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ANNUAL GENERAL MEETING

17 MARCH 2020

REPORT BY THE BOARD OF DIRECTORS OF NATURGY ENERGY GROUP, S.A. FOR THE PURPOSES OF ARTICLE 529 DECIES OF THE SPANISH CORPORATE ENTERPRISES ACT REGARDING THE RE-ELECTION OF INDEPENDENT DIRECTORS.

a.- Background and proposal by the Appointments and Remuneration Committee

On 4 May 2019 the term of office of three (3) years expired for the Independent Director, Mrs. Helena Herrero Starkie.

The Board, in their meeting of 4 February 2020, have agreed to call the Annual General Meeting on 17 March 2020, including in item six (6) on the Agenda the proposal of appointment and re-election of Members of the Board.

Furthermore, the Appointments and Remuneration Committee is assigned under Article 529 decies of the Spanish Corporate Enterprise Act (*Ley de Sociedades de Capital*) the function, amongst others, to submit to the Board of Directors proposals for the appointment of the Independent Directors for submission to the Annual General Meeting.

The Appointments and Remuneration Committee in their meeting of 4 February 2020 have adopted the resolution to propose the re-election of Mrs. Herrero for the term of four (4) years as stipulated in the Articles of Association as Independent Director.

(b) Report by the Board of Directors on the proposal by the Appointments and Remuneration Committee for the appointment of Independent Director.

The Board of Directors issues their report in relation to said proposal, endorsing the justification made by the Appointments and Remuneration Committee that is included in the Annex of this report.

MRS. HELENA HERRERO STARKIE has been Director of NATURGY ENERGY GROUP, S.A. since 4 May 2016. Currently, she is also a Member of the Audit Committee. Her curriculum vitae is that stated in the report by the Appointment and Remuneration Committee.

The Board have assessed said curriculum and concludes she has the commercial and professional standing, knowledge and experience deemed sufficient for the purpose of exercising the duties of Director, and considers her fit and capable of exercising sound governance of the Company, noting her capacity and track record. In particular, the Board holds a positive view of the professional conduct she has displayed when going about her duties as Director and considers that her re-election helps maintain the relevant number of Independent Directors and guarantees profile diversity on the Board. Of note is the contribution Mrs. Herrero makes complimenting the competency on the Board, in particular in the areas of information technology and relationships with clients in which Mrs. Herrero has extensive professional experience.

Lastly, the Board agrees with the Appointment and Remuneration Committee and notes that she satisfies the conditions to be considered, according to the law in force, as Independent Director, having been designated Member of the Board for the first time on 4 May 2016. Likewise, the Committee recognises that she is not affected by any cases of incompatibility or legal, statutory or regulatory ban, nor is she in a situation of conflict of interest with the Company.

Madrid, on 4 February 2020.

The Board of Directors of NATURGY ENERGY GROUP, S.A.

ANNEX

REPORT BY THE APPOINTMENTS AND REMUNERATION COMMITTEE OF NATURGY ENERGY GROUP, S.A. FOR THE PURPOSES OF ARTICLE 529 DECIES OF THE SPANISH CORPORATE ENTERPRISES ACT REGARDING THE NOMINATION OF INDEPENDENT DIRECTORS.

1.- Background

On 4 May 2019 the term of office of three (3) years expired for Mrs Helena Herrero Starkie, one of the Independent Directors that to date has formed part of the Board of Naturgy Energy Group.

The Appointments and Remuneration Committee is assigned under Article 529 decies of the Spanish Corporate Enterprise Act the function, amongst others, to submit to the Board of Directors proposals for the appointment of the Independent Directors for submission to the Annual General Meeting.

2. Analysis of the profile of the proposed Director

During September 2019 said Committee began the selection process for the replacement/reappointment of the Director, Mrs. Herrero, whose term of office has expired.

For this purpose, and albeit not specifically taken into account in the Policy for selecting Directors in force, the Committee agreed to put into motion the development of a Competency Matrix that may be used to identify the needs of the Board in terms of diversity for their composition and serve as a basis to analyse possible candidates. Likewise, the Committee decided to contract an independent External Assessor to guarantee that the development of the Matrix is in line with the best practices in the Market. As a result of the foregoing, a draft Matrix was proposed to the Board and the definitive Matrix was approved

in the meeting held in October 2019.

In addition, in compliance with that set forth in the Director Selection Policy and the recommendation of the CNMV Technical Guide for Appointments and Remuneration Committees, the Committee officially invited all and every Director to propose any candidate they deemed appropriate. Likewise, for the purposes of greater objectivity and transparency, the Committee agreed to contract an External Assessor in the process designating for this purpose the consultancy firm EgonZehnder who issued their report on 17 January 2019 recommending that Mrs. Herrero should be considered based on the following conclusions:

- High contribution as Director of Naturgy that is reflected in their proposal as candidate for all Members of the ARC.
- Provision of the relevant and necessary experience and knowledge taking into account the Competency Matrix of Naturgy
- Contribution to gender diversity of the Board, the latter being a priority to the Company.
- Absence of conflicts of interest to continue in the position of Director of Naturgy.

The Committee when making their proposal have taken into consideration the report prepared by the External Assessor, that established in the Policy for selecting Directors and the content of the Competency Matrix, and have analysed aspects relating to personal good repute, commercial and professional standing, experience, and if there are any cases of incompatibility, bans or situations of conflict with the Company and respect towards the independence requirements established by the law in force.

In view of this, the Committee issue favourable report on the election proposal of Mrs. Helena Herrero Starkie, as Director on the Board of Directors of NATURGY ENERGY GROUP, S.A., if the Board deem the resolution of the motion appropriate, whose curriculum vitae is the following:

She has a degree in chemistry from the Complutense University of Madrid and has completed postgraduate studies in Management at the INSEAD Business

School and the IESE Business School.

She has been Chairman and Chief Executive of HP in Spain and Portugal since July 2012, and has worked at the company since 1982.

Positions at entities other than Naturgy Energy Group, S.A., amongst others of note:

- Chairwoman of the I+E Innovación España Foundation.
- Trustee of FUNDETEC.
- Trustee of the Spain-USA Council Foundation.
- Member of the Board of Governors of the American Chamber of Commerce.

3. Conclusion

The Committee concluded, by unanimous agreement, to propose the reappointment of Mrs. Helena Herrero Starkie as Director of the Company, in the category of Independent Director.