
**REPORT OF THE BOARD OF DIRECTORS ON THE PROPOSAL OF APPOINTMENT,
BY THE GENERAL SHAREHOLDERS MEETING, OF
MS. MARIA C. ECHENIQUE MOSCOSO DEL PRADO, AS EXECUTIVE DIRECTOR**

I

The Board of Directors intends to submit to the consideration of the General Shareholders Meeting the increase of the number of Directors of the Company from 10 to 12, within the limit established in the Bylaws (between 10 and 15 members). There is an additional vacancy in the Board after the resignation of Mr. Amal Pramanik. In this context, and in the event that the General Shareholders Meeting agrees the mentioned increase, the Board, prior favourable report of the Appointments and Remuneration Committee, proposes the appointment of Ms. María C. Echenique Moscoso del Prado, , who will have the category of executive Director, in view of the management functions of the Company's legal services she currently performs, as General Counsel of the Company.

II

In accordance with article 529 decies of the Companies Act, this appointment proposal has to be previously informed by the Appointments and Remuneration Committee.

III

The Appointments and Remuneration Committee, in its meeting of January 28th, 2020, evaluated again the professional and biographical profiles of Ms. María Echenique, which are the following:

Ms. María Echenique holds a Law Degree from the Universidad Complutense de Madrid, and a Diploma in English Law by the University of Kent at Canterbury. She is a civil servant (Cuerpo Superior de Administradores Civiles del Estado), on leave.

From 2010 she has held different positions in NATURGY ENERGY GROUP, S.A.'s Legal Services where, additionally, she was appointed as Deputy Secretary of the Board of Directors.

Before, Mrs. Echenique performed different duties in the Spanish Public Administration, such as technical advisor in the Economy Ministry and advisor in the Science & Technology Ministry.

Mrs. María Echenique was appointed Secretary non-Director of the Board of the Company on December 19th, 2019 and, since then, also performs functions of Head of the Company's legal services, as General Counsel of the Company.

IV

The Appointment and Remuneration Committee has noted that Ms. Echenique:

- i) fulfils the requirements of the Law and of the Company's Policy on the Selection of Directors of 19th December, 2017, (knowledge, professional experience, recognized soundness and competence, responsibility for the exercise of their office, and absence of conflicts of interest) for appointment as a Director;
- ii) is not involved in any case involving prohibition or incompatibility under the Law or under the Company's Policy on the Selection of Directors; and
- iii) fulfils the legal and statutory requirements for inclusion in the category of executive Director.

In addition, the Committee appreciates the performance of Mrs. Echenique as Secretary of the Board of Directors of the Company since she was appointed, and considers that this appointment reinforces the Company's commitment with diversity.

Accordingly, the Appointments and Remuneration Committee unanimously reports in favour that the Board of Directors' propose to the AGM the appointment of Mrs. María Echenique, as executive Director of the Company.

V

In view of the foregoing, the Board of Directors unanimously decides to adopt and approve the ARC report hereby included relating to the proposal of appointment by the AGM of Mrs. María Echenique Moscoso del Prado as executive Director, as it considers that Mrs. María Echenique has the adequate capabilities, experience and merits and fulfils the requirements to be appointed as executive Director by the AGM.

Madrid, February 10th, 2020

The Secretary of the Board,

María Echenique Moscoso del Prado