

This is a free translation of a Spanish language document which has been provided for purposes of convenience. In case of discrepancies, the Spanish version shall prevail. Gas Natural Fenosa shall not be responsible for any deviations between the translation and the Spanish language document

ORDINARY SHAREHOLDERS' MEETING

20 APRIL 2017

REPORT ON THE AMENDMENT OF THE REGULATIONS FOR ORGANISATION AND OPERATION OF THE BOARD OF DIRECTORS OF GAS NATURAL SDG, S.A. AND ITS COMMITTEES.

CONSIDERATIONS REGARDING THE AMENDMENT OF THE REGULATIONS FOR ORGANISATION AND OPERATION OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

1. Context of the amendment

On September 12 CriteriaCaixa and Repsol issued two relevant facts in which they reported the signing of an agreement with GIP III Canary 1 S.à r.l. for the sale to the latter of 10% respectively of the capital of Gas Natural SDG S.A., amounting to a total of 20%. They added that, as a result of the above, CriteriaCaixa and Repsol had agreed to terminate the existing agreement on the company dated 11 January 2000, and that the three parties had assumed, in the sales contract, certain commitments relating to the corporate governance of Gas Natural Fenosa. Finally they indicated that the closing of the sale was conditional on the implementation of the changes on the bodies of Gas Natural Fenosa arising from the commitments of corporate governance referred to above, as a supermajority of two-thirds for certain reserved matters as envisaged in the Regulations of the Board of Directors of the Company. They also stated that the termination of the agreement of 11 January 2000 is subject to the effective transfer of the aforementioned shares, representing 20% of the share capital.

The same day, the Company received a letter from CriteriaCaixa and another from Repsol communicating the termination of the agreement of 11 January 2000, as well as the conditions to which it was subject. Likewise it received three letters from CriteriaCaixa, Repsol and GIP III Canary 1 S.à r.l. notifying it of the signing of the new shareholders' agreement, attaching the text of article 7 of the sales contract contained therein, and reiterating that it was subject to the condition precedent of which notification was given in the relevant facts.

Finally an amendment proposal was received corresponding to articles 5, 10.4, 30.1 and 32.1 of the Board regulations signed by four Directors.

2. Justification of the amendment

It is considered that the system of corporate governance arising from the operation established in the aforementioned documents is valued favourably in relation to the previous one, since it is subject to the principles of proportionate representation and significance of the shareholding and substantially increases the decision-making capacity of the independent directors, not only because the current shareholders' agreement is terminated, but because the supermajority of two-thirds for certain matters allows the group of independent directors to have a decisive influence in such matters.

In particular the following aspects are judged favourably:

- (i) The operation involves the breaking of the agreement between Repsol and CriteriaCaixa due to the termination of the shareholders' agreement which until now bound both parties, and to that extent it leads to greater separation of the ownership of a listed company, in which there is no longer a controlling group.*
- (ii) Also favourably valued is the establishment of a supermajority for certain matters with the purpose of ensuring that certain important Company decisions are adopted, where necessary, with an appropriate level of consensus, which is established as two-thirds of the directors in attendance at the meeting, whether directly or by proxy. It is especially noteworthy that the arrangement of the implemented Board will lead to a greater preponderance of independent directors in the adoption of such decisions, since the propriety directors cannot impose the adoption of any of said decisions due to the fact that the group of independent directors represents more than a third of the total number of directors. In any case, with such a configuration, the proposed supermajority threshold prevents a single group of proprietary directors from being able to form a blocking minority on their own to prevent the adoption of corporate decisions.*
- (iii) Increasing the maximum number of members of the Executive Committee to ten allows the composition of said committee to adequately reflect the composition of the Board of Directors in keeping with the principle of proportionality between the shareholding held and representation on the Board in line with Recommendations 15, 16 and 17 of the Code of Good Governance of Listed Companies, and especially the statements contained in the explanation of principle 11: "In accordance with the principle of proportionality between the shareholding held and representation on the Board of Directors, the relationship between propriety directors and independent directors must reflect the relationship between the percentage of capital represented on the Board of Directors by the Propriety Directors and the remaining capital", and in recommendation 37, "In the case of an executive committee, the shareholding structure of the different*

categories of directors should be similar to that of the Board of Directors itself, and its secretary should also be the secretary of the latter”.

(iv) The increase of the audit committee to seven members will allow a proportionate representation of directors and their different categories in the aforementioned committee, while ensuring compliance with the legal regulations, which state that the majority of its members must be independent.

(v) The proposal does not provide for the amendment of the Regulations to increase the number of members on the Appointments and Remuneration Committee to five, which is already consistent with the proportionate representation of the directors and their different categories, in accordance with current legislation and the internal regulations of Gas Natural SDG, S.A.

In short, the amendments aim to ensure the adequate representation of shareholders on the Board, a balanced proportion of the number of independent directors in the Company and a strengthening of the levels of consensus necessary for the adoption of certain important Company decisions, preventing the allocation of veto rights to identified groups of proprietary directors and conversely granting these rights to the group of independent directors.

Therefore, it being the case that the operation is conditioned on implementing the new system of corporate governance as a whole (implementation into the bodies of Gas Natural SDG SA of the changes arising from the commitments to corporate governance referred to above and as a supermajority of two-thirds for certain reserved matters as envisaged in the Regulations of the Board of Directors of the Company), this being valued as altogether more favourable than the one that has existed until now. It is therefore considered appropriate to amend the Regulations of the Board under the terms proposed and for the reasons set out above.

CURRENT WORDING	PROPOSED WORDING
ARTICLE 5.- Powers expressly reserved for the Board of Directors	ARTICLE 5.- Powers expressly reserved for the Board of Directors
Notwithstanding the representative and executive powers granted by the Bylaws to the Chairman and to the Managing Directors, as well as the effects that delegations and proxies conferred directly by the Company may have on third parties, a	Notwithstanding the representative and executive powers granted by the Bylaws to the Chairman and to the Managing Directors, as well as the effects that delegations and proxies conferred directly by the Company may have on third parties, a

<p>preliminary decision by the Board of Directors of GAS NATURAL SDG, S.A. will be required in the following cases, with respect to the legal autonomy of the governing bodies of the companies of the Group in accordance with the legislation in the jurisdiction in which they operate:</p> <p>I. Matters that may not be delegated</p> <ul style="list-style-type: none"> a) The monitoring of the effective operation of the committees that have been established and the conduct of the delegated bodies and the directors that have been appointed. b) The determination of the general policies and strategies of the Company. c) The authorisation of or dispensation from the obligations arising from the duty of loyalty, in accordance with the provisions of the legislation in force. d) Its own organisation and operation. e) The formulation of the annual accounts and their presentation at the Shareholders' Meeting. f) The formulation of any kind of report required by law to the management body whenever the operation referred to in the report cannot be delegated. g) The appointment and dismissal of the Managing Directors of the Company, as well as the establishment of the terms and conditions of their contract. h) The appointment and dismissal of the directors that are directly answerable to the 	<p>preliminary decision by the Board of Directors of GAS NATURAL SDG, S.A. will be required in the following cases, with respect to the legal autonomy of the governing bodies of the companies of the Group in accordance with the legislation in the jurisdiction in which they operate:</p> <p>I. Matters that may not be delegated</p> <ul style="list-style-type: none"> a) The monitoring of the effective operation of the committees that have been established and the conduct of the delegated bodies and the directors that have been appointed. b) The determination of the general policies and strategies of the Company. c) The authorisation of or dispensation from the obligations arising from the duty of loyalty, in accordance with the provisions of the legislation in force. d) Its own organisation and operation. e) The formulation of the annual accounts and their presentation at the Shareholders' Meeting. f) The formulation of any kind of report required by law to the management body whenever the operation referred to in the report cannot be delegated. g) The appointment and dismissal of the Managing Directors of the Company, as well as the establishment of the terms and conditions of their contract. h) The appointment and dismissal of the directors that are directly answerable to the Board or any of its members, as well as the establishment of the basic conditions of their contracts, including their remuneration.
--	--

<p>Board or any of its members, as well as the establishment of the basic conditions of their contracts, including their remuneration.</p> <ul style="list-style-type: none"> i) Decisions concerning the remuneration of Directors, within the statutory framework and, where appropriate, regarding the remuneration policy approved by the Shareholders' Meeting. j) The convening of the Shareholders' Meeting and the preparation of the agenda and proposed resolutions. k) The policy relating to its own shares and holdings. l) The powers that the Shareholders' Meeting may have delegated to the Board of Directors, unless expressly authorised by the same to sub-delegate them. m) The constitution, investment and monitoring of the management of staff pension plans and any other commitment to the same concerning the Company's long-term financial liabilities. 	<ul style="list-style-type: none"> i) Decisions concerning the remuneration of Directors, within the statutory framework and, where appropriate, regarding the remuneration policy approved by the Shareholders' Meeting. j) The convening of the Shareholders' Meeting and the preparation of the agenda and proposed resolutions. k) The policy relating to its own shares and holdings. l) The powers that the Shareholders' Meeting may have delegated to the Board of Directors, unless expressly authorised by the same to sub-delegate them. m) The constitution, investment and monitoring of the management of staff pension plans and any other commitment to the same concerning the Company's long-term financial liabilities. <p><u>n) The matters subject to a supermajority referred to in paragraph 4 of article 10 of these Regulations.</u></p>
<p>II. Matters that cannot ordinarily be delegated, but that may be adopted by the Executive Committee or by the Managing Director(s), due to duly justified reasons of urgency and which must be ratified by the Board of Directors in the first meeting held after the adoption of the decision.</p> <ul style="list-style-type: none"> a) The approval of the strategic or business plan, the annual budget and management targets, the annual financing plan, the investment and 	<p>II. Matters that cannot ordinarily be delegated, but that may be adopted by the Executive Committee or by the Managing Director(s), due to duly justified reasons of urgency and which must be ratified by the Board of Directors in the first meeting held after the adoption of the decision.</p> <ul style="list-style-type: none"> a) The approval of the strategic or business plan, the annual budget and management targets, the annual financing plan, the investment and

<p>financing policy, the corporate social responsibility policy and the dividend policy.</p> <p>b) The determination of the risk management and control policy, including fiscal risks, and the monitoring of the internal information and control systems.</p> <p>c) The determination of the corporate governance policy of the Company and of the group of which it is the parent company; its organisation and operation and, in particular, the approval and modification of its own regulations.</p> <p>d) The approval of the financial information which, as a listed company, the Company must periodically make public.</p> <p>e) The definition of the structure of the group of companies of which the company is the parent company.</p> <p>f) The approval of the investments or operations of any kind which, due to their high amount or special characteristics, are of a strategic nature or pose special tax risks, unless these are to be approved at the Shareholders' Meeting.</p> <p>g) The approval of the creation or acquisition of holdings in special purpose entities or in entities that are domiciled in other countries or territories that are considered tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, could undermine the transparency of the Company and the group.</p>	<p>financing policy, the corporate social responsibility policy and the dividend policy.</p> <p>b) The determination of the risk management and control policy, including fiscal risks, and the monitoring of the internal information and control systems.</p> <p>c) The determination of the corporate governance policy of the Company and of the group of which it is the parent company; its organisation and operation and, in particular, the approval and modification of its own regulations.</p> <p>d) The approval of the financial information which, as a listed company, the Company must periodically make public.</p> <p>e) The definition of the structure of the group of companies of which the company is the parent company.</p> <p>f) The approval of the investments or operations of any kind which, due to their high amount or special characteristics, are of a strategic nature or pose special tax risks, unless these are to be approved at the Shareholders' Meeting.</p> <p>g) The approval of the creation or acquisition of holdings in special purpose entities or in entities that are domiciled in other countries or territories that are considered tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, could undermine the transparency of the Company and the group.</p> <p>h) The approval, prior to the</p>
--	--

<p>h) The approval, prior to the Audit Committee report, of the operations that the Company or group companies have performed with directors, under the terms established in the legislation in force, or with shareholders, individually or in collaboration with others, with a significant shareholding, including shareholders represented on the Board of Directors of the Company or other companies that form part of the same group, or with people that are linked thereto.</p> <p>i) The determination of the company's fiscal strategy.</p>	<p>Audit Committee report, of the operations that the Company or group companies have performed with directors, under the terms established in the legislation in force, or with shareholders, individually or in collaboration with others, with a significant shareholding, including shareholders represented on the Board of Directors of the Company or other companies that form part of the same group, or with people that are linked thereto.</p> <p>i) The determination of the company's fiscal strategy.</p>
<p>III. Matters on which the agreements can be adopted, either by the Board of Directors or by the Executive Committee.</p> <p>a) The definition of the general structure of delegations and proxies.</p> <p>b) The constitution of new companies or entities, or change in the shareholdings of pre-existing companies.</p> <p>c) The approval of any merger, takeover, spin-off, consolidation or dissolution operations, with or without liquidation, in which any of the Group's companies is interested.</p> <p>d) The disposal of shares in the capital of companies or of other fixed assets on the part of any company in the group.</p> <p>e) The approval of investment projects to be carried out by any company of the Group.</p> <p>f) The approval of the programmes for the issuance</p>	<p>III. Matters on which the agreements can be adopted, either by the Board of Directors or by the Executive Committee.</p> <p>a) The definition of the general structure of delegations and proxies.</p> <p>b) The constitution of new companies or entities, or change in the shareholdings of pre-existing companies.</p> <p>c) The approval of any merger, takeover, spin-off, consolidation or dissolution operations, with or without liquidation, in which any of the Group's companies is interested.</p> <p>d) The disposal of shares in the capital of companies or of other fixed assets on the part of any company in the group.</p> <p>e) The approval of investment projects to be carried out by any company of the Group.</p> <p>f) The approval of the programmes for the issuance</p>

<p>and renewal of promissory notes, bonds or other similar titles by any company of the Group.</p> <p>g) The approval of financial operations, to be carried out by any company in the Group that are not included in the Annual Financing Plan.</p> <p>h) The granting of sureties by companies belonging to the Group to secure obligations of entities that do not belong to the Group, or if they do belong to it, have external shareholders.</p> <p>i) The granting of rights to the trade name and trademarks, as well as patents, technology and any type of industrial property belonging to any company of the Group.</p> <p>j) The approval of the appointment and dismissal of sponsors and senior employees of FUNDACIÓN GAS NATURAL FENOSA and the individuals representing GAS NATURAL SDG, S.A. in the event that they hold the position of director in another company. Approval of contributions to sponsorship activities.</p> <p>k) Entering into commercial, industrial or financial agreements of significant importance to the Group, which involve a modification, change or review of the current Strategic Plan or Annual Budget.</p>	<p>and renewal of promissory notes, bonds or other similar titles by any company of the Group.</p> <p>g) The approval of financial operations, to be carried out by any company in the Group that are not included in the Annual Financing Plan.</p> <p>h) The granting of sureties by companies belonging to the Group to secure obligations of entities that do not belong to the Group, or if they do belong to it, have external shareholders.</p> <p>i) The granting of rights to the trade name and trademarks, as well as patents, technology and any type of industrial property belonging to any company of the Group.</p> <p>j) The approval of the appointment and dismissal of sponsors and senior employees of FUNDACIÓN GAS NATURAL FENOSA and the individuals representing GAS NATURAL SDG, S.A. in the event that they hold the position of director in another company. Approval of contributions to sponsorship activities.</p> <p>k) Entering into commercial, industrial or financial agreements of significant importance to the Group, which involve a modification, change or review of the current Strategic Plan or Annual Budget.</p>
<p>In relation to the matters considered in paragraphs b), c), d), e), g), h) and i), the approval of the Board of Directors or the Executive Committee</p>	<p>In relation to the matters considered in paragraphs b), c), d), e), g), h) and i), the approval of the Board of Directors or the Executive Committee will be</p>

<p>will be required for those agreements that, due to their nature or amount, are of particular importance to the Group. It shall be understood that transactions whose economic value exceeds 15 million euros shall be considered significant, except in the case of paragraphs h) and i) in which case the amount shall be 5 million euros and paragraph j) whose significance threshold is set at 200,000 euros.</p> <p>Unless a different system is approved when adopting the corresponding agreement, it shall be considered that an investment or transaction does not require additional approval when its execution leads to a deviation of no more than 10% or 15 million euros over the amount authorised by the Board or, where applicable, by the Executive Committee.</p> <p>When required, the agreements of the Board of Directors and the Executive Committee shall be adopted prior to the report of the Commission competent in the matter.</p> <p>The Chairman, the Managing Director(s) or the Secretary, shall implement the agreements adopted by the Board of Directors in accordance with this article, and shall communicate the authorisation or approval in the appropriate manner, issuing instructions to act in accordance with that agreed.</p>	<p>required for those agreements that, due to their nature or amount, are of particular importance to the Group. It shall be understood that transactions whose economic value exceeds 15 million euros shall be considered significant, except in the case of paragraphs h) and i) in which case the amount shall be 5 million euros and paragraph j) whose significance threshold is set at 200,000 euros.</p> <p>Unless a different system is approved when adopting the corresponding agreement, it shall be considered that an investment or transaction does not require additional approval when its execution leads to a deviation of no more than 10% or 15 million euros over the amount authorised by the Board or, where applicable, by the Executive Committee.</p> <p>When required, the agreements of the Board of Directors and the Executive Committee shall be adopted prior to the report of the Commission competent in the matter.</p> <p>The Chairman, the Managing Director(s) or the Secretary, shall implement the agreements adopted by the Board of Directors in accordance with this article, and shall communicate the authorisation or approval in the appropriate manner, issuing instructions to act in accordance with that agreed.</p>
<p>ARTICLE 10.- The development of the meetings</p> <p>1.- The Board will be validly constituted when at least half plus one of its members are present or represented, except in the absence of advanced notice, which will require the attendance of all members.</p> <p>2.- The Chairman will organise the</p>	<p>ARTICLE 10.- The development of the meetings</p> <p>1.- The Board will be validly constituted when at least half plus one of its members are present or represented, except in the absence of advanced notice, which will require the attendance of all members.</p> <p>2.- The Chairman will organise the</p>

<p>discussion, seeking and encouraging the participation of all the Directors in the deliberations of the body.</p> <p>3.- Each Director may grant a proxy to another Director, without this limiting the number of representations that each one can hold for their attendance on the Board. The representation of the absent Directors may be granted by way of any written documentation, including telegram, email, telex or telefax addressed to the Chairman or Secretary of the Board and submitted sufficiently in advance.</p> <p>4.- The agreements must be adopted with the vote of an absolute majority of the Directors present and represented, unless the law, Bylaws or these Regulations provide for a supermajority. A written vote without a meeting will only be permitted if no Director objects to this procedure and the requirements of the Mercantile Registry Regulations are met.</p> <p>5.- Any person that the Chairman deems appropriate may attend the meetings of the Board of Directors.</p>	<p>discussion, seeking and encouraging the participation of all the Directors in the deliberations of the body.</p> <p>3.- Each Director may grant a proxy to another Director, without this limiting the number of representations that each one can hold for their attendance on the Board. The representation of the absent Directors may be granted by way of any written documentation, including telegram, email, telex or telefax addressed to the Chairman or Secretary of the Board and submitted sufficiently in advance.</p> <p>4.- The agreements must be adopted with the vote of an absolute majority of the Directors that are in attendance, present or represented, unless the law, Bylaws or these Regulations provide for a supermajority. A written vote without a meeting will only be permitted if no Director objects to this procedure and the requirements of the Mercantile Registry Regulations are met.</p> <p><u>In special circumstances, the favourable vote of two-thirds of the Directors that are in attendance, present or represented, shall be required for the valid adoption of resolutions on the following matters reserved for the plenary Board Meeting which cannot therefore be delegated:</u></p> <p><u>a) The acquisition or disposal of assets owned by the Company (regardless of the legal means used for this purpose and, in particular, even if carried out by way of merger, spin-off or other methods related to subsidiary companies) totalling more than 500,000,000 euros unless these are to be approved at</u></p>
---	---

	<p><u>the Shareholders' Meeting or is made in the implementation of the budget or strategic or business plan of the Company.</u></p> <p>b) <u>The approval of the budget and the strategic or business plan of the Company.</u></p> <p>c) <u>The modification of the dividend policy and the approval of a new one.</u></p> <p>d) <u>The signing, amendment, renewal, non-renewal or termination by the Company of financing or refinancing contracts for more than 500,000,000 euros.</u></p> <p>e) <u>The signing, amendment, renewal, non-renewal or termination by the Company of any material contract, other than those provided for in paragraph d) above, whose amount exceeds 500,000,000 euros in the case of gas supply contracts and 200,000,000 euros in the case of other contracts.</u></p> <p>f) <u>The material amendments in the accounting or tax policies of the Company, unless they are due to amendments in applicable law or as the result of compliance with guidelines and criteria established by the authorities competent in the matter.</u></p> <p>g) <u>The reformulation of the annual accounts of the Company, unless such reformulation is due to a legislative amendment or in order to comply with the</u></p>
--	--

	<p><u>guidelines and criteria laid down by the competent authorities in the matter.</u></p> <p><u>h) The realisation of capital investments (capex), not provided for in the annual budget of the Company, for more than 200,000,000 euros.</u></p> <p><u>i) The amendment of this section i), the amendment of the matters contained in paragraphs a) to h) above or the amendment of the supermajority voting established for any of them.</u></p> <p>5.- Any person that the Chairman deems appropriate may attend the meetings of the Board of Directors.</p>
<p>ARTICLE 30.- The Executive Committee</p> <p>1.- The Executive Committee shall be composed of the Chairman of the Board of Directors and a maximum of seven other Directors, belonging to the categories established in article 3 of these Regulations, maintaining a similar proportion to that of on the Board of Directors. The appointment of the members of the Executive Committee shall require the favourable vote of at least two thirds of the members of the Board.</p> <p>2.- The Chairman of the Board of Directors shall act as Chairman of the Executive Committee and the Secretary of the Board shall act as its Secretariat, who may be assisted by the Deputy Secretary.</p> <p>3.- The Executive Committee shall be validly constituted when half plus one of its members attends the meeting, whether present or represented.</p> <p>4.- The members of the executive Committee shall stand down when they do so in their capacity as</p>	<p>ARTICLE 30.- The Executive Committee</p> <p>1.- The Executive Committee shall be composed of the Chairman of the Board of Directors and a maximum of seven <u>nine</u> other Directors, belonging to the categories established in article 3 of these Regulations, maintaining a similar proportion to that of the Board of Directors. The appointment of the members of the Executive Committee shall require the favourable vote of at least two thirds of the members of the Board.</p> <p>2.- The Chairman of the Board of Directors shall act as Chairman of the Executive Committee and the Secretary of the Board shall act as its Secretariat, who may be assisted by the Deputy Secretary.</p> <p>3.- The Executive Committee shall be validly constituted when half plus one of its members attends the meeting, whether present or represented.</p> <p>4.- The members of the executive Committee shall stand down when they do so in their capacity as</p>

<p>directors or when this is agreed by the Board. Any vacancies arising will be filled as soon as possible by the Board of Directors.</p> <p>5.- The permanent delegation of powers by the Board of Directors to the Executive Committee shall comprise all the powers of the Board, except those that cannot be legally or statutorily delegated or which may not be delegated by virtue of the provisions of these Regulations.</p> <p>6.- The Executive Committee, convened by its Chairman, shall meet when deemed necessary by its Chairman, or upon the request of 1/3 of its members. The Secretary shall keep minutes of the resolutions adopted at the meeting, of which details will be provided at the next plenary meeting of the Board of Directors.</p> <p>7.- In those cases where, in the opinion of the Chairman, or of the majority of the members of the Executive Committee, the importance of the matter so requires, the resolutions adopted by the Committee shall be subject to ratification by a plenary Board Meeting.</p> <p>The same shall apply in relation to those matters which the Board has submitted for consideration by the Executive Committee while having the final decision on the same.</p> <p>In any other case, the resolutions adopted by the Executive Committee shall be valid and binding without the need for subsequent ratification by a plenary Board Meeting, without prejudice to the provisions laid down in Article 5 of these Regulations.</p> <p>8.- Insofar as they can, the provisions of these Regulations relating to the operation of the Board of Directors shall apply to the</p>	<p>directors or when this is agreed by the Board. Any vacancies arising will be filled as soon as possible by the Board of Directors.</p> <p>5.- The permanent delegation of powers by the Board of Directors to the Executive Committee shall comprise all the powers of the Board, except those that cannot be legally or statutorily delegated or which may not be delegated by virtue of the provisions of these Regulations.</p> <p>6.- The Executive Committee, convened by its Chairman, shall meet when deemed necessary by its Chairman, or upon the request of 1/3 of its members. The Secretary shall keep minutes of the resolutions adopted at the meeting, of which details will be provided at the next plenary meeting of the Board of Directors.</p> <p>7.- In those cases where, in the opinion of the Chairman, or of the majority of the members of the Executive Committee, the importance of the matter so requires, the resolutions adopted by the Committee shall be subject to ratification by a plenary Board Meeting.</p> <p>The same shall apply in relation to those matters which the Board has submitted for consideration by the Executive Committee while having the final decision on the same.</p> <p>In any other case, the resolutions adopted by the Executive Committee shall be valid and binding without the need for subsequent ratification by a plenary Board Meeting, without prejudice to the provisions laid down in Article 5 of these Regulations.</p> <p>8.- Insofar as they can, the provisions of these Regulations relating to the operation of the Board of Directors shall apply to the Executive Committee.</p>
--	---

Executive Committee.	
<p>ARTICLE 32.- The Audit Committee</p> <p>1.- The Audit Commission shall consist of a minimum of three and a maximum of five Directors, appointed by the Board of Directors from among the non-executive Directors, taking into account their knowledge and experience in accounting, auditing and risk management. Its members shall stand down when they do so in their capacity as Directors, when this is agreed by the Board of Directors, or after a period of three years from their appointment, although it is possible for them to be reappointed.</p> <p>At least two members of the Committee shall have the status of Independent Director, from which the Board of Directors shall choose the Chairman of the Committee, who will not have a casting vote. The Committee secretariat shall be the Secretariat of the Board of Directors.</p> <p>2.- The Committee has the powers stipulated by law and any that may be entrusted to it by the Board of Directors, of a general or specific nature.</p> <p>3.- The Committee shall hold meetings whenever necessary in order to issue reports or proposals within its competence or when considered necessary by its Chairman on his own initiative or upon the request of two of its members. At least four meetings per year must be held. The call must be made at least two days before the date indicated for the meeting, unless justified by special circumstances. The meetings will ordinarily take place at the registered office. The committee may invite to its meetings</p>	<p>ARTICLE 32.- The Audit Committee</p> <p>1.- The Audit Committee shall consist of a minimum of three and a maximum of five <u>seven</u> Directors, appointed by the Board of Directors from among the non-Executive Directors, <u>and at least one of them shall be appointed</u> taking into account their knowledge and experience in accounting, auditing <u>or both, and in risk management</u>. Its members shall stand down when they do so in their capacity as Directors, when this is agreed by the Board of Directors, or after a period of three years from their appointment, although it is possible for them to be reappointed.</p> <p><u>At least the majority</u> of the members of the Committee shall have the status of Independent Director, from which the Board of Directors shall choose the Chairman of the Committee, who will not have a casting vote. The Committee secretariat shall be the secretariat of the Board of Directors.</p> <p>2.- The Committee has the powers stipulated by law and any that may be entrusted to it by the Board of Directors, of a general or specific nature.</p> <p>3.- The Committee shall hold meetings whenever necessary in order to issue reports or proposals within its competence or when considered necessary by its Chairman on his own initiative or upon the request of two of its members. At least four meetings per year must be held. The call must be made at least two days before the date indicated for the meeting, unless justified by special circumstances. The meetings will ordinarily take place at the registered office. The committee may invite to its meetings any executive or employee it deems</p>

any executive or employee it deems appropriate.	appropriate.
---	--------------

In view of the above, by unanimous vote of the Directors present and in accordance with the considerations that have been read previously, the following resolutions were adopted:

A. Amendment of articles 5, 10, 30 and 32 of the Regulations for the Organisation and Operation of the Board of Directors and its Committees of Gas Natural SDG, S.A.

1. Sections I and II of article 5 of the Regulations are amended in order to include in the list of matters that cannot be delegated by the Board those matters that are subject to a supermajority in virtue of the amendment of article 10 of the Regulations included in paragraph 2 below. Hereinafter said sections I and II shall read as follows:

“ARTICLE 5.- Powers expressly reserved for the Board of Directors

I. Matters that may not be delegated

- a) *The monitoring of the effective operation of the committees that have been established and the conduct of the delegated bodies and the directors that may have been appointed.*
- b) *The determination of the general policies and strategies of the Company.*
- c) *The authorisation of or dispensation from the obligations arising from the duty of loyalty, in accordance with the provisions of the legislation in force.*
- d) *Its own organisation and operation.*
- e) *The formulation of the annual accounts and their presentation at the Shareholders' Meeting.*
- f) *The formulation of any kind of report required by law to the management body whenever the operation referred to in the report cannot be delegated.*
- g) *The appointment and dismissal of the Managing Directors of the Company, as well as the establishment of the terms and conditions of their contract.*
- h) *The appointment and dismissal of the directors that are directly answerable to the Board or any of its members, as well as the establishment of the basic conditions of their contracts, including their remuneration.*
- i) *Decisions concerning the remuneration of Directors, within the statutory framework and, where appropriate, regarding the remuneration policy approved by the Shareholders' Meeting.*
- j) *The convening of the Shareholders' Meeting and the preparation of the agenda and proposed resolutions.*

- k) *The policy relating to its own shares and holdings.*
- l) *The powers that the Shareholders' Meeting may have delegated to the Board of Directors, unless expressly authorised by the same to sub-delegate them.*
- m) *The constitution, investment and monitoring of the management of staff pension plans and any other commitment to the same concerning the Company's long-term financial liabilities.*
- n) *The matters subject to a supermajority referred to in paragraph 4 of article 10 of these Regulations."*

II. Matters that cannot ordinarily be delegated, but that may be adopted by the Executive Committee or by the Managing Director(s), due to duly justified reasons of urgency and which must be ratified by the Board of Directors in the first meeting held after the adoption of the decision.

- a) *The approval of the management targets, the annual financing plan, the investment and financing policy, the corporate social responsibility policy.*
- b) *The determination of the risk management and control policy, including fiscal risks, and the monitoring of the internal information and control systems.*
- c) *The determination of the corporate governance policy of the Company and of the group of which it is the parent company; its organisation and operation and, in particular, the approval and modification of its own regulations.*
- d) *The approval of the financial information which, as a listed company, the Company must periodically make public.*
- e) *The definition of the structure of the group of companies of which the company is the parent company.*
- f) *The approval of the investments or operations of any kind which, due to their high amount or special characteristics, are of a strategic nature or pose special tax risks, unless these are to be approved at the Shareholders' Meeting.*
- g) *The approval of the creation or acquisition of holdings in special purpose entities or in entities that are domiciled in other countries or territories that are considered tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, could undermine the transparency of the Company and the group.*
- h) *The approval, prior to the Audit Committee report, of the operations that the Company or group companies have performed with directors, under the terms established in the legislation in force, or with shareholders, individually or in collaboration with others, with a significant shareholding, including shareholders represented on the Board of Directors of the Company or other companies that form part of the same group, or with people that are linked thereto.*
- i) *The determination of the company's fiscal strategy.*

2. Section 4 of article 10 of the Regulations for the Organisation and Operation of the Board of Directors and its Committees is amended by adding a new paragraph, in order to provide for a supermajority for the adoption of certain resolutions, which are of particular significance, which hereinafter shall read as follows:

“ARTICLE 10.- The development of the meetings

4.- The agreements must be adopted with the vote of an absolute majority of the Directors present and represented, unless the law, Bylaws or these Regulations provide for a supermajority. A written vote without a meeting will only be permitted if no Director objects to this procedure and the requirements of the Mercantile Registry Regulations are met.

In special circumstances, the favourable vote of two-thirds of the Directors that are in attendance, present or represented, shall be required for the valid adoption of resolutions on the following matters reserved for the plenary Board Meeting which cannot therefore be delegated:

- a) The acquisition or disposal of assets owned by the Company (regardless of the legal means used for this purpose and, in particular, even if carried out by way of merger, spin-off or other methods related to subsidiary companies) totalling more than 500,000,000 euros, unless these are to be approved at the Shareholders' Meeting or is made in the implementation of the budget or strategic or business plan of the Company.*
- b) The approval of the budget and the strategic or business plan of the Company.*
- c) The modification of the dividend policy and the approval of a new one.*
- d) The signing, amendment, renewal, non-renewal or termination by the Company of financing or refinancing contracts for more than 500,000,000 euros.*
- e) The signing, amendment, renewal, non-renewal or termination by the Company of any material contract, other than those provided for in paragraph d) above, whose amount exceeds 500,000,000 euros in the case of gas supply contracts and 200,000,000 euros in the case of other contracts.*
- f) The material amendments in the accounting or tax policies of the Company, unless they are due to amendments in applicable law or as a result of compliance with guidelines and criteria established by the authorities competent in the matter.*
- g) The reformulation of the annual accounts of the Company, unless such reformulation is due to a legislative amendment or in order to comply with the guidelines and criteria laid down by the competent authorities in the matter.*

- h) The realisation of capital investments (capex) not provided for in the annual budget of the Company, for an amount greater than 200,000,000 euros.*
 - i) The amendment of this section i), the amendment of the matters contained in paragraphs a) to h) above or the amendment of the supermajority vote established for any of them.”*
- 3. Section 1 of article 30 of the Regulations for Organisation and Operation of the Board of Directors and its Committees is amended in order to increase the number of Executive Committee members to ten, which hereinafter shall read as follows:

“ARTICLE 30.- The Executive Committee

1.- The Executive Committee shall be composed of the Chairman of the Board of Directors and a maximum of nine other Directors, belonging to the categories established in article 3 of these Regulations, maintaining a similar proportion to that of the Board of Directors. The appointment of the members of the Executive Committee shall require the favourable vote of at least two thirds of the members of the Board.

- 4. Section 1 of article 32 of the Regulations for the Organisation and Operation of the Board of Directors and its Committees is amended in order to increase the number of Audit Committee members to seven and reflect the minimum standard of knowledge and experience required of the members of said Committee in accordance with that established in article 529 quaterdecies of the Capital Companies Act. Hereinafter said section 1 shall read as follows:

“ARTICLE 32.- The Audit Committee

1.- The Audit Committee shall consist of a minimum of three and a maximum of seven Directors, appointed by the Board of Directors from among the Non-Executive Directors, and at least one of them shall be appointed taking into account their knowledge and experience in accounting, auditing or both. Its members shall stand down when they do so in their capacity as Directors, when this is agreed by the Board of Directors or after a period of three years from their appointment, although it is possible for them to be reappointed.

The majority of the members of the Committee shall have the status of Independent Director, from which the Board of Directors shall choose the Chairman of the Committee, who will not have a casting vote. The Committee secretariat shall be the secretariat of the Board of Directors.”

- B. It was also agreed that the number of members on the Executive Committee be set at ten (10), the Audit Committee at seven (7), and the Committee for Appointments and Remuneration at five (5), with it also being agreed that the designation of the members of said bodies is consistent, as far as it is legally possible, with the proportionality and shareholding significance criteria.
- C. This agreement, and therefore the amendments included in sections A and B above, shall only become effective upon the termination of the agreement between Repsol, S.A. and Criteria Caixa, S.A.U. concerning Gas Natural SDG, S.A. dated 11 January 2000, and subsequently amended on 16 May 2002, 16 December 2002 and 20 June 2003. To this end it is agreed to grant the power to the Chairman of the Board of Directors and to the Non-Board Member Secretary so that either of them, without distinction, may verify the compliance of this condition by means of notification to the National Securities Market Commission by Repsol, S.A. and Criteria Caixa, S.A.U. of the relevant fact that states the effective termination of the aforesaid agreement or, where applicable, by way of mere communication by Repsol, S.A. and Criteria Caixa, S.A.U. to the Company informing it of said termination.

Barcelona, 21 September 2016.

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