



Report on the functioning of
the Audit and Control
Committee of the Board of
Directors of Naturgy Energy
Group, S.A.
during Financial Year 2023.



In accordance with Recommendation no. 6 of the Unified Code of Good Governance, with the provisions of section 79 of Technical Guide 3/2017 of the National Securities Market Commission on Audit Committees of Public Interest Entities, and with 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 Audit and Control Committee, in accordance with the following considerations and conclusions

I.- BACKGROUND AND LEGAL REGULATIONS

The Articles of Association of Naturgy establish in Article 8 that the Company shall have an Audit Committee, setting forth the characteristics of the same with respect to its composition and functioning. Article 26 of the Board Regulations specifies its powers, which substantially coincide with those established by law. At its meeting of 23 October 2023, the Board of Directors adopted a resolution supplementing this list of powers

In addition to complying with these legal requirements, the Regulation of the Committee follows the principles and recommendations for functioning established in the Code of Good Governance of Listed Companies approved by the Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores, or CNMV for short) of November 2020 and has taken into account the Technical Guide 3/2017, on Spanish Audit Committees for Public Interest Entities, of 27 June 2017.

II.- KEY FACTS

In addition to regular oversight functions, e.g. on risk, cybersecurity or related-party transactions, the Committee has addressed the following relevant issues during 2023:

- The independence of the External Auditor
- Oversight of Treasury Share transactions
- Authorisation of the provision of non-audit services by the External Auditor
- Oversight of the Group's Crime Prevention Model
- Implementation of the Group's Internal Information System, in accordance with the requirements of Law 2/2023.
- Monitoring the Work Plan of the Internal Audit and Compliance Areas.
- The process of renewing the External Auditor

III.- COMPOSITION OF THE AUDIT COMMITTEE



The Audit and Control Committee is made up of five Directors and one Non-Member Secretary, the Independent Directors being the majority.

At 31 December 2023, positions on the Audit and Control Committee were arranged as follows:

Chairman:	Mr. Claudi Santiago Ponsa	Independent
Committee Members:	Mr. José Antonio Torre de Silva López de Letona	Proprietary
	Mr. Pedro Sáinz de Baranda Riva	Independent
	Mr. Ramón Adell Ramón	Proprietary
	Mrs. Helena Herrero Starkie	Independent
Secretary:	Mr. Manuel García Cobaleda	

The profile 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.).

The composition of the Committee is particularly well-balanced, supported by the presence of profiles in regard to accounting and auditing, new technologies, legal, financial and risk management, including institutional.

IV.- POWERS AND FUNCTIONS

The Audit and Control Committee exercises the powers entrusted to it by the Board of Directors within the framework of article 529.14 of the LSC, the Articles of Association, its Rules of Organisation and Operation and the agreements of the Board of Directors of 23 October 2023 :

1. To prepare the Report on the functioning of the Audit Committee
2. Ensure that the Board of Directors endeavours to present the accounts to the General Meeting of Shareholders without limitations or qualifications



in the Audit Report. And in those cases in which the auditor has included a qualification in its audit report, the Chairman of the Audit Committee shall clearly explain to the General Meeting the opinion of the Audit Committee on its content and scope, making a summary of said opinion available to the shareholders at the time of publication of the notice of the meeting, together with the rest of the proposals and reports of the Board, a summary of said opinion.

3. Approval of the annual work plan and budget of the Internal Audit Unit and the Compliance Unit, and supervision, on an annual basis, of the activities of these Units.

In relation to the information and control systems:

(a) Supervise and assess the preparation process and the integrity of financial and non-financial information, as well as the control and management systems for financial and non-financial risks relating to the company and, where appropriate, the group, including operational, technological, legal, social, environmental, political, reputational and corruption-related risks, reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.

(b) Ensure the independence of the unit that assumes the internal audit function; propose the selection, appointment and removal of the head of the internal audit service; receive regular information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

(c) Establish and supervise a mechanism which, while guaranteeing confidentiality and even anonymity, allows employees and other persons related to the company to report any potentially significant irregularities, including financial, accounting or any other irregularities they notice within the company or its group.

(d) In general, ensure that the policies and systems established for internal control are effectively applied in practice.

(e) Approve the fixed and variable remuneration of the heads of the Internal Audit and Compliance Units.

5. In relation to the external auditor:

(a) In the event of resignation of the external auditor, examine the circumstances that led to the resignation.



- (b) Ensure that the external auditor's remuneration for its work does not compromise its quality or independence.
 - (c) Supervise that the company notifies the CNMV of the change of auditor and accompanies it with a statement on the possible existence of disagreements with the outgoing auditor and, if any, their content.
 - (d) Ensure that the external auditor holds an annual meeting with the full board of directors to report to it on the work performed and on developments in the company's accounting and risk situation.
 - (e) Ensure that the company and the external auditor respect the rules in force on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, the other rules on auditor independence.
6. Summon any employee or officer of the Company, and even order them to appear without the presence of any other officer.
 7. Analyse and report to the Board of Directors on the economic conditions and the accounting impact and, in particular, if appropriate, on the exchange ratio, in relation to the structural and corporate modification operations that the Company plans to carry out
 8. Supervision of the exercise of the functions of the internal risk control and management department.
 9. In relation to supervision of compliance with the Codes of Conduct.
 - (a) Supervision of compliance with the company's internal codes of conduct.
 - (b) Supervision of the application of the general policy regarding the communication of economic-financial, non-financial information.
 - (c) assessing all aspects of the company's non-financial risks, including operational, technological, legal, social, environmental, environmental, political and reputational risks
 - (d) Coordination of the reporting of non-financial and diversity information in accordance with applicable regulations and international benchmarks.
 10. Report on related-party transactions to be approved by the general meeting or the board of directors and supervise the internal procedure established by the company for those whose approval has been delegated.



V.- FUNCTIONING

In compliance with that set forth in Article 26 of the Regulation, the Audit and Control 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 of its members and at least four times a year.

The Audit and Control Committee has ordinarily called meetings within the minimum notice period set forth 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 addressed.

During 2023 the Audit and Control Committee has met on 5 occasions and the attendance rate is 100%.

The chief executives of the supervisory and control areas were invited to the meetings to present matters relating to their competencies or to respond to questions raised by the directors on matters within their competence.

The external auditor attended 2 meetings.

The internal audit manager and the head of compliance have attended all the meetings of the Committee, having held coordination meetings with the Chairman of the Committee prior to each of the meetings to analyse the matters and issues to be dealt with at each of the meetings.

The evaluation carried out by an external consultant this year shows the high degree of participation of the directors through qualitative comments, also highlighting the high assessment of the functioning of the Board and its committees, and the high professionalism and diversity of knowledge of the directors.

VI.- RISK CONTROL

The Audit and Control Committee monitored the effectiveness of the internal control and risk management systems during financial year 2023, ensuring that they identify the different types of risks and the measures to mitigate them and to address them should they materialize.

The Committee monitored the status of the Group's litigation, was informed of the Company's risk map, and monitored in particular the risks in the areas of cybersecurity risks as well as criminal risks related to the Company's activities.



The Committee paid particular attention to the risks arising from commodity trends and their reflection in accounting and market reporting.

In addition, the Committee has carried out the monitoring of the effectiveness of the ICFR with the support of the Internal Audit unit and the External Auditor and has also carried out the monitoring of the effectiveness of the PPM with the support of the Internal Audit unit and PWC.

VII.- RELATIONSHIP WITH EXTERNAL AUDITOR

During 2023 and according to the resolution adopted by the General Shareholders' Meeting held on 9 March 2021, KMPG Auditores S.L. were appointed as the Accounts Auditor of the Company.

In order to comply with the functions established in letters e and f of section 4 of article 529 quaterdecies of the Capital Companies Act, the Audit and Control Committee has supervised all proposals to contract non-audit services with the Accounts Auditor to ensure that they were neither prohibited, nor incompatible with their work as auditors, nor did they compromise their independence, all in accordance with the limitations established in current legislation and in particular in article 16 of the Accounts Auditing Act.

The Internal Audit Department has been in charge of coordinating with the External Auditor the contracting needs of non-audit services that were required by the Company and subsequently informing the Audit and Control Committee in order to obtain its authorisation.

The Company's Internal Audit Manager periodically submitted to the Audit and Compliance Committee exhaustive information on the non-audit engagements requested by the Company, attaching in each case the auditors' letter of independence and the letter justifying the need for the service signed by the corresponding Director.

The Audit and Compliance Committee reviewed said documentation in order to obtain guarantees regarding the independence of the auditors, verifying that they did not fall within any of the grounds for incompatibility set out in the Audit Act, and that the services to be contracted were permitted as they were not related to the auditing of accounts.

In accordance with the exceptional procedure established by the Committee itself, in cases where the urgency of the engagement required it, it was the Chairman of the Committee who received the corresponding documentation and analysed that these were not prohibited services and that they did not compromise the independence of the auditors, authorising the engagement,



although in all cases, the Chairman reported on the use of this power at the first meeting of the Audit and Compliance Committee held, where this decision was ratified.

It should be noted that as a result of the relations with the Accounts Auditor, and after analysing the non-audit work contracted and related services and the written confirmation of the Accounts Auditor on its independence, the Committee states that it has not identified issues in the independence of the firm KPMG in the provision of its services, both those corresponding to the Accounts Auditor's work and those services provided additional to the accounts audit and associated services.

VIII.- RELATED-PARTY TRANSACTIONS

a) Transactions approved by the Board of Directors, following a report from the Committee

No related-party transactions were submitted to the Commission for approval in 2023.

b) Transactions approved by the Executive Chairman without a prior report from the Committee

The Board of Directors of Naturgy at its meeting held on 21 December 2021 agreed to delegate to the Executive Chairman or another director performing similar executive functions the power to approve the related-party transactions referred to in article 529. 4 duovicies, specifically:

- a) transactions between Naturgy Energy Group S.A. and the companies forming part of its group that are carried out within the scope of ordinary management and under market conditions;
- b) transactions entered into under contracts whose standardized conditions are applied in masse to a large number of customers, are carried out at prices or rates established generally by the party acting as supplier of the good or service in question, and whose amount does not exceed 0.5% of the net turnover of the company.

During the financial year 2023, it was not necessary to seek the authorization of the Chief Executive Officer for the authorization of any related party transactions.

IX.- CONCLUSION



The Audit and Control Committee has worked during financial year 2023 as expected, fully exercising their competencies without interference. With regard to the performance of the functions by the Chairman during the period, the same has conformed in full to the decisions of the Committee.

**This assessment report of the functioning of the Audit and Control Committee corresponding to financial year 2023 was approved in the meeting held on 26 February 2024.*