

ANNEX 1

ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

ISSUER IDENTIFICATION DATA

DATE OF END OF REFERENCE YEAR	31/12/2014
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Tax ID NUMBER	A-08015497
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COMPANY NAME
GAS NATURAL SDG, S.A.

DOMICILE
PLAZA DEL GAS, 1, BARCELONA

ANNUAL REPORT FORM ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

A COMPANY REMUNERATION POLICY FOR THE CURRENT YEAR

A.1 Describe the Company's remuneration policy. Include the following information in this section:

- General principles and fundamentals of the remuneration policy.
- Most significant changes in the remuneration policy with respect to the previous year and changes made during the year to the conditions for the exercise of previously awarded Options.
- Criteria used and composition of groups of comparable companies whose policies have been considered in establishing the company's remuneration policy.
- Relative importance of variable remuneration items in comparison with fixed items and the criteria used to determine the components of the directors' remuneration package (remuneration mix).

Describe the remuneration policy

The Company's goal when establishing remuneration policies is to generate sustained value for the Group over time whilst ensuring transparency and competitiveness in its remuneration policy.

The general principles of the remuneration policy for directors are approved and reviewed by the Appointments and Remuneration Committee and by the Board of Directors, in order to keep the Company's remuneration policy in line with best practices in the market.

Whilst the Board of Directors and the General Shareholders' Meeting will over the coming months consider the effects of recent modifications to the Corporate Enterprises Act, as drafted in Act 31/2014, of 3 December and exercise the competences set out therein, no significant changes in remuneration policy with respect to the previous year are expected in 2015.

Many of the policy decisions relating to 2015 have already been adopted, with regard to Directors' remuneration for their role as such, and another part will be adopted, with regard to remuneration of the Chief Executive Officer for performance of executive functions.

A. Director's remuneration in their role as such is based on the following principles:

- It should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, without compromising their independence.
- It should be based on a market criterion, consistent with the remuneration established for directors of listed companies that are comparable in size to GAS NATURAL SDG, S.A.

In accordance with the provisions of article 44 of the Articles of Association, the remuneration that the company may allocate each year to the Board of Directors may not exceed 4% of earnings after the following have been deducted: general expenses, interest, taxes, and any other write-downs and amortisations, after a dividend of at least 4% has been allocated to shareholders. This threshold was far from being achieved in 2014, and it is expected that this will also be the case in 2015.

Subject to the approval of the next General Shareholders' Meeting, the new article 44 of the Articles of Association provides for remuneration through a fixed annual amount, with a proposed annual maximum of 5 million euros. This amount will be distributed by the Board of Directors, with different amounts being allocated depending on the Committee(s) to which the director belongs and the dedication and responsibility required in each of these. Remuneration may also differ based on the responsibilities and functions of each Director on the Board and its Committees. It will be left to the discretion of the Board of Directors to consider other circumstances, which must be objective and applied transparently.

B. Additionally, as detailed in section A.3, the remuneration policy for the Chief Executive Officer for performing his executive functions conforms to the general executive remuneration policy in the Gas Natural Fenosa Group in order to ensure a balance between the various components (fixed and variable, annual and multi-year); it includes the following, inter alia:

- **Basic Remuneration:** An amount set each year by the Board of Directors based on a proposal from the Appointments and Remuneration Committee and added to the fixed remuneration received for belonging to the Board of Directors and its Committees. The sum of these amounts gives the fixed monetary remuneration.

Basic remuneration varies annually based on the decision of the Board of Directors at the proposal of the Appointments and Remuneration Committee, depending on the Company's earnings and competitive with remuneration paid at similar size companies.

- **Variable Remuneration:** this accounts for a significant proportion of total remuneration and is linked to attaining the specific quantifiable objectives established, which are directly aligned with creating shareholder value.
 - Annual variable remuneration is based on the attainment of the objectives set in the Management by Objectives Plan and on the Company's earnings. In the case of the Chief Executive Officer, this is mainly based on achieving the budget approved at the beginning of the year by the Board of Directors.
 - Multi-year variable remuneration is based on attaining objectives aligned with the key indicators set out in the Company's Strategic Plan.

CONTINUED IN SECTION E.

A.2 Information on the preparatory work and decision-making process followed to determine the remuneration policy and role, if any, performed by the Remuneration Committee and other supervisory bodies in shaping the remuneration policy. This information should include any mandate given to the Remuneration Committee, its composition and the identity of the external consultants whose services have been used to define the remuneration policy. Also describe the category of any directors who participated in the definition of the remuneration policy.

Describe the process for determining the remuneration policy

The Appointments and Remuneration Committee is responsible for proposing the criteria for director remuneration policy to the Board and for ensuring that remuneration is transparent. The Board of Directors is responsible for approving the remuneration of the Chief Executive Officer for performance of executive functions and remuneration of the Directors in their condition as such, under the framework approved by the General Shareholders' Meeting.

Article 22 of the Regulation of the Board of Directors sets out the general process for determining remuneration policy and states as follows:

"The Appointments and Remuneration Committee shall propose to the General Meeting of Shareholders the criteria it deems appropriate to ensure compliance with the purposes of this article, and the Board shall be responsible for its approval and the final distribution of the total sum, within the limits set out in the Articles of Association for that purpose and the maximum amount approved by the General Shareholders' Meeting. Each year, with the frequency it deems appropriate, the Board may agree to make interim payments of the amounts corresponding to each Director for the work performed in that period."

Article 31.1, on the composition of the Appointments and Remuneration Committee, states:

"The Appointments and Remuneration Committee will comprise at least three and at most five directors, appointed by the Board of Directors from among the external directors, having regard to their expertise and skills. Members of this Committee will be removed when they cease to be directors, when the Board of Directors decides, or when three years have elapsed since their appointment, in which case they may be reappointed.

At least two of the members of the Appointments and Remuneration Committee will be classified as Independent Directors, from among whom the Board of Directors will select the Chairman of the same who will not have a casting vote. The Secretary of the Committee will correspond to the Secretary of the Board of Directors."

Accordingly, the composition of the Committee is as follows:

Position	Name	Status
Chairman	Mr Miguel Valls Maseda	Independent
Member	Mr Santiago Cobo Cobo	Independent
Member	Mr Antonio Brufau Niubó	Proprietary
Secretary	Mr Manuel García Cobaleda	Secretary (not a director)

All members of the Committee have extensive experience and knowledge commensurate with the Committee's duties.

A. The remuneration of the members of the Board of Directors in their status as such for 2015 was determined by the Board of Directors at its meeting on 19 December 2014, following a report and proposal by the Appointments and Remuneration Committee of the same date. The amounts are set out in section A.3.

B. With regard to the remuneration of the Chief Executive Officer for performance of executive functions and approval of remuneration for 2015, the Appointments and Remuneration Committee formulated a proposal at its meeting on 27 February 2015, which was approved by the Board on the same date, together with the remuneration policy for the management team as a whole.

As in previous years, the Appointments and Remuneration Committee was advised by the Company's Human Resources Department and received external advice from Peplematters, Towers Watson, the Hay Group and the Boston Consulting Group, global consulting firms which have conducted benchmark surveys of remuneration at companies that are comparable to Gas Natural Fenosa in terms of capitalization, size, shareholder structure and international scope.

With regard to the remuneration of the Executive Chairman for performance of executive functions and approval of remuneration for 2015, the Appointments and Remuneration Committee made a proposal at a meeting on 27 March 2015, which was approved by the Board on the same date.

A.3 Indicate the amount and nature of the fixed components, with a breakdown, where necessary, of the remuneration for the performance of senior management functions by the executive directors, the additional remuneration for acting as chairman or member of any board committee, per diem payments for participation in meetings of the Board and its committees and other fixed payments for directorship, and an estimate of the fixed annual remuneration to which they give rise. Identify other benefits not paid in cash and the parameters on which they are based.

Describe the fixed components of remuneration
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A. Remuneration of Directors for their role as such consists exclusively of a fixed annual amount.

As in every year since 2007, the amounts assigned for belonging to the Board of Directors and the Executive Committee have remained unchanged for 2015.

The Board of Directors has decided to increase the amount payable for membership of the Audit and Control Committee and the Appointments and Remuneration Committee for 2015. This decision has been taken as a result of the increase in functions, dedication and responsibilities resulting from changes to the corporate governance structure over recent years and in recognition that forecast remuneration in Gas Natural Fenosa was notably lower than for comparable listed companies.

Directors' remuneration for their role as such in 2015 is as follows:

- Chairman of the Board of Directors: €550,000.00/year.
- Director: €126,500.00/year.
- Chairman of the Executive Committee: €550,000.00/year.
- Member of the Executive Committee: €126,500.00/year.
- Member of the Appointments and Remuneration Committee: €25,000.00/year.
- Member of the Audit and Control Committee: €40,000.00/year.

B. With regard to the Chief Executive Officer, the fixed component of remuneration was set at the meeting of the Board of Directors held on 27 February 2015 at €1,394,960, from which the amounts received for membership of the Board of Directors and the Executive Committee of GAS NATURAL SDG, SA. are deducted. The Chief Executive Officer is subject to the criteria set out in the framework for the Remuneration Policy for the Company's Executive Personnel, as follows: (a) Remunerate with a comprehensive combination of monetary and non-monetary compensation that recognizes and respects the wide range of needs and expectations related to the professional situation, while also serving as a tool for communicating the organization's goals and business objectives. (b) Align the executive with the Group's objectives over the various time horizons so as to incentivise sustainability in earnings. (c) Recognize the executive's ability to create value due to his impact on Group earnings and his competencies and personal profile, for which reason he is assigned specific remuneration. (d) Foster a culture of commitment to the Group's objectives in which both personal and team contributions are vital. (e) Systematically evaluate, using uniform criteria, the person's professional development, the outcome of his actions, and the degree to which he adapts to the competencies required at any given time. (f) Remunerate both fairly and competitively. "Fairly" in recognition of the responsibilities and critical nature of the position. "Competitively" by adopting a flexible position vis-à-vis the market while adapting to specific conditions so as to be able to attract and retain the best professionals. (g) Guarantee the application of the Remuneration and Compensation Principles in a way that is uniform and transparent for all, in order to achieve objective management. (h) Regularly review remuneration systems and progress and, as necessary, ratify, amend or increase it as a function of earnings, feedback from the employees involved and the capacity to motivate the workforce as a whole, particularly the best employees.

Additionally, the Chief Executive Officer's remuneration for his executive functions is aligned with the general principles of the remuneration policy for the Company's executives, which is summarized below: (a) Overall remuneration should be competitive with comparable energy companies; to this end, IBEX35 energy companies and multi-sector companies (both in the IBEX35 and others) that are comparable in terms of capitalisation, size, shareholder structure and international scope were considered. (b) There should be an annual variable component linked to attainment of measurable objectives aligned with shareholders' interests and with oversight and measurement systems, determining the variable remuneration to be received as a function of evaluations which measure performance at the individual level and of the entity as a whole. The main benchmark for this purpose is the Company's annual budget. (c) Multi-year variable remuneration systems should be established that encourage attainment of objectives over time. The main benchmark for this purpose is the Company's Strategic Plan.

The executive functions of the Executive Chairman are not remunerated.

A.4 Describe the amount, nature and main characteristics of the variable components of the remuneration systems.

Specifically:

- Detail the amount, date of approval, date of implementation, effective period and the main characteristics of the remuneration plans of which the directors are beneficiaries. For plans involving stock options and other financial instruments, the general features of the plan must include information on the conditions for exercising such options or financial instruments for each plan.
- Indicate any payments made under profit-sharing or bonus schemes, and the reason why they were granted.
- Detail the basic parameters and grounds for any annual bonus scheme.
- The types of directors (executive directors, proprietary external directors, independent directors or other external directors) that are beneficiaries of remuneration systems or plans that incorporate variable remuneration.
- The foundations of such variable remuneration systems or plans, the criteria chosen to assess performance as well as the components and methods for determining whether or not the criteria have been met, and an estimate of the total amount of variable remuneration that would result from the current compensation plan, as a function of the degree to which targets or benchmarks have been met.
- Where appropriate, give information on any deferral periods or deferral of payment established and/or retention periods for shares or other financial instruments.

Describe the variable components of the remuneration systems

A. Directors, in their condition as such, do not receive any such remuneration. They only receive the annual amount set out in section A.3

B. The Executive Chairman's contract does not provide for variable remuneration for executive functions: it only provides for fixed annual remuneration.

The Chief Executive Officer's contract provides for variable remuneration for executive functions.

The purpose of this remuneration is to enhance the Chief Executive Officer's commitment and motivate better performance of his functions, aligning them with the long-term interests of the company and its shareholders.

Pursuant to the Chief Executive Officer's contract, this remuneration is determined through two programmes with different objectives and time horizons:

Annual variable remuneration:

Annual variable remuneration is assessed each year to reward the attainment of preset specific quantifiable objectives related to financial, efficiency and growth variables, and to matters of quality and safety, and is directly linked to achieving the objectives set out in the Management by Objectives Plan. It is accrued once, after year-end.

In calculating the Chief Executive Officer's annual variable remuneration for 2015, which will be paid in the first quarter of 2016, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, has established indicators and weightings based on the corporate budget approved by the Board of Directors at its meeting in January 2015.

Annual variable remuneration will be calculated by applying a percentage to fixed monetary remuneration based on achievement of the objectives set. The maximum percentage for achieving these objectives is limited to 115%, according to the Regulations for the Management by Objectives Plan.

Multi-year variable remuneration:

Since 2004, the Company has established monetary incentive programmes for all executive staff. These run for three-year periods and are linked to attainment of medium-term objectives so as to retain and motivate key personnel connected with those objectives, in alignment with maximisation of the value of Gas Natural Fenosa on a sustained basis over time.

Those programmes were approved by the Board of Directors of Gas Natural SDG, SA at the proposal of the Appointments and Remuneration Committee. The beneficiaries of these programmes are the Company's executives and they apply equally to the Chief Executive Officer.

At its meeting on 30 January 2015, the Board of Directors approved the launch of the 2014-2016 Medium-Term Remuneration Programme. In addition, the Medium-Term Remuneration Programmes for 2012-2014 and 2013-2015 were still in effect at year-end 2014. Under its Regulations, the Programme covering 2012-2014 ended on 31 December 2014, with beneficiaries receiving the corresponding variable remuneration in the first quarter of 2015. The results of the 2012-2014 Programme are set out in section C.1.

CONTINUED IN SECTION E.

- A.5 Describe the main features of the main long-term savings systems, including retirement and any other survivor benefit, partly or wholly funded by the company, whether endowed internally or externally, with an estimate of their amount or annual equivalent cost, indicating the type of plan, whether defined contribution or defined benefit, the conditions for the vesting of the directors' economic rights and their compatibility with any type of severance payment for early cancellation or termination of the contractual relationship between the company and the director.

Also indicate payments made to any director's defined-benefit pension scheme; or any increase in the director's vested rights when linked to contributions to defined-benefit schemes.

Describe the long-term saving systems
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A. Directors, in their condition as such, do not receive any such remuneration. They only receive the annual amount set out in section A.3

B. The Executive Chairman's contract does not provide for this type of remuneration for his executive functions.

The Chief Executive Officer's contract provides for this type of remuneration for his executive functions.

The Chief Executive Officer is entitled to the same social welfare benefits, complementing the benefits provided by the Social Security system, as the Company's other executives, although these are channelled through different instruments in recognition of the commercial nature of the relationship binding the Chief Executive Officer to the Company. Therefore, the Chief Executive Officer's remuneration package contains social welfare benefits in the form of: Group life insurance, pension plan and life insurance.

These social welfare benefits comprise:

- Group life insurance: designed as a defined-benefit scheme financed in the form of group insurance that conforms to current legislation on pension commitments, with a return determined and guaranteed by the insurer.

The Director is entitled to collect a number of savings contributions in situations equivalent to retirement. These contributions are subject to the terms set out in the Plan Regulations. Gas Natural SDG SA pays an amount equivalent to 20% of the Chief Executive Officer's total fixed remuneration (base remuneration plus remuneration for membership of the Board) into the scheme. The contingencies covered by the Plan are situations equivalent to retirement, and death or permanent disability prior to a situation equivalent to retirement. No right to receive any amount in this regard will accrue in the event of: (i) very serious and culpable non-compliance with professional obligations, resulting in serious damage to the Company's interests; (ii) voluntary resignation by the Chief Executive Officer not resulting from any non-compliance by the Company.

- Pension Plan: A defined-contribution plan to fund benefits equivalent to those for retirement. These contributions will be governed by the rules of the Gas Natural Fenosa Joint Pension Plan. The Chief Executive Officer is entitled at all times to receive the Company contributions, returns and benefits set out in the Pension Plan Regulations for the Company's employment system, in the event that any of the contingencies provided for therein arise.

- Furthermore, the Chief Executive Officer is the beneficiary of an insurance policy arranged by Gas Natural SDG to cover death, permanent total disability or severe disability, prior to a situation equivalent to retirement. Life insurance premiums are expected to amount to 35 thousand euros in 2015.

- A.6 Indicate any indemnity payments agreed or paid in the event of termination as a director.

Describe the indemnity payments
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Directors do not receive indemnity of this type for their condition as such.

- A.7 Describe the conditions with which contracts with executive directors in senior management positions must comply. Among other aspects, give information on the term, limits to the amounts of indemnity, permanence clauses, notice periods and payments in lieu of notice, and any other clauses regarding hiring bonuses, as well as severance payments or golden handshakes for early cancellation or termination of the contractual relationship between the company and the executive director. Include, inter alia, non-compete, exclusivity, permanence or loyalty covenants or agreements and any governing non-competition after termination.

Describe the conditions of executive directors' contracts

The Chief Executive Officer's contract term is indefinite.

The contract provides for one month's advance notice except in the event of force majeure, an exclusivity clause in the performance of the functions, and a confidentiality agreement that covers both the contractual and post-contractual periods.

The Chief Executive Officer's contract establishes indemnity of three times annual total remuneration in certain cases of termination of the contractual relationship: due to a decision by the Company, except in the event of very serious and culpable breach of professional obligations giving rise to serious harm to Gas Natural SDG SA; or due to a decision by the Chief Executive Officer, if the termination of the contractual relationship is due to a range of contractually agreed and determined circumstances (serious business non-compliance, substantial reduction or removal of functions, substantial changes to contract conditions or significant changes in the Company's shareholder structure).

Additionally, there is a post-contractual non-competition clause establishing indemnity in the amount of one year's total remuneration. The post-contractual non-competition clause has a term of one year.

The Executive Chairman's contract term is indefinite and will be ended by mutual agreement as a result of the Chairman losing his position as an executive, Chairman or member of the Board of Directors.

The contract does not include any notice requirement, exclusivity agreement during performance of the role or specific confidentiality pact, other than the duty of confidentiality incumbent upon all members of the Board of Directors. The contract does not provide for any indemnity in the event of termination.

Both contracts contain a requirement for the Company to contract public liability insurance. The Company has contracted public liability insurance, and paid the corresponding premiums, for the Directors and Executives of GAS NATURAL SDG, S.A. and most of the subsidiaries of its Group. This insurance covers all Directors, including the Executive Directors, for any liabilities that might arise in the performance of their duties.

- A.8 Describe any additional remuneration paid to directors for services rendered other than those inherent to their directorship.

Describe supplementary remuneration items

- A.9 Indicate any remuneration granted in the form of advances, loans and guarantees, indicating the interest rate, key features and any amounts finally repaid, as well as the obligations assumed by way of guarantee.

Describe the advances, loans and guarantees granted

No loans, advances or guarantees have been granted to members of the Board of Directors.

- A.10 Describe the main features of remuneration in kind.

Describe any remuneration in kind

The Chief Executive Officer's remuneration package includes the following remuneration in kind, pursuant to the remuneration policy for the Company's executive personnel:

- Subsidised utilities: a subsidy on gas and electricity tariffs.
- Healthcare: a group policy providing reimbursement of expenses and allowing free choice of doctor and hospital.

- A.11 Indicate the remuneration accruing to the director by virtue of payments made by the listed company to a third party in which the director provides services, when such payments are intended to remunerate the director's work in the company.

Describe the remuneration accruing to the director by virtue of payments made by the listed company to a third party in which the director works

- A.12 Any remuneration other than that listed above, regardless of its nature or the group undertaking that pays it, especially when it may be considered a related-party transaction or when its payment may distort the true and fair view of the total remuneration received by the director.

Describe other remuneration items

- A.13 Describe the actions taken by the company in connection with the remuneration system to reduce excessive risk exposure and match it to the company's long-term goals, values and interests. Include references to any: measures designed to ensure that the remuneration policy is aligned with the company's long-term performance; measures to provide an appropriate balance between fixed and variable compensation; measures taken in relation to those categories of staff whose work has a material impact on the undertaking's risk profile; claw-back formulae or clauses to claim back performance-based variable remuneration when it was paid out on the basis of data that is subsequently proven to be inaccurate; and measures designed to prevent conflicts of interest, where applicable.

Describe actions taken to reduce the risks

As detailed above, as a general principle, the Company's goal when establishing remuneration policies is to generate sustained value for the Group over time whilst ensuring transparency and competitiveness in its remuneration policy.

Applying that principle to the Chief Executive Officer's variable remuneration (both annual and multi-year) enhances his commitment to the Company and spurs him to better performance of his functions, in line with the interests of the Company and its shareholders.

Annual variable remuneration:

Annual variable remuneration is assessed each year to reward the attainment of preset specific quantifiable objectives related to financial, efficiency and growth variables, and to matters of quality and safety, and is directly linked to achieving the objectives set out in the Management by Objectives Plan.

The objectives established for the Chief Executive Officer relate mainly to fulfilling the Budget approved by the Board of Directors at the start of the year. Multi-year variable remuneration:
Tied to attainment of medium-term objectives in order to retain and motivate key personnel in connection with those objectives and align them with maximising the value of Gas Natural Fenosa on a sustained basis over time, pursuant to the Strategic Plan current at the time.

Each plan is tied to fulfilment of a number of strategic objectives and commitments set out in the Group's Strategic Plan in force at the time, which are directly aligned with shareholders' interests, insofar as they contribute to generating value for the Company. The objectives and the variables used to measure achievement are set beforehand by the Board of Directors based on a report by the Appointments and Remuneration Committee.

Within the economic objectives, the variables used relate to optimization, financial discipline and creation of shareholder value.

The indicators and metrics for both annual variable remuneration and multi-year variable remuneration are set out in sections A.4 and C.1.

B REMUNERATION POLICY PROJECTED FOR FUTURE YEARS

- B.1 Give a general forecast of the remuneration policy for future years, describing the policy with respect to: fixed components and variable remuneration and per diem payments, the relationship between remuneration and performance, providential systems, conditions of executive directors' contracts and forecasts regarding the most significant changes in remuneration policy with respect to previous years.

General forecast of the remuneration policy

The principles of moderation, compensation for dedication, and coherence with earnings performance that guide remuneration policy will continue to be applied in the future unless the competent bodies of the Company decide to change them in response to circumstances, whether regulatory, economic or otherwise.

To this end, the Board of Directors and the Appointments and Remuneration Committee regularly review the principles of the remuneration policy as part of their function.

- B.2 Describe the decision-making process for shaping the remuneration policy planned for future years, and the role, if any, of the remuneration committee.

Describe the decision-making process for shaping the remuneration policy

The process applicable to 2015 was described above and no significant changes are envisaged in the decision-making process or in the role of the Appointments and Remuneration Committee, except for any arising from the entry into force of new regulations under Act 31/2014, of 3 December.

This Act introduces a more active role for the General Shareholders' Meeting, both annually by fixing the maximum amount to be distributed by the Board for Board membership and in approval of remuneration plans on a three-yearly basis.

- B.3 Describe the incentives created by the company in the remuneration system to reduce excessive risk exposure and match it to the company's long-term objectives, values and interests.

Describe the incentives created to reduce risks

Already detailed in section A.13 of this report. In particular, the medium-term remuneration plans, because of their 3 year term and alignment with the Strategic Plan current at the time, contribute to reducing exposure to objective risks and contribute to the pursuit of targets that are sustainable over time.

C OVERALL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED DURING THE FINANCIAL YEAR OF REFERENCE

- C.1 Give a brief description of the main features of the structure and remuneration items of the remuneration policy applied during the last financial year, with a breakdown of the individual remuneration accrued by each of the directors listed in Section D of this report, and a summary of the resolutions passed by the Board to implement those items.

Describe the structure and remuneration items for the remuneration policy applied during the year

As described above, since there were no material changes in the remuneration policy, the main characteristics and concepts applied during the reporting year coincide with the general principles and foundations of remuneration policy, as detailed in section A.

A. The remuneration of the members of the Board of Directors for their role as such was not changed in 2014. It has now remained the same since 2007.

- Chairman of the Board of Directors: €550,000.00/year.
- Director: €126,500.00/year.
- Chairman of the Executive Committee: €550,000.00/year.
- Member of the Executive Committee: €126,500.00/year.

- Member of the Appointments and Remuneration Committee: €12,650.00/year.
- Member of the Audit and Control Committee: €126,650.00/year.

B. The remuneration received –or to be received, in the case of variable remuneration- by the Chief Executive Officer for his executive functions during 2014 is as follows:

1. Basic Remuneration: At its meeting on 28 February 2014, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, approved the amounts to be received by the Chief Executive Officer in 2014 as fixed remuneration for executive functions other than collective oversight and decision-making, amounting to 1,063 thousand euros.

As in previous years, the Appointments and Remuneration Committee was advised at the meeting by the Company's Human Resources Department and received external advice from Peoplematters, Towers Watson, the Hay Group and the Boston Consulting Group, global consulting firms which have conducted benchmark surveys of remuneration at companies that are comparable to Gas Natural Fenosa in terms of capitalization, size, shareholder structure and international scope.

2. The annual variable remuneration of the Chief Executive Officer for 2014 –which will be paid in the first quarter of 2015- considers the indicators and weightings established by Board of Directors, at the proposal of the Appointments and Remuneration Committee. Specifically, the following parameters were considered in determining the degree of compliance with objectives in 2014:

- Economic objectives, including the following, all of which relate to figures in the 2014 budget approved by the Board of Directors in January 2014:
 - Achievement of the EBITDA approved for 2014.
 - Achievement of the net profit/loss approved for 2014.
 - Achievement of the ratio of Working Capital to Turnover ratio approved for 2014.
- Efficiency objectives, defined as achieving the synergies approved for 2014.
- Business growth objectives, as follows:
 - Achieving the objective set for the net increase in gas supply points at the Group level.
 - Achieving target LNG sales abroad.
- Objectives related to quality, safety and accident rates.

The 2014 objectives were approved by the Appointments and Remuneration Committee at its meeting on 28 February 2014. The assessment of the degree of compliance with the aforementioned objectives was approved by the Board of Directors at its meeting on 30 January 2015. The annual variable remuneration for 2014 based on achieving targets for 2014 amounted to 1,141 thousand euros. This is payable in the first quarter of 2015.

3. The multi-year variable remuneration of the Chief Executive Officer under the 2012-2014 Plan, which will be paid in the first quarter of 2015, and its general structure are detailed in section A.4.

The indicators used in determining the degree of compliance with the Medium-Term Remuneration Programme for 2012-2014 relate to the Company's EBITDA and stock market capitalisation:

- Net debt / EBITDA. This indicator reflects the number of times that Net debt contains EBITDA.
- EV/EBITDA. This indicator reflects the number of times that Enterprise Value (EV) contains EBITDA.
- EBITDA. The sum of EBITDA over the term of the Programme.
- Market capitalisation.

The degree of compliance with the aforementioned objectives under the 2012-2014 Programme, which matured in 2014, was approved by the Board of Directors at its meeting on 30 January 2015. This amounted to 868 thousand euros and will be paid in the first half of 2015

4. The members of the Board of Directors did not receive any advances, loans or guarantees and there is no share-based remuneration system.

Contributions to social welfare benefits for the Chief Executive Officer amounted to 273 thousand euros in 2014. In addition, life insurance premiums in the year amounted to 35 thousand euros These amounts are described in detail in section A.5.

The gas and electricity subsidy and health insurance premium amounted to 5 thousand euros in the year.

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D INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

Name	Type	Accrual period 2014
SALVADOR GABARRÓ SERRA	Executive	From 01/01/2014 to 31/12/2014.
ANTONIO BRUFAU NIUBÓ	Proprietary	From 01/01/2014 to 31/12/2014.
RAFAEL VILLASECA MARCO	Executive	From 01/01/2014 to 31/12/2014.
XABIER AÑOVEROS TRIAS DE BES	Independent	From 01/01/2014 to 31/12/2014.
DEMETRIO CARCELLER ARCE	Proprietary	From 01/01/2014 to 31/12/2014.
HERIBERT PADROL MUNTÉ	Proprietary	From 01/01/2014 to 31/12/2014.
RAMÓN ADELL RAMÓN	Independent	From 01/01/2014 to 31/12/2014.
ENRIQUE ALCÁNTARA-GARCÍA IRAZOQUI	Proprietary	From 01/01/2014 to 31/12/2014.
SANTIAGO COBO COBO	Independent	From 01/01/2014 to 31/12/2014.
NEMESIO FERNÁNDEZ-CUESTA LUCA DE TENA	Proprietary	From 01/01/2014 to 31/12/2014.
FELIPE GONZÁLEZ MÁRQUEZ	Independent	From 01/01/2014 to 31/12/2014.
EMILIANO LÓPEZ ACHURRA	Independent	From 01/01/2014 to 31/12/2014.
CARLOS LOSADA MARRODÁN	Independent	From 01/01/2014 to 31/12/2014.
JUAN MARÍA NIN GÉNOVA	Proprietary	From 01/01/2014 to 31/12/2014.
JUAN ROSELL LASTORTRAS	Proprietary	From 01/01/2014 to 31/12/2014.
LUÍS SUÁREZ DE LEZO MANTILLA	Proprietary	From 01/01/2014 to 31/12/2014.
MIGUEL VALLS MASEDA	Independent	From 01/01/2014 to 31/12/2014.

D.1 Complete the following tables on the individual remuneration accrued during the year by each of the directors (including remuneration for carrying out executive functions).

a) Remuneration accrued in the reporting company:

i) Remuneration in cash (thousand euros)

Name	Wages	Fixed remuneration	Per diems	Short-term variable remuneration	Long-term variable remuneration	Remuneration for belonging to Board committees	Indemnities	Other items	Total 2014	Total 2013
RAFAEL VILLASECA MARCO	1,063	127	0	1,141	902	127	0	5	3,365	
DEMETRIO CARCELLER ARCE	0	127	0	0	0	127	0	0	254	
JUAN MARÍA NIN GÉNOVA	0	127	0	0	0	127	0	0	254	
EMILIANO LÓPEZ ACHURRA	0	127	0	0	0	127	0	0	254	
LUÍS SUÁREZ DE LEZO MANTILLA	0	127	0	0	0	13	0	0	140	
FELIPE GONZÁLEZ MÁRQUEZ	0	127	0	0	0	0	0	0	127	
MIGUEL VALLS MASEDA	0	127	0	0	0	13	0	0	140	
RAMÓN ADELL RAMÓN	0	127	0	0	0	13	0	0	140	
SALVADOR GABARRÓ SERRA	0	550	0	0	0	550	0	0	1,100	
JUAN ROSELL LASTORTRAS	0	127	0	0	0	0	0	0	127	
XABIER AÑOVEROS TRIAS DE BES	0	127	0	0	0	0	0	0	127	
HERIBERT PADROL MUNTÉ	0	127	0	0	0	0	0	0	127	
SANTIAGO COBO COBO	0	127	0	0	0	13	0	0	140	
ENRIQUE ALCÁNTARA-GARCÍA IRAZOQUI	0	127	0	0	0	127	0	0	254	
ANTONIO BRUFAU NIUBÓ	0	127	0	0	0	70	0	0	197	
CARLOS LOSADA MARRODÁN	0	127	0	0	0	139	0	0	266	
NEMESIO FERNÁNDEZ-CUESTA LUCA DE TENA	0	127	0	0	0	69	0	0	196	

ii) Share-based remuneration systems

iii) Long-term savings systems

Name	Contribution by the company in the year (thousand euros)		Total accumulated funds (thousand euros)	
	2014	2013	2014	2013
RAFAEL VILLASECA MARCO	273	270	2,636	2,335

iv) Other benefits (thousand euros)

RAFAEL VILLASECA MARCO			
Remuneration granted in the form of advances and loans			
Interest rate on the transaction		Essential features of the transaction	Any amounts returned
0.00		N/A	N/A
Life insurance premiums		Guarantees provided by the company for directors	
2014	2013	2014	2013
35	44	0000	

b) Remuneration accrued by company directors for belonging to boards of other group companies:

i) Remuneration in cash (thousand euros)

Name	Wages	Fixed remuneration	Per diems	Short-term variable remuneration	Long-term variable remuneration	Remuneration for belonging to Board committees	Indemnities	Other items	Total 2014	Total 2013
DEMETRIO CARCELLER ARCE	0	0	0	0	0	0	0	0	0	
JUAN MARÍA NIN GÉNOVA	0	0	0	0	0	0	0	0	0	
EMILIANO LÓPEZ ACHURRA	0	0	0	0	0	0	0	0	0	
LUÍS SUÁREZ DE LEZO MANTILLA	0	0	0	0	0	0	0	0	0	
FELIPE GONZÁLEZ MÁRQUEZ	0	0	0	0	0	0	0	0	0	
MIGUEL VALLS MASEDA	0	0	0	0	0	0	0	0	0	
RAMÓN ADELL RAMÓN	0	0	0	0	0	0	0	0	0	
SALVADOR GABARRÓ SERRA	0	0	0	0	0	0	0	0	0	
ENRIQUE ALCÁNTARA-GARCÍA IRAZOQUI	0	0	0	0	0	0	0	0	0	
RAFAEL VILLASECA MARCO	0	10	0	0	0	0	0	0	10	
JUAN ROSELL LASTORTRAS	0	0	0	0	0	0	0	0	0	
XABIER AÑOVEROS TRIAS DE BES	0	0	0	0	0	0	0	0	0	
HERIBERT PADROL MUNTÉ	0	0	0	0	0	0	0	0	0	
ANTONIO BRUFAU NIUBÓ	0	0	0	0	0	0	0	0	0	
CARLOS LOSADA MARRODÁN	0	0	0	0	0	0	0	0	0	
SANTIAGO COBO COBO	0	0	0	0	0	0	0	0	0	
NEMESIO FERNÁNDEZ-CUESTA LUCA DE TENA	0	0	0	0	0	0	0	0	0	

ii) Share-based remuneration systems

iii) Long-term savings systems

c) Summary of remuneration (thousand euros):

This should include a summary of the amounts corresponding to all the remuneration items included in this report that have accrued to the director, in thousand euros.

Where there are long-term Saving Systems, include contributions or allocations made to such systems:

Name	Remuneration accrued in the Company				Remuneration accrued in Group companies				Total		
	Total cash remuneration	Value of shares granted	Gross gains on options exercised	Total 2014 Company	Total cash remuneration	Value of shares delivered	Gross gains on options exercised	Total 2014 Group	Total 2014	Total 2013	Contributions to long-term savings systems during the year
DEMETRIO CARCELLER ARCE	254	0	0	254	0	0	0	0	254	254	0
JUAN MARÍA NIN GÉNOVA	254	0	0	254	0	0	0	0	254	254	0
EMILIANO LÓPEZ ACHURRA	254	0	0	254	0	0	0	0	254	254	0
LUÍS SUÁREZ DE LEZO MANTILLA	140	0	0	140	0	0	0	0	140	140	0
FELIPE GONZÁLEZ MÁRQUEZ	127	0	0	127	0	0	0	0	127	127	0
MIGUEL VALLS MASEDA	140	0	0	140	0	0	0	0	140	140	0
RAMÓN ADELL RAMÓN	140	0	0	140	0	0	0	0	140	140	0
SALVADOR GABARRÓ SERRA	1,100	0	0	1,100	0	0	0	0	1,100	1,100	0
ENRIQUE ALCÁNTARA-GARCÍA IRAZOQUI	254	0	0	254	0	0	0	0	254	255	0
RAFAEL VILLASECA MARCO	3,365	0	0	3,365	10	0	0	10	3,375	3,250	0
JUAN ROSELL LASTORTRAS	127	0	0	127	0	0	0	0	127	127	0
XABIER AÑOVEROS TRIAS DE BES	127	0	0	127	0	0	0	0	127	127	0
HERIBERT PADROL MUNTÉ	127	0	0	127	0	0	0	0	127	127	0
ANTONIO BRUFAU NIUBÓ	197	0	0	197	0	0	0	0	197	269	0
CARLOS LOSADA MARRODÁN	266	0	0	266	0	0	0	0	266	267	0
SANTIAGO COBO COBO	140	0	0	140	0	0	0	0	140	140	0

Name	Remuneration accrued in the Company				Remuneration accrued in Group companies				Total		
	Total cash remuneration	Value of shares granted	Gross gains on options exercised	Total 2014 Company	Total cash remuneration	Value of shares delivered	Gross gains on options exercised	Total 2014 Group	Total 2014	Total 2013	Contributions to long-term savings systems during the year
NEMESIO FERNÁNDEZ-CUESTA LUCA DE TENA	196	0	0	196	0	0	0	0	196	127	0
TOTAL	7,208	0	0	7,208	10	0	0	10	7,218	7,098	0

D.2 Describe the relationship between the remuneration received by the directors and the undertaking's earnings or other performance indicators, detailing how any variations in the company's performance influenced the variation in directors' remuneration.

Already explained in section A.13.

D.3 Describe the outcome of the consultative vote at the annual meeting on the annual remuneration report for the previous year, indicating the number of votes cast against, if any:

	Number	% of total
Votes cast	813,780,363	81.32%

	Number	% of total
Votes against	19,290,179	1.93%
Votes in favour	781,650,739	78.11%
Abstentions	12,839,445	1.28%

E OTHER INFORMATION OF INTEREST

If there are any material aspects relating to directors' remuneration that could not be disclosed in other sections of this report but that are necessary to provide a more comprehensive and fully reasoned picture of the remuneration structure and practices for the company's directors, describe them briefly.

Since the form in Circular 4/2013 on the Annual Report on Director Remuneration does not allow numbers to be entered with decimals, the actual figures vary slightly from the stated figures in some cases. As a result, in the table "Remuneration accrued in the reporting company" the item "i) Remuneration in cash (thousand euros)" shows an amount of 127 thousand euros, whereas the actual figure is 126,500 euros.

Continuation of section A.1

- **Other variable remuneration:** In the case of one-off transactions, the Board of Directors may establish remuneration linked to specific, previously agreed objectives to incentivise the achievement of such objectives. Likewise, and exceptionally, the Board of Directors may establish remuneration based on one-off achievements that make a significant contribution to the Company's performance.
- **Social Welfare Systems:** The Chief Executive Officer is entitled to the same social welfare benefits, complementing the benefits provided by the Social Security system, as the Company's other executives, although these are channelled through different instruments in recognition of the commercial nature of the relationship binding the Chief Executive Officer to the Company. Therefore, the Chief Executive Officer's remuneration package contains social welfare benefits in the form of: Group life insurance, pension plan and life insurance. These instruments are detailed in section A.5.
- **Social Welfare Benefits:** furthermore, and pursuant to the principles governing the remuneration policy for the Chief Executive Officer, the Chief Executive Officer's remuneration package also includes health insurance and subsidised gas and electricity. These benefits are detailed in section A.10.

With regard to the performance of their executive functions, the basic remuneration, the remuneration set by the Board of Directors for the role of Director, and the variable remuneration (annual and multi-year) received by the Chief Executive Officer represented the following proportion of their total monetary remuneration in 2014, which is expected to remain substantially unchanged in 2015:

Basic Variable Remuneration for Board Membership
Mr Rafael Villaseca Marco 32% 8% 60 %

Continuation of section A.4

The characteristics and objectives of the 2013-2015, 2014-2016 and 2015-2017 programmes are described in this section, A.4:

Whilst these programmes are independent, they share the same main characteristics. These are all multi-year remuneration plans specific to the years to which they apply. Each plan is tied to fulfilment of a number of strategic objectives and commitments set out in the Group's Strategic Plan in force at the time, which are directly aligned with shareholders' interests, insofar as they contribute to generating value for the Company.

Achieving the objectives confers the right to receive medium-term variable remuneration on the Plan's beneficiaries. This is paid in the first quarter of the following year. The Appointments and Remuneration Committee is tasked with assessing the degree to which the objectives set have been achieved and submitting the resulting proposal to the Board of Directors for approval. However, receipt of this benefit is conditional upon the beneficiary remaining in the service of the Group until 31 December of the final year of the programme, subject to the exceptions set out in the Plan's terms and conditions.

The degree to which the Medium-Term Remuneration Programmes have been complied with is calculated based on economic objectives, weighted in order to establish the final value of the objective.

Within the economic objectives, the variables used relate to optimization, financial discipline and creation of shareholder value.

Values are set for the specific indicators used to assess the degree to which each of the variables has been achieved. The degree of compliance is then calculated by comparing the actual and benchmark values for these indicators.

The indicators and weightings established for determining the degree of compliance with the Medium-Term Remuneration Programme for 2012-2014, and the resulting remuneration, are detailed in section C.1.

The indicators and weightings established for determining the degree of compliance with the Medium-Term Remuneration Programmes for 2013-2015, 2014-2016 and 2015-2017 relate to the Company's EBITDA and profitability.

- Net debt / EBITDA. This indicator reflects the number of times that Net debt contains EBITDA.
- EV/EBITDA. This indicator reflects the number of times that Enterprise Value (EV) contains EBITDA.
- Shareholder returns. This is defined as the sum of the GNF share price at the end of the Programme period and the dividend per share distributed in the period between listing of the GNF share and the start of the Programme period.
- Returns on fixed assets. This is the ratio of operating income to the fixed assets employed (net of depreciation and amortisation and impairment charges).

The degree to which these four objectives are met is expressed as a percentage between 0 and 100%, with 100% therefore being the maximum limit.

The Chief Executive Officer is a beneficiary under the current Medium-Term Remuneration Programmes for 2012-2014, 2013-2015, 2014-2016 and 2015-2017.

The Appointments and Remuneration Committee is entrusted with deciding the degree of compliance with the objectives in the Medium-Term Remuneration Programmes and proposing the resulting multi-year variable remuneration for the Chief Executive Officer to the Board of Directors. The Board of Directors is responsible for agreeing the multi-year variable remuneration payable to the Chief Executive Officer under the Programmes.

Continuation of the disclosure in section D.1.A iv.

Life insurance premiums - refers to the value of life insurance premiums + the premium of the life insurance policy associated with the group insurance policy.

GENERAL:

This annual report on the remuneration of directors was approved by the Company's Board of Directors at its meeting on 27 March 2015. It replaces the report initially approved on 30 January 2015, having been amended to reflect developments arising from application of Act 31/2014.

This annual report on the remuneration of directors was approved by the Company's Board of Directors on 27/03/2015.

Indicate whether any board members voted against or abstained with respect to the approval of this report.

Yes No