



REPORT ON THE FUNCTIONING
OF THE APPOINTMENTS,
REMUNERATION AND
CORPORATE GOVERNANCE
COMMITTEE OF NATURGY
ENERGY GROUP, S.A. DURING
FINANCIAL YEAR 2023.



In accordance with Recommendation no. 6 of the Good Governance Code of Listed Companies, section 11 of Technical Guide 1/2019 of the National Securities Market Commission on Appointments and Remuneration Committees, and article 8 of the Regulations on the organization and functioning of the Board of Directors and its committees), this report is issued regarding the functioning of the Appointments, Remuneration and Corporate Governance Committee, in accordance with 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. The Board of Directors at its meeting on 24 November 2020 adopted a decision supplementing this list.

II.- KEY FACTS

In addition to its regular supervisory functions, the Committee dealt with the following relevant matters during 2023:

- The process for the renewal of the positions of executive chairman, 2 independent directors and 1 proprietary director due to expiry of the statutory term of their appointment.
- The proposal of the remuneration of the executive director, the management team and the members of the board of directors.
- The process of updating the matrix of competencies of the Board.
- The talent management process
- The succession plan for the Executive Chairman
- Work Climate Analysis

III.- COMPOSITION OF THE APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE

The Appointments, Remuneration and Corporate Governance Committee is composed of five directors (two of whom are independent) and a non-director secretary. The Chairman is an independent director.

As at 31 December 2023, the distribution of positions on the Appointments, Remuneration and Corporate Governance Committee was as follows:

Chairman:	Mr. Pedro Sainz de Baranda Riva	Independent
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Committee Members:	Mr. Claudio Santiago Ponsa	Independent
	Mr. Rajaram Rao	Proprietary
	Mr. Enrique Alcántara García-Irazoqui	Proprietary
	Mr. Javier de Jaime Guijarro (RIOJA S.à.r.l.)	Proprietary
Secretary:	Mr. Manuel García Cobaleda	

The profile of each of the members is available on the website of the Company www.naturgy.com (Shareholders and Investors - Corporate Governance - Governing Bodies - Composition of the Board of Directors of NATURGY ENERGY GROUP, S.A.).

Taking into consideration the profiles of the members of the Commission during the year 2023, it can be concluded that its composition is balanced, with profiles that accredit extensive management experience in general and people management experience in particular, with knowledge of the energy sector and in matters of health and safety, financial vision and international vision.

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 Organization 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 functioning of the Board:
 - Verification of the policy for the selection of Directors,
 - Analysis of the functioning of the Committee itself and of the Board of Directors.
 - Preparation of proposals for the appointment of independent directors or of reports in the case of proprietary directors.
 - Preparation of reports in the event of the removal of an independent director,
 - Preparation of reports in situations in which the performance of a director may harm the reputation of the Company.
- Remuneration:
 - Drafting of remuneration policy proposal,
 - Remuneration of the Board and Executive Chairman,
 - Basic conditions of key management
 - Observance of the Company's general remuneration policy.
- Making proposals and reporting on 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 financial year 2023, the Nomination, Remuneration and Corporate Governance Committee met on 8 occasions (two of them in writing and without a session) and the attendance rate was 100%.

The Chief People Officer attended most of the Committee's meetings. The Committee has also benefited from the services of various external advisors, mainly in labour matters.

The Lead Director has also been invited to some of the meetings at the proposal of the Chairman of the Committee, as well as because the CNMV's recommendations make it



advisable, considering that she could contribute a relevant point of view to the debate.

During the 2023 financial year, his work in the following areas stands out:

1.- Evaluation process of the Board and its Committees

The Committee has set in motion and coordinated the evaluation process of the Board and its Committees, carried out by an external consultant. This evaluation has shown that Naturgy has a Board made up of professionals with excellent skills and a high professional level, as well as in-depth experience and knowledge in corporate governance. The existence of complementary profiles and the capacity to contribute perspectives and a global vision of the markets and the business are also favorably valued.

An action plan will be developed during the first quarter of 2024 based on the findings of this evaluation.

2 Remuneration:

The Committee has been responsible for implementing the Directors' Remuneration Policy approved by the 2022 General Shareholders' Meeting, as well as supervising the remuneration policy of the management team.

It has also monitored the evolution of the ILP programme, in particular the ILP liquidation process linked to beneficiaries with associated maturities in July 2023.

3 Appointments:

1.- The Committee issued a favorable report in relation to :

- The appointment of Mr. José Antonio Torre de Silva as a natural person and as a proprietary director at the proposal of the shareholder Rioja Acquisition Sarl, replacing Theatre Directorship Services Beta Sarl (due to the fact that the current Capital Companies Act does not allow the status of director to be held by a legal person in listed companies).
- The appointment of Mr Reynés, both with regard to his renewal as director and his appointment as Chairman with executive functions.

2.- The Committee, with the participation of the Coordinating Director, submitted to the Board of Directors the proposal to renew the mandate of the independent directors Mr Santiago and Mr Sáinz de Baranda.

3.- The Committee also supervised the proposals for appointments related to Senior Executives.

4.- The Committee reviewed the talent development plan and the senior management succession plans prepared by the management team, noting that the process is robust and that there is a good, diverse pool of individuals with management development



potential.

4 Supervision of the functions of the executive director:

The Committee has evaluated the performance of the executive director, at the beginning of the year to set their remuneration and on an ongoing basis during the year.

VI. MONITORING OF PRACTICAL GUIDES

During the 2023 financial year, the Appointments, Remuneration and Corporate Governance Committee has taken into consideration the Technical Guide 1/2019 on Appointments and Remuneration Committees, approved by the Spanish National Securities Market Commission (CNMV) on 20 February 2019, as well as the existing standards and best practices in corporate governance.

VII. SIGNIFICANT DEVIATIONS

During the financial year 2023, there were no significant deviations from the procedures adopted or irregularities brought to the attention of the Board of Directors in writing in matters within the competence of the Committee.

VIII.- CONCLUSION

The Appointments and Remuneration Committee functioned normally during the 2023 financial year, exercising its powers fully and without interference. As regards the Chairman's performance of his duties, he has fully complied with the Committee's resolutions.