. This remuneration component is linked to a minimum profitability threshold below which no surplus will be distributed, even if any, and to a claw back clause during the 18 months following receipt of the plan.

There is a reasonable balance between the variable components not only in terms of time horizon, but also in terms of amount and even objectives, as the annual variable remuneration tends towards operational objectives that consider the immediate interest of the Company, while the multi-year variable remuneration mainly serves the long-term interest of the shareholders, in line with the requirement of the Articles of Association.

The annual variable remuneration is only determined and paid once the Board of Directors has the audited accounts of the company and therefore any qualifications in the report of the external auditor of the Company that reduce these results will be taken into account. The Board of Directors is free to disregard such qualifications if it disagrees with them.

Furthermore, as indicated above, both the annual variable remuneration and the multi-annual variable remuneration are subject to a claw-back system during the 18 months following receipt of the remuneration.

Regarding the measures envisaged to avoid conflicts of interest:

- i) Article 11 of the Regulations of the Board of Directors and its Committees establishes that all members of the Board of Directors of Naturgy, including the Executive Chairman, are subject to the duty of loyalty and, in particular, must:
 - a) Refrain from participating in the deliberation and voting of resolutions or decisions in which he or a related person has a direct or indirect conflict of interest. The above obligation to abstain shall not apply to resolutions or decisions that affect him as a director, such as his appointment or removal from office on the administrative body or others of similar significance.

b) Adopt the necessary measures to avoid incurring in 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.

ii) Naturgy's Directors' Remuneration Policy, approved on 15 March 2022 by the General Shareholders' Meeting, includes as a preventive measure of possible conflicts of interest, that the Executive Chairman does not participate in the debates of the Appointments, Remuneration and Corporate Governance Committee when dealing with aspects that may affect him regarding remuneration.

iii) Section 4.1 of Naturgy's Code of Ethics establishes specific guidelines for action by employees, executives and directors of the Group with regard to "Loyalty to the company and conflicts of interest".

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 exercise of non-executive functions consists of a fixed annual allowance.

The amount of the remuneration for the year 2024 of the Directors for their status as such (non-executive functions) approved by the Board of Directors at its meeting of 26 February 2024, following a report from the Nomination, Remuneration and Corporate Governance Committee is:

- a. For membership of the Board
 - Chairman of the Board of Directors: €1,100,000/year
 - Director: 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.

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..

At the Board meeting of 26 February 2024, the fixed component of the Executive Chairman's remuneration was set at € 2.288.709€ (total fixed annual remuneration), including the remuneration he receives for his membership 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 the Board of Directors for the performance of non-executive duties, and 1.188.709 € that he receives as fixed annual remuneration for the exercise of 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 the beneficiary of an insurance policy for situations of temporary disability (100% of the total gross annual fixed monetary remuneration that he has been receiving, with the established limit of 18 months). He is also the beneficiary of an insurance policy to cover the contingencies of death and absolute permanent disability, or severe disability, in which NATURGY ENERGY GROUP S.A. acts as the policyholder, which takes the age of the Executive Chairman and the insured capital as the basis for calculating the amount of the annual premium, with the insurance company establishing and communicating the aforementioned premium. The insured capital in the event of the occurrence of the foreseen contingencies (death, absolute permanent disability or great disability) is equivalent to 3.5 annuities of total gross annual fixed monetary remuneration.

The Company has subscribed and pays the global premium corresponding to a civil liability insurance policy for Directors and Executives of NATURGY ENERGY GROUP S.A. and the companies belonging to its Group which, therefore, also covers all the Directors of NATURGY ENERGY GROUP S.A., both executive and non-executive, in which the directors will be considered insured, for the liabilities that may be demanded of them as a consequence of the performance of the activities inherent to their functions. In particular, the contract with the executive Chairman foresees the obligation for the Company to take out a civil liability insurance policy.

As the civil liability insurance is taken out on a global basis, it is not possible to calculate the part of it attributable to the directors as remuneration in kind.

The executive chairman's remuneration package also includes the following items, similar to those of the other members of senior management: health care, life, permanent disability and savings insurance, company car, housing allowance and limited electricity and gas consumption allowance.

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

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

As for the executive chairman, the variable components of the remuneration system, based on his performance of executive or delegated functions, are as follows:

i. Annual variable remuneration

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%.

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.

The objectives and weightings are as follows:

- Financial objectives weighted at 65%.

- Ordinary Ebitda

- Qualitative objectives weighted at 15%.

- Assessment of qualitative factors by the Board (contribution to business growth, transformation, teamwork).

- ESG weighted at 20%.

- Health and safety
- Gender diversity
- Environment
- eNPS

ii. Multi-year variable remuneration:

The Executive Chairman's multi-year variable remuneration is configured through a long-term incentive (ILP) in which, in addition to the Executive Chairman, 28 serving executives participate. The long-term incentive was approved by the June 2018 Board and ratified by the AGM held on 5 March 2019 and subsequently revised at the AGM of 15 March 2022 to align it with the new 2021-2025 Strategic Plan approved in July 2021.

Notwithstanding the fact that the details of the incentive are also included in the resolution of the 2019 Shareholders' Meeting and in the resolution of the 2022 Shareholders' Meeting, its characteristics are as follows:

The incentive covers the period of the 2021-2025 strategic plan, ordinarily expiring in December 2025 and is related to the total return obtained by the shareholders of NATURGY ENERGY GROUP, S.A.

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 return threshold has been exceeded, which implies a share price of €19.15 at the time of maturity of the ILP and assuming that all dividends foreseen in the 2021-2025 strategic plan (and those actually distributed in the 2018-2022 plan) are distributed. 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 the CEO's appointment (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 0.

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

In addition, and in accordance with the internal regulations governing the ILP, this remuneration mechanism is accompanied by 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 shareholders' meeting 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 of permanence with respect to the duration of the Plan. In the case of mutually agreed abandonment, it shall be as agreed.

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

The Executive Chairman, in view of the executive or delegated functions he performs, is granted the same benefits that are currently available to the members of the company's management committee, in the following terms:

Savings Insurance: the Executive Chairman is recognised as being entitled to receive a series of contributions which are instrumented in an insurance contract and which will be governed by the rules established for this purpose. NATURGY ENERGY GROUP S.A. contributes annually to the aforementioned instrument an amount equal to 20% of his total fixed monetary remuneration. The contingencies covered are survival at a specific date, death and total permanent disability, absolute disability or severe disability. The savings insurance is not incompatible with possible compensation in the event of termination of employment. There is no right to receive any amount for any of the contingencies in the event of:

- a. Voluntary resignation without respecting the period of notice provided for in the contract or without reaching prior agreement with the Board of Directors of the Company.
- b. Serious and culpable breach of his professional obligations and which causes significant damage to the interests of the Company.
- c. At any time during the year following the termination of his services as Executive Chairman - for reasons other than the occurrence of the contingencies - he carries out activities directly concurrent with those of the Company.

Welfare system linked to the annual variable remuneration: 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 an agreed welfare system. This has been decided for the annual variable remuneration for the financial years 2018 to 2023 (both inclusive).. The contingencies covered are the same as those established for the previous instrument, with the company being able to instrument the coverage of the above contingencies by taking out one or more insurance contracts with a minimum interest rate guarantee and profit-sharing. There is no right to receive any amount for any of the contingencies in the same cases as the previous instrument, with the exception of voluntary resignation without notice or without reaching agreement with the Board of Directors.

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 perform executive functions do not receive this type of indemnity.

In the case of directors who perform executive functions, art. 6 of the Remuneration Policy provides that:

"an indemnity may be established for certain cases of termination of the contractual relationship, which shall be equal to twice the sum of the following three amounts: (i) total annual fixed remuneration, (ii) annual variable remuneration and, (iii) in consideration of the concept of multi-year variable remuneration, a lump sum equivalent to 125% of the annual fixed remuneration; this third concept may be conditioned in part to the achievement of minimum profitability targets for shareholders consistent with those envisaged in the Strategic Plan. This compensation shall not be payable in the event of a very serious and culpable breach of the professional obligations of the executive directors that causes serious damage to the interests of the company.

In addition, and as a post-contractual non-competition agreement for one year, an indemnity equivalent to a maximum of one year's total annual fixed remuneration may be established".

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

The Executive Chairman's contract was approved at the Board of Directors' meeting of 6 February 2018, following a favourable report from the Appointments and Remuneration 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 above.

The contract contains a six-month notice period for the executive Chairman, except in the event of force majeure, an exclusivity agreement during the performance of his duties and a confidentiality agreement, both during the term of the contract and after its termination.

The Chairman's contract also establishes a severance payment in the event of termination or non-renewal of the office of Director in the amount of two annual payments of: (i) total annual fixed monetary remuneration, (ii) annual variable remuneration and (iii) in respect of the concept of multi-year variable remuneration, a lump sum equivalent to 1.25 of the total annual fixed monetary remuneration. This concept shall only be multiplied by one annuity if the minimum performance target of the ILP plan has not been reached at the time of accrual; the second annuity may be recovered if the minimum target is finally reached at the end of the plan.

Compensation shall not be payable in the event of a serious and culpable breach of professional obligations that causes significant damage to Naturgy's interests. In addition, and as a post-contractual non-competition agreement for one year, an indemnity equivalent to one year's total fixed remuneration is established.

The executive Chairman's contract provides for the termination of the contract and the payment of an indemnity in the event that he loses his executive functions and continues as non-executive Chairman. In such a case, the compensation provided for is identical to that in the preceding paragraph, but reduced by half, i.e. by a single annual payment.

In the event of loss of the status of Chairman, while remaining as Chief Executive Officer, a reduction of the remuneration provided for in the contract is foreseen.

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)

None of the members of the Board of Directors has been granted any loans, advances 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.**

Not applicable

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.

https://www.naturgy.com/accionistas_e_inversores/gobierno_corporativo/organos_y_normas_de_gobierno/remuneraciones

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.

The current remuneration policy was approved at the 2022 Annual General Meeting of Shareholders held on 15 March with more than 90% of votes in favour, and the Annual Report on Directors' Remuneration for the financial year 2022 was approved at the 2022 Annual General Meeting of Shareholders by a large majority, as was the case in previous years. As a result, it has not been deemed necessary to implement additional measures with regard to the Company's remuneration policy.

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 2023 at its meeting of 14 February 2023, maintaining the fixed remuneration component of €1,100,000 for the Chairmanship of the Board unchanged with respect to 2020, 2021 and 2023, and setting the part corresponding to executive functions at €1,102,800. The 2023 annual variable remuneration targets were set, at the proposal of the Nomination, Remuneration and Corporate Governance Committee, at the Board of Directors' meeting held on 14 February 2023, agreeing to reduce the weight of the financial components in favour of ESG aspects.

The Appointments, Remuneration and Corporate Governance Committee used the consultant PeopleMatters to compare the remuneration of other entities and to determine the remuneration of the Executive Chairman.

The settlement of this short-term variable remuneration for 2023 took place, following a report by the Nomination, Remuneration and Corporate Governance Committee, at the Board of Directors' meeting of 26 February 2024, after the annual accounts for 2023 had been prepared and 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 regard to remuneration for the exercise of non-executive functions, the establishment of a fixed remuneration for all Directors is considered to be an effective instrument to reduce exposure to excessive risks and the incorporation of long-term vision.

As regards the remuneration of the Executive Chairman, it is noted that it is balanced into 3 main components of similar weighting:

- A fixed component that accrues in any case, so that it does not entail any risk exposure.
- A variable component with a one-year time horizon, linked to specific and measurable business objectives which, being recurrent, avoids encouraging excessive risk-taking. This is reinforced by the fact that it is evaluated after the annual accounts have been audited and drawn up.
- A very long-term variable component aligned with the execution term of the Company's Strategic Plan (it was established in 2018 and originally expired in July 2023, substantially coinciding with that of the 2018-2022 Strategic Plan, but following the approval of the new 2021-2025 Strategic Plan, its ordinary maturity is scheduled for December 2025). By exceeding its duration than usual for this type of remuneration, it moderates risk-taking and offers longer-term value creation than usual.

There is a reasonable balance between the variable components in terms not only of time horizon, but also of amount and even of objectives, as the annual variable remuneration tends towards operational objectives that address the performance of the company's various businesses, while the multi-year variable remuneration mainly addresses the long-term interest of shareholders, which is an element that is often forgotten or postponed in other remuneration schemes.

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

In addition, the multi-year variable remuneration has a claw back system for the 18 months following its receipt.

With regard to the measures adopted to avoid conflicts of interest, we refer to section A.1.2. of this report.

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 remuneration accrued during 2023 does not exceed the maximum amount established in the Remuneration Policy approved by the General Shareholders' Meeting of 15 March 2022.

As regards the amount of the Executive Chairman's annual variable remuneration, this is linked to the Company's results in 2023, as it is linked to the Company's main indicators as detailed in section B.7 and has been determined once the audited annual accounts were made available to the Board.

The Executive Chairman's multi-year incentive, approved by the March 2019 AGM, and reviewed at the March 2022 AGM, aligns his remuneration with long-term value creation by the way it is structured.

B.4 IReport 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	881.734.995,00	90,9

	Number	% Votes Cast
Votes Against	35.161.870	3,98
Votes in Favour	547.101.884	62,04
Abstentions	299.471.241	33,96

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

In 2023, there was no change in the remuneration of directors in their capacity as such compared to the remuneration set for 2022.

The remuneration of the members of the Board of Directors for the exercise of non-executive functions was:

- a. For membership of the Board
 - Chairman of the Board of Directors: 1,100,000 €/year.
 - Director: 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 performance of the executive or delegated functions of the executive Chairman consists of the following items:

- Fixed annual remuneration, including the remuneration received for membership of any administrative body of any company of the Naturgy group, except its parent company: 1,102,800 €.
- 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 has been €2.617.495 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 continued to run through 2023

Other social and welfare benefits, equivalent to those generally recognised for members of the Company's senior management (medical insurance, company car, housing assistance, life and disability insurance, limited gas and electricity subsidies, savings insurance), as well as the obligation to take out civil liability insurance at the Company's expense.

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

For the calculation of the annual variable remuneration of the executive chairman for the financial year 2023 - and which will be settled as a contribution to the social welfare plan of which the executive chairman is a beneficiary, in accordance with the provisions of the contract - the indicators and weightings established by the Board of Directors have been taken into account, following a report from the Appointments and Remuneration Committee. Specifically, in 2022, the following parameters have been considered to determine the degree of compliance with the objectives:

- **Financial targets are weighted 65%.**
 - Ordinary Ebitda .
- **Qualitative objectives weighted 15%.**
 - Assessment of qualitative factors by the Board (contribution to business growth, transformation, teamwork)
- **ESG objectives weighted at 20% ESG**
 - Health and safety
 - Gender diversity
 - Environment
 - eNPS

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 annual fixed monetary remuneration is received). It has a maximum degree of achievement of 150%. This remuneration will not be received if the degree of achievement does not reach 80%.

The determination of the annual variable remuneration of the executive Chairman is determined by the Board of Directors following a proposal from the Appointments, Remuneration and Corporate Governance Committee.

The methodology for determining the degree of achievement of the financial-quantitative objectives consists of a comparison between the budget approved by the Board of Directors for the year and the final result for the year once the annual accounts have been drawn up by the Board of Directors itself, applying certain adjustments depending on the objective in question. These adjustments are generally applied to all Naturgy group personnel included in the management by objectives system.

As regards the qualitative elements of variable remuneration, the degree of achievement is determined at the discretion of the Appointments and Remuneration Committee itself, taking into account the work performed by the Chairman during the year.

Lastly, the ESG objectives are determined by comparing the indicators budgeted at the beginning of the year with the actual data obtained at the end of the year.

Therefore, the amount of the annual Variable Remuneration corresponding to the financial year 2023 and which will be settled as a contribution to the social welfare plan of which the Executive Chairman is a beneficiary, in accordance with the contractually established amount is €2.617.495 as a total achievement rate of 111.74% was reached.

Explain the long-term variable components of the remuneration system

As the long-term incentive has not changed, the description in section A.1.6 and in previous years' reports is not repeated.

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 non-executive functions.

The Executive Chairman is entitled to the benefits available to the company's executives. These benefits are explained in section A.1.5 (long-term savings schemes).

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.

Not applicable

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.

Contributions to pension instruments for the Executive Chairman amounted to € 441 thousand in the financial year 2023. To the aforementioned amount must be added the amount corresponding to the variable remuneration 2023, € 2.617.49 , which will be settled as a voluntary contribution to the Social Welfare Plan of which the Chairman is a beneficiary. The premiums paid for life and disability insurance amounted to 154 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 54 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 aplicable

C. BREAKDOWN OF INDIVIDUAL REMUNERATION EARNED BY EACH OF THE DIRECTORS

Name	Category	Accrual Period Q
RAMÓN ADELL RAMÓN	Propietary	From 01/01/2023 to 31/12/2023
ENRIQUE ALCÁNTARA-GARCÍA IRAZOQUI	Propietary	From 01/01/2023 to 31/12/2023
JAIME SILES FERNANDEZ PALACIOS	Propietary	From 01/01/2023 to 31/12/2023
FRANCISCO BELIL CREIXELL	Independiente	From 01/01/2023 to 31/12/2023
HELENA HERRERO STARKIE	Independiente	From 01/01/2023 to 31/12/2023
LUCY CHADWICK	Propietary	From 01/01/2023 to 31/12/2023
RAJARAM RAO	Propietary	From 01/01/2023 to 31/12/2023
ISABEL ESTAPÉ TOUS	Propietary	From 01/01/2023 to 31/12/2023
José Antonio Torre de Silva	Propietary	From 28/03/2023 to 31/12/2023
Theatre Directorship Services Beta, S.à.r.l.	Propietary	From 01/01/2023 to 28/03/2023
CLAUDI SANTIAGO PONSÁ	Independent	From 01/01/2023 to 31/12/2023
PEDRO SAINZ DE BARANDA RIVA	Independent	From 01/01/2023 to 31/12/2023
FRANCISCO REYNES MASSANET	Executive Chairman	From 01/01/2023 to 31/12/2023
Rioja S.à.r.l.	Propietary	From 01/01/2023 to 31/12/2023

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	Fixed Remuneration	Allowance	Remuneration for membership of Board Committees	Salary	Short-term variable remuneration	Long-term Variable Remuneration	Compensation	Other Items	Total for year t	Total for year t
Francisco Reynés Massanet	1.100			1.103		0		54	2257 (*)	2832 (*)
Ramón Adell Ramón	175		44						219	230
Enrique Alcantara-García Irazoqui	175		44						219	219
Isabel Estapé Tous	175		44						219	224
Lucy Chadwick	175		44						219	224
Rajaram Rao	175		44						219	219
Rioja S.à.r.l.	175		44						219	219
Theatre Directorship Services Beta S.à.r.l.	42		11						53	224
José Antonio Torre de Silva	133		33						166	
Jaime Siles Fernández Palacios	175		44						219	194
Claudi Santiago Ponsa	175		110						285	283
Pedro Sainz de Baranda Riva	175		108						285	283
Helena Herrero Starkie	205		110						315	312
TOTAL	3097		691						4947	5687

(*) Does not include the amount corresponding to the accrued annual variable remuneration paid in year 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			Gross return on shares or consolidated financial instruments (in thousands €)	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 shares	Price of consolidated shares			Nº instruments	Nº instruments
Director 1	Plan											
	Plan											

Observations

iii) Long-term Saving Systems

	Remuneration for vested rights to Savings System (*)
Francisco Reynés Massanet	3.058

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

**Funds paid in by the Company in
financial year (thousands of €)**

Name	Savings system with vested economic rights		Savings system with no vested economic rights		Amount of the accumulated funds (thousands €) (*)			
					Financial year Q		Financial year Q-1	
	Financia l year Q	Financia l year Q-1	Financia l year Q	Financia l 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
Francisco Reynés Massanet	0		3.058	2.953		16.556		13.365

(*)(*)Includes the amount corresponding to the variable remuneration for the corresponding year that was settled as a contribution to the Social Welfare Plan of which the Chairman is a beneficiary..

Observations

iv) Detail of other items

Name	Item	Remuneration Amount
Francisco Reynés Massanet	Life insurance	154

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	0	0	0	0	0	0	0	0	0	0
Director										

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

Observations

iii) Long-term Saving Systems

Long-term Saving Systems

Remuneration for vested rights to Savings System

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

Observations

iv) Detail of other items

Name	Item	Remuneration Amount
Director		

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 instruments	Remuneration by savings systems	Remuneration for other items	Total for the year company	Total Remuneration in Cash	Gross proceeds from equity or financial instruments consolidated	Remuneration by savings systems	Remuneration for other items	Total for the financial year Group
Francisco Reynés Massanet	2.257		3.058	154	5.469					
Ramón Adell Ramón	219				219					
Enrique Alcantara-García Irazoqui	219				219					
Isabel Estapé Tous	219				219					
Lucy Chadwick	219				219					
Rajaram Rao	219				219					
Rioja S.à.r.l.	219				219					
Theatre Directorship Services Beta S.à.r.l.	53				53					
José Antonio Torre de Silva	166				166					
Jaime Siles Fernández Palacios	219				219					
Claudi Santiago Ponsa	285				285					
Pedro Sainz de Baranda Riva	285				285					
Helena Herrero Starkie	315				315					
TOTAL	4.894		3.058	154	8.106					

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	%	Exercise	%	Exercise	%	Exercise	%	Exercise
	t	change	t-1	change	t-2	change	t-3	change	t-4
		t/t-1		t-1/t-2		t-2/t-3		t-3/t-4	
Executive Directors									
Francisco Reynés Massanet	5.469	-6,6 %	5.856	4,9 %	5.582 (*)	8,0 %	5.169 (*)	-7,2 %	5.568 (*)
External Directors									
Ramón Adell Ramón	219	-4,4 %	229	-27,3 %	315	-11,3 %	355	— %	355
Enrique Alcantara-García Irazoqui	219	— %	219	57,6 %	139	178,0 %	50	-78,7 %	235
Isabel Estapé Tous	219	-2,2 %	224	-14,8 %	263	42,2 %	185	— %	—
Lucy Chadwick	219	-2,2 %	224	-14,8 %	263	42,2 %	185	— %	—
Rajaram Rao	219	— %	219	— %	219	-6,8 %	235	— %	235
Rioja S.à.r.l.	219	— %	219	— %	219	-6,8 %	235	139,8 %	98
Theatre Directorship Services Beta S.à.r.l.	53	-76,3 %	224	-14,8 %	263	11,9 %	235	— %	235
Jaime Siles Fernández Palacios	219	12,9 %	194	— %		— %		— %	
José Antonio Torre De Silva López de Letona	166								
Claudi Santiago Ponsa	285	0,7 %	283	7,6 %	263	11,9 %	235	— %	235
Pedro Sainz de Baranda Riva	285	0,7 %	283	7,6 %	263	-10,9 %	295	— %	295
Helena Herrero Starkie	315	1,0 %	312	9,5 %	285	21,3 %	235	— %	235
Resultados consolidados de la sociedad	1.986	20,4 %	1.649	35,8 %	1.214	-449,9 %	-347	-124,8 %	1.401
Remuneración media de los empleados	65.784	6,9 %	61.548	5,6 %	58.281	4,4 %	55.824	(4,0)%	58.155

Observations:**Note**

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

Data for 2023 are estimated, pending final closure and final settlement of Variable Remuneration'23 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 26 February 2024.

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

Sí **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
