

**ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED PUBLIC
LIMITED COMPANIES**

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Registered Name:

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Registered Office:

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ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

A COMPANY REMUNERATION POLICY FOR THE CURRENT FINANCIAL YEAR

A.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:

- Description of the procedures and bodies of the Company involved in the determination and approval of the Remuneration Policy and its terms and conditions.**
- Indicate and, as the case may be, explain if comparable companies have been examined to establish the Company's Remuneration Policy.**
- Information on whether any External Consultant has participated and, as the case may be, the identity of the same.**

Explain the Remuneration Policy

When establishing its remuneration policies, the aim of the Company, in accordance with that set forth in new Art. 9 of the Articles of Association, is to promote the long-term profitability and sustainability of the Company, through the creation of sustainable value over time, while ensuring that the Remuneration Policy is both transparent and competitive.

The Board of Directors specifies and periodically reviews the remuneration policy for directors following a report from the Appointments and Remunerations Committee, in order to keep it in line with the best practices in the market of reference and with the objectives set out in the By-Laws. Therefore, the Board, following a favourable report from this Committee, has proposed to the next AGM of Shareholders to be held approve a modification to the remuneration policy for the period 2021-2023, which will continue the policy approved by the AGM of Shareholders in 2020, proposing two specific adaptations to it: i) The allocation of a fixed annual amount for membership of the Board is maintained, while in the remuneration for membership of Committees, the dedication factor is established so that it will be a fixed remuneration for the meetings attended. ii) with regard to the pluriannual

variable remuneration of the executive director, whose main feature is that it is linked to long-term objectives, proposes that the Board of Directors may establish, when the end of the relevant programme is near, new long-term programmes to follow on from those currently in force and ensure the long-term vision of this remuneration component.

Art. 9 of the Company's Articles of Association establishes a Directors' remuneration regime for generic functions as well as those specifically executive or delegated.

Remuneration for non-executive functions involves a fixed payment that may be in the form of remuneration in shares or reference them. The distribution of said remuneration, within the limit periodically set in the Remuneration Policy, is performed by the Board of Directors and may be different depending on the Committee(s) to which each Director is a member and the dedication and responsibility required for each position(s). It may also differ depending on the responsibility and function assumed by each Director on the Board or on the Committee(s).

The remuneration of the Executive Chairman for specifically exercising executive or delegated functions is made up of the following concepts:

- Annual fixed base remuneration. Includes any remuneration paid for being a member of any governing body of a company of the Naturgy group, including its parent company.
- Annual variable remuneration based on 100% of the total annual fixed monetary remuneration adjusted according to the rate of attainment of the objectives met. Payment in cash may be replaced every year in all or part by a contribution to a pension system, on mutual agreement.
- Multi-year Variable Remuneration or Long-Term Incentive Plan; linked to the return obtained by the Shareholders during the reference period that aligns to a great extent with the 2018-2022 Strategic Plan.
- Other benefits such as medical healthcare insurance, company car, housing assistance, disability and life insurance, capped gas and electricity usage discounts and Group savings-linked insurance policy.

In addition to the foregoing, the Board of Directors may establish other variable remuneration in the event of special transactions, for objectives linked to their attainment as well as for remuneration derived from the achievements obtained.

The amount(s) paid for executive and non-executive functions for the financial year 2021, were approved by the Board on 2 February 2021. Likewise, the objectives of the annual variable remuneration of the Executive Chairman were set in the same meeting. The Long-Term Incentive was approved by the General Meeting of Shareholders held on 5 March 2019.

- **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 who receives a variable remuneration, is balanced on three (3) key components with similar weight:

- A fixed component that is paid in all events, in a way that there is no exposure to risk.
- A variable component with a time horizon of one year, linked to specific, measurable business objectives that are recurrent and therefore avoid excessive risk-taking. This is reinforced by the fact the assessment of the same is performed once the Annual Accounts have been audited and submitted, and with a claw back clause for the 18 months following after receiving the variable annual remuneration.
- A variable component with a very long-term time horizon (ordinarily ending in July 2023 and therefore aligns to a great extent with the 2018-2022 Strategic Plan). Since this type of remuneration exceeds the norm (3years), it moderates excessive risk-taking and provides more long-term value creation than usual. This remuneration component is linked to a minimum profitability threshold below which the surplus will not be distributed, even if there is one, and to a claw back clause during the 18 months following receipt of the plan.

Between the variable components there is a reasonable balance not only in terms of time horizon but also amount and even objectives since the annual variable remuneration leans towards operational objectives that consider the immediate interests of the Company, whilst multi-variable remuneration leans specifically towards the long-term interest of the Shareholders, in line with that established in the Articles of Association.

The annual variable remuneration is only decided on and paid once the audited Annual Accounts of the Company are made available to the Board of Directors and any qualifications in the report of the Company's external auditor that reduce these results will be taken into account. The Board of Directors is entitled not to consider these qualifications if there is a reasoning disagreement .

Both the annual variable remuneration as well as the multi-year variable remuneration have a claw-back system for eighteen (18) months from payment of the same.

- **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 financial year for non-executive functions consists in a yearly fixed allocation.

The amount of the remuneration for 2021 of the Directors for their status as such (non-executive functions) approved by the Board of Directors at its meeting of 2 February 2021, following a report from the Appointments, Remuneration and Corporate Governance Committee:

a) For Board membership

- Chairman of the Board of Directors: 1.100.000 €/year.
- Board Member: 175,000 €/year.
- Coordinating Director: 30.000 €/year

b) For Committees membership

- Committee Chairman: 66,000 €/year.
- Committee Member: 44,000 €/year.

- **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.**

In the meeting on 2 February 2021, the Board set that the fixed component of the remuneration of the Executive Chairman be maintained at € 2.060.000 (fixed total annual monetary remuneration), including the remuneration that he receives for being a member 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 said Board of Directors for the exercising of non-executive functions and € 960.000 that he receives as annual fixed base remuneration for exercising executive or delegated functions.

- **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 beneficiary of an insurance policy for temporary disability (100% of the total gross annual fixed monetary remuneration he/she has been receiving, for up to eighteen (18) months). He is also beneficiary of an insurance policy that covers death or total permanent disability or severe disability, in which NATURGY ENERGY GROUP S.A. acts as the Policyholder, taking the age of the Executive Chairman as a base to calculate the yearly insurance premium and the sum insured, being the insurance company who establishes and communicates the said premium. The sum insured in the event that the contingencies covered occur (death, permanent or severe disability) is equivalent to three and a half (3.5) years' annuities of total annual gross fixed monetary remuneration

The Company takes out and pays a global premium for a joint civil liability insurance policy for all Board Members and Directors of NATURGY ENERGY GROUP, S.A. extending to both the Parent Company and the Group subsidiaries and affiliates and therefore also covers all the Directors of NATURGY ENERGY GROUP S.A. both executives and non-executives, in which the Directors are named as Insured Parties, to cover any liability they may incur when exercising their duties as Directors. In particular, the contract with the Executive Chairman stipulates the obligation that the Company has to take out a civil liability insurance.

Since the civil liability insurance is contracted globally the part attributable to the Directors as remuneration in cash can not be calculated.

The remuneration package of the Executive Chairman also includes the following items, similar to the rest of the members of Senior Management: medical healthcare, life, temporary disability and Group savings-linked insurance policies, company car, housing assistance and capped gas and electricity usage discounts.

- **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
<p>Directors do not receive this type of remuneration for exercising non-executive functions.</p> <p>For the Executive Chairman who exercised executive and delegated functions, the variable components of the remuneration system are the following:</p> <ul style="list-style-type: none"> - Annual variable remuneration <p>It is 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%.</p> <p>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.</p> <p>The targets and weightings are as follows:</p> <ul style="list-style-type: none"> - Operational efficiency weighted by 25%. Opex reduction without capture costs - Ordinary Ebitda-Capex Maintenance weighted at 25%. - Maximisation of comparable cash generation - Ordinary net profit: weighted 25%. - Maximisation of comparable consolidated net profit - Qualitative objectives weighted 15% - Assessment of qualitative factors by the Board 10% (commitment to the project, transformation, team work). - Contribution to business growth 5% - ESG weighted at 10% - Health and safety - Gender diversity <p>- Multi-year variable remuneration:</p>

Long-term incentive plan: as it runs from 2018 to ordinarily July 2023, its details for 2021 are the same as described in section B7 for 2020 and in previous years' reports.

- **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

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

In regard to the executive or delegated functions that the Executive Chairman exercises, the same benefits that are currently available to the members of Management Committee of the Company are afforded to him under the following terms:

Group savings-linked insurance policy: the Executive Chairman is afforded the right to receive a series of contributions that are set forth in an insurance contract and are governed by the rules laid down for this purpose. NATURGY ENERGY GROUP S.A. makes yearly contributions to the foregoing instrument of an amount equal to 20% of their fixed monetary remuneration. Contingencies covered include the survival on the date specified, death or total, permanent or severe disability. The Group savings-linked insurance policy is not compatible with possible compensation in the event of termination. There is no right to receive any amount for any of the contingencies in the event of:

- Voluntary resignation without respecting the notice period set in the contract and without reaching prior agreement with the Board of Directors of the Company.
- Material breach deemed wilful or negligent of professional obligations insofar as the breach causes serious harm to the interests of the Company.
- At any time during the year following the termination of the provision of the services as Executive Chairman, for a different reason to that of contingency events, perform activities directly related to those of the Company.

Social welfare system linked to 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 a social welfare system to be agreed. This is what he has decided for the variable annual remuneration corresponding to the financial years 2018, 2019

and 2020, received at the beginning of 2018, 2019 and 2020, respectively. The contingencies covered are the same as those established for the previous instrument, and the company may implement the coverage of the aforementioned contingencies by subscribing to one or more insurance contracts with a minimum interest rate guarantee and a share in profits. There is no right to receive any amount for any of the contingencies in the same cases as the previous instrument, except in the case of voluntary resignation without prior notice or without reaching an agreement with the Board of Directors.

- **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.**

Explain compensation system
Directors who do not exercise executive functions do not qualify for this type of compensation.

- **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
<p>The Executive Chairman's contract was approved at the Board of Directors' meeting held on 6 February 2018, following a favourable report from the Appointments and Remunerations 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, a scheme that was confirmed with the approval by the AGM on 5 March 2019 of the Remuneration Policy and the long-term incentive.</p> <p>The contract contains, in addition, a clause requiring advance notice of at least six (6) months from the Executive Chairman except for cases of force majeure, an exclusivity clause for as long as the same exercises his functions and a non-disclosure undertaking, which will remain binding even after the contract has ended.</p> <p>The Chairman's contract establishes compensation for the cessation or non-renewal of the position of Director for the overall amount of two (2) years of:</p>

(i) fixed total annual monetary remuneration, (ii) the annual variable remuneration and (iii) according to the concept of multi-year variable remuneration, a lump sum equivalent to 1.25 of the fixed total annual monetary remuneration. This concept will only be multiplied by a full year if, at the time of accrual, the minimum profitability target of the LTI Plan has not been reached; the second full year can be recovered if the minimum target was finally reached at the end of the Plan.

The compensation will not be payable in the event of serious and culpable breach of their professional obligations that causes significant damage to the interests of Naturgy. Furthermore and as a post-contractual non-competition agreement, compensation equivalent to one year's fixed remuneration has been established.

The contract of the Executive Chairman sets out the termination of the contract and the payment of compensation if he forfeits his executive functions and continues as non-executive Chairman. In this case, the compensation provided is identical to that of the previous section, but reduced by half, that is, one full year.

If in the case that the capacity of Chairman is rescinded, but the same still holds office as CEO, a reduction of planned remuneration is provisioned for in the Contract.

- **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

- **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)
The Members of the Board are not granted advances, loans or guarantees.

- **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.**

Explain the process for determining the Remuneration Policy
The Board, following a favourable report from the Nomination, Remuneration and Corporate Governance Committee, has proposed to the next General Shareholders' Meeting to be held, the approval of a modification of the Remuneration Policy for the period 2021-2023, continuing the one approved by the General Shareholders' Meeting in 2020, proposing two specific adaptations to that policy: i) in the remuneration of Directors for their status as such, the allocation of a fixed annual amount for membership of the Board is maintained, while in the remuneration for membership of Committees, the dedication factor is established so that it will be a fixed remuneration for the meetings attended and ii) with regard to the multi-year variable remuneration of the executive Director, the main feature of which is that it is linked to the remuneration of the executive Director, whose main characteristic is that it is linked to long-term objectives, proposing that the Board of Directors may establish, when the deadline for completion of the corresponding programme is near, new long-term programmes to continue those in force at any given time and ensure the long-term vision of this remuneration component.

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.

file:///C:/Users/uf776989/Downloads/Politica_remuneraciones_consejeros_aproba_da_Junta_ES.pdf

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.

During financial year 2020, it was the Shareholders themselves who directly in the General Meeting for Shareholders approved the 2020-2022 Remuneration Policy.

B GENERAL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED FOR THE FINANCIAL YEAR ENDED

B.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.

<p>The Board of Directors approved the individual remuneration of Directors for the exercise of non-executive functions for the financial year 2020 at its meeting of 4 February 2020, maintaining unchanged the fixed remuneration component of 1,100,000 euros for the Presidency of the Council, with respect to 2019, and increasing the part corresponding to executive functions from 930,000 to 960,000. The fixed components of the Executive Chairman's remuneration were set at the same meeting. The targets for the variable annual remuneration for 2020 were set by the Appointments, Remuneration and Corporate Goberment Committee and the Board on 4 February 2020, and at the subsequent meetings on 3 June and 29 September 2020. The settlement of short-term variable remuneration for 2020 took place at Board meeting on 2 February 2021, after the Board had drawn up the annual accounts for 2020 which, moreover, do not contain any qualifications by the external auditor</p>

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.

<p>Explain the actions adopted to reduce risks</p>
<p>With respect to the remuneration for the exercising of non-executive functions, the establishing of a fixed remuneration for all the Directors is considered to be an efficient instrument for reducing exposure to excessive risks and the incorporation of a long-term perspective.</p> <p>In regard to the remuneration of the Executive Chairman, it should be noted that it is balanced on three (3) key similar weighted components:</p>

- A fixed component that is paid in all events, in a way that there is no exposure to risk.
- A variable component with a time horizon of one year, linked to specific, measurable business objectives that are recurrent and therefore avoid excessive risk-taking. This is reinforced by the fact the assessment of the same is performed once the Annual Accounts have been audited and submitted.
- A variable component with a very long-term time horizon (ordinarily ending in July 2023 and therefore aligns to a great extent with the 2018-2022 Strategic Plan). Since this type of remuneration exceeds the norm (exceder de lo habitual en este tipo de remuneración - ordinarily 3 years), it moderates excessive risk-taking and provides more long-term value creation than usual.

Between the variable components there is a reasonable balance not only in time horizon terms but also amount and even objectives since the annual variable remuneration tends towards operational objectives that consider the immediate interest of the Company, whilst multi-year variable remuneration tends specifically towards the long-term interest of the Shareholders, an element that is frequently over looked or passed over to other remuneration schemes.

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

The annual variable remuneration and the multi-year variable remuneration have a claw-back system for eighteen (18) months from its payment.

B.3 Explain how the remuneration accrued in the financial year complies with that set forth in the Remuneration Policy in force. 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 amount of remuneration accrued during 2020 does not exceed the maximum amount established in the Remuneration Policy approved by the General Meeting of Shareholders on 26 May 2020.

The annual variable remuneration amount due to the Executive Chairman was determined once the audited Annual Accounts were available to the Board (the same being linked to the evolution of the key indicators of the

Company as detailed in section B.7 and related to the results of the Company in 2020).

The multi-year incentive of the Executive Chairman, approved by the General Meeting of Shareholders in March 2019, aligns his remuneration with long-term value creation for the way in which it is structured

B.4 Report 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	719.430.449	96,87

	Number	% Votes Cast
Votes Against	71.625.906	9,95
Votes in Favour	647.581.762	90,01
Abstentions	222.781	0,03

Observations

B.5 Explain how the accrued fixed components were determined during the financial period for the Directors in their capacity as such, and how they have varied with respect to the previous year.

The remuneration of the Members of the Board for exercising non-executive functions was:

- Chairman of the Board of Directors: 1,100,000 €/year.
- Board Member: 175,000 €/year.
- Coordinating Director: 30,000 €/year.
- Committee Chairman: 18,000 euros/per session
- Committee Member: 12,000 euros/per meeting

There is a maximum limit of 150,000 euros per director and year for their perceptions as members of the Committees.

In addition, at its meeting on 15 April 2020, the Board established an additional limit so that no director may receive remuneration in 2020 that is higher than that received in 2019 for their membership of Committees.

Therefore, despite the fact that there have been a very high number of meetings, the sum of these remunerations in 2020 has been exactly the same as in 2020, i.e. 3,955,000 €

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 Executive Chairman exercising executive or delegated functions includes the following items:

- Annual fixed base remuneration, including remuneration received for being Member of any governing body of any company of the Naturgy group, except its parent company: €960.000
- The annual variable remuneration was based on an amount equivalent to the total fixed annual monetary remuneration to which a percentage based on the attainment metric was applied, that amounted to €1.917.860 €. The said amount is paid as a contribution to the pension scheme of which the Executive Chairman is beneficiary in accordance with that set forth in his Contract.
- The Long-Term Incentive Plan was not paid, since it is due ordinarily in July 2023 and is linked to the return obtained by the Shareholders in said period and aligns to a great extent with the 2018-2022 Strategic Plan.

Other benefits and pension entitlements equivalent to those generally afforded to members of Senior Management of the Company (private medical healthcare insurance, housing assistance company car, life and disability insurance, limited discounts on capped gas and electricity usage discounts, savings system) as well as the obligation to take out, at the Company's expense, a civil liability insurance.

B.7 Explain the nature and main characteristics of the variable components of the remuneration systems paid in the financial year ended. In particular:

- **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.**

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.

- 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.
- 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
<p>When calculating the annual variable remuneration of the Executive Chairman corresponding to financial year 2020 due to be paid as a contribution to the pension scheme to which the Executive Chairman is beneficiary, according to that set forth in his contract, the indicators and weightings fixed by the Board of Directors were taken into account once the Strategic Plan was approved and subject to prior favourable report from the Appointments and Remuneration Committee. To be precise, in 2020 the following parameters to determine the rate of attainment of the objectives have been considered:</p> <p>CAPEX</p> <p>Weighted at 20% as follows:</p> <ul style="list-style-type: none">- Maximise maintenance CAPEX (weighted at 6.67% and with an attainment rate of 107,6%)- Improve CAPEX IRR growth (weighted at 6.67% and with an attainment rate of 78,2 %)- Improve investment in growth (weighted at 6.67% and with an attainment rate of 104,3 %) <p>Operational efficiency</p> <ul style="list-style-type: none">- Reduction of the OPEX (not including capture costs)- weighted at 25%- attainment rate: 120% <p>Ebitda-Capex maintenance</p> <ul style="list-style-type: none">- Comparable cash flow generation- weighted at 30%- attainment rate: 82,5 % <p>Net Return</p> <ul style="list-style-type: none">- Comparable Consolidated- weighted at 15%- attainment rate: 59,7 % <p>Qualitative assessment, determined by the Board of Directors</p> <ul style="list-style-type: none">- qualitative assessment- weighted at 10%

- attainment rate: 100 %

The calculation is based on 100% of the total annual fixed monetary remuneration and is multiplied by the degree to which the objectives actually achieved during the year have been met. It has a maximum degree of achievement of 150%, in which case 120% of the total annual fixed monetary remuneration is obtained. This remuneration will not be received if the degree of achievement does not reach 50%

Therefore, the amount of the annual Variable Remuneration corresponding to financial year 2020 and that was paid as a contribution to the pension scheme to which the Executive Chairman is beneficiary, according to that set forth in his contract is € 1.917.860 having achieved a total rate of attainment of 93,1%.

Explain the long-term variable components of the remuneration system

The multi-year variable remuneration of the Executive Chairman is configured on a Long-Term Incentive (LTI) Plan in which, as well as the Executive Chairman, other executives participate. The Long-Term Incentive Plan was approved by the General Meeting of Shareholders held on 5 March 2019. Without prejudice to the detail contained in said approval, its characteristics are:

The incentive covers the period of the 2018-2022 Strategic Plan, ordinarily concluding on July 2023 and is directly linked to the total return obtained by a Shareholder of NATURGY ENERGY GROUP S.A.

The same shall be instrumented by means of the acquisition of a block of shares in NATURGY, through an Investee Company that can generate a surplus. Said surplus, if generated, is the incentive that shall be given to the Stakeholders.

Stakeholders shall only receive as multi-year variable incentive the remaining amount that is generated, in shares, and only if the minimum threshold has been exceeded, the pre-set return on the same implying a stock market price of €19.15 on maturity of the LTI Plan and assuming that all the dividends planned in the 2018-2022 Strategic Plan are distributed. This is in line with the return requirements associated to the financial discipline and content of the Strategic Plan and is higher than the stock market price on the day the Executive Chairman was appointed (6 February 2018, €17.69). Therefore, even though the company holding the shares has a positive result, if said threshold is not reached, the LTI amount would be zero.

The LTI Plan includes a claw-back clause for eighteen (18) months effective from the start of the incentive in case of a relevant modification to the Annual Accounts having a significant impact on the revaluation of the shares.

In addition, and in accordance with the internal regulations governing the ILP, this remuneration mechanism entails an obligation for its beneficiaries by virtue of which, at the end of the period of validity, they must have acquired or, if applicable, must maintain a package of Naturgy shares whose value reaches at least half of the annual fixed gross remuneration.

The Appointments, Remuneration and Corporate Governance Committee shall annually verify the volume of shares held by each beneficiary.

In the event that the Executive Chairman leaves the Company before the completion of the Plan, the same loses all rights in cases of voluntary resignation of his functions or in the event of any serious material breach and shall maintain them in the event of retirement, disability or death, not attributable to the same, whereas in the event of maintaining them the same shall only have the right to incentive that is, in the end, the proportional part of the tenure period with respect to the term of the Plan.

- 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 exercising non-executive functions.

The Executive Chairman shall be afforded the benefits that are available to Directors of the Company. Such benefits are explained in Section A.1 (Long-term savings systems)

- 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.

The Executive President's multi-year variable remuneration was provided for in his contract of 6 February 2018, although it could not be determined until the Strategic Plan was approved. Once this Plan had been approved, the Board approved a new long-term incentive scheme involving the Chief Executive Officer and other executives, a scheme that was confirmed by the AGM on 5 March 2019.

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.

The contributions to the benefit plan instruments of the Executive Chairman have increased to 412 thousand euros in financial year 2020. To the above-mentioned amount must be added the corresponding amount to the 2020, variable remuneration 1.917.860 € to be settled as a contribution to the Pension Scheme to which the Chairman is beneficiary. The premiums paid for life insurances increased to 61 thousand euros during the said financial year. The amount of the capped gas and electricity discounts, company car, housing assistance and the medical healthcare insurance premium increased to 98 thousand euros during said financial 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.

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 any remuneration item different from those above, regardless of its nature or which the group company made said payment, especially if it is considered a related transaction or its issue distorts the fair view of the total remuneration earned by the Director.

Explain the other remuneration items
Not applicable



BREAKDOWN OF INDIVIDUAL REMUNERATION EARNED BY EACH OF THE DIRECTORS

Name	Category	Accrual Period Q
RAMÓN ADELL RAMÓN/	Independent	From 01/01/2020 to 31/12/2020
ENRIQUE ALCÁNTARA-GARCÍA IRAZOQUI	Proprietary	From 01/01/2020 to 16/03/2020
FRANCISCO BELLI CREIXELL	Independent	From 01/01/2020 to 31/12/2020
HELENA HERRERO STARKIE	Independent	From 01/01/2020 to 31/12/2020
MARCELINO ARMENTER VIDAL	Proprietary	From 01/01/2019 to 31/12/2019
LUCY CHADWICK	Proprietary	From 16/03/2020 to 31/12/2020
RAJARAM RAO	Proprietary	From 01/01/2020 to 31/12/2020
ISABEL ESTAPÉ TOUS	Proprietary	From 16/03/2020 to 31/12/2020
Theatre Directorship Services Beta, S.à.r.l.	Proprietary	From 01/01/2020 to 31/12/2020

CLAUDI SANTIAGO PONSA	Independent	From 01/01/2020 to 31/12/2020
PEDRO SAINZ DE BARANDA RIVA	Independent	From 01/01/2020 to 31/12/2020
FRANCISCO REYNES MASSANET	Executive Chairman	From 01/01/2020 to 31/12/2020
SCOTT ALAN STANLEY	Proprietary	From 01/01/2020 to 16/03/2020
Rioja S.à.r.l.	Proprietary	From 01/01/2020 to 31/12/2020

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/Category/Accrual Period	Salary	Fixed Remuneration	Allowance	Short-term Variable Remuneration	Long-term Variable Remuneration	Remuneration for Membership on	Compensation	Other Items	Financial Year Total Q	Financial Year Total Q-1
FRANCISCO REYNES MASSANET/ Executive	1.100			960				98	2.158	2.102 (*)
RAMÓN ADELL RAMÓN/ Independent	205		150						355	355
ENRIQUE ALCÁNTARA-GARCÍA IRAZOQUI/ Proprietary	37		13						50	235
MARCELINO ARMENTER VIDAL/ Proprietary	175		60						235	235
FRANCISCO BELIL CREIXELL / Independent	175		150						325	325
LUCY CHADWICK/ Proprietary	138		47						185	
HELENA HERRERO STARKIE / Independent	175		60						235	235
ISABEL ESTAPÉ TOUS/ Proprietary	138		47						185	
RAJARAM RAO/ Proprietary	175		60						235	235
Rioja S.à.r.l. / Proprietary	175		60						235	98
PEDRO SAINZ DE BARANDA RIVA / Independent	175		120						295	295

CLAUDI SANTIAGO PONSA/ Independent	175		60						235	235
SCOTT ALAN STANLEY Proprietary	37		13						50	215
Theatre Directorship Services Beta, S.à.r.l./ Proprietary	175		60						235	235

(*) Does not include the amount corresponding to the accrued annual variable remuneration paid in year t-1 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				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/consolidated shares	Price of consolidated shares	Gross return on shares or consolidated financial instruments (in thousands €)	Nº instruments	Nº instruments	Nº equivalent shares
Director 1:	Plan 1											
	Plan 2											

Observations

iii) Long-term Saving Systems

	Remuneration for vested rights to Savings System (*)
Mr. Francisco Reynés Massanet	2330

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

Name	Funds paid in by the Company in financial year (thousands of €)				Amount of the accumulated funds (thousands €) (*)			
	Savings system with vested economic rights		Savings system with no vested economic rights		Financial year Q		Financial year Q-1	
	Financial year Q	Financial year Q-1	Financial 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
	Mr. Francisco Reynés Massanet		-	2.330	2.775		7.568	

(*) In Q-1 of financial year the amount corresponding to the 2019 variable remuneration is included that was paid as contribution to the Pension Scheme to which the Chairman is beneficiary.

Observations

iv) Detail of other items

Name	Item	Remuneration Amount
Mr. Francisco Reynés Massanet	life insurance	61

Observations

b) Remuneration to Directors of the Company for being Member of the Board of other companies in the Group:

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 1:	0	0	0	0	0	0	0	0	0	0
Director 2:										

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				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/consolidated shares	Price of consolidated shares	Gross return on shares or consolidated financial instruments (in thousands €)	Nº instruments	Nº instruments	Nº equivalent shares	
Director 1:	Plan 1												
	Plan 2												

Observations

iii) Long-term Saving Systems

	Remuneration for vested rights to Savings System
Director 1:	

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

Observations

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	Name	Total Remuneration in Cash	Gross return on shares or consolidated financial instruments	Name	Total Remuneration in Cash	Gross return on shares or consolidated financial instruments	Name	Total Remuneration in Cash
RAMÓN ADELL RAMÓN/ Independent	355				355					
ENRIQUE ALCÁNTARA- GARCÍA IRAZOQUI/ Proprietary	50				50					
MARCELINO ARMENTER VIDAL/ Proprietary	235				235					
FRANCISCO BELIL CREIXELL / Independent	325				325					
LUCY CHADWICK/ Proprietary	185				185					
HELENA HERRERO STARKIE / Independent	235				235					
ISABEL ESTAPÉ TOUS/ Proprietary	185				185					
RAJARAM RAO/ Proprietary	235				235					
Rioja Bidco Shareholdings, S.L.U. / Proprietary	-				-					

Rioja S.à.r.l. / Proprietary	235				235					
PEDRO SAINZ DE BARANDA RIVA / Independent	295				295					
CLAUDI SANTIAGO PONSA / Independent	235				235					
SCOTT ALAN STANLEY Proprietary	50				50					
Theatre Directorship Services Beta, S.à.r.l. / Proprietary	235				235					
FRANCISCO REYNES MASSANET / Executive	2.158		2.330	61	4.549					
TOTAL	5.013		2.330	61	7.404					

iv) Detail of other items

Name	Item	Remuneration Amount
Director 1:		

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.

Observations

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 2 February 2021.

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

Yes

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