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**GAS NATURAL SDG, S.A.
ORDINARY GENERAL SHAREHOLDERS MEETING
20 APRIL 2017**

REPORT DRAFTED BY THE BOARD OF DIRECTORS OF “GAS NATURAL SDG, S.A.” FOR THE PURPOSES OF SECTION 286 OF THE CORPORATE ENTERPRISES ACT REGARDING THE MODIFICATION OF CERTAIN PRECEPTS AND PROVISIONS OF THE ARTICLES OF ASSOCIATION.

This report has been drafted by the Board of Directors of “GAS NATURAL SDG, S.A.” in accordance with the obligation established in Section 286 of the Corporate Enterprises Act (hereinafter, the “LSC”), by virtue of which the directors must draft a written report that sets out the justifications for any modifications that are proposed to the Articles of Association.

I.- JUSTIFICATION OF THE MODIFICATION OF ARTICLE 44.- REMUNERATION.

The current remunerations policy of the Board Members of “GAS NATURAL SDG, S.A.”, approved by the General Shareholders Meeting, already provides, as from 2015, that the company would contract and pay the global insurance premium for a civil liability insurance policy for directors and managers of the parent company and of the companies of its group, which include the executive and non-executive Board Members of “GAS NATURAL SDG, S.A.”

In order to ensure the homogeneity of the company’s regulations, the terms of Article 44 of the Articles of Association expressly include the foregoing provision.

PROPOSED MODIFICATION.

- Article 44 REMUNERATION.

It is hereby proposed to include a new point 3 within Article 44.

CURRENT WORDING	PROPOSED WORDING
<p>1. The remuneration to the received by the Board Members, for the exercise of their activities as Board Members, shall consist of a fixed remuneration.</p> <p>The remunerations policy for Board Members must necessarily include the maximum amount of the annual remuneration to the totality of the Board Members in said situation.</p> <p>The determination of the remuneration of each Board Member, for the exercise of their activities as Board Members, shall correspond to the Board of Directors, that shall take into account, for said purposes, the functions and responsibilities attributed to each Board Member, whether they belong to Committees of the Board and all other objectively relevant circumstances.</p> <p>The remunerations policy for Board Members shall be approved by the General Shareholders Meeting at least every three years as a separate point of the Agenda of the General Shareholders Meeting.</p>	<p>1. The remuneration to the received by the Board Members, for the exercise of their activities as Board Members, shall consist of a fixed remuneration.</p> <p>The remunerations policy for Board Members must necessarily include the maximum amount of the annual remuneration to the totality of the Board Members in said situation.</p> <p>The determination of the remuneration of each Board Member, for the exercise of their activities as Board Members, shall correspond to the Board of Directors, that shall take into account, for said purposes, the functions and responsibilities attributed to each Board Member, whether they belong to Committees of the Board and all other objectively <u>relevant</u> circumstances.</p> <p>The remunerations policy for Board Members shall be approved by the General Shareholders Meeting at least every three years as a separate point of the Agenda of the General Shareholders Meeting.</p>

<p>The remuneration of the Board Members must, in all cases, be reasonably proportional to the importance of the Company, the economic situation thereof from time to time and the market standards of comparable companies. The remuneration system established must aim to promote the long-term profitability and sustainability of the Company and must include the necessary controls in order to avoid the assumption of excessive risks and the reward for unfavourable results.</p> <p>2. Without prejudice to the remuneration that corresponds to the Board Members, for the exercise of their activities as Board Members, the Board Members that have executive functions attributed thereto within the Company, irrespective of the nature of their legal relationship with the Company, said Board Members shall be entitled to receive remuneration for the provision of said functions, that shall be determined by the Board of Directors in accordance with the provisions of the remuneration policy approved by the General Shareholders Meeting and that shall be included in a contract that shall be formalised between the Board Member and</p>	<p>The remuneration of the Board Members must, in all cases, be reasonably proportional to the importance of the Company, the economic situation thereof from time to time and the market standards of comparable companies. The remuneration system established must aim to promote the long-term profitability and sustainability of the Company and must include the necessary controls in order to avoid the assumption of excessive risks and the reward for unfavourable results.</p> <p>2. Without prejudice to the remuneration that corresponds to the Board Members, for the exercise of their activities as Board Members, the Board Members that have executive functions attributed thereto within the Company, irrespective of the nature of their legal relationship with the Company, said Board Members shall be entitled to receive remuneration for the provision of said functions, that shall be determined by the Board of Directors in accordance with the provisions of the remuneration policy approved by the General Shareholders Meeting and that shall be included in a contract that shall be formalised between the Board Member and</p>
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the Company.	<p>the Company.</p> <p>3. <u>Furthermore, the Company shall contract a civil liability insurance policy for its Board Members.</u></p>
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III.- JUSTIFICATION OF THE MODIFICATION OF THE ADDITIONAL PROVISION.

In the Official State Gazette dated 2 October 2016, number 236, the Common Administrative Procedure for Public Administrations Act 39/2015, of 1 October, was published. In accordance with the Seventh Final Provision thereof, the Act entered into force and effect on 1 October 2016, with the exception of the provisions thereof in relation to the electronic registration of powers of attorney, the electronic register, register of authorised public servants, general electronic point of access for the Public Administration and the sole electronic archive, that would enter into force and effect as from 1 October 2017.

Section 5.2 of the foregoing Act provides that: “2. *The natural persons with the legal capacity to contract and the legal persons, provided that the Articles of Association thereof provide for said activities, may act in representation of other persons before Public Authorities*”.

In light of the foregoing legal provision, in order that “GAS NATURAL SDG, S.A.” is able to act before Public Authorities in the name of and representing other persons, whether natural or legal persons, it is necessary that the Articles of Association of the company must provide for said possibility. In light of the fact that “GAS NATURAL SDG, S.A.” is the parent company of the GAS NATURAL FENOSA Group, in certain situations it may be necessary, as well as practical in order to facilitate the corresponding administrative procedure, for “GAS NATURAL SDG, S.A.” to act before Public Authorities as the sole legal representative of third parties, and accordingly, in order to encompass all of the possibilities provided for under current legislation, it is hereby proposed to include within the Articles of Association said possibility.

PROPOSED MODIFICATION.

- **ADDITIONAL PROVISION.**

It is hereby proposed to incorporate a technical modification in order to include within the Additional Provision the power to represent third parties before Public Authorities.

CURRENT WORDING	PROPOSED WORDING
<p>ADDITIONAL PROVISION.</p> <p>These Articles of Association shall be applicable or interpreted in accordance with the provisions of the Corporate Enterprises Act, the Code of Commerce and any complementary provisions thereof and may only be modified pursuant to the requirements provided for under applicable legislation and the Articles of Association themselves.</p>	<p>ADDITIONAL PROVISION.</p> <p>These Articles of Association shall be applicable or interpreted in accordance with the provisions of the Corporate Enterprises Act, the Code of Commerce and <u>all other applicable regulations</u> and may only be modified pursuant to the requirements <u>provided for under said regulations</u> and the Articles of Association themselves.</p> <p><u>The Company may act in representation of other natural or legal persons before Public Authorities.</u></p>

Barcelona, Spain, on 7 March 2017.

The Board of Directors “GAS NATURAL SDG, S.A.”