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## ORDINARY GENERAL SHAREHOLDERS MEETING

5 MARCH 2019

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### PROPOSED RESOLUTIONS

#### I. ANNUAL ACCOUNTS, OWN SHARES AND SHARE MANAGEMENT

**ONE.-** Review and approval, as the case may be, of the Annual Accounts and of the Management Report of NATURGY ENERGY GROUP, S.A. for the financial year ending 31 December 2018.

**Proposed resolution:**

*One.- To approve the Annual Accounts and of the Management Report of NATURGY ENERGY GROUP, S.A. for the financial year ending 31 December 2018.*

**TWO.-** Review and approval, as the case may be, of the Consolidated Annual Accounts and the Management Report of the Consolidated Group of NATURGY ENERGY GROUP, S.A. for the financial year ending 31 December 2018.

**Proposed resolution:**

*Two.- To approve the Consolidated Annual Accounts and the Management Report of the Consolidated Group of NATURGY ENERGY GROUP, S.A. for the financial year ending 31 December 2018.*

**THIRD.- Approval of the report on the status of consolidated non-financial information of NATURGY ENERGY GROUP, S.A.**

**Proposed resolution:**

*Third.- Approval of the report on the status of consolidated non-financial information included in the Consolidated Management Report of NATURGY ENERGY GROUP, S.A.*

**FOURTH.- Transfer to the “Voluntary Reserves” account the sum of €81,486,060.58 from “Goodwill Reserve Account”.**

**Proposed resolution:**

*Fourth.- Transfer to the “Voluntary Reserves” account the sum of €81,486,060.58 from “Goodwill Reserve Account”.*

**FIFTH.- Authorization to the Board of Directors for the buy-back of own shares, directly or through companies of the NATURGY Group, subject to the conditions agreed by the General Meeting of Shareholders and within the limits of the Law, and to revoke the authorisation provided by the General Meeting of Shareholders on 14 May 2015.**

**Proposed resolution:**

*Fifth.- To authorise the Board of Directors so that over a term of five years it can acquire for valuable consideration, on one or several occasions, fully paid-out shares in the Company, so that the nominal value of the shares directly or indirectly acquired, when added to those that the Company and its shareholders already hold never exceeds 10% of the subscribed capital, or any other that were to be legally established for the same. The price or value of the consideration cannot be less than the nominal value of the shares nor exceed its price or value on the Stock Exchange. The Board are hereby authorised to delegate the current authorisation to the person(s) whom they deem fit. The current authorisation extends to the acquiring of shares in the Company for the named companies.*

*For the purposes of Article 146 of the Spanish Corporate Enterprises Act (Ley de Sociedades de Capital), the shares acquired under the current authorisation, as well as those that the Company and its subsidiaries already hold, may be delivered, either in full or part, directly or as a result of the exercising of option rights, to employees or administrators of the Company or companies in its Group.*

*This authorisation replaces and renders null and void, to the extent of the unused portion, the authorisation granted by the Board of Directors by the General Meeting of Shareholders held on 14 May 2015 to acquire for valuable consideration shares in the Company.*

**SIXTH.-** Review and approval, as the case may be, of the management activities of the Board of Directors during financial year 2018.

**Proposed resolution:**

***Sixth.-*** To approve the management activities of the Board of Directors during the financial year 2018.

## **II. DIRECTORS APPOINTMENT**

**SEVENTH.-** Ratification and appointment of Mr. Scott Stanley as a Board Director.

**Proposed resolution:**

***Seventh.-*** To ratify the appointment by co-option of DON SCOTT STANLEY carried out by the Board of Directors on January 29, 2019 under the provisions of article 529 decies of the Capital Companies Law and to appoint as a Board Director of the Company, for the statutory term of four (4) years, to DON SCOTT STANLEY, whose personal circumstances are those that will be consigned in the certificate that is issued and that will appear in the Mercantile Registry of Madrid.

*The Director DON SCOTT STANLEY will hold in the Board of Directors the condition that he had been holding as a Proprietary Director.*

*DON SCOTT STANLEY will accept his position on the occasion of the next Shareholders Meeting or later to it.*

## **III. REMUNERATION TO SHAREHOLDERS, DIRECTORS AND EMPLOYEES**

**EIGHTH.-** Review and approval, as the case may be, of the proposal for the application of the results of the financial year 2018.

**Proposed resolution:**

***Eighth.-*** To approve the proposal for the application of the results of the fiscal year closed on 31 December 2018, in the following way:

PROPOSAL FOR THE APPLICATION OF THE RESULTS

**BASIS OF DISTRIBUTION**

Basis of distribution ..... €5,281,712,056.16

**DISTRIBUTION:**

*BY DIVIDEND: amount, whose aggregate gross amount is the sum of the following amounts (the "Dividend"):*

- (i) 729,704,921.63 euros (the "Total Interim Dividend"), corresponding to the two interim dividends of the financial year 2018 paid by NATURGY ENERGY GROUP, S.A., together amounting to 0.73 cents/euros per share by the number of shares that are not directly held Own Shares on the corresponding dates; and
- (ii) The resultant amount from multiplying 0.57 cents/euro per share by the number of shares that are not directly held Own Shares on the date on which the registered holders with the right to receive a dividend are determined (the "Final Dividend").

*The distribution of the Final Dividend is to be made through participating entities in the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear), authorising the Board of Directors for this purpose, with express powers to replace the Board Member or Members that it deems necessary, so that it can perform as many actions as may be necessary or required to carry out the distribution and, in particular, indicative, and without limitation, so that it can (i) fix the date on which the registered holders with the right to receive a dividend are determined as well as the date on which the same is paid; (ii) ascertain the definitive amount of the Final Dividend; and (iii) designate the Agent who is going to act as the Payment Agent.*

*BY VOLUNTARY RESERVES: Determinable amount is the result of subtracting from the distribution Base the amount destined to the Dividend.*

Total Distributed Amount ..... €5,281,712,056.16

**NINETH.- Approval of a reduction in share capital through redemption of a maximum of 18,998,622 own shares by implementing a Share Buy-Back Programme.**

**Proposed resolution:**

**Ninth.-** Reduce the share capital of NATURGY ENERGY GROUP, S.A. (hereinafter the "Company") by the amount resulting from the sum of:

1. 2,998,622 euros, through depreciation of the 2,998,622 Own Shares, each with a nominal value of one euro, on close of the Market on 6 December 2018, having been acquired under the authorisation conferred by the General Meeting of Shareholders held on 14 May 2015 under item fourteen (14) on the Agenda and within the limits of that set forth in Articles 144 to 148 and 509 of the consolidated text of the Spanish Corporate Enterprises Act, approved by the Royal Legislative Decree 1/2010, of 2 July of the **Spanish Corporate Enterprises Act** in execution of the objective of "share buy-back", foreseen in the Strategic Plan, and possible redemption, as detailed in the Relevant Facts on 6 December 2018 (Registry Number 272,238 and 18 January 2019 (Registry Number 273,935); and
2. the aggregate nominal value, up to a maximum of 16,000,000 euros, corresponding to the additional 16,000,000 shares, each with a nominal value of one euro each. These shares will be acquired ordinarily for their redemption by the Company pursuant to the Own-Shares Buy-Back Programme (hereinafter the "**Buy-Back Programme**"), approved by the Company under the EU Regulation Nº 596/2014 on market abuse and published as Relevant Fact on 6 December 2018 (Registry Number 272,237), whose closing acquisition date expires on 30 June 2019, inclusive.

As a result, the maximum amount of the reduction in share capital (the "**Share Capital Reduction**") is 18,998,622 euros, through the redemption of up to a maximum of 18,998,622 own shares with a nominal value of one euro each, proportional, around 1,90% of the share capital at the time of the adoption of the agreement. In view of the foregoing, on January 31, 2019 the Company held, in accordance with the two previous points, 9.438.556 Own Shares for possible redemption.

The definitive amount of the Share Capital Reduction shall be fixed by the Board of Directors of the Company depending on the definitive number of shares that are finally acquired pursuant to the Buy-Back Programme in the terms established in the following section. However, in the event that the agreement included in item eleventh (11) on the Agenda of this General Meeting of Shareholders is not approved the 8.639.595 shares acquired in connection with the long-term incentive plan, as detailed in the relevant fact as of December 6, 2018 (registration number 272,238), will be used for amortization, reducing the program's needs by the same amount of repurchase, in such a way that the maximum amount of capital reduction indicated above would not be altered

#### **Procedure for acquiring shares that are to be redeemed**

The Company may acquire, on developing the Buy-Back Programme, for redemption, no greater than 16,000,000 own shares with a nominal value of one euro per share, that shall be at the same time proportional, approximately **1.60%** of the share capital of the Company on the date of resolution, an amount that is within the legal limit and contemplated in the authorisation for acquiring own shares conferred by the General Meeting of Shareholders held on 14 May 2015 under item fourteen (14) on the Agenda, and as the case may be, under item Fifth (5) on the Agenda of this General Meeting of Shareholders.

*The purchase of shares that are acquired on developing the Buy-Back Programme shall be carried out under Article 144 a) of the Spanish Corporate Enterprises Act and under the provisions of Articles 338 and 342 of the foregoing Act, insofar as it is applicable, of Article 12.2 of Royal Decree 1066/2007, of 27 July, of Article 5 of the EU Regulation N° 596/2014 of the European Parliament and the Board, on 16 April 2014, on Market Abuse, and the EU Delegated Regulation 2016/1052 of the European Commission, on 8 March 2016, without the need, therefore, for preparing a Public Tender Offer for shares in the Company acquired in developing the Buy-Back Programme.*

*If the Company does acquire the maximum number of 16,000,000 own shares with a nominal value of one euro per share, no later than 30 June 2019, inclusive, it shall be construed that the share capital is reduced by the sum of the nominal value of (i) the 2,998,622 own shares mentioned above acquired until December 6, 2018 (ii) the shares acquired within the framework of the Buy-Back Programme until the 30 June 2019, inclusive; and (iii) in the event that the agreement contained in the Eleventh item on the Agenda of this General Meeting is not approved, the 8,639,595 shares acquired in connection with the long-term incentive plan.*

#### **Procedure for reductions and reserves with charge to those made**

*The Share Capital Reduction is to be exercised the month after finalising the Buy-Back Programme, in accordance with that set forth in Article 342 of the Spanish Corporate Enterprises Act. Given that the shares to redeem are owned by the Company when they are to be reduced, this does not imply that contributions are to be returned and shall be carried out charged to unrestricted reserves, through an increase in the redeemed capital reserve for an amount equal to the nominal value of the redeemed shares, out of which, in application of that set forth in Article 335 c) of the Spanish Corporate Enterprises Act, will only be available under the same requirements as those for the reduction of share capital.*

*As a direct result, in accordance with that set forth in said provision, the Creditors of the Company are not entitled to the right of objection as referred to in Article 334 of the Spanish Corporate Enterprises Act.*

#### **Ratification of actions and resolutions of the Board of Directors**

*Ratify the actions taken by the Board of Directors for the acquisition of the 2,998,622 shares acquired until December 6, 2018, and ratify the resolution of the Board of Directors in regard to the approval of the Buy-Back Programme and the fixing of its terms and conditions that include the maximum amount of the same and term, as well as ratify the activities, declarations and management carried out to date, with respect to communicating the Buy-Back Programme to the public.*

#### **Delegation of Powers**

*Delegate to the Board of Directors the powers necessary so that, in a term no later than one month from the completion of the Buy-Back Programme, they can proceed with implementing*

*this agreement, being able to determine those provisions that have not been expressly established in the foregoing agreement or that are not a consequence of the same.*

*In particular, by way of illustration, the Board of Directors shall have the following powers:*

- a) Proceed, in a term of one month from the completion of the Buy-Back Programme, to implement the Share Capital Reduction subject to the conditions herein agreed.*
- b) Fix the definitive number of shares that are to be redeemed and, therefore, the amount by which the share capital of the Company is to be decreased in accordance with the rules established in this agreement.*
- c) Reword Article 4 of the Articles of Association that fixes the share capital so that it reflects the capital amount and the number of resultant shares in circulation after exercising the Share Capital Reduction.*
- d) Carry out all necessary actions necessary to fulfil the requirements set forth in the Spanish Corporate Enterprises Act, the consolidated text of the Spanish Securities Market Act, approved by Royal Legislative Decree 4/2015 of 23 October, Royal Decree 878/2015 of 2 October, on registry, compensation and settlement of accounted for marketable securities through book entries and other applicable rules, including the publication of the corresponding announcements mandatory in nature.*
- e) Perform as many actions and procedures as may be required or deemed necessary and submit the documents that may be necessary to the competent bodies so that, once shares of the Company have been redeemed and the Share Capital Reduction Deed has been issued and registered in the Companies Register, the trading of the redeemed actions is then excluded from the Stock Exchanges in Bilbao, Madrid, Barcelona and Valencia, through the Spanish Stock Exchange Interconnection System (Continuous Market) and the corresponding accounting entries of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal” (IBERCLEAR) are cancelled.*
- f) To act as deemed necessary or convenient to implement and formalise the Share Capital Reduction before any entity or public or private legal entity, Spanish or foreign in origin, including those of declaration, complementary or rectification of any defects or omissions that could impede or hinder the successful execution of the foregoing agreements.*

*The Board of Directors are expressly authorised, pursuant to that set forth in Article 249 bis I) of the Spanish Corporate Enterprises Act, to enable them to sub-delegate (with powers to replace, when appropriate) on the Board or Directors, each and every one of the powers delegated under this agreement, that it deems necessary.*

**TENTH.- Approval of the Remuneration policy for Board Members of NATURGY ENERGY GROUP, S.A. for financial years 2019-2021.**

**Proposed resolution:**

***Tenth.-** To approve the remuneration policy for Board Members of NATURGY ENERGY GROUP, S.A. for financial years 2019-2021, the text of which has been available to shareholders, together with the rest of the documentation in relation to the General Shareholders Meeting, as from the date of the meeting notification. Said policy has obtained favourable report from the Appointments and Remuneration Committee in a meeting thereof held on 28 January 2019.*

**ELEVENTH.- Approval of the Long-Term Incentive Plan for the Executive Chairman and other Directors**

**Proposed resolution:**

***Eleventh.-** To approve, for the purposes of Article 219 of the consolidated text of the Spanish Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 July, the Long-Term Incentive (LTI) Plan of NATURGY ENERGY GROUP, S.A. with the following characteristics, as well as approving the actions for its implementation already developed by the Board of Directors:*

*The foregoing applies not only to the Executive Chairman but also those Directors whose contribution is considered to be essential to the Board of Directors for the attainment of the objectives in the 2018-2022 Strategic Plan.*

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

*The same shall be instrumented by means of the acquisition of a block of shares in NATURGY, through a company whose holdings are 100% owned by the Company. Said Company shall make the most efficient decisions to ensure the maximum return on investment, acting in the same way as a diligent investor. The foregoing has been provisioned with the financial means (200 million euros) through contributions from the equity capital of NATURGY (100 million euros) and external bank financing (100 million euros), with which 8,639,595 shares at an average price of €23.15 euros per share have been acquired. On completion of the Plan, the Company will obtain a financial result from the payment of dividends attributed to its shares, the revaluation of the price of the same and sundry revenue*



*and expenditure, mainly financial. At this moment in time, it shall sell those shares necessary to return all the resources received for the acquisition of the shares, and after having paid all obligations to third-parties and with NATURGY itself, it shall proceed to distribute among the participants of the incentive plan, the remainder in shares, if any. The economic value of said stake, constitutes, therefore, the total long-term remuneration to be distributed amongst the stakeholders.*

*On the centre stage, the Executive Chairman shall receive an amount in line with that set forth in the Annual Report on the Remuneration of Directors of Listed Companies (ARRD) for the previous year, that is, 125% of the total yearly fixed remuneration, multiplied by the number of years of the term of the LTI Plan. Said centre stage considers the distribution of all dividends envisaged in the 2018-2022 Strategic Plan. Furthermore, to assure this scenario the stock market price in July 2023 has to be above the acquisition price of €23.15.*

*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 assuming that all the dividends foreseen in the Strategic Plan 2018-2022 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, albeit that the Company obtains a positive result, if this threshold is not reached the LTI amount would be zero.*

*The LTI Plan includes a claw-back clause for 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 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 time of permanence with respect to the term of the Plan.*

## **TWELFTH.- Share Delivery Plan for employees of the NATURGY Group.**

### **Proposed resolution:**

***Twelfth.- To authorise the Company to implement a Share Delivery Plan to employees of the NATURGY Group, subject to the following rules:***

- (i) *Beneficiaries: employees (with active employment contracts) of the companies of the NATURGY group and tax residents in Spain that voluntarily decide to adopt the Plan.*
- (ii) *Description of the Plan: the beneficiaries may receive part of their remuneration in shares in NATURGY ENERGY GROUP, S.A. for financial years 2020 to 2023 with a maximum annual limit of 12,000 euros per beneficiary and year. The foregoing shares shall be valued at the closing price of the share of NATURGY ENERGY GROUP, S.A. on the Spanish Stock Exchange Interconnection System (Continuous Market) on the delivery date to the beneficiary. The payment of the remuneration in shares is voluntary for beneficiaries.*
- (iii) *Term: this authorisation covers the period 2020 to 2023. The delivery of shares shall be performed on the dates indicated by the Company.*
- (iv) *The number of shares to deliver: the number of shares of NATURGY ENERGY GROUP, S.A. that may be delivered pursuant to this Plan (the "Number of Shares to Deliver") shall be determined through the application of the following calculation: Number of Shares to Deliver = (total amount in euros requested by the beneficiaries/NATURGY ENERGY GROUP, S.A. Share Price) where "NATURGY ENERGY GROUP, S.A. Share Price" is the price on close of the NATURGY ENERGY GROUP, S.A. share on the Spanish Stock Exchange Interconnection System (Continuous Market) on the date of delivery to the Beneficiary.*
- (v) *Other rules: the shares to deliver may come directly or indirectly from NATURGY ENERGY GROUP, S.A. own shares, a new issue or come from third parties with whom agreements have been signed to assure the demand of the assumed commitments.*
- (vi) *Delegation of powers: the Board of Directors are authorised to put into practice the Strategic Plan for Shares, being able to define and interpret, on matters it deems necessary or appropriate, the rules thereof and the content of the contracts and other documents to be used. In particular and, for illustration purposes only, the Board of Directors shall have the following powers to:*
  - a. *Develop and establish the specific conditions of the Plan for all aspects not envisaged in the current agreement, being able to establish, for this purpose, a minimum limit on NATURGY ENERGY GROUP, S.A. shares to be received by employees who subscribe to the Plan on a voluntary basis.*
  - b. *Approve the content of the contracts and any documentation it deems necessary or appropriate.*
  - c. *Approve as many releases of announcements and submission of additional documentation deemed necessary or appropriate to any Public or Private Body, including, if required, any respective prospectus.*
  - d. *Define the frequency of the delivery of shares to the beneficiaries, whether it be monthly, yearly or other.*

- e. *Engage in any action, declaration or arrangement with any Public or Private Body.*
- f. *Negotiate, agree and sign counter party and liquidity contracts with the financial institutions it freely designates under the terms and conditions it deems suitable. Contract the services of, as the case may be, a financial institution Agent.*
- g. *Draft and endorse as may announcements as deemed necessary or appropriate.*
- h. *Interpret the foregoing agreements, being able to adapt them, without affecting their base content, to any new circumstances that may arise.*
- i. *In general, to act and endorse as many documents as deemed necessary or appropriate. The Board of Directors may delegate to the Executive Chairman, all powers granted in this agreement. All that provided for herein, is understood to be, without prejudice to the exercising by the subsidiary companies of the Company, corresponding to each case, the powers falling under their responsibility for implementing the Plan with respect to their Directors and Employees.*

**THIRTEENTH.- Consultative vote in relation to the Annual Report regarding the remunerations of the Members of the Board of Directors.**

**Proposed resolution:**

***Thirteenth.-*** *To approve the Annual Report regarding the remunerations of the Board Members of NATURGY ENERGY GROUP, S.A. approved by the Board of Directors at a meeting held on 29 January 2019, the text of which has been available to Shareholders, together with the rest of the documentation in relation to the General Shareholders Meeting, as from the date of the meeting notification.*

**IV. OTHERS**

**FOURTEENTH.- Modification to the Regulations on the organising and functioning of the Board of Directors of NATURGY ENERGY GROUP, S.A. and its Committees.**

The General Shareholders Meeting is hereby informed, in accordance with the provisions of Article 528 of the Spanish Corporate Enterprises Act, of the modifications to the Regulations regarding the organisation and functioning of the Board of Directors of NATURGY ENERGY GROUP, S.A. and its Committees, as agreed at the meeting of the Board of Directors held on 27 June 2018, facilitated by the amendments to the Articles of Association of the Company approved by the Ordinary General Shareholders Meeting held on 27 June 2018 and for fulfilling Recommendation N<sup>o</sup>. 47 of the CNMV (Spanish Securities Market

Regulator) with respect to Corporate Governance, which advises that the Appointments and Remuneration Committee has a majority of Independent Directors.

In view of the foregoing, Article 25.1 of the Regulation on the Organisation and Functioning of the Board of Directors and its Committees has been modified to ensure that the maximum number of Members of the Appointments and Remuneration Committee be raised to seven (7), and shall, hereinafter, read as follows:

*“1. The Appointments and Remuneration Committee shall comprise of at least three (3) and no more than seven (7) Directors, designated by the Board of Directors among Non-Executive Directors, considering their knowledge and abilities. The members shall be removed when they cease to be Directors, or when this is resolved by the Board of Directors.*

*At least two (2) of the Members of the Appointments and Remuneration Committee shall be considered Independent Directors, and among them the Board of Directors shall elect the Chairman of the Committee, who shall not have a casting vote. The secretary of the Committee shall be that of the Board of Directors, although the Vice-Secretary, if any, shall be entitled to act as Secretary.”*

#### **FIFTEENTH.- Delegation of powers for the completion, carrying out, execution, interpretation, correction and formalisation of the resolutions adopted by the General Shareholders Meeting.**

##### **Proposed resolution:**

***Fifteenth 1.*** *To delegate upon the Board of Directors, with express powers to delegate upon the Executive Committee or upon the Board Member or Members that it deems necessary or upon the Secretary of the Board of Directors, and as broadly as may be required at law, all powers that are deemed necessary for the purposes of completing, carrying out, executing, interpreting, correcting and formalising any of the resolutions adopted by the General Shareholders Meeting, and accordingly to carry out and formalise any modifications, addendum and inclusions as may be required or necessary for the efficacy and performance of the foregoing resolutions.*

***Fifteenth 2.*** *To delegate and authorise, as broadly as may be required at law, the Executive Chairman and Secretary of the Board of Directors MR. MANUEL GARCÍA COBALEDA, in order that, either one of them, indistinctly, may sign and formalise all private documents and may formalise before any Notary Public of their choice, any public documents, that are deemed necessary or adequate for the efficacy and performance of the foregoing resolutions and to register said resolutions at the corresponding registers, with the express power to rectify and correct said documents, without altering the scope, nature or inherent terms thereof.*

**Madrid, Spain, on 29 January 2019.**

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