

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. Naturgy shall not be responsible for any deviations between the translation and the Spanish language document.

ORDINARY GENERAL MEETING OF SHAREHOLDERS

17 MARCH 2020

REPORT BY THE APPOINTMENTS AND REMUNERATION COMMITTEE OF NATURGY ENERGY GROUP, S.A. WITH RESPECT TO THE REMUNERATION POLICY PROPOSAL.

The Appointments and Remuneration Committee of NATURGY ENERGY GROUP, S.A. shares that expressed in the report prepared by the Board of Directors in compliance with Article 529 *novodecies*, Paragraph 2 of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*), included in the resolution proposal of the General Meeting of Shareholders of the Company. In particular, it notes that

- (i) As regards the remuneration of Directors for their capacity as such, the new Policy, the approval of which is being proposed, is in line with the Remuneration Policy in force to date (on which a report was issued dated 28 January 2019 to which we refer), albeit it involves adapting the remuneration model to include a component linked to the dedication of the Directors. For this purpose, a methodology combining the payment of an annual fixed amount in line with the traditional remuneration scheme of Directors for belonging to the Board of Directors of Naturgy has been designed with a fixed amount linked to the participation and attendance of the Directors to the meetings of different Committee(s) of the Company.



This Committee considers that the proposal made by the Board of Directors fully complies with the principle for determining sufficient remuneration for compensating the dedication shown in exercising the functions of the Directors that inspires the Remuneration Policy per se.

- (ii) The Policy proposal drawn up by the Board of Directors also involves adapting the Policy in force with respect to the remuneration of Directors for the exercising of their executive and delegated functions, more specifically in the annual variable remuneration component that integrates, linking the payment of the part related to the results of the Company to the existence of any qualifications stated in the report of the External Auditor that reduce said results.

The implementation of this modification is considered very positive since it entails the Company adopting Recommendation N^o. 60 of the Code of Good Governance of Listed Companies of the CNMV (the Spanish Securities Market Authority).

Madrid, 4 February 2020.

The Appointments and Remuneration Committee of **NATURGY ENERGY GROUP, S.A.**