





2010  
CR

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## Letter from the Chairman



### Dear shareholders,

After another year, it is my pleasure to present the Gas Natural Fenosa Corporate Responsibility Report for 2010. This report is a special one in that it reflects the first full year for which Gas Natural Fenosa is giving an account of its activity and the advances made in the area of corporate responsibility since completing its merger.

By means of a brief summary, we can conclude that 2010 was a highly successful year for our company. In the wake of the merger that took place in September 2009, Gas Natural Fenosa has become a leading gas and electricity operator, providing its customers with excellent service and holding great appeal for shareholders and investors. Our figures only go to confirm this. Our net turnover was close to 20 billion euros, 32% higher than the previous year, while Ebitda was 4.477 billion euros, 14% greater than in 2009.

In 2010, our company presented its 2010-2014 Strategic Plan. The strategy is designed around the strengthening of our balance sheet, optimisation and growth, driving the company to achieve a single business profile that is both unique and differentiated from other operators in the market. This new plan will also enable us to reinforce our basic premise: contributing to satisfy the energy needs of the societies in which we operate efficiently, sustainably and securely.

Moreover, last year was a time when we adapted our Corporate Responsibility Policy to the company's new reality, as a consequence of the merger with Unión Fenosa and in order to bring it in line with the aims of the new Strategic Plan. In accordance with the principles of good governance, the Board of Directors ratified the new text, which replaces the one approved by the highest management body of the company in 2008.

Our achievements in the area of corporate responsibility were endorsed by the external acknowledgement we once again received in 2010 for our endeavours in this field and that of transparent reporting. The Dow Jones Sustainability Index (DJSI), a selective index comprising companies with accredited good practices in social and environmental affairs and corporate governance, named Gas Natural Fenosa as the leading international company from among water, gas and electricity utility companies and, for the second consecutive year, as the leader in the gas distribution sector. Gas Natural Fenosa has also become the only company in

the sector included on the selective DJSI Europe and has maintained its presence on the FTSE4Good, another of the most prestigious sustainability indices, for the ninth year in a row.

We have also held to our commitment with the Carbon Disclosure Project, an initiative driven by international institutional investors to promote transparent reporting by listed companies in relation to climate change, and to our firm acceptance of the ten principles of the United Nations Global Compact.

Our magnificent results achieved in the environmental field are to be highlighted; these are the fruits of the hard work carried out by our company in recent years. The company's atmospheric emissions were significantly reduced, in accordance with the targets that were set in this area. And with regard to climate change, total CO<sub>2</sub> emissions were reduced by 25% compared to 2009.

I would like to draw your special attention to the efforts our company has made in RD&I to promote technologies that will most likely become an integral part of the future of energy. Hydrogen, highly energy-efficient solutions, development of smart grids and the use of natural gas in transport have taken up a large proportion of Gas Natural Fenosa efforts in this field.

I would also like to make special mention of the work done by the company over the last year in formalising its Human Rights Policy. In this regard, we undertook a rigorous process of analysis and consultations with specialist organisations for

the purpose of contributing to the promotion and respect of human rights in every country where we carry out our activities.

Before closing, I would like to congratulate all those individuals in 25 countries whose work forms part of this collective effort called Gas Natural Fenosa to whom a large degree of the success reached with the merger is attributed. Once this process was completed, the company has benefited from the best people management practices, which in turn has facilitated the optimisation process for the organisation. The commitment and eagerness for self-betterment of our close to 19,000 employees serves as a stimulus to further our business model, making it more responsible and efficient each day, and increasing the trust and respect felt towards our company.

As in previous years, this report is divided into the seven commitments taken on by the company in its Corporate Responsibility Policy, and covers Gas Natural Fenosa's performance in the economic, environmental and social areas. The following pages describe the strategies defined and the milestones reached throughout 2010 as well as the targets and aspirations set for the coming years.

This information is published in accordance with the recommendations and principles of the third version of the *Sustainability Reporting Guidelines* issued by the Global Reporting Initiative (GRI), incorporating the supplementary indicators for companies operating in the electricity sector, published by the same institution. The

information contained here has also been verified by auditors from PricewaterhouseCoopers.

I invite you to read our Corporate Responsibility Report, which reflects our efforts to build a better, more efficient, more responsible and more transparent company, and one that is more useful to society. It is our wish to excel more each day. Corporate responsibility is the best way to achieve this.



**Salvador Gabarró Serra**

Chairman of the Board of Directors

## Process for Drafting this Report

### Scope and focus of report

This Corporate Responsibility Report is the first to describe a full calendar year following the merger process, which ended midway in 2009, and

which saw the establishment of Gas Natural Fenosa. The aim of this report is to offer true, reliable and balanced information on the company's performance in the spheres of corporate responsibility.

### Gas Natural Fenosa's activities (at 31 December 2010)

	Electricity		Gas						Energy commercialisation	
	Generation	Distribution	Exploration (upstream)	Production	Liquefaction	Transport	Distribution	Storage	Regasification	Mining
Angola			•	•	•					
Argentina							•			
Australia	•									
Belgium										•
Brazil							•			
Chile	•									
Colombia		•						•		
Costa Rica	•									
Egypt					•					
Spain	•	•	•			•	•	•	•	
France										•
Guatemala		•								
Italy							•	•	•	
Kenia	•									
Luxembourg										•
Morocco			•			•				
Mexico	•						•			
Nicaragua		•								
Oman					•					
Panamá	•	•								
Portugal	•									•
Puerto Rico	•							•		
Dominican Republic	•									
Moldova		•								
South Africa										•

Besides these 25 countries, Gas Natural Fenosa has professional services, portfolio or holding companies in Ireland and Madagascar. Gas Natural Fenosa's activity in Angola, Australia, Chile, Italy (regasification) and Portugal (generation) refers to specific projects concerning the aforementioned activities, and not that the company has an operating infrastructure or one under construction.

The report covers all Gas Natural Fenosa's activities as a global gas and electricity operator in the countries in which it is present. Accordingly, the information published includes the electricity distribution and generation operations, the gas supply, production, liquefaction, transport, distribution, storage and regasification operations, the energy commercialisation operations and coal-mining operations.

The procedure for drafting this report has followed the criteria provided by the AccountAbility AA1000 standard (2008), the recommendations included in the third version of the *Sustainability Reporting Guidelines* issued by the Global Reporting Initiative (GRI) and the information required by the supplement corresponding to the utilities sector of said organisation. It has been mandatory to abide by the supplement since 1 January 2010, for those sector companies that wish to obtain the A+ rating with regard to following the GRI recommendations.

The information included in this report mainly refers to the 2010 financial year. By the same token, to enable readers to check the company's evolution and form a more comprehensive opinion, the report includes information from previous years, based on their relevance and availability.

The figures for Gas Natural Fenosa in 2010 submitted in this Corporate Responsibility Report are consolidated and refer to the company overall for the entire year.

However, to make it easier for readers to understand and compare the report, figures for 2009 may be presented in two different ways. Generally speaking,

the report reflects the consolidated figures of Gas Natural Fenosa from 1 May 2009, the date on which Unión Fenosa was included in the accounting system and which gave rise to the new company. When this method is used, figures for 2008 correspond to those published in the company's previous reports.

However, there are cases in which, because of the type of indicator, "pro forma" information is given. The pro forma option provides figures for 2009 as if the merger of the companies had taken place on 1 January that year, and includes combined information for both companies. When this method is used, the figures of 2008 are also given as if both companies had merged in 2008.

The pro forma presentation of the information is particularly significant in "The Environment" and "Health and Safety" chapters. In both chapters, the option for consolidating the information as from 1 May 2009 could give a distorted image of the company's performance by significantly increasing or reducing said indicators, where said variations did not occur as a result of management activities, but rather of the merger of both companies. As a result, despite the inclusion of the consolidated figure as from said date, the format that gives a fairer image of the company's performance in these chapters, mainly, is the so-called pro forma format.

In human resources, figures on staff and personnel expenses are reported for the countries in which Gas Natural Fenosa operates. The exception to the foregoing rule includes Angola, Belgium,

Luxemburg, Oman and Portugal, countries in which the company carries out its activities but has no employees or, if there are any employees, they belong to Spanish companies. For the remaining indicators, information is provided on the countries in which Gas Natural Fenosa uses centralised management, on most occasions and to the extent possible. Similarly, the report includes certain information on Kenya and South Africa, countries where the company has a managed workforce, but not centralised management.

### Application of the AA1000APS standard when drafting this report

The purpose of the AA1000APS standard is to provide organisations with a set of principles to situate and structure the way in which they assess, implement, administrate, govern and surrender their accounts in sustainability performance. The principles that govern this standard are as follows:

- **Inclusiveness.** This is defined as stakeholders' participation in the development and achievement of a strategic and responsible response from the company in sustainable development. In relation to this principle, the information presented by Gas Natural Fenosa in each chapter of this report on actions regarding dialogue with its stakeholders is especially relevant.
- **Relevance.** This refers to the need for determining the importance of matters related to corporate responsibility and sustainability for the company and its stakeholders. One relevant issue is that which influences the decisions, actions and performance of an organisation or its stakeholders. The relevant issues for Gas Natural Fenosa are included in its Corporate Responsibility Policy that was approved in December 2010. This 2010 Corporate Responsibility Report is structured according to said matters.
- **Capacity for response.** This principle refers to the company's response to relevant issues related to corporate responsibility or sustainability. The capacity for response can be seen in the decision-taking processes, actions taken and performance, as well as in communications

with stakeholders. Thus, this 2010 Corporate Responsibility Report includes key performance indicators of the company, as well as its core policies and management systems in the spheres taken into account.

### Principles for drafting this report

In accordance with the Global Reporting Initiative recommendations, the balanced and reasonable presentation of the organisation's performance requires application of certain principles to determine the content of public information on this issue.

- **Materiality.** Materiality is the threshold from which an aspect of sustainability is of sufficient importance to be included in the Corporate Responsibility Report. For Gas Natural Fenosa, the aspects included in the Global Reporting Initiative are materials; in particular, this extends to those that can be found in the utilities supplement of the aforementioned organisation. The company also believes that the aspects analysed by the Dow Jones Sustainability Index, FTSE4Good, as well as those sustainability issues included in the policies of institutional investors that apply these kinds of considerations when preparing investment portfolios are also material. Gas Natural Fenosa likewise believes that the RepTrak analysis elements are material. This is a methodology that Gas Natural Fenosa uses to measure its reputation.

The company believes that, in this way, all the issues that are of relevance in view of its characteristics and those of the sectors in which it operates have been included in this 2010 Corporate Responsibility Report.

- **Participation of stakeholders.** The establishment of an active dialogue with stakeholders is a fundamental principle of Gas Natural Fenosa's strategy. The company has defined its stakeholders, identified its expectations and set actions to establish a two-way dialogue. This process is explained in the sections on dialogue with stakeholders and corporate responsibility governance.
- **Sustainability context.** The report offers an analysis of the company's performance in the context of the economic, environmental and social requirements of its social and market environments. The sections on strategy and contribution to development focus specifically on this area.
- **Exhaustiveness.** The outline of contents was defined with the help of those in charge of the key management areas of the company. This ensures that the essential aspects and impacts of Gas Natural Fenosa's activity have been taken into consideration.

### Quality of the information given

As in previous years, in the drafting of this report, Gas Natural Fenosa has followed the Global Reporting Initiative recommendations to ensure the quality of the information that is being disclosed. The consideration of the principles given hereunder guarantees that the information offers the appropriate guarantees of quality.

- **Balance:** the report clearly shows the positive and negative aspects of the organisation's performance, which enables a reasonable valuation thereof.



- **Comparability:** the information given in this report makes it possible to analyse the changes that have taken place in the company over time. Accordingly, as far as possible and bearing in mind the particularities that result from the integration procedure attained in 2009, the report includes information from previous years. Each indicator is reported in the most appropriate way in order to provide comparability.
- **Accuracy:** all the information in the report is accurate and given in sufficient detail for the company's stakeholders to be able to value its performance in an appropriate manner.
- **Frequency:** Gas Natural Fenosa publishes its corporate responsibility reports annually, as soon as the information is available, so that the company's stakeholders can take decisions based on the most recent information.
- **Clarity:** the information is presented in a way that is understandable, accessible and useful. To enable its correct understanding, the use of technical terms is avoided. In addition, it uses graphs, diagrams, tables and indicators to describe the company's most relevant impacts and make it easier to read the document.
- **Reliability:** the figures given in this 2010 Corporate Responsibility Report have been checked by PricewaterhouseCoopers. The drafting of the report has taken into account the three principles required by the AccountAbility

AA1000 standard in relation to relevance and materiality, accuracy and whether or not the information given responds to the stakeholders' concerns and requirements.

### Verification

The integrity, sound and truthful nature of the information given in this report are maintained by the policies and procedures included in Gas Natural Fenosa internal control systems and their purpose includes guaranteeing the correct presentation of the company's information to third parties.

In the said policies and in accordance with the Global Reporting Initiative recommendations, Gas Natural Fenosa committees an annual external verification of the contents of the Corporate Responsibility Report. This review is made by an independent expert, PricewaterhouseCoopers, which reviews the adaptation of the contents of the Corporate Responsibility Report to the provisions laid down in the Global Reporting Initiative Guidelines and the AA1000 standard.

As a result of the said process, an independent review report is drawn up to include the goals and scope of the process, as well as the verification procedures used and the corresponding conclusions. After the assessment of the information included in the 2010 report, the independent expert has applied the level of assurance specified in the Independent Review Report.

### Queries and additional information

In addition to this 2010 Corporate Responsibility Report, Gas Natural Fenosa has published the Annual Report, the Corporate Governance Report and the Audit and Control Committee Report, all pertaining to 2010. The company also has a website ([www.gasnaturalfenosa.com](http://www.gasnaturalfenosa.com)) where anyone interested can consult up-to-date information about the company. Furthermore, special mention must be made of the fact that the company publishes corporate responsibility reports in Argentina, Colombia and Mexico.



Readers can send their doubts, queries or requests for information to:

[reputacioncorporativa@gasnaturalfenosa.com](mailto:reputacioncorporativa@gasnaturalfenosa.com)



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# Gas Natural Fenosa

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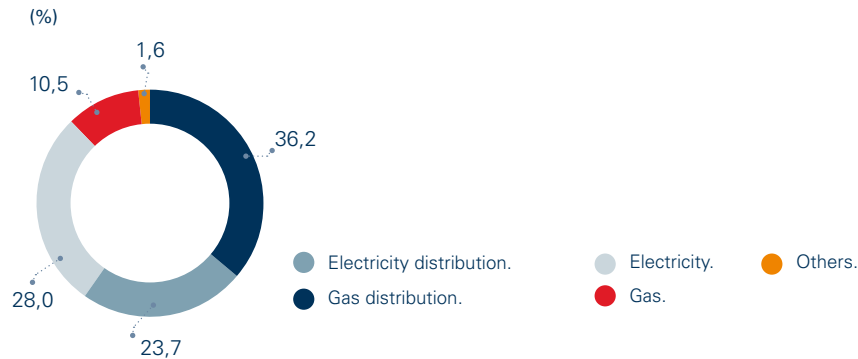
## Organisation Profile

### Gas Natural Fenosa in the world



Gas Natural Fenosa operates in more than 25 countries and has more than 20 million customers and around 17 GW of installed power

### Contribution to Ebitda by activity



Gas Natural Fenosa is one of the leading multinationals in the gas and electricity sectors. It operates in more than 25 countries and has more than 20 million customers and around 17 GW of installed power. It is the largest gas and electricity company in Spain and Latin America and leads the natural gas commercialisation market in the Iberian Peninsula. It is the third-largest liquefied natural gas operator in the world and has a fleet of 13 methane tankers. It is also the main liquefied natural gas supply in the Mediterranean and Atlantic basins.

2010 was the first full financial year after the successful merger between the Gas Natural Group and Unión Fenosa that was finalised midway through 2009, turning the company into an integrated gas and electricity operator.

Gas Natural Fenosa operates in the entire gas value chain by means of stakes in exploration, production, liquefaction and transport. In the electricity sector, the company is the third operator in Spain and an important player in Latin America where it sells energy produced at its thermal power stations and renewable energy facilities.


The company has a plentiful and diversified generation mix. It possesses thermal power stations run on natural gas, coal and fuel oil, in addition to other renewable energy facilities. This diversification, together with the company's excellent track record in the energy sector, enables it to compete effectively in markets that are increasingly competitive and globalised.

At the end of 2010, the company had 18,778 employees, half of them working in the international business.

Gas Natural Fenosa's main shareholders at 31 December 2010 were as follows:

- Criteria CaixaCorp: 36%.
- Repsol YPF, S.A.: 30%.
- International institutional investors: 19%.
- Minority shareholders: 9%.
- Spanish institutional investors: 4%.
- Caixa d'Estalvis de Catalunya: 2%.



 For detailed information on Gas Natural Fenosa's activities and the 2010 results, please see the Annual Report and the corporate website at [www.gasnaturalfenosa.com](http://www.gasnaturalfenosa.com)



At the end of 2010, the company had 18,778 employees, half of them working in the international business

#### Gas Natural Fenosa: main figures

<b>Operations</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Gas distribution sales (GWh)	411,930	402,651	481,381
Gas transportation/EMPL (GWh)	109,792	109,230	133,497
Gas distribution supply points (in thousands)	11,361	11,534	11,492
Electricity distribution supply points (in thousands)	9,436	9,136	–
Gas distribution network (km)	115,271	118,658	115,295
Electricity generated (GWh)	58,389	54,125	31,453 <sup>(1)</sup>
Contracts per customer in Spain	1.32	1.39 <sup>(2)</sup>	1.39
<b>Personnel</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Number of employees	18,778	19,803	6,842
<b>Financial (millions of euros)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Net turnover	19,630	14,873	13,544
Gross operating profit (Ebitda)	4,477	3,923	2,564
Operating profit	2,893	2,448	1,794
Total investments	1,553	15,243	3,697
Profit attributable to the company	1,201	1,195	1,057
<b>Stock information (euros/share)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Share prices as at 31 December	11.49	15.085	19.29
Profit	1.30	1.48 <sup>(3)</sup>	2.36

(1) The 2008 report indicated 31,451 GWh. The difference with the figure published this year includes the energy generated during tests.

(2) Figure available for gas customers only.

(3) Figures adjusted because of the capital increase of March 2009.

## Installed capacity by energy source and regulation system

	Close 10 (MW)	Close 09 (MW)	Variation 10/09 (%)
<b>Power installed in ordinary system Spain</b>	<b>13,679</b>	<b>12,436</b>	<b>10.00</b>
Hydraulic	1,860	1,860	-
Nuclear	589	589	-
Coal	2,048	2,048	-
Fuel oil-gas	617	617	-
Combined-cycle	8,565	7,322	16.98
<b>Power installed in special system. Spain</b>	<b>958</b>	<b>974</b>	<b>(1.64)</b>
Renewables	958	974	(1.64)
<b>Total installed power. Spain</b>	<b>14,637</b>	<b>13,410</b>	<b>9.15</b>
<b>Power installed in ordinary system International</b>	<b>2,692</b>	<b>4,451</b>	<b>(39.52)</b>
Hydraulic	73	73	-
Fuel oil	321	321	-
Combined-cycle	2,298	4,057	(43.36)
<b>Total power</b>	<b>17,328</b>	<b>17,861</b>	<b>(2.98)</b>



## Energy production by energy source and regulation system

	Close 10 (GWh)	Close 09 (GWh)	Variation 10/09 (%)
<b>Production in ordinary system Spain</b>	<b>35,809</b>	<b>26,694</b>	<b>34.15</b>
Hydraulic	4,752	1,849	157.00
Nuclear	4,325	2,908	48.73
Coal	772	741	4.18
Fuel oil-gas	32	4	700.00
Combined-cycle	25,928	21,192	22.35
<b>Production in special system Spain</b>	<b>2,529</b>	<b>2,034</b>	<b>24.34</b>
Renewables	2,529	2,034	24.34
<b>Total production Spain</b>	<b>38,338</b>	<b>28,728</b>	<b>33.45</b>
<b>Production in ordinary system International</b>	<b>20,051</b>	<b>25,397</b>	<b>(23.59)</b>
Hydraulic	391	1,633	(77.04)
Fuel oil	1,675	1,126	(7.10)
Combined-cycle	17,985	22,638	(20.55)
<b>Total production</b>	<b>58,389</b>	<b>54,125</b>	<b>6.69</b>

Note: The international hydraulic production figure for 2009 includes production of EPSA, Costa Rica and Panama. Figures for 2010 only include production of Panama. In 2009 there was a divestment in EPSA, while production in Costa Rica is not taken into consideration for the purpose of consolidation through application of IFRIC 12 "Service Concession Arrangements".



#### Average efficiency by technology and regulation system

System	Technology	Efficiency <sup>(*)</sup> (%)
Ordinary. Spain	Coal thermal	34.97
	Fuel-oil thermal	31.77
	Combined-cycle	54.35
International	Combined-cycle	52.83
	Fuel oil	39.68

(\*) Efficiency over Net Calorific Value (NCV) calculated as the average weighted by the real production of each technology.

#### Average availability factor by technology and regulation system

System	Technology	Availability 2010 (%)
Ordinary. Spain	Hydraulic	90.00
	Coal thermal	95.14
	Fuel-oil thermal	60.57
	Nuclear	89.17
	Combined-cycle	93.14
Special. Spain	Wind	98.30
	Mini-hydraulic	90.40
	Cogeneration	98.00
International	Hydraulic	93.41
	Diesel engines	89.70
	Combined-cycle	93.13

#### Gas Natural Fenosa's electrical distribution facilities by country

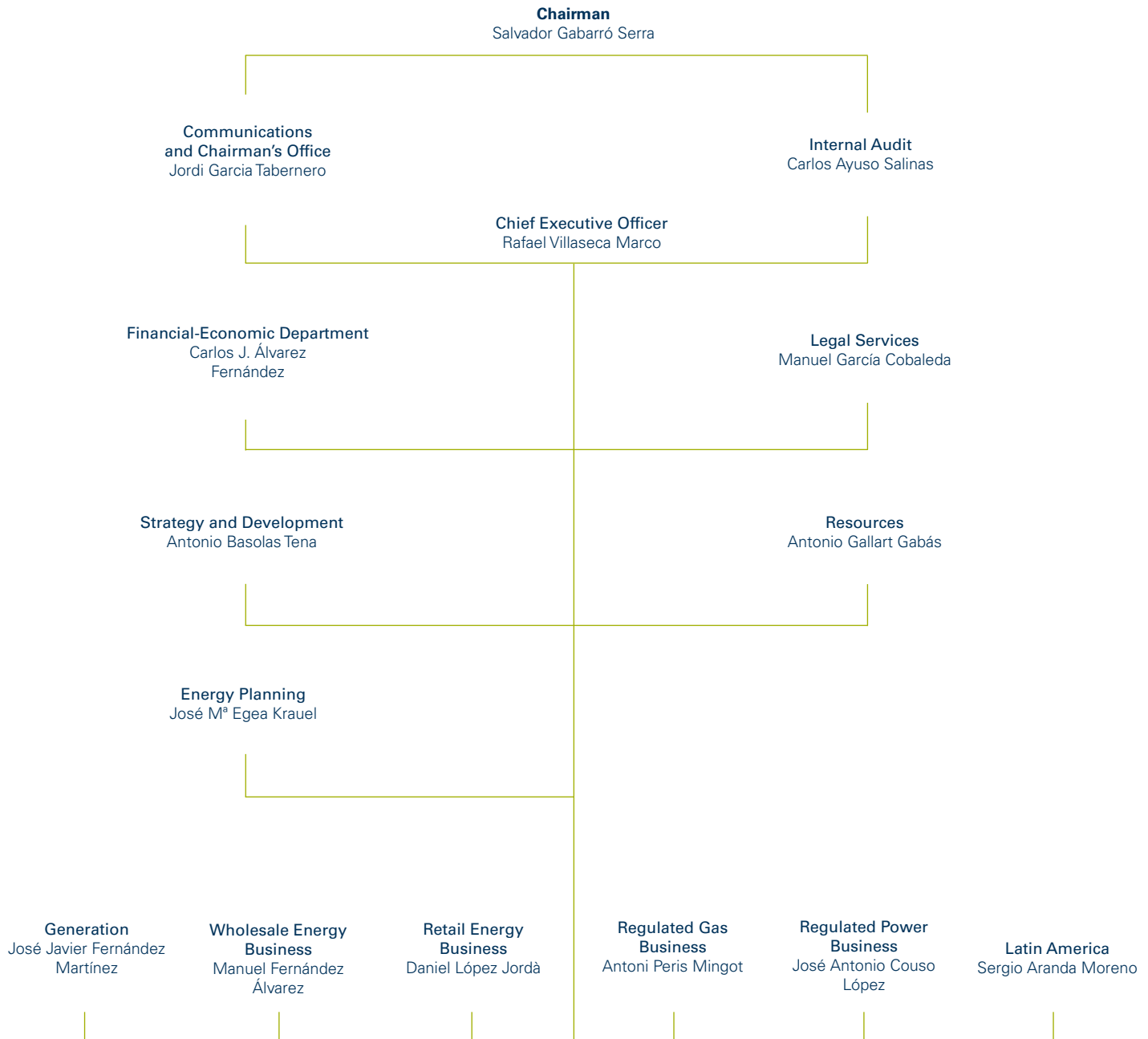
Countries	Step-down transformers		Length of power lines (km)
	Number	Capacity (MVA)	
Colombia	75,350	6,702	51,607
Spain	37,858	12,937	108,608
Guatemala	77,835	1,623	63,496
Nicaragua	46,866	1,836	14,851
Panama	40,598	3,031	20,395
Moldova	8,681	1,919	32,396
<b>Total low-voltage and medium-voltage</b>	<b>249,330</b>	<b>15,111</b>	<b>182,745</b>
Colombia	76	3,077	1,376
Spain	817	26,349	8,648
Panama	17	698	153
Moldova	182	1,611	1,819.56
<b>Total high-voltage</b>	<b>275</b>	<b>5,386</b>	<b>3,349</b>
<b>Total</b>	<b>249,605</b>	<b>20,496</b>	<b>186,094</b>

#### Electrical energy losses in transport and distribution

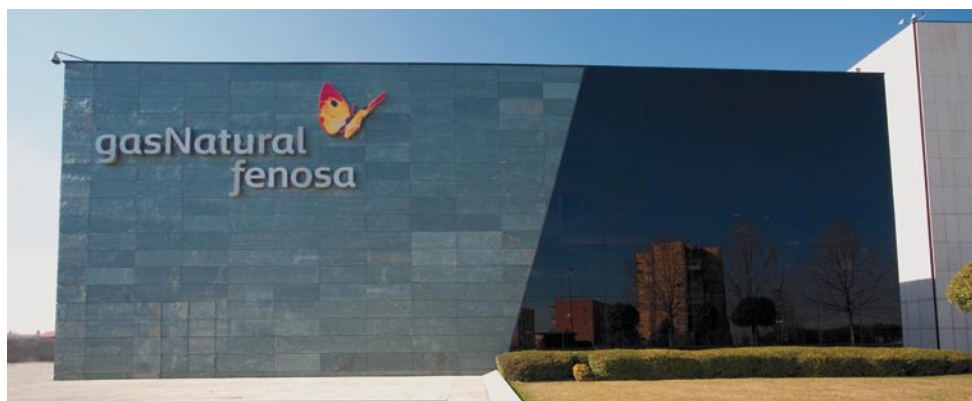
(%)	2010	2009	2008
Energy losses in transport and distribution (%)	6.32	6.43	6.22



The Gas Natural Fenosa management structure



## Strategy of Gas Natural Fenosa



The 2010-2014 Strategic Plan focuses on three major aspects: strengthening of the balance sheet, optimisation and capture of growth

In 2010, Gas Natural Fenosa presented its first strategic plan following finalisation of the merger process that gave rise to the new company. The plan focuses on three major aspects: strengthening of the balance sheet, optimisation and capture of growth.

The 2010-2014 Strategic Plan will be implemented in two different stages: the first one, until 2012, will focus on strengthening the balance sheet, optimisation to achieve synergies and organic growth; then another stage until 2014, focusing on investments, in accordance with the climate, to benefit from growth opportunities in key businesses and markets whilst maintaining financial solidity. The company has therefore set specific targets for 2012 and some ambitions for 2014.

Forecast investment for the 2010-2014 period is in excess of 9 billion euros. Investment could reach 13 billion under the appropriate conditions.

The new strategic plan lays down targets for 2012 that include reaching 22 million supply points around the globe, a percentage of dual-fuel in excess of 20% in Spain and 15.3 GW of installed power by 2012 (following the disinvestments agreed with the National Competition Commission - CNC).

For the 2010-2012 period, the new plan envisages investments of 5.3 billion euros and an Ebitda in excess of 5 billion euros by 2012, which would entail accumulated annual growth of Ebitda of 5%.

The strategic lines of Gas Natural Fenosa for 2013-2014 are based on attracting between 2 and 3 million additional supply points, achieving 1 GW of new installed power of conventional production in key markets, attaining 1.2 GW of new capacity in renewable energies, and marketing an extra 4-5 bcm of gas (of which 3.5 bcm will be achieved in international markets).

The company's strategic plan lays down concrete objectives for each of its core business lines: distribution, gas and electricity.

In Spain, with regard to distribution business the company hopes to increase its figure for supply points to 700,000 by 2014. The plan also envisages more than 1.1 million customers by 2014 in Brazil and Mexico. As far as Italy is concerned, the plan envisages 90,000 new supply points for that same year.

With regard to the gas business, the strategic bases of the plan focus on internationalisation of marketing gas and on the development of infrastructures, using the company's current position in the Mediterranean and Atlantic basins to explore new opportunities in gaining access to infrastructures in European and Latin American markets.

Elsewhere, the electricity business will focus its priorities on completing production projects that are already underway, fostering the retail marketing of electricity and power services, and in strengthening the wholesale commercialisation business. The medium- and long-term goals of the plan forecast the set-up of 1.2 GW of renewable energy capacity and 1 GW of conventional energy capacity to rebalance the energy mix in key markets.

To satisfy the demanding targets of the strategic plan, and to provide coverage for external demand, the company has the following support points:

- Gas Natural Fenosa is a best-in-class operator in downstream, distribution and sale of energy. The merger that led to Gas Natural Fenosa fosters the synergies of both companies, which already had lengthy experience.
- The company's energy production pool is extremely diversified and efficient, which enables it to competitively manage the natural resources it uses.
- The company's strong position in Latin America, a geographical area with major development prospects, means that Gas Natural Fenosa will look for major growth in this area.
- Human resources, consolidated following the merger.

The company will continue to have a competitive, diversified and environmentally-friendly energy mix, in which renewable energies will play an extremely relevant role.

This will enable Gas Natural Fenosa to efficiently support the undertakings acquired by the European Union for 2020, the so-called 20/20/20 goal, which seeks to reduce greenhouse gas emissions by 20%, save 20% in consumption of primary energy and ensure that 20% of final energy use comes from renewable sources. This international commitment represents a huge opportunity, one which Gas Natural Fenosa is in an unbeatable position to make use of, given its business model.

The company's energy production pool is extremely diversified and efficient, which enables it to competitively manage the natural resources it uses

## Contribution to Development



The company has an electricity generation mix that is both reliable and safe. It is also capable of giving an appropriate response to the demand for energy of the societies in which it operates

The challenge facing companies in the energy sector does not only consist of satisfying growing demand for energy in a developing world. It is also required to do so in a way that is cleaner, safer and more reliable. Supplying energy according to sustainability, efficiency and safety criteria is Gas Natural Fenosa's main contribution in the quest for more sustainable development.

Gas Natural Fenosa is the leading seller of natural gas on the Iberian Peninsula and the top natural gas distributor in Latin America. It is important to bear in mind that owing to its chemical composition and properties, natural gas is the cleanest fossil fuel.

The company also has an electricity generation mix that is both reliable and safe. It is also capable of giving an appropriate response to the demand for energy of the societies in which it operates. The company has thermal power stations that work with coal, gas or fuel oil, hydroelectric power plants, wind farms, solar farms and nuclear power stations, which makes it an essential player for the safety and reliability of the supply in the areas in which it operates.

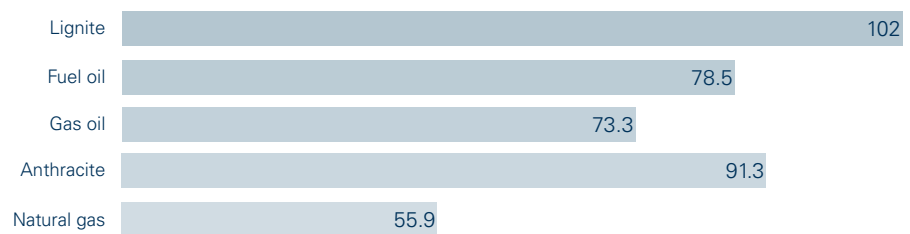
### A company that supplies clean energy

The environmental performance of energy companies is subject to increasing scrutiny by society. Gas Natural Fenosa has taken up this challenge actively, aware that its own electricity and gas transport, generation and distribution activities would be unimaginable without producing certain environmental impact. This is why the company is working on preventing impacts and reducing pollutants by improving the efficiency of processes through the installation of high-performance equipment and by using the best available technologies.

In a context that is marked by growing social sensitivity on sustainable development, both natural gas as well as energy from renewable sources will take on more importance in the energy mix. In this regard, we should point to the large increase of energy production using renewable sources of Gas Natural Fenosa in 2010, high on 35%. Energy from natural gas, the fossil fuel with the lowest carbon content, represents 76% of the company's electricity production.

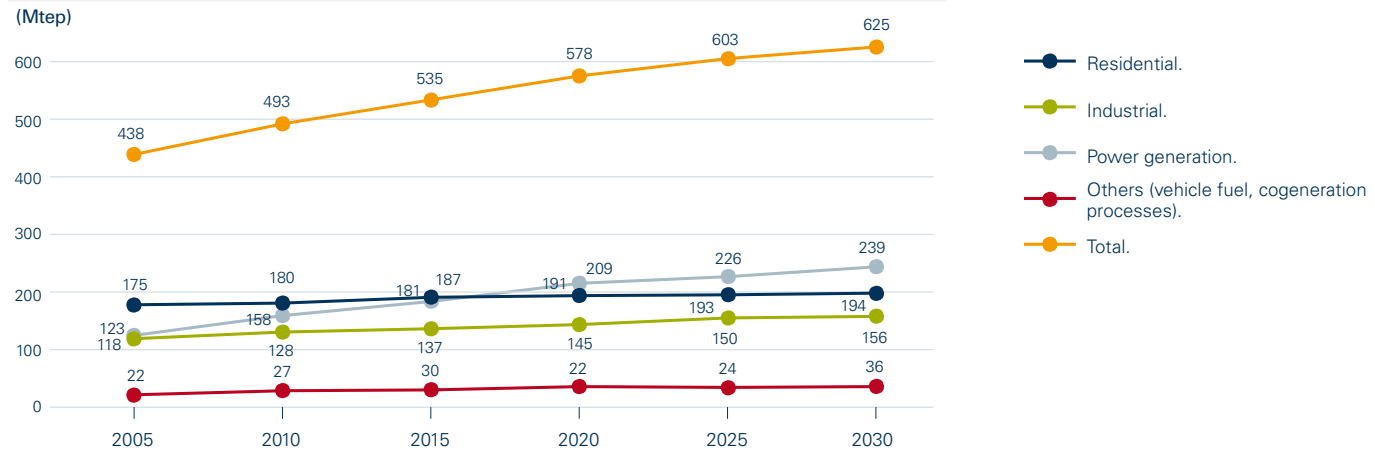
### CO<sub>2</sub> produced in the combustion of fossil fuels

(kg/GJ)



Source: IPCC-Eurogas.

**Demand for natural gas in the EU by sector**



Source: EUROGAS. Natural gas demand and supply. Long-term outlook to 2030.

Of the alternatives available in the area of energy efficiency and emission reduction, natural gas is the best of the fossil fuels. For the same amount of energy produced, natural gas combustion produces between 40 and 45% less CO<sub>2</sub> than coal and between 20 and 30% less than oil. Furthermore, the NO<sub>x</sub> emissions caused by the natural gas combustion are very low. Only insignificant SO<sub>x</sub> and solid particles are emitted.

Its environmental properties and versatility as an energy source make natural gas one of the best options to combat climate change and other environmental problems, such as air quality or acidification of soils and waters.

**An efficient energy with a growing number of uses**

Natural gas offers better energy performance than other fossil fuels. The combined-cycle plants that operate with natural gas are approximately 20% more efficient than conventional power stations.

Natural gas offers another series of benefits from the efficiency standpoint which lead to beneficial environmental effects. Thus, its specific emissions, viz., emissions per unit of energy produced, are lower than the remainder of fossil fuels.

Natural gas is also one of the primary energies with the highest growth potential owing to its increased use in every sector, the extension of the gas pipeline network, its use in processes for generating energy and its use as a fuel for transport.

**A company committed to efficiency and RD&I**

Gas Natural Fenosa carries out RD&I activities geared at improving performance and minimising the environmental impact of electricity production using other fossil fuels.

Similarly, Gas Natural Fenosa has a large portfolio of electricity generation using renewable sources and maintains a commitment to growth in this area, as can be seen from the result of public

procurement tenders for new wind farms in Catalonia and Galicia, in which the company was awarded the contract. In this regard, we should highlight the work performed by the company in RD&I in order to lower the costs of these energies and to extend, as far as possible, their application through a more extensive portfolio of technologies and integration with natural gas.

In the sphere of renewable energies, advanced testing cycles continued for characterisation and optimisation of the hydrogen production plant at the Sotavento wind farm. The design and operation stage of a thermal storage system using phase change materials also concluded. The next steps will be targeted at designing the control system for the experimentation cycle of this new system integrated into the solar cooling plant of ETSI Seville (Higher Technical School of Industrial Engineers). The company also finalised and presented the IDAE (the Spanish Institute for Energy Diversification and Saving) with the programme that complements the functionalities of the CALENER energy rating tool, including the design and rating of solar cooling facilities.



In energy efficiency, the RD&I activities were associated, within the residential and tertiary sphere, to highly efficient energy solutions and tools, including instruments to analyse energy demand in buildings, pre-design and sizing of tri-generation solutions with reduced power. In the domestic area, the company looked into the possibilities of energy-saving at community installations, automating these and maximising the use of renewable energies. In the household sphere, the company looked at integration of domestic measurements as well as possibilities of information and motivating users to save and management of demand.

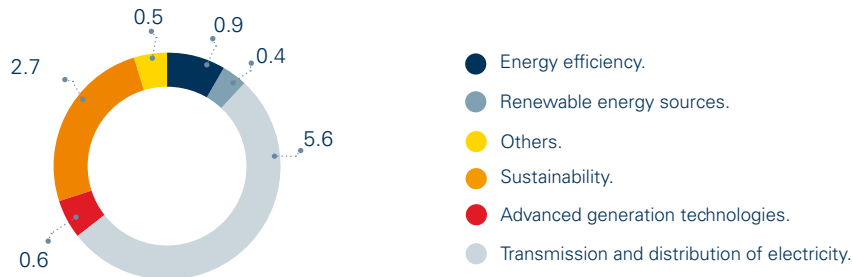
Of particular note in 2010 is the fact that the company commenced actions to design the model and tools to develop the smart grid. The overall objective of this grid will be to efficiently integrate the performance and actions of all elements connected to the grid (consumers, generators and producers, *inter alia*), guaranteeing the security and sustainability (technical and economic) of the electricity system.

In advanced generation technologies, the experimental pilot plant at La Robla is at the final development stage. With 300 KW of installed power, the plant is designed to capture CO<sub>2</sub> using carbonation-calcination cycles for combustion on biomass beds. Simultaneously, the kinds of potential biomass to be used at the experimentation stage have been characterised and the plant start-up procedures have been developed.

In the services concerning sustainability, RD&I activities in 2010 focused on three fundamental lines of research. Firstly, the development of production, transportation, storage and use of hydrogen technologies. Particularly, with regard to obtaining hydrogen from gasification of biomass and thermocatalytic decomposition of methane, as well as analysing the possibilities and limits of using combined cycles of synthesis gases in gas turbines. Secondly, in the sphere of sustainable mobility, the company's research actions were targeted at developing recharging infrastructures for electrical vehicles as well as models for associated use and management, to allow optimum integration of this new technology, in the short term, into the current grid and, in the medium/long-term, as a further component of smart grids. In this area, Gas Natural Fenosa also addressed standardisation of a public filling station of light vehicles that run on compressed natural gas. Lastly, the company is immersed in the concept of smart metering of natural gas, which will allow improvements to energy efficiency, among others.

### Investment in RD&I

(millions of euros)



In 2010, Gas Natural Fenosa allocated 10.82 million euros to RD&I activities and projects focused on achieving a more reliable and sustainable energy supply.

**A company committed to communities**

Gas Natural Fenosa generates wealth and employment in the countries in which it carries out its activities, which can be seen through the payment of salaries, taxes, investments and the creation of value along the energy chain. In addition, the company takes part in social projects in line with its business, whose purpose is to contribute to the development of the societies in which it operates.

In the services concerning sustainability, RD&I activities in 2010 focused on three fundamental lines of research. Firstly, the development of production, transportation, storage and use of hydrogen technologies

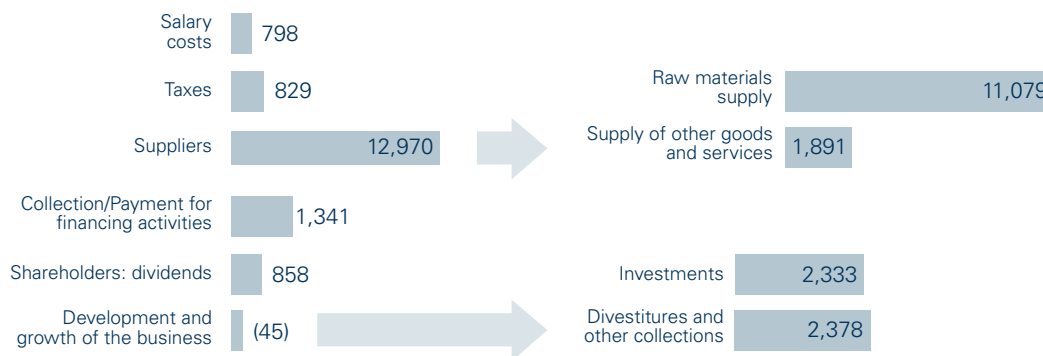
**Population without an electricity service**

(%)	2009	2008
Colombia (Electricaribe)	6.10 <sup>(1)</sup>	9.79
Guatemala	26.63 <sup>(2)</sup>	24.83
Nicaragua	33.20 <sup>(3)</sup>	39.00
Panama	14.00 <sup>(4)</sup>	18.60

(1) Source: Energy Mining Planning Department of the Government of Colombia. Figures published to December 2010.  
 (2) Figure calculated on the basis of the information provided by the Ministry of Energy and Mines of Guatemala. Figures for 2009 did not include coverage of the Jalapa company.  
 (3) Source: Ministry of Energy and Mines of Nicaragua.  
 (4) Source: Office of the Comptroller General of the Republic of Panama.

**Contribution to society**

(millions of euros)



The knowledge obtained from implementation of the company's operations in a wide range of countries and environment, enables the best practices learned to be adapted to the social and environmental reality of each project

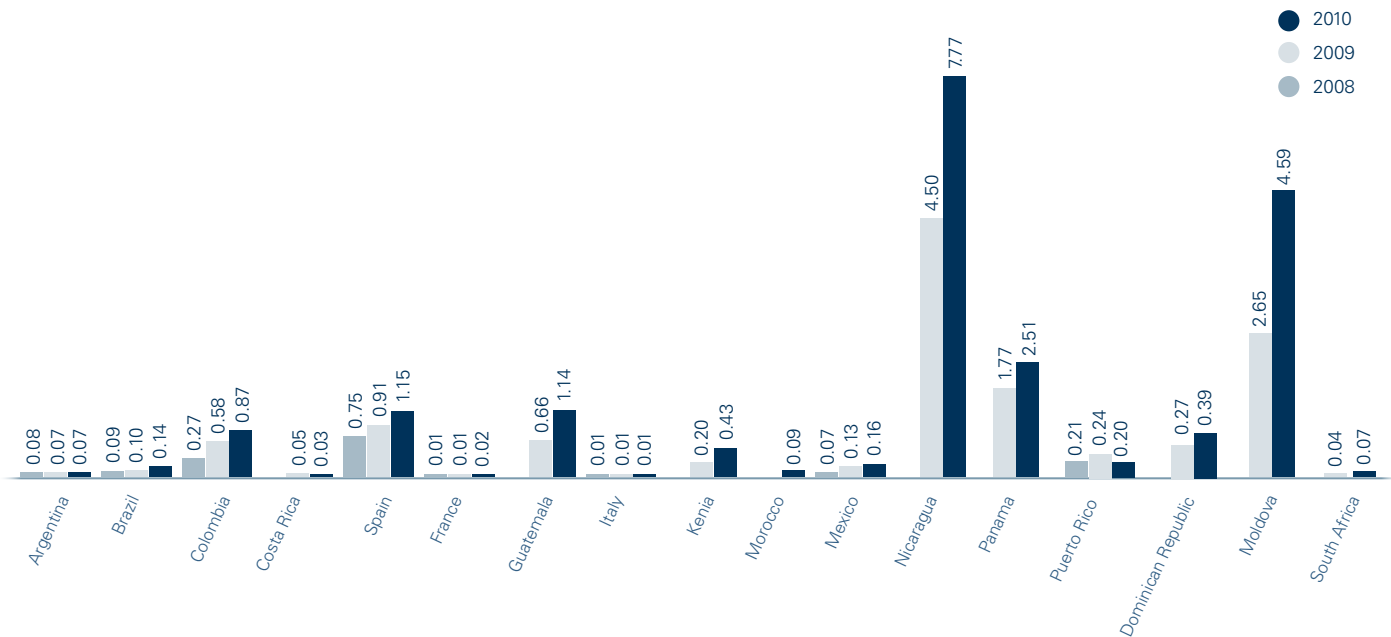
Energy is a driving force for prosperity. There is no development without it. Gas Natural Fenosa operates in countries where there is often a lack of suitable infrastructure to satisfy the energy needs of local inhabitants. In those countries, there are certain geographical areas in which the energy cover does not reach all the population. The company works actively to serve all the individuals, families and organisations located in areas for which it has been awarded a distribution or service licence.

Gas Natural Fenosa envisages the social and environmental impacts or those that affect human rights, and which could occur as a consequence of its projects and investments, especially those concerning displacement of the population.

In fulfilment of the different legislations that are applicable, the company proposes measures for reducing any possible impacts. Where applicable, these measures include environmental compensation mechanisms such as royalties, charges and other types of agreements. In addition, the company's decision-taking processes take into consideration the opinion of stakeholders affected by them in order to maximise the positive impact of the project. Its stakeholders' participation is defined when the operations are analysed. Similarly, during the phases of implementation, launch and operation of the facilities, Gas Natural Fenosa maintains its dialogue with external players to ensure the resolution of any incident.

Contribution to GDP by country

(%)

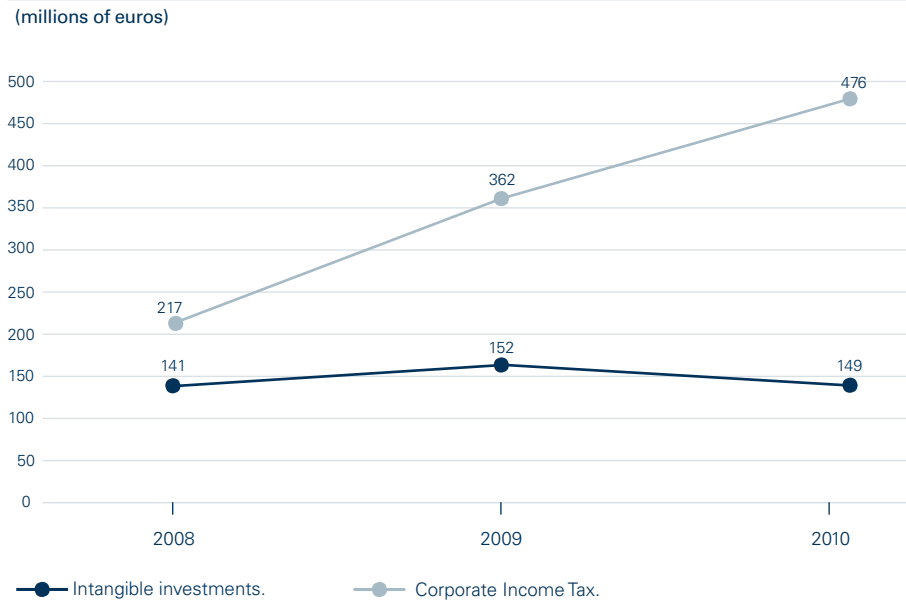




Special mention must be made of the fact that all individual travel was avoided in 2010 as a result of the company's infrastructures development projects. In developing the preliminary studies and pre-feasibility of development projects, Gas Natural Fenosa focuses special attention on the social impact of these and gives priority to those alternatives that do not affect nearby populations and which minimise the environmental impact of each project.

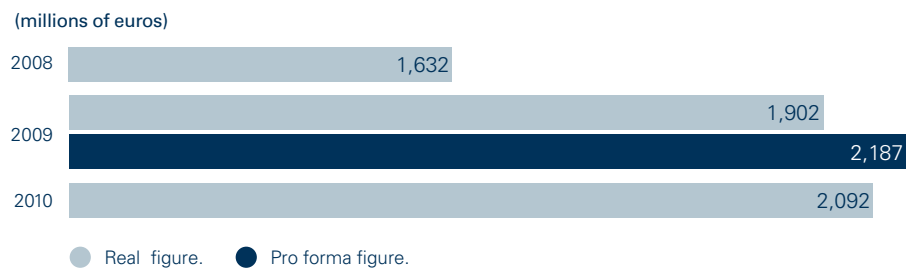
The knowledge obtained from implementation of the company's operations in a wide range of countries and environment, enables the best practices learned to be adapted to the social and environmental reality of each project.

### Contribution to society



Note: The intangible investment figure for 2009 is different to the one published the previous year, because on 1 January 2010 Gas Natural Fenosa applied IFRIC 12 "Service Concession Arrangements" in a backdated manner.

### Total purchase volume awarded





2010  
CR

# Corporate Responsibility and Gas Natural Fenosa

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## Key Corporate Responsibility Indicators

The following indicators have been defined by Gas Natural Fenosa to monitor its performance in the area of corporate responsibility.

<b>Customer orientation</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Percentage of satisfied customers (%) <sup>(1)</sup>			
Spain	83.00	85.60	87.50
Italy	73.80	78.50	87.40
Latin America	87.40	86.00	87.80
Suppliers with contracts currently in force	8,203	11,249	4,608
Total purchase volume awarded (millions of euros)	2,092	1,902	1,632
<b>Commitment to results</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Net turnover (millions of euros)	19,630	14,873	13,544
Gross operating profit. Ebitda (millions of euros)	4,477	3,923	2,564
Total investments (millions of euros)	1,553	15,243	3,697
Net profit (millions of euros)	1,201	1,195	1,057
Dividend (millions of euros)	737 <sup>(2)</sup>	730	663 <sup>(4)</sup>
Evolution of Gas Natural Fenosa's classification on the DJSI	85	83	76
<b>The environment</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Greenhouse gas emissions (GHG) (t CO <sub>2eq</sub> )	19,371,616	20,988,306	12,604,880
Emissions of GHG/Electricity generation (t CO <sub>2eq</sub> /GWh)	314	342	347
Methane emissions in transportation and distribution (t CO <sub>2eq</sub> /km grid)	11.79	11.50	12.18
Emissions of SO <sub>2</sub> /electricity produced (g/kWh)	0.125	0.145	–
Emissions of NO <sub>x</sub> /electricity produced (g/kWh)	0.497	0.462	–
Emissions of particles/electricity produced (g/kWh)	0.020	0.022	–
Generation of hazardous waste (t)	7,297	7,348	2,364
Recycling of ashes (%)	272 <sup>(5)</sup>	82	–
<b>Interest in people</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Staff rate. No. of employees	18,778	19,803	6.842
Men/Women (%)	73/27	74/26	69/31
Women in management posts (%)	21.70	19.70	18.90
Personnel costs (millions of euros)	798	600	338
Training hours per employee	47.80	42.20	44.52
Annual investment in training (euros)	8,057,570	8,505,000	3.480.300

<b>Health and Safety</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Accidents requiring medical leave	228	244	85
Days lost	5,147	5,932	1,668
Mortalities	2	1	0
Frequency rate	6.80	8.89	6.26
Seriousness index	0.15	0.22	0.12
Incident rate	13.68	17.38	12.25
Absenteeism rate	3.30	2.56	1.94

<b>Commitment to society</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Evolution of the contribution from Gas Natural Fenosa (millions of euros)	13.70	15.40 <sup>(6)</sup>	16.80
Breakdown by type of action (%)			
Social	39.90	40.70	57.60
Environmental	14.80	23.80	25.60
Cultural	45.30	35.40	16.80
Others	–	0.10	–
Nº. of sponsorship and social action activities	388	325	274

<b>Integrity</b>	<b>2010</b>	<b>2009<sup>(4)</sup></b>	<b>2008</b>
Correspondence received by the Code of Ethics Committee	45	25	22
Number of messages received per 200 employees	0.48	0.75 <sup>(7)</sup>	0.64
Geographical origin of correspondence			
Argentina (%)	2	8	5
Brazil (%)	2	0	0
Colombia (%)	13	4	0
Spain (%)	42	56	40
Guatemala (%)	7	–	–
Italy (%)	2	4	5
Kenya (%)	2	–	–
Mexico (%)	16	28	50
Nicaragua (%)	11	–	–
Panama (%)	2	–	–
Average time for resolving correspondence (days)	40	48	46
Audit projects analysed on the basis of the risk of fraud	32	26	35

(1) Measured for gas customers only.

(3) Equivalent total amount.

(3) Includes 90 million euros in extraordinary dividends.

(4) As a result of the merger completed by the company in 2009, new key indicators were defined in environmental issues.

(5) More ash was recycled than was produced owing to the ash from the Anllares power station waste tip being sent for recycling.

(6) In 2009, the criteria for calculating the “contribution to the company” figures have been changed. Said figure does not include the international provision from Unión Fenosa.

(7) Calculated using Gas Natural group figures without Unión Fenosa.

# Corporate Responsibility Policy Management

Corporate responsibility is integrated into Gas Natural Fenosa corporate strategy. The company's policy in this issue firmly formalises and demonstrates its commitments made with stakeholders.



## Customer orientation

We strive to know and satisfy our customers' needs. Our aim is to provide customers with a fast and effective response as well as an excellent service, to satisfy legal requirements and to meet commitments made voluntarily by our group.

### Our principles:

- Build long-term relationships based on trust through a friendly and accessible manner.
- Listen to their opinions so as to be able to meet their needs.
- Work all along the value chain to continuously improve the quality and safety of our products and services.



## Commitment to results

We draw up strategic plans and set collective and individual objectives. We take decisions to improve results and we ensure compliance with all the commitments we have taken on by adequately managing risks.

### Our principles:

- Work to obtain profitability levels that are in keeping with the resources used.
- Encourage efficient resource management within the framework of ongoing process improvement.
- Apply the best practices of transparency of information at all times, establishing channels of communication, both with the markets and with other stakeholders in order to strengthen our credibility and reputation.



## The environment

We carry out our activities while paying special attention to protecting the environment and to the efficient use of the natural resources we need to satisfy demand for power.

We go beyond legal requirements and even the requirements we adopted voluntarily in our care for the environment. We involve our suppliers and encourage our stakeholders to use energy responsibly.

### Our principles:

- Contribute to the sustainable development through eco-efficiency, the rational use of natural and energy resources, minimising environmental impact, encouraging innovation and using the best available technologies and processes.
- Contribute to the mitigation of climate change through low-carbon and renewable sources of energy, encouraging savings and energy efficiency, the application of new technology and carbon capture.
- Integrate environmental criteria in business processes, in new projects, activities, products and services, and in selecting and assessing suppliers.
- Minimise adverse effects on ecosystems and fostering the conservation of biodiversity.
- Guarantee the prevention of pollution and ongoing improvement through the organisation of environmental management, the minimisation of environmental risks and active employee participation.

## Interest in people

We promote an environment of respect in the workplace, focused on our employees' training and professional development. We encourage diversity of opinions, outlooks, cultures, ages and genders in our organisations.

### Our principles:

- Provide employees with training and professional development opportunities commensurate with their skills.
- Promote a motivational working environment, where employees are treated with assurance and respect and their initiatives are given the consideration they deserve.
- Encourage clear targets, efficient leadership, competitive compensation and acknowledgment of achievements.
- Provide conditions which are conducive to a fair balance between professional and personal life within a framework of equality and dialogue.

## Commitment to society

We accept our responsibility and contribute to economic and social development in the countries where we have a presence by contributing with our know-how, management capacity and creativity. We allot a portion of our profits to social investment, maintaining a continual dialogue with society to be aware of its needs and striving to meet them.

### Our principles:

- Positive integration in the society, assessing the social impact caused by our activities and respecting the culture, legislation and environment.
- Generating value by our own activities and by collaborating with NGOs, local communities and other social players in all of the countries in which we operate.
- Fostering the education, training, cultural wealth and inclusion of the most disadvantaged groups through social investment.

## Health and safety

We implement strategies for ongoing integration of risk prevention in our business culture, guaranteeing the best conditions for security and health protection throughout our value chain.

### Our principles:

- Ensure that safety is everyone's responsibility.
- Proper training and set up information, consultation and participation channels as key elements of prevention.
- Incorporate risk prevention criteria in the company's decisions and processes, new projects, products and services, to ensure ongoing improvement.
- Reject any conduct that may create an unsafe, intimidating or offensive working environment.

## Integrity

Foster that all members of the group behave ethically, with honesty and integrity, respecting the group's values, principles and professional codes of conduct, thus helping to increase society's trust in our company.

### Our principles:

- Reject corruption, fraud and bribery in our business dealings and establishing measures to prevent and combat them, developing internal channels allowing communication of irregularities while respecting and preserving anonymity.
- Provide support for the principles of the UN Global Compact, as well as the principles of the OECD for corporate governance.
- Respect all aspects of the UN Universal Declaration of Human Rights and the Declaration of the ILO regarding basic rights in the workplace, drawing special attention to our recognition of the rights of ethnic minorities, refusal to accept child exploitation, forced labour or any other practices that contravenes the rights of workers.



For Gas Natural Fenosa, corporate responsibility comprises the actions taken to establish relationships of trust with stakeholders and meet their expectations in a coherent and balanced way. The company believes that an appropriate relationship with the environment constitutes a top-priority strategic issue that is essential for generating value in the long term.

The merger that took place in 2009 led to new demands as a result of the characteristics of the electricity business, which made it important to review the undertakings acquired. This involved a new opportunity to drive management of corporate responsibility throughout the organisation.

To define the new Corporate Responsibility Policy, the Corporate Reputation Committee was consulted. All divisions of the company collaborated in defining the principles that make up the policy, including relevant aspects for stakeholders.

The policy was approved by the Management Committee and finally by the board of Directors in December 2010, in line with applicable good governance principles.

The new policy is in line with the 2010-2014 Strategic Plan and ensures that the company provides a positive contribution to its stakeholders, helping towards development and welfare of those communities in which it is present.

Gas Natural Fenosa views corporate responsibility as an essential tool to generate value, as well as representing a competitive advantage and a critical element to ensure the company's sustainability and its capacity to create long-term value.

The Corporate Responsibility Policy of Gas Natural Fenosa is the expression of a management system that encompasses the entire company. It includes the seven commitments accepted by the company. These commitments are:

- Customer orientation.
- Commitment to results.
- The environment.
- Interest in people.
- Health and safety.
- Commitment to society.
- Integrity.

This Corporate Responsibility Report is structured around the foregoing commitments, which are effectively driven from the company's senior management.

Gas Natural Fenosa has mechanisms that enable it to effectively monitor the Corporate Responsibility Policy, report on its degree of fulfilment and set CR targets. The indicators selected in each commitment are reported in different chapters of this Corporate Responsibility Report, and are a true reflection of the company's performance in these issues.



The indicators refer to all the corporate responsibility matters the company considers to be of material importance. They go back three years whenever possible. They enable the different governing bodies and management to be informed about the results of actions that have been carried out, to detect actions for improvement and to define new targets.

With regard to the publication of the Corporate Responsibility Report, special mention must be made of the fact that, internally, it corresponds to the Corporate Reputation Committee and to the Code of Ethics Committee.



Its external publication can be seen in the publication of reports, the presentation of information on a variety of media and the company's participation in forums and work groups.

For Gas Natural Fenosa, corporate responsibility is an essential tool in generating value, and also represents a competitive advantage

Strategic management of corporate responsibility at Gas Natural Fenosa



# Management of Corporate Responsibility

Proposed actions for 2010	Actions taken 2010	Actions planned 2011
Adaptation of the Corporate Responsibility Policy to the new situation of the company.	● Approval of the new Gas Natural Fenosa Corporate Responsibility Policy.	Drafting of the Corporate Responsibility Master Plan.
Definition of the framework of action of Gas Natural Fenosa in human rights.	● Establishment of the Corporate Reputation Committee after the merger.	Definition of a methodology to measure reputation online.
Transfer to the different countries of the indicator management model to move forward consistently in the management of corporate responsibility in accordance with the new model.	● Review of the indicators manual including sector manuals and adaptation to the company's new situation.	Implementation of uniform measurement and reporting indicators in subsidiaries with Corporate Responsibility Reports.

Level of compliance: ● High ● Medium ● Low

## Governing bodies

Commitment to corporate responsibility has an essential role in Gas Natural Fenosa's business strategy. In accordance with the provisions laid down in its regulations and the recommendations of the Unified Code of Good Governance, the Board of Directors is responsible for supervising actions carried out by the company in this area.

The company has a Corporate Reputation Committee and a Code of Ethics Committee that carry out important work in the promotion and implementation of actions related to corporate responsibility.

## Corporate Reputation Committee

The Corporate Reputation Committee comprises representatives from some of the areas of the company that are most involved in matters of corporate reputation and responsibility. It is chaired by the Communications Department and Chairman's Office.

The main duties of the Corporate Reputation Committee concern the implementation of corporate responsibility procedures and policies, coordination of the compilation of reports in this area and supervising the external review

procedure of information published in these reports. The committee reports to the Management Committee, which, in turn, reports to the Board of Directors.

## Functions of the Corporate Reputation Committee

- Implement corporate responsibility and reputation management throughout the organisation, by means of responsible actions which create value for stakeholders.
- Analyse the risks and reputational opportunities in each business division and geographical area, exchanging information which is used to direct the company's management.
- Ensure the construction of a corporate culture that is committed to protecting reputation and promoting corporate responsibility.

**Functions of the Code of Ethics Committee**

- Promote the distribution and knowledge of the Code of Ethics.
- Provide a communication channel to all employees who wish to send queries or notify breaches of the Code.
- Facilitate the solution of disputes concerning the application of the Code of Ethics.

**Composition of local committees(\*)**

**Argentina-Brazil-Colombia-Guatemala-Italy-Mexico-Moldova-Nicaragua-Panama**

Chairman	Human Resources
Board member	Internal Audit
Board member	External Relations Department
Board member and Secretary	Legal Services

(\*) The queries and notifications from countries other than those mentioned are processed by the Code of Ethics Committee.

**Code of Ethics Committee**

The work of the Code of Ethics Committee is to propagate knowledge, understanding and fulfilment of the company's Code of Ethics.

The committee comprises representatives from some of the units that are most directly involved in those issues considered in the Code of Ethics. It is chaired by the Internal Audit Department. The Code of Conduct Committee informs the Management Committee and the Audit and Control Committee of its activities.

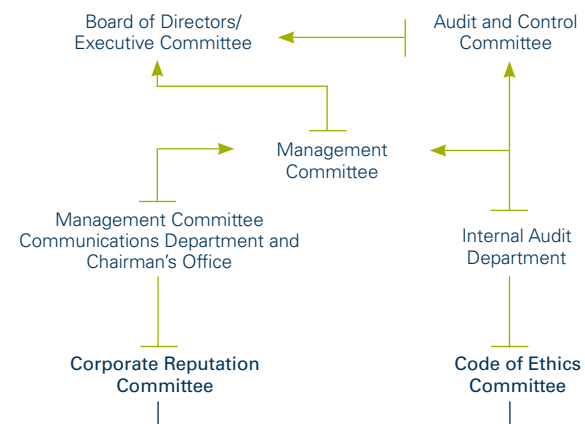
To ensure the Code of Ethics is in force throughout the company, Gas Natural Fenosa also has local committees in different countries where it operates. The local committees have a functional composition that mirrors the Code of Ethics Committee.

**Members of the Corporate Reputation Committee**

- Communications Department and Chairman's Office (Committee Chair).
- Administration and Fiscal.
- Corporate Governance Matters.
- Internal Audit.
- Quality, Health and Safety, Environment and General Services.
- Purchasing.
- Latin America Corporate Development.
- HR development.
- North Zone Distribution.
- Western Europe and Mediterranean Corporate Strategy and Development.
- Liberalised Retail Business Expansion.
- Latin America Organic Expansion.
- Tertiary Market and Energy Solutions.
- Investor Relations.
- External Relations.
- Risks.
- Customer Service.
- Wholesale Commercialisation Legal Service.

**Members of the Code of Ethics Committee**

- Internal Audit (Committee Chair).
- Assignment of Executives and Talent Management (Office of the Secretary).
- Finance and Capital Market.
- External Relations.
- Labour Relations.
- Customer Service.



### RepTrak

Developed by the Corporate Reputation Forum and the Reputation Institute, the RepTrak model is a tool used by Gas Natural Fenosa to systematically and rigorously assess its reputation.

RepTrak measures the emotional reputation (RepTrak Pulse) according to the attachment, admiration, trust and impressions generated by the company in society. By the same token, it carries out a rational analysis (RepTrak Index) of the company's reputation, by appraising 27 attributes pooled into seven areas: supply, work, governance, leadership, innovation, citizenship and finance.

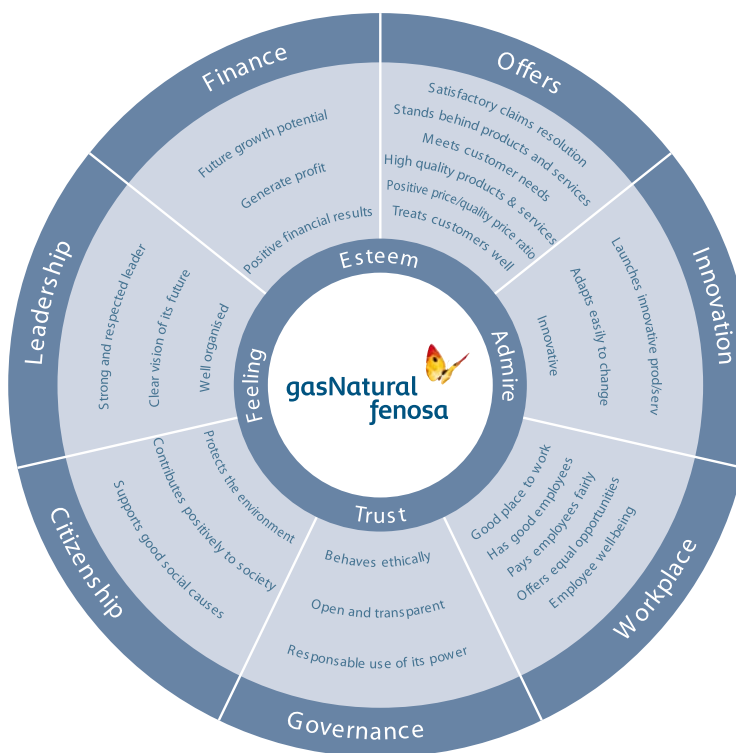
This model enables ongoing assessment which, in turn, makes it possible to develop specific initiatives to make progress in key aspects of reputation.

The company started using the RepTrak tool in 2007. Its results are presented to the Corporate Reputation Committee.

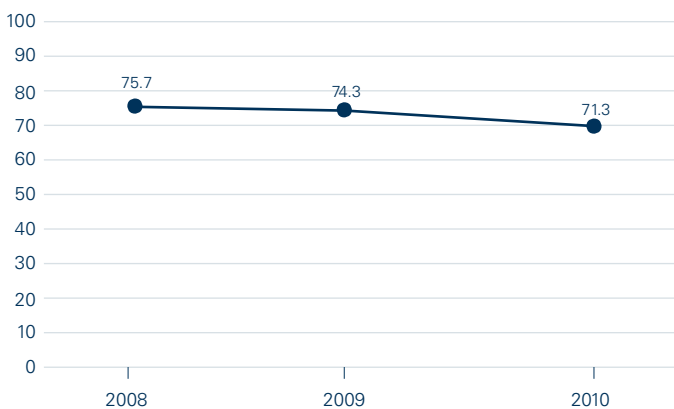
In April 2010, the company's new commercial brand was launched, Gas Natural Fenosa.

The use of RepTrak has enabled the trust and impression that the new name generates in society to be assessed.

### RepTrak Methodology

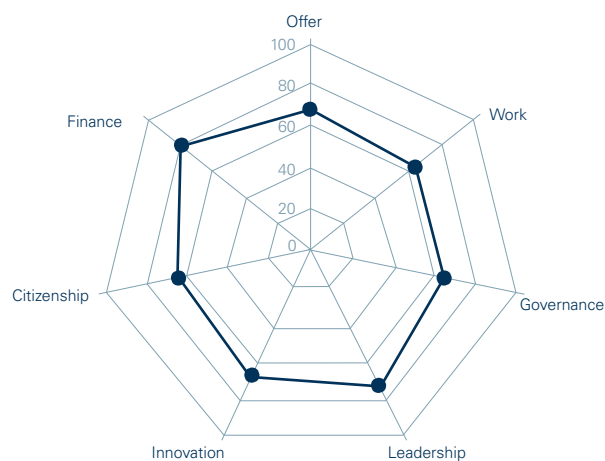


### RepTrak Pulse: the perception of Gas Natural Fenosa in society<sup>(\*)</sup>



<sup>(\*)</sup> Based on this report, the annual details of the company's perception in society is given. Quarterly figures were previously given. In 2010, the assessment refers to Gas Natural Fenosa.

### RepTrak Pulse: the reputation of Gas Natural Fenosa by dimensions<sup>(\*)</sup>



<sup>(\*)</sup> Accumulated results 2010. ● Gas Natural Fenosa.

## Dialogue with Interest Groups

Gas Natural Fenosa believes that developing a climate of confidence with the stakeholders is a determining factor for social acceptance of the company and for the success of its business plans. The company therefore seeks long-lasting and stable relationships with the key agents in those markets in which it has a presence. Accordingly, the company carries out actions that enable it to discover the expectations and demands of its stakeholders in advance so that it can evaluate some of the main risks and opportunities associated with the business.

The Gas Natural Fenosa's actions as far as dialogue is concerned are divided into:

- **Consultancy actions.**  
Two-way actions. The company and its stakeholders interact to exchange information quickly and fluently. The conclusions are considered in the improvement and adaptation of the company's processes and, in particular, in the selection of the content that is to be included in the corporate responsibility reports of Gas Natural Fenosa and its subsidiaries.
- **Informative actions.**  
One-way actions. The company transmits information to its stakeholders.

The main dialogue actions developed by Gas Natural Fenosa in 2010 were as follows:

### Consultancy actions

#### Customers

Gas maintenance customer service surveys to identify the aspects of the service that most affect customer satisfaction.

Customer surveys aimed at assessing the satisfaction provided by the company's different services and identifying needs and expectations.

Surveys for customers and non-customers to measure the image of the leading energy companies and adapt the brand messages and product range to the preferences of current and potential customers.

Studies to find out the main disadvantages of installing natural gas in new homes.

In Spain, active dialogue with consumer representative organisations and ensuring that collaboration agreements are relevant.

Surveys targeted at measuring the satisfaction of different customer loyalty actions.

#### Shareholders/Investors

Contact with the leading stock market analysis firms to prepare market perception reports and estimates of results, as well as help with reviewing the company's valuation models after the takeover of Unión Fenosa.

One-on-one meetings with investors.

Continuous replies to the requests for information from analysts and consultations with the Investor Relations Unit.

#### Employees

Launch of the Commitment and Working Environment Survey in the entire company.

Set-up and administration of the Corporate University in-box for resolution of any doubts.

Sending the perception survey on training and processes of the Corporate University to 30 executives.

Satisfaction assessment survey with training undertaken by more than 15,000 students.

Preparation of 300 job training application assessments.

Dissemination of the training effectiveness report to business managers.

Meetings with over 200 executives to discuss training needs.

Informative actions carried out by the company in issues such as forecast disinvestments or changes to organisational models both in Spain as well as in other international companies of the group.

Signing of more than 30 collective agreements under different names and with different content in accordance with the country, both in Spain and in the international sphere.

Constitution and development of four studies by the Employee Panel as a stable representative sample of employees that take part in completing the opinion studies on different internal issues.

Maintaining the "Participate" and "We ask Ourselves" space on "Our Energy", which are consolidated along with the standard channels of opinion.

"Breakfasts with the Directors" scheme, to favour bottom-up communication.

Encouraging employees to participate directly through competitions: interactive games, definition of values, proposal to name the internal magazine, strategic plan game, etc.

Creation of the new Health and Safety Committee.



**Suppliers**

Contact with holders of the framework development and maintenance contract for medium or low voltage electricity lines to propose affiliation to the good environmental practices of Gas Natural Fenosa.

Implementation of the Suppliers Quality Model in the electricity business in Spain, Colombia, Mexico, Guatemala, Nicaragua, Panama and Moldova, on conditions and regulations that the products and services procured must comply with, encouraging suppliers to measure and to improve quality.

In Argentina, discussion groups with employees, suppliers, NGOs and customers.

In Brazil, work sessions with contractors to draw up inventories of materials in stock and audits to check stock decreases.

Collaboration with sector associations to identify specific needs in energy issues, which enable ongoing adaptation of the commercial offer for the wholesale arena and joint dissemination of issues concerning sustainability.

**Society**

Check the proposal of the Human Rights Policy of Gas Natural Fenosa with seven specialised organisations from different countries.

Reception and analysis of 616 proposals for collaboration and services for organisations and institutions to learn more about their projects.

Presence at CONAMA 10, with a stand at the exhibition, participation by those in charge of environmental issues at the different work groups, round tables, etc. In addition, as the event's sponsor, Gas Natural Fenosa had a dynamic room, where it presented the "Low-Carbon Space," the main feature of which was the corporate calculation tool to measure the CO<sub>2</sub> footprint.

Sponsorship of different scientific and conservation organisations, to assist their nature defence initiatives.

Official announcement of prizes targeted at final-year students at the Mining Engineering School in Oviedo and the Civil Engineering School in Madrid, for degree projects on the subject of energy and the environment, simultaneously allowing students to carry out work experience at its facilities.

**Informative actions**

**Customers**

Taking part at events to disseminate issues concerning energy efficiency: courses on municipal training, sessions on efficient lighting and presence at exhibitions specialising in energy, the environment, alternative fuels and energy services and vehicles.

Training and awareness events in the use of energy and the improvement of service quality.

Fifth publication of the Energy Efficiency Index in Spanish households, a barometer of energy efficiency that measures the habits and customs that could entail energy savings in the residential sector.

Promotion of the Guarantee Office. Taking part in dissemination and training actions targeted at consumer representatives.

Natural Commitment, sponsoring art centres to improve their systems of lighting, by replacing conventional devices with others that are more energy efficient. The action was published on the website and enables interaction with customers, who can give their opinions.

Dissemination sessions with customers, to inform them of new regulations as well as items of interest in the environmental and energy spheres.

**Shareholders/Investors**

Retransmission over the Internet of quarterly presentations of results.

Internet retransmission in July 2010 of the 2010-2014 Strategic Plan.

Dealing with requests for information from small shareholders, online, by phone, by mail or in person.

**Employees**

Set-up of the Corporate University in-box for announcements and course enrolments.

Publication of the 2010 Corporate University Plan on Intranets, individual notification by email to 8,000 employees and distribution of the hard-copy plan at training centres of Gas Natural Fenosa.

Ongoing publication of information on the new "Our Energy" integration platform and on the "Naturalnet" Intranet.

Launch of the Internal Corporate Magazine in a new format.

In Spain, advance of commercial campaigns and advertising to employees before their publication in the media.

Publication of high-impact videos: interviews with executives in presentation of the Strategic Plan, the Strategic Plan in pictures, Xacobeo 2010 and Sports Club, *inter alia*.

Launch of high-impact internal communication campaigns for employees: "Positioning and Brand" and the "Group's new strategic plan".

In Panama, sessions on Quality, the Environment and Prevention of Occupation Risks.

In Brazil, the Risk Prevention Week.

New psychosocial risks survey targeted at workers from the electricity business.

**Suppliers**

In Brazil, training sessions with meter manufacturers to improve the measuring procedure.

Training quality specialists of suppliers in Guatemala, Nicaragua, Panama, Moldova and Morocco, through theoretical and practical sessions, supplemented with visits to manufacturers' production plants in Spain.

In Argentina, reporting on the environmental impact and climate change audits and studies, and launch of the "EPW!" campaign to save energy, paper and water

In Guatemala, implementation of technical and functional training actions to set up the new logistics model that represents a huge leap in the integration of processes and sharing of technology with development and maintenance contracts of electricity grids.

In Colombia, a training scheme for all development and maintenance contracts for electricity grids in the use of new versions of the application that supports the logistics function.

In Colombia, work sessions with suppliers to share the results of audits and satisfaction surveys carried out, on the materials and services supplied, agreeing the pertinent improvement plans with each of these suppliers.

**Society**

Celebration of the World Energy Efficiency Day through a social awareness action undertaken in the Plaza Mayor, Madrid, which involved the exhibition of two identical loft-type dwellings where the actors showed how to it is possible to live efficiently, making rational use of energy.




# How to Read the Corporate Responsibility Report

Gas Natural Fenosa Corporate Responsibility Report provides clear, reliable information about the way in which the company responds to its main challenges in terms of sustainability and corporate responsibility.

The contents have been structured around the commitments laid down in the Gas Natural Fenosa Corporate Responsibility Policy, adopted at the end of 2010. The chapters have the same structure to enable easy reading and so that information can be found more quickly and easily. Although the information may be organised in slightly different ways depending on the subject, the chapters have certain elements in common.

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### Customer Orientation



The social function of Gas Natural Fenosa is to contribute to the development and welfare of all countries where the company operates, through supply of energy that is sustainable, efficient, safe and environmentally friendly.

Gas Natural Fenosa has the appropriate procedures, tools and channels that enable it to provide an excellent service and offer a swift and efficient response. In this regard, there are three key action lines: to build relationships of trust, to listen to customers' opinions and to continually improve the quality and safety of products and services.

The customer is the company's raison d'être. For this reason, guarantee of a prompt supply and customer satisfaction represents the company's key focus in its business strategy.

**Principles of responsible action with customers**

Customer orientation is one of the commitments laid down in Gas Natural Fenosa Corporate Responsibility Policy and is based on the following principles:

- Building long-term relationships based on trust, employing a friendly and accessible manner.
- Listening to their opinions to meet their needs.
- Working all along the value chain to continuously improve the quality and safety of our products and services.

## Introduction

This section presents both the the company's position and the principles included in its Corporate Responsibility Policy.

### Main indicators

	2010	2009	2008
Staff mem. No. of employees	10,776	10,003	8,042
Men/Women (%)	92/8	90/8	89/11
Women in management posts (%)	21.70	19.70	18.90
Personnel costs (billions of euros)	798	600	338
Training hours per employee	43.88	42.20	44.12
Annual investment in training (euros)	8,051,570	6,505,000	3,480,300

### Relevant actions

Proposed actions for 2010	Actions taken 2010	Actions planned 2011
Set-up of an equal opportunities committee for the companies with a collective bargaining agreement.	Set-up of the Equal Opportunities Committee.	Preparation of the Equality Plan.
New internal magazine: change of image and content adapted to the new company and in harmony with employee opinion (specific survey about the magazine).	Relevant internal communication campaigns: "Work, Values and Positioning" and "New Strategy Plan".	Development of a programme for the recognition of continuous improvement and innovation.
Master Plan and Annual Plan for In-house Communication.	Elaboration of the Master Plan and design of the Annual Plan for In-house Communication.	Campaign to strengthen values and the new Corporate Responsibility Policy.
Performance of Environment Survey. Set up of permanent panels of employees. Specific and periodic surveys.	Survey completed on working environment and commitment. Set up of permanent panels of employees. Specific and periodic surveys.	Notification of the working environment survey results and action plan drawn up from the results obtained.

Level of compliance: ● High ● Medium ● Low

## Principals, main indicators and relevant actions

Principals, main indicators and relevant actions. This section includes the principles of the Corporate Responsibility Policy and the indicators set by the company to report on the putting into practice of the commitments in question, together with the actions carried out and targets set for the following financial year.



The indicators reflect all the corporate responsibility matters the company considers to be of material importance. They go back three years whenever possible. They enable the different governing bodies and management to be informed about the results of actions that have been carried out, to detect actions for improvement and to define new targets.

With regard to the publication of the Corporate Responsibility Report, special mention must be made of the fact that, internally, it corresponds to the Corporate Responsibility Committee and to the Code of Ethics Committee.

For Gas Natural Fenosa, corporate responsibility is an essential tool in generating value, and also represents a competitive advantage.

External publication can be seen in the publication of reports, the presentation of information on a variety of media and the company's participation in forums and work groups.

**Strategic management of corporate responsibility at Gas Natural Fenosa**

**Chapter**

Detailed information on the commitment in ordered sections that make the information easier to understand.

**Highlights**

Relevant aspects which draw the attention of readers.

**2010 corporate responsibility report Gas Natural Fenosa | 13**

**Contribution to Ebitda by activity**

Gas Natural Fenosa is one of the leading multinationals in the gas and electricity sector. It operates in more than 20 countries and has more than 20 million customers and around 17,000 of installed power.

The company has a plentiful and diversified generation mix. It possesses thermal power stations run on natural gas, coal and fuel oil, in addition to other renewable energy facilities. This diversification, together with the company's excellent track record in the energy sector, enables it to compete effectively in markets that are increasingly competitive and globalised.

At the end of 2010, the company had 18,778 employees, half of them working in the international business.

Gas Natural Fenosa's main shareholders as of 31 December 2010 were as follows:

- Citicora CasuCorp: 36%
- Repsol YPF S.A.: 30%
- International institutional investors: 19%
- Minority shareholders: 9%
- Spanish institutional investors: 4%
- Caixa d'Estalvis de Catalunya: 2%

For detailed information on Gas Natural Fenosa's activities and the 2010 results, please see the Annual Report and the corporate website at [www.gasnaturalfenosa.com](http://www.gasnaturalfenosa.com).

**Information supports**

In order to provide more extensive information, readers are occasionally referred to other supports. They may include the company's website or previously-published reports.

**Tables and graphs**

These provide readers with a simplified way of evaluating trends and reaching conclusions on the company's performance.

**Gas Natural Fenosa fosters the use of alternative fuels in Spain**

Gas Natural Fenosa reached an agreement with the RACC Automóvil Club, the biggest automotive club in Spain, to encourage use of the electric car and reinforce natural gas as a fuel for vehicle fleets.

The agreement covers the design, development and promotion of joint services and offers within the sphere of the electric vehicle, including complementary products from both entities.

The agreement will therefore provide potential users of the electric car with offers in the supply of energy, finance and purchase of electric vehicles as well as the setup of recharging infrastructures. The offer will also extend to assistance, insurance and maintenance services. Joint solutions will also be analysed for vehicle fleets that run on natural gas. The agreed agreement also provides for the development, through the foundations of both enterprises, of joint actions to disseminate and provide training on alternative energies applied to transportation, with special focus on electrical mobility.

Within the framework of the agreement, Gas Natural Fenosa and RACC will collaborate on the Infobase project, an online service targeted at providing the driver with real-time traffic information using electric car technology to power this information tool.

We should highlight the commitment that Gas Natural Fenosa has in development of energy alternatives for transport. Among other initiatives, with regard to the electric vehicle the company participates in the MOVELE project, managed and coordinated by ENAE, the Spanish Institute for Energy Diversification and Savings, which seeks to introduce, within two years, 2,000 electric vehicles to lease service and the set-up of 500 recharging points for these vehicles.

Communication of the legislative or regulatory changes that affect them in accordance with their role or market.

Communication with tips on gas usage and safety. The package includes a sticker with recommendations on what to do if they smell gas.

Communication to customers with information on energy efficiency, saving and better use of gas and electricity.

**Customer indicators. Spain**

	2010	2009	2008
New municipalities supplied	33	32	35
Nº of preventive maintenance inspections	1,108,463	1,323,920	1,222,316

Note: Maintenance only for gas customers.

**Length of electrical transportation and distribution lines (aerial and underground) by regulatory regime**

km	Voltage		
	Medium and low	High voltage	
Aerial	81,318	8,029	
Underground	2,000	679	
<b>Total</b>	<b>103,668</b>	<b>8,648</b>	

**Case study**

Detailed description of activities taking place during the year that the group understands to have been particularly significant, either owing to their originality or because they are outstanding examples of the management approach.



2010  
CR



# Corporate Responsibility Commitments

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## Customer Orientation



The social function of Gas Natural Fenosa is to contribute to the development and welfare of all countries where the company operates, through supply of energy that is sustainable, efficient, safe and environmentally friendly.

The customer is the company's *raison d'être*. For this reason, guarantee of a proper supply and customer satisfaction represents the company's key focus in its business strategy.

Gas Natural Fenosa has the appropriate procedures, tools and channels that enable it to provide an excellent service and offer a swift and efficient response. In this regard, there are three key action lines: to build relationships of trust, to listen to customers' opinions and to continually improve the quality and safety of products and services.

### Principles of responsible action with customers

Customer orientation is one of the commitments laid down in Gas Natural Fenosa Corporate Responsibility Policy and is based on the following principles:

- Building long-term relationships based on trust, employing a friendly and accessible manner.
- Listening to their opinions to meet their needs.
- Working all along the value chain to continuously improve the quality and safety of our products and services.

**Main indicators**

	2010	2009	2008
Percentage of satisfied customers*).			
Spain (%)	83.00	85.60	87.50
Italy (%)	73.80	78.50	87.40
Latin America (%)	87.40	86.00	87.80
Suppliers with contracts currently in force	8,203	11,249	4,608
Total purchase volume awarded (millions of euros)	2,092	1,902	1,632

(\*) Only gas customers.

**Relevant actions**

Acciones propuestas 2010	Acciones realizadas 2010	Acciones previstas 2011
Inclusion of all the company's customers in the continuous satisfaction measurement model. Incorporation of perception of quality of service offered by main competitors. Development of the Lean Six Sigma methodology as a continuous improvement tool.	● Development of the comprehensive customer satisfaction model, incorporating the electricity market and main rivals, and developing a model of importance for the different service attributes.	Incorporation of the SMEs and Large Customers segments. Extending the model to all Latin American countries.
Development of personalised energy advisor for the home, and tools for calculating energy efficiency, by sectors, for SMEs.	● Change of brand following the merger of both companies. Communication adaptation.	Increase of the portfolio of both preventive and corrective maintenance services.  Dissemination to customers on the environmental sustainability initiatives of Gas Natural Fenosa through publication of the book <i>Hacia una sociedad baja en carbono</i> (Towards a Low-Carbon Society).
Promotion of online channel as a customer communication and management platform.	● Evolution of the customer service channels: streamlining of gas centres, adapting them to provide customer service support to any customer profile and extending the services offered by the Virtual Office with online payment of bills.	Development of "remote" customer care: set up of mobile applications for customers, development of formulas to contract products and services online and actions to intensify the use of the Virtual Office and the e-billing.  Development of a website with a carbon footprint calculator for customers.
Gradual extension of Supplier Portal to countries in which the Gas Natural group operates.	● In Spain, extension of the Suppliers Portal to suppliers of activities from the electricity business.	Development of the Suppliers Development Model of Gas Natural Fenosa. Commencement of setting up Suppliers Development in Mexico and Brazil.

Level of compliance: ● High ● Medium ● Low

In 2010, efforts in the field of customer satisfaction focused on maintaining services quality levels and in continuing to be the leading company in this sector

### Customer satisfaction through service quality

Gas Natural Fenosa carries out ongoing monitoring of the degree of customer satisfaction, is aware of which aspects are those that most concern customers and constantly seeks to raise levels of satisfaction.

In 2010, efforts in the field of customer satisfaction focused on maintaining service quality levels and in continuing to be the leading company in this sector. A key objective was to achieve integration and consolidation of the customer management processes of Gas Natural and Unión Fenosa. Here, in Spain, one of the first processes that was made uniform was customer service by telephone for both the gas and electricity customers, with joint satisfaction measurements for this service

Gas Natural Fenosa is involved in a project to set up a model to measure the quality perceived by customers. This model integrates all of the company's businesses and countries in which it operates. The different measurement models have been unified and references incorporated with regard to main rivals, thus obtaining uniform and comparable indices for key indicators, both for electricity and gas, which has enabled an overall vision of not only the processes themselves but also customers' perception of our rivals.

The incorporation of customers from the electricity business into the measurement model was carried out both in Spain as well as Guatemala and Colombia, where two pilot projects have taken place.

We should point out that the overall satisfaction index (customers that state that they are satisfied or very satisfied) of Gas Natural Fenosa reached 81.7% in 2010. In Spain, the company is the leader in its sector, with an assessment of 78.1%, which includes both gas and electricity customers.

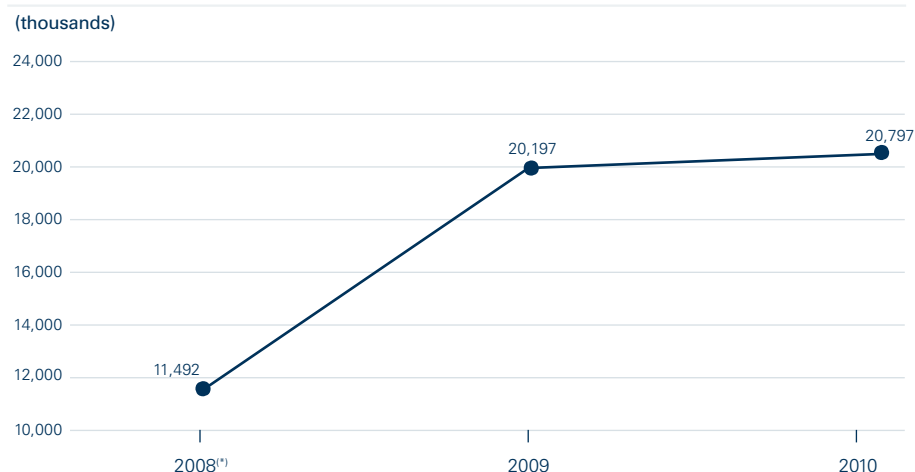
Elsewhere, 62.6% of customers from the wholesale segment, also from the gas and electricity businesses, are either satisfied or very satisfied.

In 2010, Gas Natural Fenosa carried out a number of initiatives to improve service quality for the customer, to optimise results in this area. Of particular note in Spain were the improvements to the resolution of complaints, carried out during quality controls of the main processes that affect the customer. We can also highlight the extension of measuring customers' perception to the tertiary market and to energy solutions.

In Italy, efforts focused on developing improvement initiatives on key processes for the end customer. A major improvement here was the layout of the invoice in terms of clarity and transparency, the reduction of payment periods and improved responses to written complaints.

In Colombia, the company targeted a permanent task force to drive and to lead quality initiatives. Customer satisfaction measurements were also harmonised, both in the gas and electricity spheres.

### Gas and electricity supply points



(\*) Only gas supply points.

The incorporation of customers from the electricity business into the measurement model was carried out both in Spain as well as Guatemala and Colombia, where two pilot projects have taken place

### Supply points (gas and electricity) by country



### Gas and electricity customers

(thousands) <sup>(1)</sup>	2010	2009 <sup>(2)</sup>
<b>Gas customers</b>		
Last resort tariff	2,461	2,716
Liberalised market1h (consumption >50,000 kWh/year to 500 MWh/year in high pressure and up to 1,000 MWh/year in low pressure)	31	27
Liberalised market (rest consumption)	1,872	1,747
<b>Total</b>	<b>4,364</b>	<b>4,490</b>
<b>Electricity customers</b>		
Last resort tariff	3,256	3,353
Liberalised market (power <10kW)	410	328
Liberalised market (power >10kW and sales to 0.75 GWh) (SMEs and others)	221	147
<b>Total</b>	<b>3,887</b>	<b>3,828</b>

(1) Figures from Spain.

(2) Figures for 2009 have been updated, as those provided in 2009 were calculated on the basis of estimates.

In Mexico, the company set up the “Let’s get to know our customer” project, geared at finding out the main reasons for customer satisfaction and dissatisfaction.

The company also opened up six customer service centres and direct red-line telephone numbers that communicate directly with the call centre, which improves the capacity to give service 24/7. In the area of customer service by telephone, thanks to mobile technology, the customer has the possibility of

being informed in real-time of disconnection and reconnection works that affect him.

In Brazil, improvement efforts focused on the claims procedure, specifically the attempt to keep the customer informed throughout the process, from registration through to resolution. As part of this initiative, the company placed special value on the role of customer service through the VIP concept, in which it seeks to raise collaborators’ awareness with regard to the importance of

their work in improving customer perception. These actions had a positive reflection on satisfaction levels, which improved 19.2 points in the complaints management process. We must also point to the fact that CEG, a company belonging to Gas Natural Fenosa, was one of the winning companies at the 10th ABT award, in the “Customer Service” category.

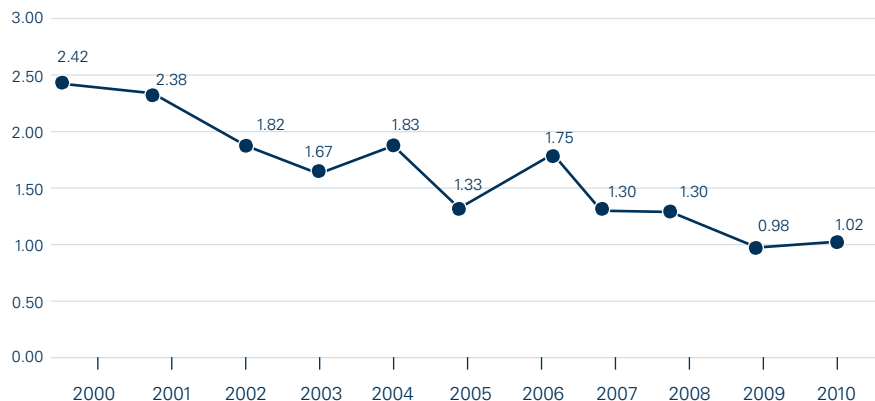
**Overall satisfaction with service quality**

(%)



**Equivalent Time Interruption of Installed Power (TIEPI)**

(horas) (\*)



(\*) Electrical business figures for Spain.



**Equivalent Time Interruption of Installed Power (TIEPI) and Interruptions per Installed Transformer MVA (NIEPI) by country<sup>(\*)</sup>.**

	2010					2009				
	Colombia (Electricaribe)	Guatemala (Deorsa/ Deocsa)	Moldova (Red Unión Fenosa)	Nicaragua (Disnorte/ Dissur)	Panama (Edemet/ Edechi)	Colombia (Electricaribe)	Guatemala (Deorsa/ Deocsa)	Moldova (Red Unión Fenosa)	Nicaragua (Disnorte/ Dissur)	Panama (Edemet/ Edechi)
TIEPI (hours)	91.31	98.09	8.71	108.27	21.49	93.22	101.48	7.07	124.23	18.65
NIEPI (No. of interruptions)	50.03	30.39	5.83	36.12	12.8	53.3	36.52	4.76	46.41	10.88

(\*)Figures relative to the electricity business.

**Frequency of electrical power cuts (No. of interruptions by customer)<sup>(\*)</sup>**

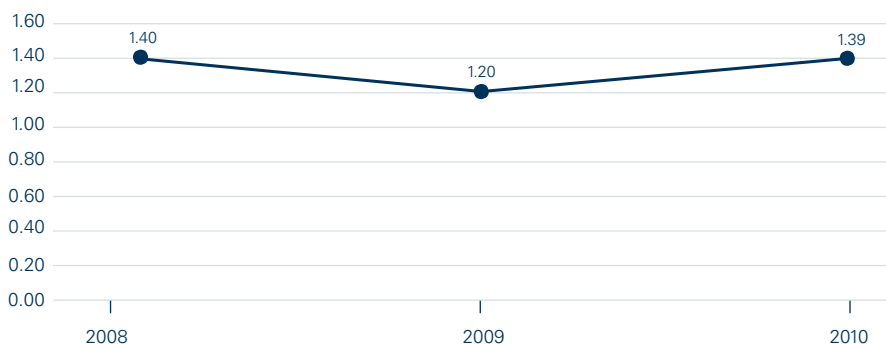


(\*) Figures for Spain.

Note: Defined as the average number of interruptions which a customer experiences or SAIFI (System Average Interruption Frequency Index): Total no. of interruptions to customers/Total no. of customer supplied. Customers have been assimilated to supply points.

**Average duration of electrical power cuts**

(hours)<sup>(\*)</sup>



(\*) Figures for Spain.

Note: The average duration of electricity power cuts is calculated as the aggregate of the customers' product affected multiplied by the time of interruption (only interruptions in excess of three minutes are considered by legislation) expressed in hours and divided by the overall number of customers. Customers have been assimilated to supply points.

In Guatemala, the company carried out initiatives targeted at improving customer service, including the rendering of the service in the three leading native languages of the country. In addition, the company opened up a third more centres where the customer can make cash payment of invoices. Meter reading service by mobile phone is also worthy of mention, as it improves quality control of meter readings and reduces the number of associated complaints. Lastly, the company set up a customer service guarantee unit, whose main goals are to speed up inter-institutional relations, provide a solution to critical claims and improve the customer service processes.

In terms of the quality of electrical service, Gas Natural Fenosa's TIEPI (Equivalent Time Interruption of Installed Power) in Spain worsened slightly, rising from 0.98 hours in 2009 to 1.02 in 2010.

In Spain, the 2010 figure gives an electrical supply reliability of 99.988%.

### The impetus behind ongoing improvement

In 2010, as a lever for the company's new strategic plan, Gas Natural Fenosa continued ongoing improvement of processes to increase operational efficiency. The company trained both sponsors as well as experts in the Lean Six Sigma methodology mainly in Spain, Colombia, Brazil, Panama and Guatemala. In addition, over 50 projects commenced with the common aim of improving efficiency and efficacy of the company's different business processes.

Ongoing improvement of the gas distribution processes continued in Spain. We can highlight the reduced times in providing the service to new customers and optimisation of the works construction process. In the electricity business, new sampling criteria were defined for inspection of works and projects, as well as for management of some records and for data verification. By the same token, the company optimised logistics management of certain key materials.

#### Residential sector disconnections for non-payment

##### Number of customers "disconnected" due to non-payment classified by the total duration between disconnection for non-payment and payment of debt

	Gas business				Electrical business			
	Argentina	Brazil	Colombia	Mexico	Colombia	Guatemala	Nicaragua	Panama
Fewer than 48 hours	17,692	17,121	252,503	88,426		132,158	75,436	41,178
Between 48 hours and a week	5,037	7,803	59,015	35,812		21,345	16,502	5,873
Between a week and a month	2,809	9,349	25,525	26,020	676.431 <sup>(1)</sup>	20,631	19,090	4,911
Between a month and a year	1,931	5,241	5	31,016		32,206	19,557	4,347
Over one year	0	0	0	39,032		-	-	18

#### Residential sector disconnections for non-payment

##### Number of customers "disconnected" due to non-payment classified by the total duration between debt payment and reconnection

	Gas business				Electrical business			
	Argentina	Brazil	Colombia	Mexico	Colombia	Guatemala	Nicaragua	Panama
Fewer than 24 hours	455	-	262,251	195,761		65,608	92,728	51,861
Between 24 hours and a week	26,938	39,514	74,634	20,218	678.431 <sup>(1)</sup>	134,668	37,682	4,460
Over one week	76	-	162	4,327		6,064	175	6

(1) Colombia's electricity figures include the customers of Electricaribe and Empresa de energía del Pacífico S.A. (EPSA).

In Italy, of particular note were the initiatives that were carried out in processes to maintain regulation stations, management of verbal contacts in the sphere of commercialisation and reduced times in providing service to new customers.

In Morocco, there was a successful conclusion to the efficiency improvement project, targeted at reducing self-consumption of the natural gas transportation system in the Maghreb-European gas pipeline.

In Brazil, the company introduced improvements to the technical processes, increasing the leak detection capacity, and it optimised recovery of meters. In the customer service sphere, the company improved efficiency in sending notifications of meter reading and in the sending of warnings for non-payment and cut-off.

In Argentina, the improvement in the economic-financial sphere with regard to accounting activation of works in progress deserves a mention.

In Mexico, the company finalised two customer service projects, successfully employing different techniques of the Lean Six Sigma methodology, applied to enhance the new customer service operating model at gas centres and in optimisation of reconnection processes.

In Guatemala, the company commenced several ongoing improvement projects. Of particular note was the improvement in detecting leaks in auxiliary services at substations and optimisation of bank remittances.

In both Colombia and Panama, the company started the formal deployment of the ongoing improvement process with the commencement of training and raising awareness of different roles within the organisation.

The first initiatives commenced in spheres such as customer service, distribution or gas measurement centres.

### Progress in quality management

In 2010, Gas Natural Fenosa set up the bases to establish a global project that will improve quality assurance through integration of the quality, environmental and prevention of occupational risks systems into a single system at corporate level.

With this in mind, the company reviewed its corporate policies in these three areas, as well as their integration with the Corporate Responsibility Policy. In addition, it approved the manual for comprehensive management system and the eight general procedures over which this is instrumented, and which apply across-the-board.

The company planned these tasks with the aim of achieving the goal in two years and to incorporate all businesses and activities which do not currently have a comprehensive management system.

All certifications for the quality and environmental systems of the company, certified in accordance with the ISO 9001 and ISO 14001 standards in previous years, were renewed after the pertinent audits. New processes, such as sales of electricity in Moldova, have obtained the corresponding QA certification in 2010. The company also completed integration of the QA certifications of the regulated electricity business in Spain.

### Corporate image



### Launch of the Integrated Quality, Environmental, Health and Safety Management System

In 2010, Gas Natural Fenosa launched a project to integrate the quality, environmental and health and safety systems, not only in Spain but at an international level.

By 2012, the project hopes to unify the numerous systems and certifications that the company has for different standards: ISO 9001 for quality assurance, ISO 14001 and EMAS for the environment, and OHSAS 18001 for health and safety. In this regard, the company has already made impressive progress, including the following:

- Establishment of a single and comprehensive policy, the Corporate Responsibility Policy.

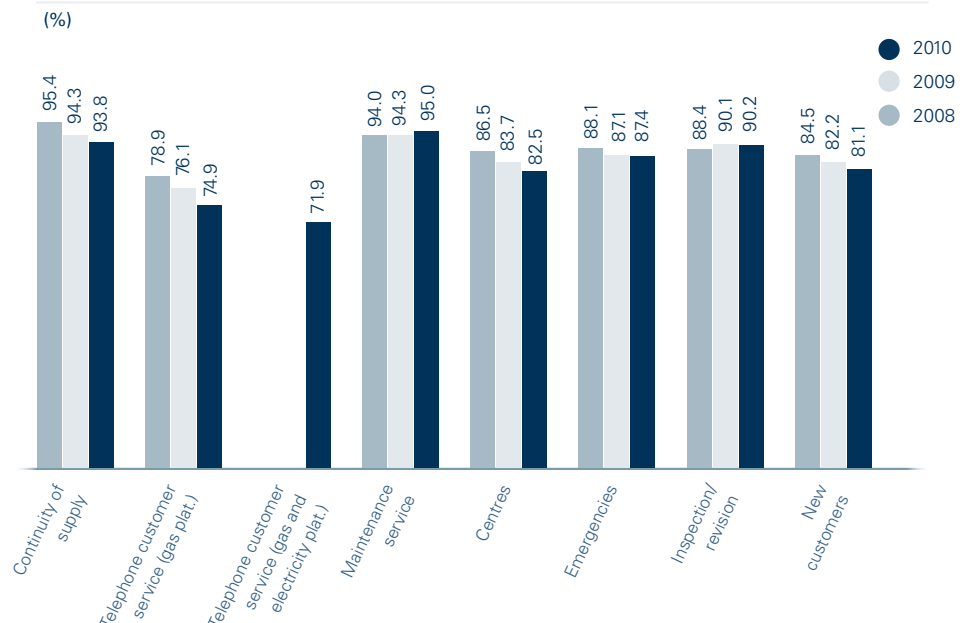
- Compilation of a manual on quality, the environment and health and safety, with a global span, approved by the CEO, which in the future will have supplements broken down by business/country.
- Set-up of eight general procedures that describe common aspects of the comprehensive management system, applicable in all countries.
- Preparation of general rules, such as management of the regulatory corpus and the purchasing standards, which articulate these processes throughout the company.

- Definition of common management tools.

In order to support the dissemination and rollout of the project, those in charge of the same held meetings at different levels of the organisation. There were also two communication sessions, one in the sphere of Europe and another in Latin America, specifically in Panama, where the managers from different areas of different countries were invited.

The company planned these tasks with the aim of achieving the goal in two years and to incorporate all businesses and activities which do not currently have a comprehensive management system

### Satisfaction rate with main processes. Spain



% Total responses from highly satisfied and satisfied.

Note: Measured only for gas customers, with the exception of customer service by telephone figures from the gas and electricity platform, a figure that was given in 2010 for the first time as it was the first year this service was operational.

In Brazil, Panama and Argentina, Gas Natural Fenosa maintained the substantiation of its respective laboratories in accordance with the ISO 17025 standard. In Colombia, works took place to set up the QA system for gas distribution processes.

In addition, in Spain there were technical inspections of different processes such as the periodic inspection, domicile operations and the construction of gas distribution networks. By the same token, in

Spain, Gas Natural Fenosa renewed the “Madrid Excelente” brand, by exceeding the requirements of excellence in management to obtain this.

We should point out that Gas Natural Fenosa belongs to the Spanish Association for Quality (AEC), where it actively takes part both on the Energy Industries Committee (CIE) as well as the Six Sigma Committee and the CERPER Certification Committee. Representatives of

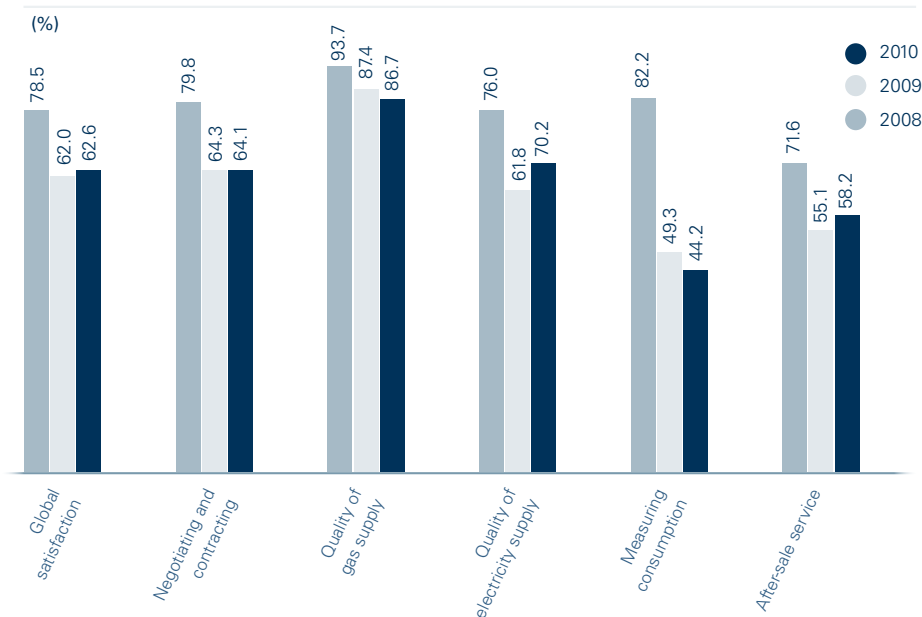
the company also form part of the Governing Board of AENOR, of the Governing Committee of Club Excelencia en la Gestión and the Executive Committee of Fundibeq: Latin American Quality Foundation.

**Satisfaction rate with main processes. International**

(%)

	Argentina	Brazil	Colombia	Italy	Mexico
Continuity of supply	93.20	93.40	91.90	91.80	87.20
Billing and payment	86.70	85.40	86.60	61.70	77.70
Telephone Customer Service	77.30	79.60	71.90	76.20	65.80
Centres	76.90	88.50	77.50	84.10	67.30
Emergencies	89.60	83.10	89.30	94.00	84.70

**Satisfaction index. Industrial customers. Spain**



Gas Natural Fenosa believes it is essential to offer a wide ranging mix of offers and of products and services that enable its customers to contract the combination that best suits their needs

**Implication of the value chain in the commitment to quality**

Gas Natural Fenosa went on with the implementation and consolidation of the authorisation model for suppliers and products. The aim of these processes is to contribute to selecting the most suitable suppliers and products for the most critical activities for the business. The model extended its operating sphere to Panama, Guatemala, Nicaragua, Morocco and Moldova, thus joining Argentina, Brazil, Colombia, Mexico and Italy, countries where the model is already consolidated. Similarly, the company extended the model to electricity and generation distribution areas in Spain.

Within the gas distribution sphere, the company consolidated the works managers model and set up a new quality assurance model at infrastructure construction sites and operations carried out at supply points.

**A range of products and services adapted to customers' requirements**

As market leader, Gas Natural Fenosa believes it is essential to offer a wide ranging mix of offers and of products and services that enable customers to contract the combination that best suits their needs. In this regard, in Spain in 2010 the company presented its campaign "We have a Good Plan for You...", which includes a number of gas and electricity offers both for the current as well as potential customers. The campaign place a special emphasis on the Dual Energy Plan with ServiGas, which offers customers gas and electricity at the same time.

The gas rates currently offered by Gas Natural Fenosa are as follows:

- Mini Gas, for new natural gas customers with very low-consumption.
- Basic Gas, for consumers without heating.
- Optimum Gas, for customers with heating.
- Family Gas, for homes with high consumption.
- Business Gas, for small businesses with high consumption.
- Plus Gas, for small businesses.
- Supra Gas, for businesses with high consumption.



Elsewhere, the electricity rates are as follows:

- Optimum Electricity, for new household electrical customers for up to 10 KW of installed power.
- Smart Business Plan, for small businesses.
- Good Business Plan, for businesses with average consumption.

- Customised Business Plan, for businesses with high consumption..

By the same token, wholesale commercialisation has offers adapted to volume consumption customers. Offers can include characterisation services of energy in its different guises, in order to make progress in energy efficiency. The offer range is as follows:

#### Launch of ServiElectric, new electrical corrective maintenance service

In June 2010, Gas Natural Fenosa presented ServiElectric, a pioneering service in terms of coverage and level of performance. The service boasted 22,000 customers at the end of 2010.

ServiElectric is a household assistance service that not only covers emergencies with faulty electrics, but also covers repairs to white electrical goods, electrical heaters and air-conditioning units and household heater pumps.

ServiElectric covers five emergency situations, including:

- Faulty air-conditioning unit, faulty heaters or fridges.
- Insufficient performance of any of the aforementioned electrical appliances.

- Faulty washing machine.
- Lack of hot water through faulty water heater or electrical heater.
- No domestic lighting.

Gas Natural Fenosa offers its customers a priority household assistance service within three hours from fault notification, free of charge call-out and coverage for the first three hours of labour.

Additional household services available include plumbing and computer repairs, etc, and there is no call-out charge.

The launch of ServiElectric is in line with the new gas and electricity integration strategy, associating energy with services of Gas Natural Fenosa.



- Customised Business Plan, for businesses with high consumption.
- Dual fuel offer for volume consumption.
- Rate offer with optimisation for high consumption.
- Electricity offer for major customers.
- Multi-supply management offer.

In 2010, the company focused on the Online Saving Plan, which offers billing discounts to those customers that choose to receive communications from the company electronically. This format reduces consumption of paper, minimises environmental impact and is more convenient for customers.



Also in 2010, Gas Natural Fenosa presented a new corrective maintenance service, ServiElectric. This is a household assistance service that deals with both emergencies with faulty electricals as well as assistance in repair of household white electrical goods and other household equipment.

Over the past year, Gas Natural Fenosa continued to promote the installation of natural gas, offering tailored financing to customers, special discounts, as well as other electricity and ServiGas offers.

In this context of promotion and development of natural gas, the company gave integrated energy management services to 1,642 customers.

Also in the sphere of energy efficiency projects, we should highlight the fact that the company was awarded the "Cuzco" (Central Administration of the State) tender, which means it will carry out an energy efficiency project at different buildings belonging to the Ministry of

Finance and the Ministry of Industry, Tourism and Trade, for the twin purpose of reducing financial costs and emissions into the atmosphere.

With regard to natural gas for vehicles, in 2010 the company set up a pump for the Madrid Municipal Transport company (EMT), which is scheduled to provide service to 500 buses.

### Effective communication with customers

The company's ability to detect and anticipate customers' needs, stems fundamentally from the set-up of effective communication channels that enable relations of trust to be established. These communication channels focus on serving customers, finding out their requirements, listening to them and dealing with their claims.

In 2010, the key actions in customer communication included the following:

### General customer indicators

	Argentina	Brazil	Colombia	Spain	Italy	Mexico	Total	Variation % 09-10
Gas activity sales (GWh)	74,621	64,212	16,160	207,197	3,387	46,002	411,930	2.30
Network renewal (km)	4,57	27,15	1,58	17,32	0	30,17	81	(29.23)
Distribution network (km)	23,005	6,006	19,010	44,931	5,848	16,471	115,271	(2.85)
Increase with regard to 31/12/2009 (km)	269	74	1,559	1,152	204.10	275	3,533	5.08
Regulatory inspections	0	0	352,792	1,223,134	0	0	1,575,926	(15.51)
Network overhauled (km)	12,895	5,628	4,131	24,938	3,383	14,588	65,563	(2.20)
Renewal of connections (units)	12,157	1,136	0	2,767	59	6,038	22,157	(5.40)

Note: Measured only for gas customers.



### Gas Natural Fenosa fosters the use of alternative fuels in Spain

Gas Natural Fenosa reached an agreement with the RACC Automóvil Club, the biggest automobile club in Spain, to encourage use of the electric car and reinforce natural gas as a fuel for vehicle fleets.

The agreement covers the design, development and promotion of joint services and offers within the sphere of the electric vehicle, including complementary products from both entities.

The agreement will therefore provide potential users of the electric car with offers in the supply of energy, finance and purchase of electric vehicles as well as the set-up of recharging infrastructures. The offer will also

extend to assistance, insurance and maintenance services. Joint solutions will also be analysed for vehicle fleets that run on natural gas. The signed agreement also provides for the development, through the foundations of both enterprises, of joint actions to disseminate and provide training on alternative energies applied to transportation, with special focus on electrical mobility.

Within the framework of the agreement, Gas Natural Fenosa and RACC will collaborate on the Infotransit project, an online service targeted at providing the driver with real-time traffic information using electric car technology to power this information tool.

We should highlight the commitment that Gas Natural Fenosa has in development of energy alternatives for transport. Among other initiatives, with regard to the electric vehicle, the company participates in the MOVELE project, managed and coordinated by IDAE (the Spanish Institute for Energy Diversification and Saving), which seeks to introduce, within two years, 2,000 electric vehicles in town centres and the set-up of 500 recharging points for these vehicles.

- Communication of the legislative or regulatory changes that affect them, in accordance with their rate or market.
- Communication with tips on gas usage and safety. The package includes a sticker with recommendations on what to do if they smell gas.
- Communication to customers with information on energy efficiency, saving and better use of gas and electricity.

#### Customer indicators. Spain

	2010	2009	2008
New municipalities supplied	33	32	55
No. of preventive maintenance inspections	1,108,462	1,322,538	1,222,216

Note: Measured only for gas customers.

#### Length of electricity transportation and distribution lines (aerial and underground) by regulatory regime

(km) <sup>(*)</sup>	Medium and low voltage	High voltage
Aerial	81,518	8,029
Underground	27,090	619
<b>Total</b>	<b>109,608</b>	<b>8,648</b>

(\*) Figures from Spain.



In the context of promoting energy efficiency among customers, other initiatives were also carried out, of which we may highlight the following:

- The launch of “hogareficiente.com” and “empresaeficiente.com”. These are specialised areas that focus on energy efficiency and place tools at the disposal of the end consumer to optimise their energy consumption. They also offer a free of charge diagnosis on the energy situation of individuals and companies and tips on how to improve this. To date, both websites have received 300,000 hits.
- Agreement with Procter & Gamble to send discount vouchers to customers so they can purchase this company’s products, offering value-added in terms of energy saving or water consumption.

- Signing of agreements with companies and technological institutes to cooperate in user training, information and awareness campaigns in the fields of energy saving and efficiency.
- Organisation of training sessions and seminars targeted at customers, to inform them on the possibility of including new efficient technologies that improve their competitiveness and reduce their emissions.
- Publication of new good practices guides.

Elsewhere, the wholesale arm collaborates with sector associations to identify specific needs to adapt the company’s commercial offer, and for joint dissemination of issues concerning energy efficiency and sustainability.

Furthermore, Gas Natural Fenosa carries out initiatives to address the barriers of language, culture and disabilities, to be able to safely access and use energy and provide customers with a better service. The company’s efforts to overcome these restrictions have been especially notable in Latin America, where initiatives have taken place in different countries.

#### “Responsible Consumption” campaign in Argentina

Gas Natural Fenosa implemented a corporate responsibility programme called “Responsible Consumption” in Morón (Buenos Aires). The campaign was carried out using teaching centres -designed in coordination with the Consumer Education Centre (CEC)- that promote the efficient use of energy in the home. An interactive area was used to provide training and deal with customers’ concerns and doubts.

The training cycles involve the following modules: the ABC of gas; environmental and economic benefits; rational use; safety measures; prevention of carbon monoxide accidents; reading the bill; consumers’ rights and obligations; and, finally, teaching activities. The programme also has two manuals: The “Collaborator’s Manual” for

participants, and the “Capacitator’s Manual” so that voluntary specialists of CEC and the company are able to train instructors.

The first workshop cycle of 2010 was attended by 29 civil servants from the municipality, who took part to find out about the programme and to be able to apply it at different organisations and districts of the town.

The “Responsible Consumption” corporate responsibility programme forms part of Gas Natural Fenosa’s desire to inform and train users so that they make efficient and safe use of gas. It represents one of the actions that reflects the company’s commitment to sustainability.

In Argentina, Brazil and Panama, Gas Natural Fenosa offers its visually-challenged customers the possibility of receiving their bill in Braille. In addition, Electricaribe, in Colombia, improved accessibility to customer service centres by building access ramps at many of its own centres.

In Colombia, together with SENA (National Industrial Training Service), Gas Natural Fenosa was behind the “Social Promotor” training scheme. Lasting 600 hours, the idea is to train leaders from among the community so they form part of the social control and development committees that will contribute towards social and economic development of surrounding communities.

Also in Colombia, Gas Natural Fenosa commenced inclusion of the PRAES projects (Environmental School Projects) in the Energy Guides programme, to boost the education of customers in the efficient use of energy and preservation of the environment, among other issues.

In Guatemala, the company set up customer service in Mayan languages to break down linguistic and cultural barriers. It also reinforced the mobile customer service offices. This service carries out campaigns to solve doubts or to hook up supply connections, both for new customers as well as remote communities where the service was already provided.

Lastly, in Nicaragua, the company consolidated priority customer service at its centres, with preference given to pregnant women and the elderly.

### Self-regulation in communication practices

Gas Natural Fenosa is a member of Autocontrol, a non-profit association that manages the Spanish advertising self-regulation system. The resolution of conflicts is carried out through a system, recognised by the European Commission, which respects and complies with the principles laid down in recommendation 98/257/EC.

By the same token, Gas Natural Fenosa is affiliated to the Advertising Self-Regulation Code for Environmental Arguments. This code, which was drawn up by the Ministry of the Environment and Rural and Marine Affairs and by Autocontrol (the Association for the Self-Regulation of Commercial Communication), has the object of establishing a set of rules for the development, execution and dissemination of advertising messages including environmental arguments or references.

Gas Natural Fenosa is a member of Autocontrol, a non-profit association that manages the Spanish advertising self-regulation system

The companies which have subscribed to this code undertake to use advertising messages including environmental arguments responsibly and truthfully. In November 2010, Gas Natural Fenosa was appointed representative of the energy sector on the monitoring commission of the foregoing code.

### Number of calls received in the customer service centre

	Consolidation since 01.05.09		Pro forma figures	
	2010	2009	2009	2008
Argentina	1,657,234	1,684,506	1,684,506	1,353,053
Brazil	774,656	725,898	725,898	874,306
Colombia	6,171,796	5,334,920	6,674,813	6,865,264
Spain <sup>(1)</sup>	13,422,401	13,344,473	15,257,763	–
Guatemala	1,749,519	1,013,031	1,450,561	1,561,524
Italy	398,949	426,916	426,916	432,559
Mexico	1,718,963	1,405,935	1,364,957	1,105,245
Nicaragua	3,100,838	1,957,624	3,258,197	6,281,635
Panama	853,166	464,090	720,681	885,902
<b>Total</b>	<b>16,026,172</b>	<b>26,357,393</b>	<b>31,564,292</b>	<b>19,359,488<sup>(1)</sup></b>

(1) Full figures are not available for Unión Fenosa for 2008.

Gas Natural Fenosa promotes a policy for contracting suppliers which encourages long-term relations

### Long-term relations of trust with suppliers

For Gas Natural Fenosa, excellence in the service provided to customers stems from the definition of long-lasting commercial relations with its suppliers that are also stable and built on trust. Consequently, the company promotes a policy for contracting suppliers which encourages long-term relations.

In Spain, 2010 saw the conclusion of the tender for procurement of development and maintenance activities of low-, medium- and high-voltage electricity lines, the clauses of which include the provision of services for a maximum period of five years.

In Latin America, Gas Natural Fenosa is involved in tenders for the award of construction and maintenance works for electrical and gas lines, the clauses of which include service periods of up to five years.

### Customer Service ratios. Spain

	2010	2009	2008
Customer requests solved immediately (%) <sup>(1)</sup>	96.60	96.10	95.50
Level of customer satisfaction with the Telephone Customer Service (%) <sup>(2)</sup>	71.9	76.10	78.90
Average time for solving requests (days)	7.50	11.40	7
Calls answered within 15 seconds (%) <sup>(3)</sup>	80.02	83.90	–

(1) The % of customer requests resolved immediately and the average resolution time refers only to what was formerly Gas Natural Group. This measurement is not available for what was formerly Unión Fenosa.

(2) The level of customer satisfaction with the Telephone Customer Service refers to the gas and electricity platforms.

(3) The % of calls dealt with within 15 seconds is the sum of all calls concerning gas and electricity, although electricity calls until September/October were registered with regard to those answered within 20 seconds. In 2010 the target laid down for Gas Natural Fenosa in 2009 to deal with 80% of calls within 15 seconds is consolidated.

### Gas Natural Fenosa website indicators

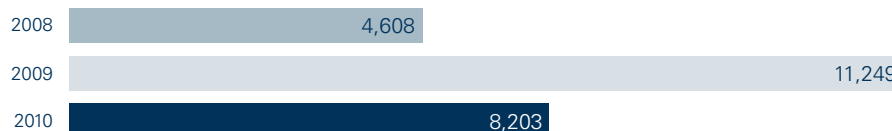
(in thousands)	2010	2009	2008
No. of customers registered at the end of the year	740	706	587.8
No. of online transactions at the Virtual Office	3,451 <sup>(*)</sup>	6,150	6,431
No. of customers registered with the online billing service	94	41	60.5

(\*) The ratio is not comparable with previous years as the calculation systems have changed and the criteria modified, as well as the fact that some transactions have been removed.

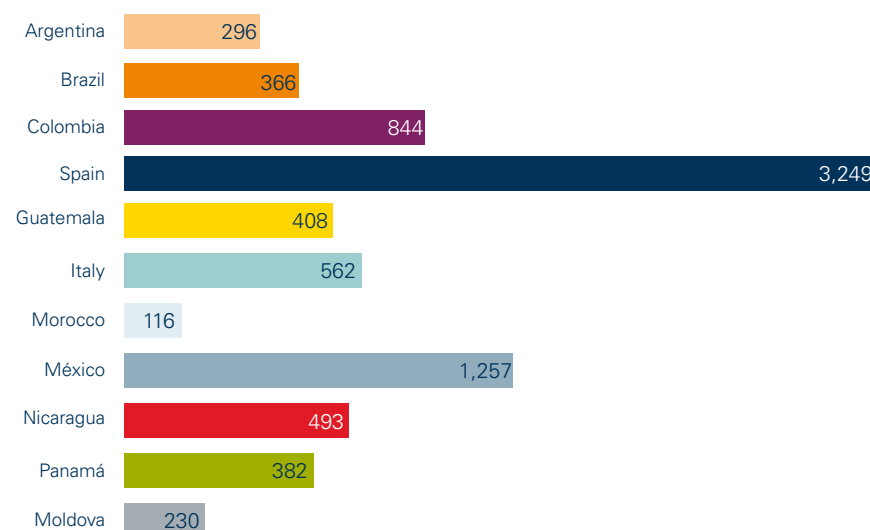
In addition, the company reinforced the set-up of commercial contracts with greater time coverage for purchases of material supplies, with preference given to those targeted at maintenance of installations and those directly related to maintaining continuity of electricity supply.

The general procurement conditions of works and services of the company include a clause on the Code of Ethics of Gas Natural Fenosa and underline the requirement to comply with environmental regulations.

### Suppliers with contracts currently in force

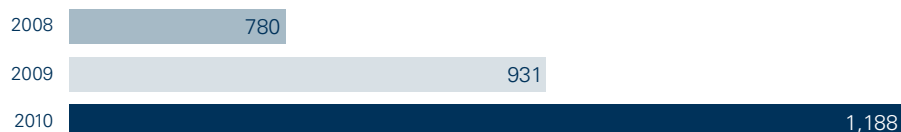


### Suppliers with contracts currently in force by country



### Mercantile contracts

(current at the end of the year)<sup>(\*)</sup>



(\*) Figures from Spain

### Supplier indicators<sup>(\*)</sup>

	2010	2009	2008
No. of total agreements with installers	346	598	667
Installers with customer service centre	236	209	212
Installers without customer service centre	110	389	455

(\*) Only gas customers.

### Training on the value chain

Gas Natural Fenosa believes that training suppliers improves their performance, increases the quality of products and services rendered to the company's final customer and helps reducing costs.

In Spain, 12 training programmes were carried out through the Energy Training Centre of the Gas Natural Fenosa Foundation designed for employees of suppliers, contractors and collaborating companies in 2010. 232 courses and 50,337 hours of training were given overall, with the participation of 3,400 individuals.

In Argentina, the company organised a skills session for suppliers, who receive intensive training in quality assurance, logistics, negotiation and management and leadership.

### Establishment of objective selection mechanisms

Gas Natural Fenosa screens suppliers through a process governed by the following principles:

- Effectiveness.
- Efficiency.
- Flexibility.
- Equal opportunities.
- Transparency.

These principles are also the basis of the Awarding and Contracting General Standards of Gas Natural Fenosa. Together with this, the General Standards for the Quality of Suppliers has the fundamental purpose of choosing the most appropriate suppliers in each situation, with the ulterior aim of maximising the quality of service offered to the end customer.

### Companies registered on the Supplier Portal



### Purchases from local suppliers

	2010		2009			
	Orders issued	% Purchase local suppliers	Orders issued		% Purchase local suppliers	
			Consolidation since 01.05.09	Pro forma figures	Consolidation since 01.05.09	Pro forma figures
Argentina	614	99.5	414	414	75	75
Brazil	1,721	99.3	911	911	70	70
Colombia	10,633	97.8	12,239	17,490	85	85.3
Spain	10,382	93.4	24,580	33,554	85.5	86.7
Guatemala	1,890	80.3	3,871	3,871	85.9	85.9
Italy	1,547	98.9	1,187	1,187	70	70
Morocco	216	70.1	163	163	60	60
Mexico	5,398	86.6	4,906	6,001	63.9	68.1
Nicaragua	2,836	61	4,081	4,081	77.6	77.6
Panama	1,403	79.8	5,244	5,244	90.9	90.9
Moldova	1,792	57.2	2,181	2,181	88.6	88.6
<b>Total</b>	<b>38,432</b>	<b>88.9</b>	<b>59,789</b>	<b>75,098</b>	<b>82.3</b>	<b>83.3</b>



In accordance with the commitments that have been established, Gas Natural Fenosa encourages the contracting of local suppliers in order to contribute to the development of the local communities and countries in which it operates. In this regard, Gas Natural Fenosa does not have a specific policy for contracting local suppliers, yet makes every endeavour to ensure local purchase.

In 2010, Gas Natural Fenosa extended its suppliers quality model to the electricity distribution and generation business in Spain, Colombia, Mexico, Guatemala, Nicaragua, Panama and Moldova.

Before being contracted, a supplier must satisfy the following three obligatory requirements imposed by Gas Natural Fenosa:

- Observance of the quality and environmental standards established by the company.
- Compliance with the regulations in force governing prevention of occupational risks.
- Preparation of an occupational health and safety plan in all the work and services envisaged in the laws in force.

Similarly, Gas Natural Fenosa takes part on the RePro Platform, a system of publication, classification and official approval of suppliers. The objective pursued is to ensure that the selection process is carried out under the established levels of demand, ensuring that the suppliers selected satisfy all criteria.

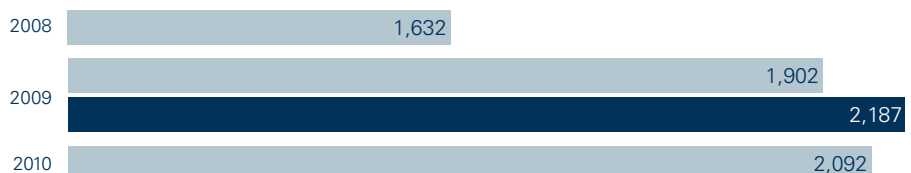
In 2010, Electricaribe set up a new tool to be used in the procedures of tender and procurement, enabling efficiency to be improved and providing greater transparency and fairness in the process.

By the same token, Gas Natural Fenosa believes that setting up communication channels with its suppliers is a priority. The Suppliers Portal, which offers the functionalities listed below, satisfies this function:

- Bid management.
- Publication and acceptance of orders.
- Exchange of documentation associated with orders.
- Acceptance of technical standards associated with contracts.

**Total purchase volume awarded**

(millions of euros)



● Real figures. ● Pro forma figures.

Because of this variety of production sources, Gas Natural Fenosa is able to ensure the reliability of the electricity supply

### Supply safety and diversity

The guarantee of a regular gas and electricity supply is essential for providing a quality service and for fulfilling the company's social function.

Suppliers play an essential role in the gas distribution service. They are responsible for supplying gas in a stable and continuous way. Gas Natural Fenosa has a large portfolio of top-level suppliers which ensure that customers are supplied with gas with a high degree of reliability.

The natural gas can be supplied via gas pipelines or through liquefied natural gas (LNG) tankers. During 2010, gas procurement was equally distributed between the two sources indicated above, thereby achieving an optimised supply mix from the standpoint of sensitivity to interruption risks.

Gas Natural Fenosa's relations with suppliers are built around stable, long-term contracts. Accordingly, the company guarantees a regular gas supply and suppliers can have a continuous flow of income, which is essential for completing the large investments required in the energy sector.

Gas Natural Fenosa is aware that a good relationship with its suppliers has a direct impact on the quality of the service offered to customers, and therefore keeps in regular contact with its suppliers with the aim of establishing improvement measures.

All the contracts signed by Gas Natural Fenosa adapt to the provisions laid down in the System Technical Management Rules. These

rules are published by the Ministry of Industry and Energy and constitute a mandatory framework for all the players on the Spanish gas market.

This variety of electricity production sources enables the company to ensure the reliability of the supply it offers to its customers. Gas Natural Fenosa has its own resources for generating electricity using various sources: combined cycles, hydroelectric power stations, nuclear power stations, wind farms and other renewable and thermal sources.

In developing its portfolio of new generation projects in Spain, Gas Natural Fenosa works in conjunction with national, autonomous and local authorities to keep the pool of installed power within the established limits, thus assuring efficient coverage of electricity demand. It also collaborates in the development of social initiatives and demands through agreements with local authorities in the areas in which it promotes its projects. In this regard, particularly noteworthy is the work carried out by Gas Natural Fenosa, in collaboration with the Ministry of Industry, Tourism and Trade, in order to define and draw up the document which is currently in force on the Planning of Electricity and Gas Sectors.

Gas Natural Fenosa cooperates closely and coordinates with the responsible authorities in markets where it develops new capacity projects through tender calls or public-private partnerships. All with the object of ensuring that installed capacity complies with long-term demand requirements. In certain countries in which Gas Natural Fenosa is present, electricity access



programmes are also included, such as those promoted by Electricaribe for the normalisation of electrical installations in urban areas with deficiencies.

In the predicted short- and mid-term energy scenario, the increase in power shall depend on environmental awareness, and this should trigger strong development of clean energies. Renewable development will mean it is necessary to complement the generation mix with other sources. The company thus has a broad portfolio of generation projects in different phases of development and in different technologies.

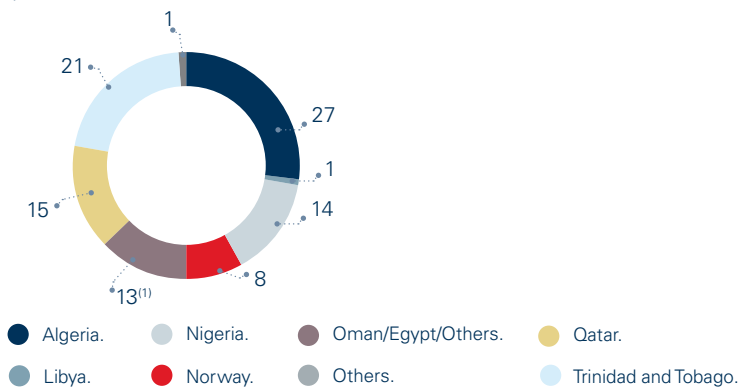
What is more, in order to ensure the correct correlation between supply and demand in each and every one of the markets in which it operates, Gas Natural Fenosa is continuously in contact with different authorities and institutions in the energy sector. The objective is to keep the pool of installed power within the established limits in order to ensure that the demand for electricity in Spain is efficiently covered.

The company continuously controls and monitors real demand on the market, through the Electrical Control Centre. This information is used to carry out short-term action in both generation and distribution. In the mid-term, the information is used to optimise production and consumption and for the annual and several-year planning of new generation and distribution investments.



**Diversification in the sources of the supply**

(%)



(1) Gas deriving from Unión Fenosa Gas.

## Commitment to Results



The energy markets are experiencing an ongoing process of integration, globalisation and increased competition. In this context, Gas Natural Fenosa set itself the objective of integrating the gas and electricity businesses into a company with lengthy experience in the energy sector and with the capacity to compete efficiently.

The acquisition of Unión Fenosa, the third largest electricity utility company in Spain, consolidated Gas Natural Fenosa as a benchmark company within its sector. Gas Natural Fenosa is currently the largest integrated gas and electricity company in Spain and Latin America. In the gas market, it is the leader in selling gas on the Iberian Peninsula and with regards to distribution in Latin America. Similarly, in 2010 the company became one of the biggest liquefied natural gas (LNG) operators in the world, where it is the benchmark in the Atlantic and the Mediterranean basins in terms of operation volume.

In April 2010, Gas Natural Fenosa presented the new corporate mark, which reflects a more dynamic, honest and modern character, as a result of coupling the key values of Gas Natural and Unión Fenosa. As a symbol, the company keeps the butterfly which, more than ever, expresses newness, liberty and constant movement.

In July 2010, and following the successful merger with Unión Fenosa, the company presented the 2010-2014 Strategic Plan, which revolves around three key aspects: strengthening of the balance sheet, optimisation and capture of growth.

The structure of the plan differentiates between two stages, setting specific targets for 2012 and certain ambitions, depending on the surrounding climate, the 2014.

During the initial stage of the plan, from 2010 to 2012, the company intends to focus its efforts on strengthening the financial position, aligning strategy with a strict investing discipline, removing a large amount of leverage and with the commitment of obtaining an "A" credit rating in the medium term.

Optimisation will be a further target over this period, focused on improving efficiency until 2012 and achieving up to 750 million euros in synergies, which will double those achieved at the close of 2009.

Optimisation of the company's current businesses will also be important. To this end, Gas Natural Fenosa will proactively optimise the portfolio of supplies, adapting this to the conditions of the new setting, and will seek to benefit from opportunities through dual

commercialisation of gas and electricity. The optimisation aspect will be completed with proactive management of the regulatory frameworks of Europe and Latin America.

The second stage of the new strategic plan, for the 2012-2014 period, is focused on corporate growth, with medium-term positioning that would enable the company to benefit from the recovery of markets and to expand in liberalised businesses.

With regard to the dispute that Gas Natural Fenosa has with Sonatrach, concerning the price review for the contracts for gas supplied from Algeria through the Maghreb-Europe pipeline, in August 2010 the arbitration award was given. The court of arbitration gave backdated recognition to Sonatrach to increase the price from 2007 onwards, which involved an amount of 1,970 million dollars invoiced by Sonatrach for the period until July 2010. The award has been challenged by Gas Natural Fenosa in the Federal Court of Switzerland. Similarly, the company has requested the start of a process for the price review of the contracts affected, whereby, as set forth in the corresponding contracts, the sweeping changes incurred in the current situation of worldwide markets and, more specifically, the Spanish market, are taken into consideration.

In November 2010, the Federal Court of Switzerland granted a preliminary injunction with regard to the arbitration award. This has suspended the arbitration award until the aforementioned court takes a final decision concerning the challenge submitted by Gas Natural Fenosa.

In a parallel fashion, Gas Natural Fenosa and Sonatrach are maintaining negotiations on the price reviews laid down in the contract, and a beneficial result for both parties is expected, which will definitively end the dispute.

In the event that none of the measures taken by Gas Natural Fenosa proves fruitful with regard to the aforementioned arbitration award, part of the price increase would be passed on to certain customers, in accordance with the contractual terms. More specifically, Article 15 of Royal Decree Law 6/2000 of 23 June, lays down the obligation for the holder of the natural gas supply contract for gas from Algeria and supplied via the Maghreb-Europe gas pipeline to use this gas preferably for sale to tariff consumers. Elsewhere, regulations governing the hydrocarbons sector lays down a comprehensive economic system of the natural gas sector which, *inter alia*, lays down that the activity carried out for regulated rate supply be configured as a regulated activity, and for which the mechanism of compensation is established to cover the costs of raw materials, configured as a system cost.

Elsewhere, for the second year running, Gas Natural Fenosa has been classified as the leading worldwide company in the gas sector, based on the "Platts Top 250" ranking, which assesses the biggest energy companies in the world.

Gas Natural Fenosa is ranked 31st among the energy companies of Europe, the Middle East and Africa, and 58th worldwide. Platts Top 250 highlights the financial profits of the main energy companies worldwide, based on four parameters: value of assets, revenue, profits and ROI,

based on figures given by "Capital IQ Compustat" of the Standard & Poors rating agency.

Moreover, in 2010, DJSI recognised Gas Natural Fenosa as the world leader from among water, gas and electricity utilities. The companies included on this selective index are taken from among the biggest 2,700 worldwide. Only approximately 10% of these are included on the index. These are those companies that are able to substantiate a better performance in social, environmental, corporate governance or ethical issues.

#### Principles of responsible action with shareholders and investors

The focus on results is one of the commitments laid down in the Gas Natural Fenosa Corporate Responsibility Policy, and is based on the following principles:

- Work to obtain an appropriate return on the resources used.
- Encourage efficient management of resources within the framework of ongoing improvement of processes.
- Apply best practices in terms of informational transparency at all times, establishing channels of communication with the markets and with other stakeholders in order to strengthen its credibility and reputation.

#### Main indicators

	2010	2009	2008
Net turnover (millions of euros)	19,630	14,873	13,544
Gross operating profit. Ebitda (millions of euros)	4,477	3,923	2,564
Total investments (millions of euros)	1,553	15,243	3,697
Net profit (millions of euros)	1,201	1,195	1,057
Dividend (millions of euros)	737 <sup>(1)</sup>	730	663 <sup>(2)</sup>
Evolution of the Gas Natural Fenosa classification on the DJSI	85	83	76

(1) Equivalent total amount.

(2) Includes 90 million euros in extraordinary dividends.



**Focus on growing and sustained profitability**

Growth was mainly driven through the merger with Unión Fenosa, which enabled the electricity generation and distribution business lines to be

developed. Therefore, it continued its consolidation and expansion process in Spain and abroad.

Net profit of 2010 was up 0.50% year-on-year, at 1,201 million euros. This positive trend was reinforced

through the recovery of energy demand in Spain, growing contribution of the international businesses and the results of disposal of gas distribution assets in Madrid. We should mention that the additional provision as a result of the risks from the dispute with Sonatrach has conditioned results for the 2010 financial year.

Gas Natural Fenosa estimated the provision based on available information on the dispute with Sonatrach, negotiations in progress and the amounts payable, to properly cover the described risks, both for the backdated period as well as for the additional period until 31 December 2010.

We must point out that the acquisition of Unión Fenosa, and its inclusion through global integration into the

**Relevant actions**

Proposed actions for 2010	Actions taken 2010	Actions planned 2011
Submission of the company's Strategic Plan and dissemination of this to the financial community.	● Collaboration in presentation of the Company's Strategic Plan and circulation of this to the financial community.	Compliance with criteria in issues of Human Rights and nuclear power of FTSE4Good.
Inclusion of the best practices of each of the merged companies to ensure we remain leaders on the sustainability indices.	● Maintenance of the company's presence on sustainability indices thanks to the take-up of best practices.	Increased presence at sector conferences.
Include those aspects that respond to the new requests for information from fixed income investors in economic-financial information.	● Structure financial information, in accordance with new requests for information from fixed-income investors.	Establish fixed-income analysts as a target public, due to the increase of fixed income issues in the market.
Hold meetings with stock market analysts to review the company's assessment models after the takeover of Unión Fenosa.	● Encourage meetings with stock market analysts to review their assessment models of the company following the acquisition of Unión Fenosa and the new 2010-2014 Strategic Plan.	Proactively increase roadshows for the financial community.

Level of compliance: ● High ● Medium ● Low

consolidated profits from 30 April 2009, leads to significant changes when comparing 2010 with the previous period, and does not enable the opportune analysis of the evolution of Gas Natural Fenosa businesses.

Consolidated Ebitda for 2010 totalled 4,477 million euros, up 14.1% year-on-year. This is largely due to the non-inclusion through global integration of Unión Fenosa until 30 April 2009. These operating figures, backed by growth of profits from regulated activities and driven through the growing contribution of these activities in the international sphere and through higher level of operating efficiency nationwide, have enabled the company to offset the additional provision made for the dispute with Sonatrach. Similarly, we must point out that management of the global energy portfolio of Gas Natural Fenosa has enabled the company to stabilise its contribution to profits, despite a significantly volatile climate.

The results obtained within the aforementioned context show the relevance of the Gas Natural Fenosa business model, based on an

appropriate balance between regulated and liberalised businesses in the gas and electricity markets, and with growing and diversified contribution of the international presence. In fact, growth of the company's international activity, mainly through regulated or almost regulated activities in Latin America (+30, 40%), reveal the robustness of the company's business model.

The swiftness of the non-strategic disinvestments or those agreed with the National Competition Commission (CNC) enable progressive standardisation of the borrowing level, which was at 57.3% at 31 December 2010.

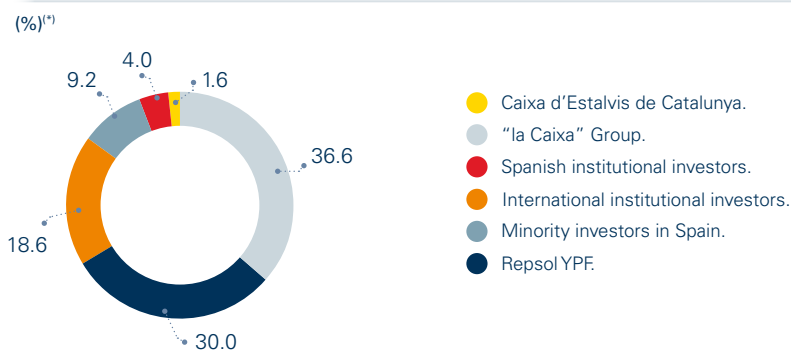
Tangible and intangible investments for the year totalled 1,543 million euros. The 17.6% decrease with regard to those from the previous year is mainly due to finalisation of the construction programme for combined-cycle plants.

On the stock market, Gas Natural Fenosa closed the year with a share price of 11.49 euros. This represents a fall of 23.80% in comparison with the close of the previous year. Elsewhere, the Ibex35,

the main Spanish stock exchange index, closed the year with a fall of 17.4% with regard to 2009.

For 2010, the Board of Directors will forward a proposal to the General Meeting of Shareholders for a shareholder dividend for a total amount equivalent to 0.80 euros per share charged to the year's profits, which represents a 1% increase over the previous year's remuneration and a payout of 61.40%. This enables Gas Natural Fenosa to make a policy of growing returns for the shareholder compatible with operational development and standardisation of the leverage, within a very demanding macroeconomic, energy and financial context.

Gas Natural SDG: shareholder structure



(\*) At 31 December 2010.

### Stock market indicators

	2010	2009	2008
No. of shareholders (in thousands)	80	67	27
Share prices at 31/12 (euros)	11.49	15.08	8.80
Profit per share (euros)	1.30	1.48 <sup>(*)</sup>	2.36/2.05 <sup>(*)</sup>
Share price-profit ratio	8.80	11.60/10.20 <sup>(*)</sup>	8.20
Share capital (no. of shares)	921,756,951	921,756,951	447,776,028
Stock market capitalisation (millions of euros)	10,591	13,905	8,638

(\*) Figures adjusted because of the capital increase of March 2009.

### Financial ratios

	2010	2009	2008
Borrowing <sup>(1)</sup>	59.60	63.20	42.20
Ebitda/Net financial results	4.40x	4.80x	9.70x
Net debt/Ebitda <sup>(2)</sup>	4.30x	4.30x	1.90x
P/E	8.80x	10.20x	8.20x

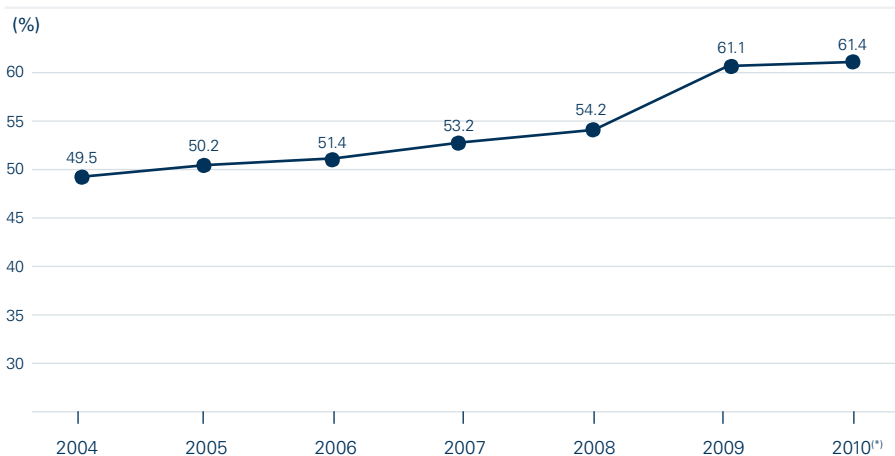
(1) Net financial debt/(Net financial debt + Net worth + Minority interests).

(2) Pro forma Ebitda.

### Profit index

(millions of euros)	2010	% 2010/2009
Net profit of Gas Natural Fenosa	1,201	0.50

### Evolution of payout



(\*) Taking into account the overall dividend equivalent amount.

### Communication channels adapted to the needs of shareholders and investors

Gas Natural Fenosa understands informative transparency as a key aspect in implementing its commitment with markets, shareholders and investors.

To this end, Gas Natural Fenosa has designed its own communication channels that provide the best service. The following are worthy of mention:

- Investor relations.** The company provides the same information to institutional and minority investors, guaranteeing the principles of equality and the simultaneous publication of information. The Shareholder Assistance Office provides a continuous service to minority shareholders.
- Communication programme with institutional investors and financial analysts.** Its aim is to present the situation and prospects of Gas Natural Fenosa in a stringent and transparent way, to foster relations of trust between analysts and investors and the company.
- Corporate website.** This includes all the documentation required by the Transparency Act and the rules that implement this. The company's corporate web has an informative area of interest to shareholders and investors and which includes, inter alia, financial and management data, and performance figures for the last five years.

Alongside the foregoing, Gas Natural Fenosa has other constant communication channels with investors and shareholders:

- Meetings all over the world to provide information on company forecasts or on relevant events that could affect the company or its sector.
- Participation in conferences and seminars of interest.
- Regular sending of information of interest to the analysts and investors that monitor the company more closely.

In addition, in 2010 and for the purpose of prioritising initiatives that could attract investors who, because of their investment philosophy or peculiarities, are of greater interest for the company, Gas Natural Fenosa compiled two studies to find out the nature of the shareholding body and to define the standard investor profile.

Gas Natural Fenosa understands informative transparency as a key aspect in implementing its commitment with markets, shareholders and investors

**Communication channel indicators**

	2010	2009	2008
Meetings with shareholders and investors	168	320	320
Meetings with analysts	12	21	10



The DJSI recognised Gas Natural Fenosa as the world leader from among water, gas and electricity utilities

**Inclusion in the socially responsible investment indices**

The current market is characterised by the socially responsible investor who, together with traditional financial aspects, includes criteria of a social, environmental or ethical character in their portfolio selection decisions.

For this reason, investors insist that listed companies have a commitment to integrity, responsibility and transparency, because they believe that these are indicators of excellent quality in their business management and governance practices.

Socially responsible investors believe that investing in companies whose conduct is guided by the aforementioned values may offer an extra return that remains in the long term.

In 2010, Gas Natural Fenosa maintained its presence on the socially responsible investment indices with the best reputation on the international scenario: Dow Jones Sustainability Index and FTSE4Good. Both are selective indices

that feature companies that have to substantiate good practices in social, environmental, corporate governance issues or in areas of an ethical nature.

In 2010, DJSI recognised Gas Natural Fenosa as the world leader from among water, gas and electricity utilities. In the gas distribution sector, for the second year running, the company was ranked leader with a score of 85 points, 2% up on 2009.

Gas Natural Fenosa has been included on the DJSI Europe, becoming the only company from its sector to receive this recognition.

Similarly, for the ninth year running, Gas Natural Fenosa has retained its presence on the FTSE4Good. This represents another recognition of its practices in managing environmental, social, and ethical issues.

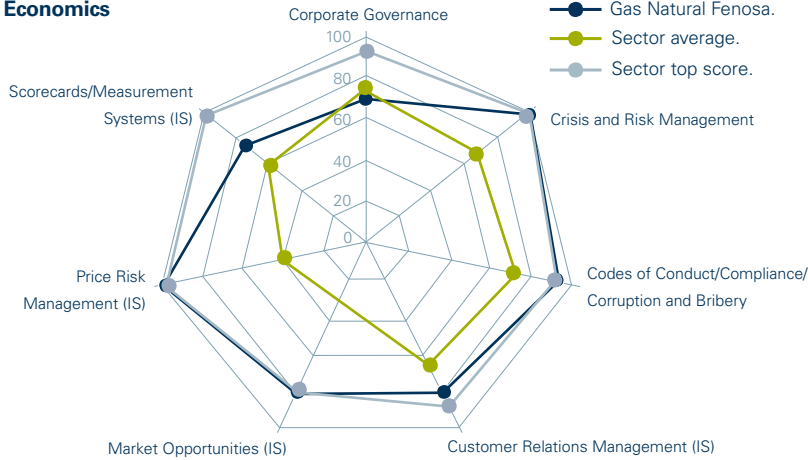
The presence of Gas Natural Fenosa on selective indices of responsible investment reveals the efforts made by the company in areas of sustainability and informative transparency, and likewise represent an external confirmation of the company's excellent evolution in these fields.



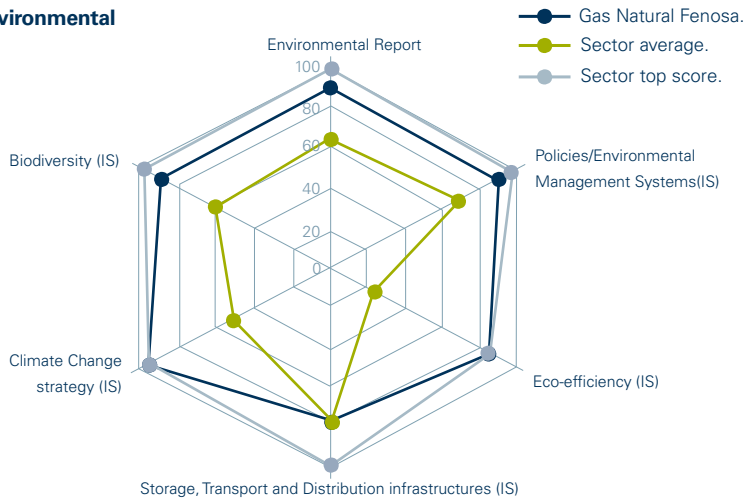


Assessment of Gas Natural Fenosa on DJSI

**Economics**

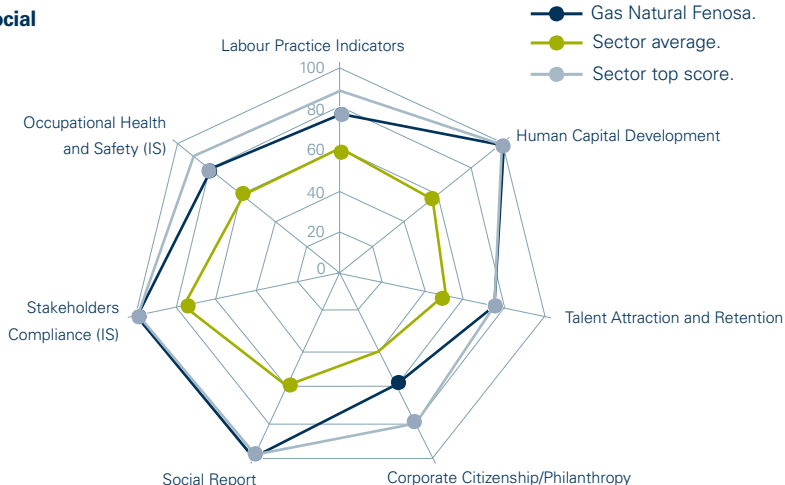


**Environmental**



NOTE: The "Manufactured Gas Plants" category was not included in the previous figure as it is not applicable to Gas Natural Fenosa. The company has no facilities of this kind.

**Social**



**Gas Natural Fenosa, leader for the second year running on the Dow Jones sustainability index**

Gas Natural Fenosa is the leading company among those that provide basic services, which includes gas, water and electricity distribution sectors included on the prestigious Dow Jones Sustainability Index (DJSI). The company is also leader, for the second year running, among gas distribution sector companies.

It should be noted that Gas Natural Fenosa is not only leader at sector level, but also heads the scoring in the three aspects analysed by the index. In the economic and environment areas the company scored 86 points, while its social rating totalled 85 points.

Gas Natural Fenosa has attained the highest ratings in its sector in the following areas: crisis and risk management, price risk management, codes of conduct, market opportunities, climate strategy, eco-efficiency, development of human capital, attracting and retaining talent, information on corporate responsibility and commitment with stakeholders.

The last rating review of the worldwide socially responsible investment index saw Gas Natural Fenosa revalidate its place on the DJSI World and it is the only company of its sector that is once again included on the DJSI Europe.

Dow Jones Sustainability Index (DJSI) selects those companies by sectors that substantiate the most advanced practices in areas of corporate responsibility and sustainability.

## The Environment



The environmental performance of Gas Natural Fenosa has evolved from its initial declarations on environmental issues and putting these into practice, through to implementing proactive policies. Aspects like eco-efficiency, rational use of natural and energy resources, impact minimisation, encouraging innovation in the use of the best technologies and processes are used to achieve the utmost efficiency in consumption and responsible management of resources, waste, emissions and dumping.

The company's new environmental challenges involve internalisation of environmental externalities, as well as greater involvement to drive the development and dissemination of new technologies that are more efficient and with a reduced environmental impact. In 2010, Gas Natural Fenosa tackled these challenges using a preventive approach, integrating environmental criteria into the activities and processes of businesses, and bearing in mind the environmental aspects from the outset of new projects, activities, products and services. Also in the screening and assessment of suppliers.

In accordance with environmental principles of the Corporate Responsibility Policy of Gas Natural Fenosa, the key action lines are targeted at making sure the company complies with legislation, by reducing the environmental impact, mitigating climate change, preserving the biodiversity of the environment, preventing pollution and driving ongoing improvement.

Senior management is responsible for overseeing the environmental effort. The Quality, Health & Safety, Environment and General Services Department is responsible for defining the guidelines, policies, management models, environmental plans and schemes required to ensure compliance with the regulations and operational control of environmental issues. Coordination in this field is carried out in three ways: through the Management Committee, made up of senior managers from the several divisions and business areas; the Environment Committee, made up of environmental managers from units or installations; and, lastly, specific taskforces.

### Principles of responsible environmental action

The environment is one of the commitments laid down in the Gas Natural Fenosa Corporate Responsibility Policy and is based on the following principles:

- Contribute to the sustainable development through eco-efficiency, the rational use of natural and energy resources, minimising environmental impact, encouraging innovation and using the best available technologies and processes.
- Contribute to mitigation of climate change through energies that are low in carbon and which are renewable, promoting energy efficiency and saving, application of new technologies and carbon capture.
- Integrate environmental criteria in business processes, in new projects, activities, products and services, and in selecting and assessing suppliers.
- Minimise adverse effects on ecosystems, fostering the conservation of biodiversity.
- Ensure prevention of pollution and ongoing improvement through optimisation of environmental management, minimisation of environmental risks and active participation of employees.

## Relevant actions

Proposed actions for 2010	Actions taken 2010	Actions planned 2011
Avoid the emission of over 8 million tonnes of CO <sub>2</sub> through promotion of clean and renewable energies, eco-efficiency, reduction of methane and CDM emissions.	● Encouraging clean and renewable energies, energy efficiency and saving and the CDM projects together with other initiatives, have prevented the emission of over 17 million tonnes of CO <sub>2</sub> .	Avoid the emission of over 8 million tonnes of CO <sub>2</sub> through promotion of clean and renewable energies, eco-efficiency, reduction of methane and CDM emissions.
Establish mechanisms to control waste management, in order to prioritise reuse, recycling and recovery.	● Implementation of the PRE3VER project (2010-2014 Waste Reuse, Reduction, Recycling and Energy Recovery Plan), which defines the reference framework for uniformity of criteria and guidelines concerning the reduction and management of waste.	Implement the PRE3VER project: achieve the defined objectives of reduction, reuse, recycling and recovery of waste.
Develop the PIEDRA project. Comprehensive Plan of Assessment and Decrease of Environmental Risks.	● Commencement of the PIEDRA project, assessing the environmental risks of the main facilities.	Implement the PIEDRA project: identify and assess the environmental risks in all the company's processes and businesses.
Extend voluntary adhesion to the <i>Buenas prácticas de actuación ambiental en obras</i> (Good Environmental Practices) document and assess environmental impact of supplies.	● Voluntary adhesion to the <i>Buenas prácticas de actuación ambiental en obras</i> (Good Environmental Practices) document by the electricity distribution business.	TANDEM Project Development. Integration of environmental, quality and safety variables into the supply chain.

Level of compliance: ● High ● Medium ● Low

## Main indicators

	2010	2009 <sup>(1)</sup>	2008
Direct greenhouse gas emissions (GHG) (t CO <sub>2eq</sub> )	19,371,616	20,988,306	12,604,880
Emissions of GHG/Electricity generation (t CO <sub>2eq</sub> /GWh)	314	342	347
Methane emissions in transportation and distribution (t CO <sub>2eq</sub> /km grid)	11.79	11.50	12.18
Emissions of SO <sub>2</sub> /electricity produced (g/kWh)	0.125	0.145	–
Emissions of NO <sub>x</sub> /electricity produced (g/kWh)	0.497	0.462	–
Emissions of particles/electricity produced (g/kWh)	0.020	0.022	–
Generation of hazardous waste (t)	7,297	7,348	2,364
Recycling of ashes (%)	272 <sup>(2)</sup>	82	–

(1) 2009 figures consolidate with those of Unión Fenosa from 1 May.

(2) More ashes have been recycled than generated by recycling ashes from the waste tip from the Anllares power station.

Gas Natural Fenosa has systems to minimise and prevent the impact its activities and installations have on the environment

### Environmental management

#### Environmental planning

Every year, the company establishes plans and programmes to define objectives and goals that are quantified by the companies and units that make up the group. The 2010 Environmental Plan, which contains 698 targets, reached 90% compliance.

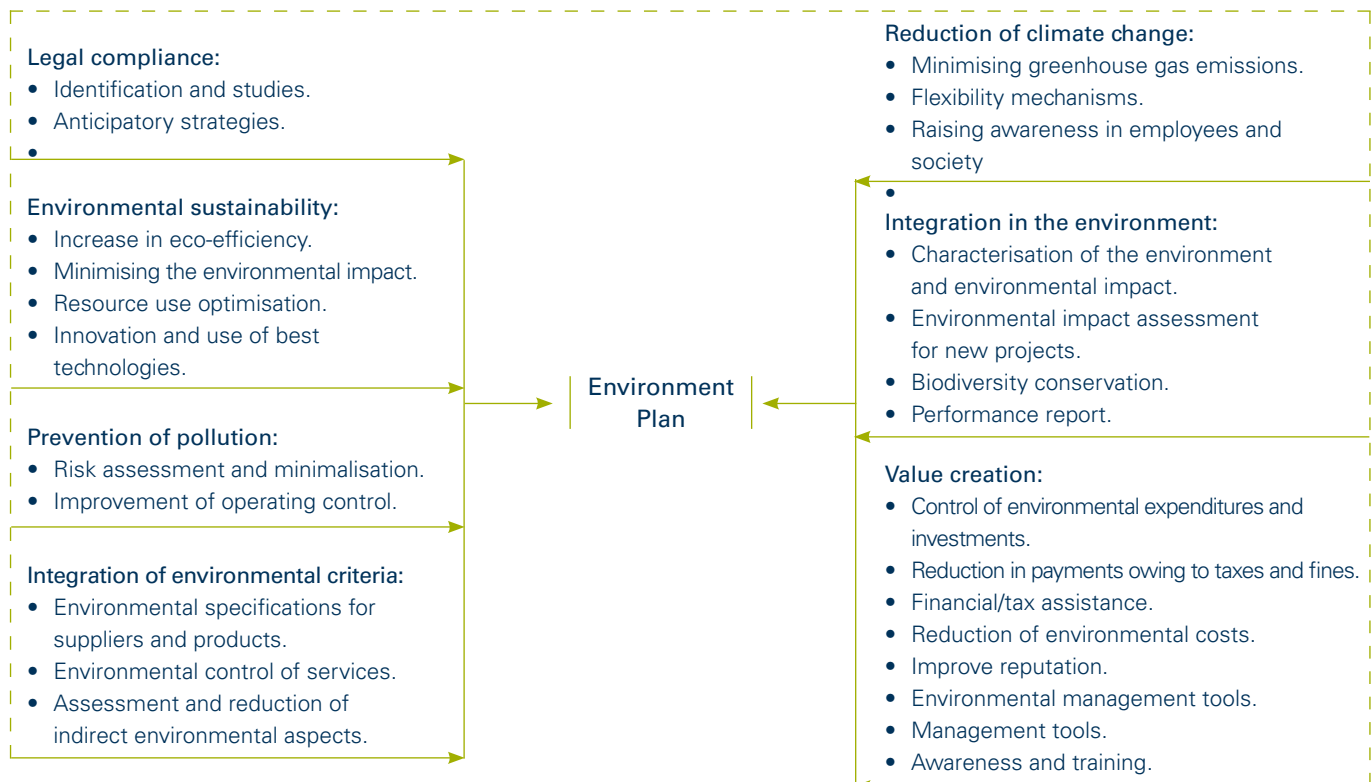
#### Set-up of environmental management systems

The environmental management model of Gas Natural Fenosa is based on the UNE-EN ISO 14001 standard. The processes and activities at installations are governed by manuals and procedures. They lay down

guidelines concerning the organisation, planning, responsibilities and control of environmental issues. In 2010, the manuals and procedures of the new Integrated Quality, Environmental, Health and Safety Management System were drawn up. The company will apply this progressively from 2011 onwards.

Environmental certification pursuant to the UNE-EN ISO 14001 standard encompasses Gas Natural SDG S.A., the company's parent company, 11 gas distribution companies in Spain, 3 energy commercialisation companies, Gas Natural Soluciones and the regasification plant at Sagunto.

At the end of 2010, 89% of total installed power of Gas Natural Fenosa had environmental certification, viz., 15,467 MW of electricity generation installed power, which represents all



generation from coal, fuel oil, nuclear, hydraulic and combined cycle, with the exception of a power station that came into operation in 2010, and to virtually all wind, mini-hydraulic and cogeneration power.

In addition, the company has environmental certification for the supply of gas and electricity to major customers through access to third-party installations, as well as for the commercial management of this, commercialisation, procurement and provision of the maintenance service for gas devices and installations. It also has environmental certificates for customer service, billing, payments and sale of energy services, distribution of natural gas and management of projects, works and maintenance in transport and distribution of electricity in Spain, the SOCOIN engineering services and the company's main work centres.

On the international stage, the company has certification for the distribution and sales of natural gas in Mexico; distribution and sale of electricity in Panama; distribution of electricity and electricity supply at a regulated rate in Moldova; the design, development, maintenance and operation of the medium- and low-voltage electricity grid and sale of energy in Guatemala; production of liquefied natural gas in Damietta, Egypt; operation, maintenance and surveillance of the Moroccan stretch of the Maghreb-Europe gas pipeline; and, lastly, the professional services company O&M Energy.

By the same token, in Spain the coal power plants, the Sabón power station, the combined-cycles plants of Palos de la Frontera and Nueva Generadora del Sur and the

Hydraulic Sector of Tambre-Ulla in Galicia continue to be affiliated to the European EMAS system.

Gas Natural Fenosa is the leading energy company in terms of the number of centres verified in accordance with this demanding European environmental standard.

### Tools to optimise environmental management

Gas Natural Fenosa has developed management tools to help operational control of environmental issues, management of activities and integration of businesses.

In 2010, the company updated the information of the Environmental Electricity Distribution System, incorporating the new protected areas published over the last year by different public administrations. It also includes seasonal monitoring of eight significant lines of the Aviary Fauna Risk Control-CRA software, including the inventory of electrocutions and collisions. In Spain, it also added 11 new substations to the Environmental Risks Assessment System (SERA) and updated part of the database. The System for the Identification and Assessment of Legal Environmental Requirements (NorMA), assessment of environmental issues (UMAS), the SIA-ENABLON Environmental Information System and the Environmental Planning System SPA-ENABLON are carried out for each process, business and country in which the company operates.





### Assessment of environmental risks

Gas Natural Fenosa has systems to minimise and prevent the impact its activities and installations have on the environment. It also has the required methodologies and tools to ensure proper assessment and management of environmental risks.

The assessment of environmental issues in potential emergency situations involves two factors: the frequency with which situations occur and the serious nature of the consequences. The product of both is the risk, which allows the assessment and structuring of potential environmental issues.

The emergency plans or self-protection and their corresponding procedures identify and lay down the response to potential accident and emergency situations, in order to prevent and reduce their environmental impact.

In 2010 there were four situations that activated the emergency plan: three small spillages; a fuel spillage at the Palamara power station, in the Dominican Republic, an oil spillage at the electricity distribution substation (Alcázar I) in Ciudad Real and another spillage of a non-hazardous product at the Almazán cogeneration plant. In all cases, measures were applied to remove contaminated soil and return the environment to its initial status. The fourth incident was a fire on the terminal of the main transformer at the combined-cycle plant in Palos de la Frontera. The fire was extinguished and the affected dumping point of rainwater was blocked. This situation did not affect the environment.

In 2010, Gas Natural Fenosa carried out 40 emergency simulations to check that the emergency plans and the response procedures in the event of accident were appropriate and worked properly.

In addition, in 2010 the company performed a pilot project on self-assessment of the risk prevention system for the Maghreb-Europe gas pipeline, as well as the action plan based on results and recommendations.

Gas Natural Fenosa also carried out the PIEDRA project (Comprehensive Plan of Assessment and Decrease of Environmental Risks), to identify and systematise environmental risks and minimise these. The methodology used is based on the UNE 150008:2008 standard, the MIRAT models and methodological guides. The main installations of Gas Natural Fenosa have risk identification procedures. The company hopes to extend the environmental risk identification to all businesses throughout 2011.

### Environmental awareness and training

Gas Natural Fenosa believes that environmental training is a fundamental tool in prevention of environmental impacts, as well as updating knowledge of those individuals that have environmental responsibility and raising awareness of employees in this area.

3,726 employees received a total of 18,659 hours of environmental training in 2010, which focused on general aspects of the environment, legislation, waste management, environmental risks and corporate management tools.

The company has accepted the commitment to raise awareness of society in general with regards to environmental issues. It has therefore set up different agreements with environmental and educational associations and institutions.

The Gas Natural Fenosa Foundation also plays an active role in this area and organises seminars and other activities to encourage environmental awareness.

### Assessment of compliance with legal environmental requirements

In accordance with the process of identifying and assessing environmental requirements, Gas Natural Fenosa identifies and assesses legal requirements using the NorMA tool, which in turn represents the database that includes the environmental legislation and regulations in force in each country where the company operates.

In 2010, Gas Natural Fenosa was penalised in Spain on three occasions for environmental issues. These fines were for starting works without comprehensive environmental authorisation, the burning of vegetable waste, and breach of the environmental impact declaration on an electricity distribution line. The overall amount of fines totalled 243,550 euros.

In Colombia, the company was penalised with a fine of 90,966 euros as a consequence of three proceedings for improper felling of trees and pruning, insufficient cleaning at an electrical substation and unauthorised burning of vegetable waste.

In addition, there are penalising proceedings that are being appealed against and which are pending a decision: 11 in Spain, nine in Colombia, one in México and another one in Nicaragua.

In 2010 sound emissions were measured and controlled to check the legal compliance of operational installations and to answer complaints and claims with regard to noise pollution. In order to decrease noise levels, the construction elements of each type of natural gas measurement and regulation station were redesigned and made uniform.

We must highlight the fact that all results obtained from electromagnetic field measurements, taken in response to requests made by individuals and public bodies, show values that are below EU recommendations.

Moreover, in Spain, and in compliance with Royal Decree 228/2006, which lays down measures for removal or management of PCBs and devices that use these, the process of certifying the dielectric oil of the high- and medium-voltage transformers continued through the authorised control body.

### Environmental costs

In 2010, the cost of environmental actions implemented totalled 70.98 million euros. Of this, 39.81 million corresponded to investments, while the remaining 31.17 million was spent on environmental management costs.

The main environmental investments in 2010 were targeted at:

- Development of new ecological flow mini-hydraulic plants.
- Maintenance and improvement of equipment to control emissions and of coal facilities.
- Installation of cooling towers at Almaraz power station.
- Improvements at wastewater and water treatment plants at different power stations.
- Finalisation of the wet desulphurisation plants at Narcea and La Robla power stations.
- Adaptation and optimisation of stack control.
- Change of blades at power stations.
- Noise reduction.

The company has also made investments to offset NO<sub>x</sub> emissions at the combined-cycle plant in Barcelona port, providing buses that run on natural gas for metropolitan transportation in Barcelona and electrification of the dockside.

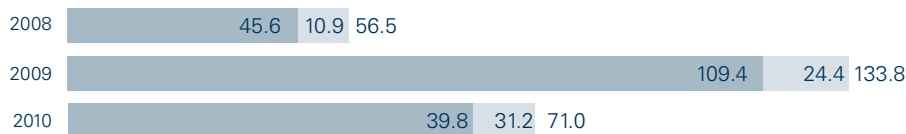
In addition, Gas Natural Fenosa made environmental payments concerning prevention of pollution, atmospheric protection, water management, and compilation of environmental impact studies and environmental surveillance plans. Different activities were also put into practice at work centres, such as monitoring consumption and remodelling installations, improvements to lighting and the use of renewable energies, renewal of vehicle fleets and awareness

campaigns. 16.2 million euros accrued through eco-taxes, mainly from the hydraulic power plants in Galicia and those of Trillo and Almaraz.

Gas Natural Fenosa assumes the legal and economic undertakings to dismantle nuclear power stations. Every year the costs to be assumed during the period between definitive stoppage of the power station and its transfer to Enresa for dismantling and abandonment of the programmed activity are revised. These costs are estimated on the basis of the existing contract between Enresa and the electricity companies. In order to pay the dismantling costs of nuclear power stations, at 31 December 2010 73.6 million euros were allocated.

### Investments and spending on environmental protection

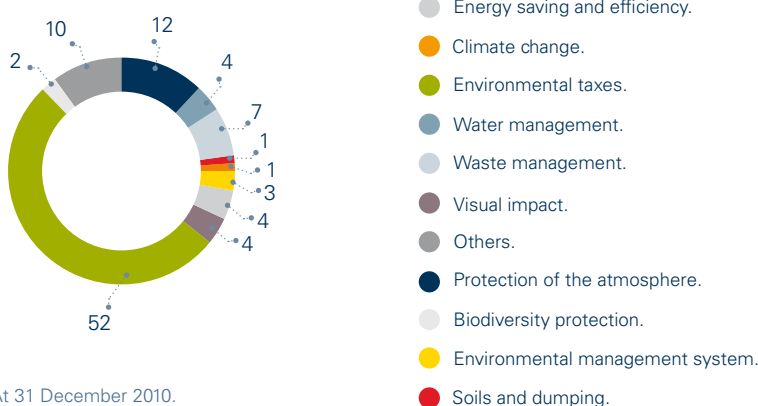
(millions of euros)



● Investments. ● Costs.

### Breakdown of environmental expenditure

(%)\*



(\*) At 31 December 2010.



## Environmental parameters

In 2010, most environmental indicators improved significantly as a consequence of optimisation actions carried out by the company.

In order to allow the reader to compare data, pro forma details were given in general and to the extent possible. This was the result of combining information from Gas Natural and Unión Fenosa for 2009 and 2008. These values are the ones that really reveal the environmental situation of the different businesses and also show -without any distortions caused through the merger process- the efforts made by Gas Natural Fenosa to reduce its environmental impact.

## Reduction of emissions

The significant improvement of the main environmental indicators of Gas Natural Fenosa achieved in 2010 were mainly the result of reduced electricity generation using coal power plants and replacement of this with clean energies, such as natural gas or renewable energies. The improvement also came about through application of better technologies and processes available, such as environmental adaptation of the Meirama boiler, installation of plants for wet desulphuration of combustion gases at power stations, changeover of low NO<sub>x</sub> emission burners, improvements to the control and performance of electrostatic particle precipitators and the installation of SO<sub>3</sub> injectors for reduction of particles.

The company's absolute emissions were 6.87 kt SO<sub>2</sub>, 27.30 kt NO<sub>x</sub> and 1.08 kt of particles, achieving reductions of 32%, 16% and 31%, respectively, compared with 2009.

The specific emissions of SO<sub>2</sub> and particles, through lower generation with coal, reduced by 14% and 12%, respectively. However, specific emissions of NO<sub>x</sub> increased 7%, given that the reduction of total emissions of nitrogen oxides did not manage to offset the lower hydraulic generation, emission-free, through the sale of assets in Colombia.

In Spain, specific emissions of sulphur oxides, nitrogen oxides and particles reduced by 61%, 53% and 47%, respectively compared with 2009.

Gas Natural Fenosa complied with the targets set for 2010, both with regard to overall emissions as well as specific emissions.

We should mention that mercury emissions rose to 432 Kg in 2010. No substances that damage the ozone layer are emitted at the Gas Natural Fenosa installations.

### Compliance with total atmospheric emissions targets

(thousands of tonnes)	2010	Target value 2010	Level of compliance
SO <sub>2</sub>	6.87	27.00	Compliance
NO <sub>x</sub>	27.30	65.00	Compliance
Particles	1.08	3.70	Compliance

### Compliance with specific atmospheric emissions targets

(g/kWh)	2010	Target value 2010	Level of compliance
SO <sub>2</sub>	0.1249	0.48	Compliance
NO <sub>x</sub>	0.4966	1.09	Compliance
Particles	0.0196	0.06	Compliance

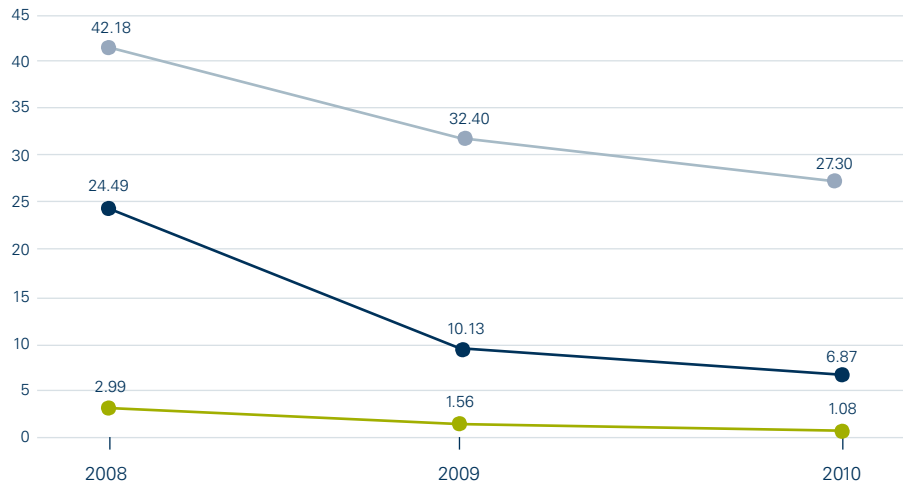
## Atmospheric emissions

(thousands of tonnes)	2010	Consolidation since 01.05.2009	2008	Pro forma figures	
				2009	2008
SO <sub>2</sub>	6.87	6.82	0	10.13	24.49
NO <sub>x</sub>	27.30	23.62	7.61	32.40	42.18
Particles	1.08	1.14	0	1.56	2.99



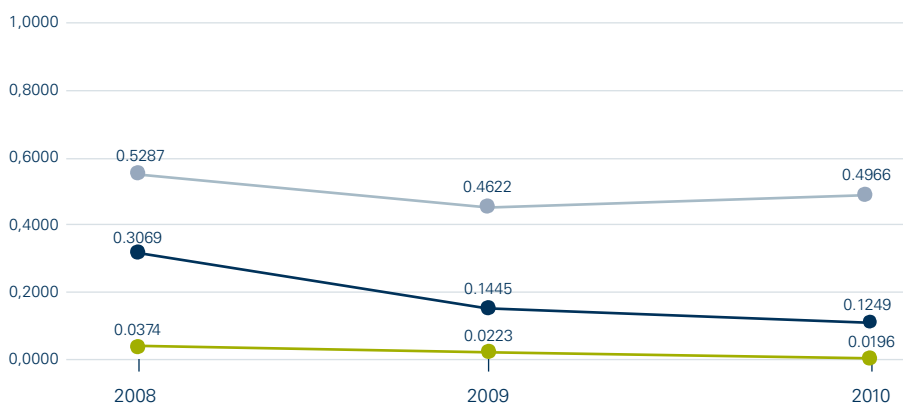
### Atmospheric emissions

(thousands of tonnes)



### Specific atmospheric emissions

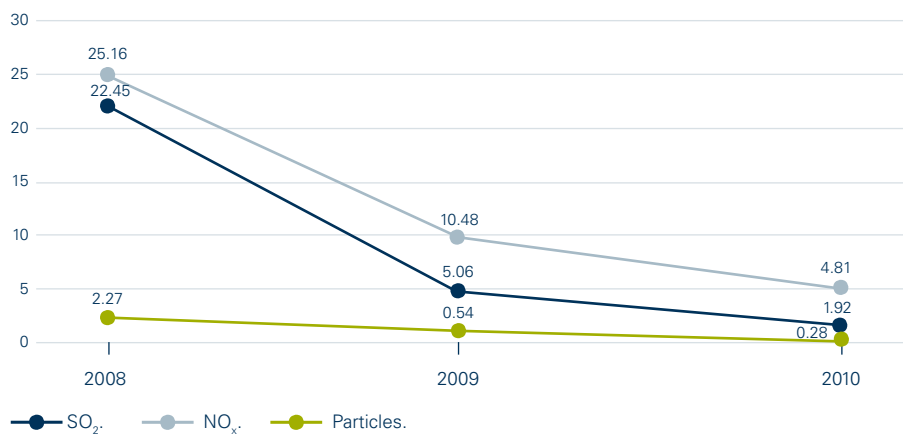
(g/kWh)



Note: the total and specific emissions of the charts have been calculated using pro forma figures to reflect the real trend of this indicator over the last years.

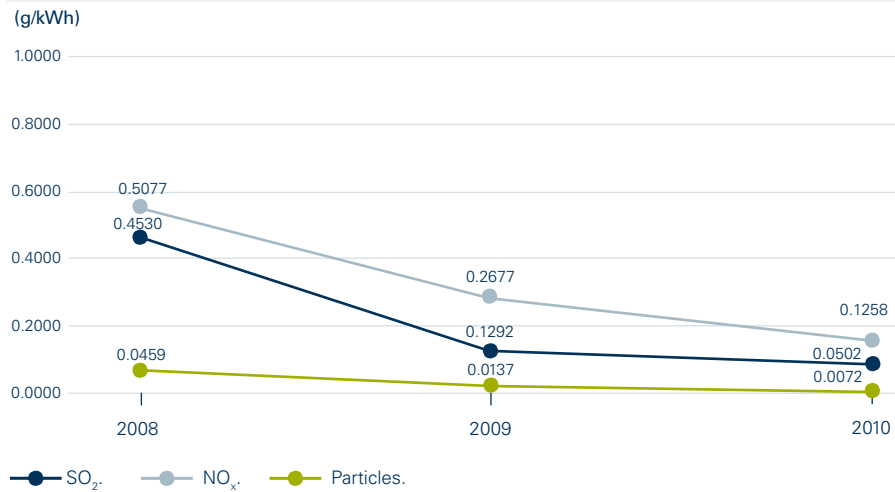
### Atmospheric emissions. Spain

(thousands of tonnes)



● SO<sub>2</sub> ● NO<sub>x</sub> ● Particles.

Specific atmospheric emissions. Spain



Management and reduction of waste

Gas Natural Fenosa appropriately segregates, stores and manages its waste. Management always focuses on minimising the amount and hazardous nature of waste, with priority given to recycling and reuse over other options and in prioritising recovery instead of dumping.

The company manages waste in accordance with current legislation in each country. All installations have the corresponding authorisations for producers of hazardous waste, which enable registration, stocktaking, storage and management.

The waste as a result of the Gas Natural Fenosa’s activities can be classified as non-hazardous and hazardous.

The generation of non-hazardous waste has been reduced by 31% with regard to 2009. The majority is represented by site rubble, produced during movements of earth needed to develop the gas distribution network and to maintenance, and to a lesser extent muds from water treatment, above all generated in mining; and ashes and similar from those installations that use coal as fuel.

In 2010, the generation of rubble decreased 35% with regard to 2009, as a result of less gas distribution works. Elsewhere, the generation of ashes reduced by 82%, as a result of a lower consumption of coal and its better quality. In turn, all ashes generated were recycled. Moreover, 81,193 tonnes were removed from the waste tip at the Anllares station.

Urban waste, such as paper, cardboard, organic and glassware, is mainly generated at work centres. At most installations, the company is responsible for recycling of paper. The remaining waste is managed through the municipal refuse services.



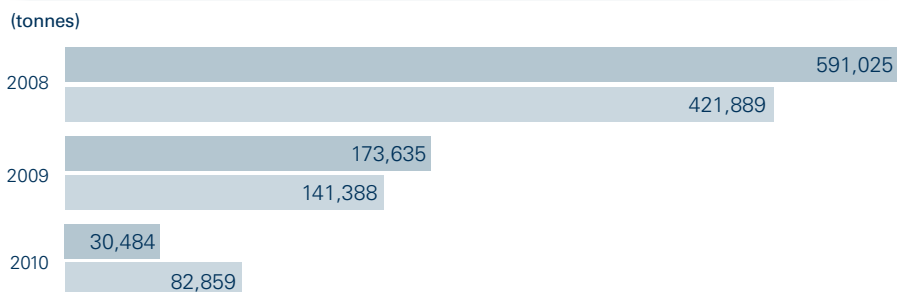
### Non-hazardous waste managed

(tonnes)

Type	Amount	Treatment method (%)
Rubble	582,488	Recycled (34)
Muds	185,932	Recycled (2)
Ash	30,484	Recycled (100)
Scrap	4,707	Recycled (97%) Recovery (2)
Deposits	2,037	
Vegetable waste	1,931	Recycled (7)
Urban-attributable waste	1,676	Recycled (34)
Cinders	1,138	
Paper and cardboard	952	Recycled (90)
Wood	326	Recycled (41%) Recovery (25)
Porcelain, glassware and ceramics	305	Recycled (100)
Computers	159	Recycled (94)
Plastics	132	Recycled (59%) Recovery (3)
Rockwool	34	
Toner, cartridges or CDs	6	Recycled (100)
Glass	2	Recycled (100)
THT filters	2	Recycled (93)
Others	1,089	Recycled (58%) Recovery (13)
<b>Total</b>	<b>813,400</b>	

Note: An indication is given of the percentage of waste recycled or recovered. The rest is taken to the waste tip.

### Generation and recycling of ashes



● Ash generated. ● Ash recycled.

Note: More ashes have been recycled than generated by recycling ashes from the waste tip from the Anllares power station.

Most hazardous waste generated in the processes comes from hydrocarbons with water and absorbents, filtering material from maintenance of power stations, PCB and transformers with PCB, and used oils.

In 2010, Gas Natural Fenosa complied with the established reduction target, generating 7,299 tonnes of hazardous waste which represents 31% less than the target set and a decrease of 33% compared to 2009. This reduction is largely due to decrease in the generation of soils contaminated with hydrocarbons from the electricity distribution activity, to non-generation of waters from chemical washing and to reduction of asbestos on finalising the environmental adaptation works at power plants.

With regard to management of hazardous waste, in 2010 the company also complied with the targets set. It recycled or recovered 74% of all waste generated, while the remaining 26% was either incinerated or sent to the waste tip.

As part of the "Polychlorinated Biphenyls (PCBs) Elimination Plan", 844 tonnes of equipment with this material were managed, in compliance with current legislation. In the international arena, inventories were also carried out and the appropriate removal and storage performed, significantly reducing the risk of contamination at installations through dumping this waste.

Elsewhere, the company implemented a Waste Minimisation Plan (PRE3VER) for all of the company's processes, businesses and countries. With regard to the reduction targets defined for waste, we should highlight the fact that in 2010 there was a 6% reduction with regard to the previous year of empty contaminated packaging and 22% of non-halogenated solvents.

Also of note was the recycling of 32% of fluorescent lights, 91% of batteries and cells generated, 63% of empty contaminated packaging, 97% of scrap, 100% of ashes generated, 42% of wood, 91% of paper and cardboard generated, and 100% of toners.

**Compliance with waste generation targets**

(tonnes)	2010	Target value 2010	Level of compliance
<b>Total</b>	<b>7,299</b>	<b>10,600</b>	<b>Compliance</b>

**Compliance with waste management targets**

(%)	2010	Target value 2010	Level of compliance
Recycled and energy recovery	74	>50	Compliance
Incineration and landfill	26	<50	Compliance
Recycling of ashes	100	80	Compliance

**Generation of waste**

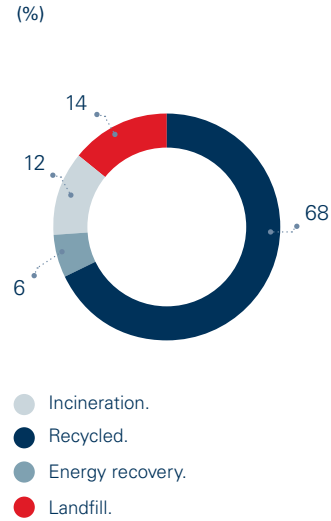
(tonnes)	Pro forma figures				
	2010	Consolidation since 01.05.2009	2008	2009	2008
<b>Total Gas Natural Fenosa</b>	<b>7,299</b>	<b>7,348</b>	<b>2,364</b>	<b>10,813</b>	<b>6,673</b>

**Hazardous waste managed**

(tonnes)		
Type	Amount	Treatment method (%)
Hydrocarbons plus water	3,866	Recycled (95) Recovery (2)
Used oil	1,045	Recycled (57) Recovery (25)
PCB and transformers with PCB	844	Incineration (100)
Hydrocarbon-contaminated terrains	219	Recycled (3) Incineration (3)
Absorbent, isolating and filtering materials	201	Recycled (11) Recovery (7) Incineration (12)
Solid waste contaminated with hydrocarbons	157	Recycled (2) Incineration (32)
Muds from treatment of water	106	Recycled (44)
Aqueous solutions	81	Recycled (27) Recovery (58)
Batteries and accumulators	49	Recycled (88)
Empty contaminated packaging	48	Recycled (63) Recovery (2) Incineration (7)
Electric and electronic waste	43	Recycled (92)
Bio sanitary waste	26	Recycled (100)
Fluorescent lights	22	Recycled (92) Incineration (1)
Paint and varnish	9	Recycled (13) Recovery (1) Incineration (3)
Muds from oil and fuels	9	Recycled (100)
Non-halogenated solvents	6	Recycled (96)
Laboratory waste	5	Incineration (44)
Asbestos	2	Incineration (12)
Others	561	Recycled (82) Recovery (1) Incineration (3)
<b>Total</b>	<b>7,299</b>	

Note: An indication is given of the percentage of waste recycled or recovered. The rest is taken to the waste tip.

**Generation of hazardous waste**



### Control of spillages and reduction of water consumption

There are two types of liquid effluents produced at the electricity generation plants: thermal discharges and spillages

from the treatment plants. In 2010, the excellent performance of the treatment plant equipment and systems has enabled the installations to comply with the dumping authorisations.

The capture of water from installations in 2010 reached 1,323 Hm<sup>3</sup>. 97% of water captured came from the sea. Consumption of water was 2% of the volume captured. Based on studies carried out, the catchment of water did not provoke significant impacts on aquatic ecosystems, and there was no significant effect on any source of water.

### Water capture by source

(Hm <sup>3</sup> )	2010 (proforma figures)	2009
Surface water captured (sea)	1,289.06	1,315.08
Surface water captured (rest)	13.66	33.62
Groundwater captured	1.09	4.98
Wastewater used, from another organisation	17.07	4.15
Water captured from the supply network	1.85	2.72
Rainwater collected and stored	–	0.94
<b>Total volume of water captured from the environment</b>	<b>1,322.73</b>	<b>1,361.49</b>

(\*) Water used to fill the lake of the Limeisa mine has not been taken into consideration as it is not water captured for processing.

Both the capture of surface water as well as water consumption significantly reduced with regard to 2009, by replacing electricity production with coal with combined cycles of gas, which require less water.

### Gas Natural Fenosa sets up the PRE3VER project

The main aim of the Waste Reuse, Reduction, Recycling and Energy Recovery Plan (PRE3VER project) of Gas Natural Fenosa, which covers the 2010-2014 period, is to define the reference framework for the establishment and uniformity of criteria and guidelines with regard to waste management and reduction. The scope of the plan is global, for all waste generated at all installations in countries where the company has a presence.

The PRE3VER plan revolves around prevention of waste generation, encouraging recovery of waste, management carried out close to where generation takes place, coordination of the different agents

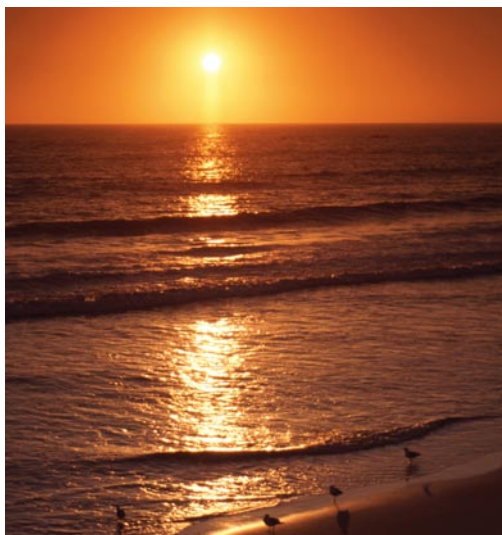
involved in waste management to ensure proper protection of the environment and the health of individuals responsible for waste management.

The targets defined for 2010-2014 are as follows:

- Improve capture of data and waste management, in order to optimise waste management.
- Reduce the generation of hazardous waste by 10%.
- Reuse, recycle or recover at least 50% of hazardous waste generated.

- Recycle, by the end of the established period, at least 90% of scrap, 80% of ashes generated and 75% of paper.
- Encourage all company employees to participate in the proper management of waste.

Meeting these targets is tied to individual initiatives for each hazardous and non-hazardous waste, which have been defined after the inventories and their evolution over time have been analysed, as well as the management practices applied.



### Water consumption

(Hm<sup>3</sup>)

	2010	2009 (proforma figures)
Consumption of cooling water	22.53	48.98
Consumption of water in water/steam cycle	3.52	4.77
Consumption of water in other processes	2.86	3.48
Consumption of water in ancillary services	0.75	2.27
Consumption of water in buildings	0.32	0.46
<b>Total water consumption</b>	<b>29.98</b>	<b>59.96</b>

### Water dumping

(Hm<sup>3</sup>)

	2010	2009 (proforma figures)
Water dumped into the sea	1,270.65	1,064.81
Water dumped into rivers	11.92	13.03
Water dumped in the public network	0.62	0.50
Water dumped in septic tanks	0.05	0.02
<b>Total volume dumped</b>	<b>1,283.24</b>	<b>1,078.35</b>

75% of water consumption is due to evaporation of the cooling towers at the thermal power plants. The rest is divided among consumption of water-steam cycle, auxiliary services and other processes such as gas distribution.

Also of note is urban wastewater recovery from cities close to the power stations of Hermosillo and Naco-Nogales in Mexico and Ecoeléctrica in Puerto Rico. Also of significance is the recovery of water contained in slurries at cogeneration plants.

Total water reused was 17.07 Hm<sup>3</sup>, which represents 1.3% of all surface water captured, including seawater. Reused water accounts for 57% of water consumption at installations and in processes.

### Streamlining consumption of energy and material resources

The major consumption of Gas Natural Fenosa refers to fuels and, to a lesser extent, chemical products.

A total of 0.38 million tonnes of coal and 0.39 million tonnes of fuel oil were consumed in 2010. 99% of this was from imported coal, with a low sulphur content and very environmentally friendly. Coal consumption, both national and imports, dropped 99.8% for domestic coal and 61% for imported coal in 2010.

With regard to natural gas, consumption in 2010 was 7,724 million m<sup>3</sup>, a decrease of 21% year-on-year, mainly owing to reduced gas production at combined-cycle power plants in Mexico.



Direct consumption of energy from use of fossil fuels totalled 365,494 TJ, down 21% on the previous year. Moreover, direct consumption of electricity, both for auxiliary equipment at the installations as well as tertiary consumption at offices and for lighting, totalled 19,608 TJ.

The rationalisation of energy consumption is one of Gas Natural Fenosa's priorities. The company supervises and submits its procedures to strict controls in the quest for maximum energy efficiency. In this regard, during 2010 global yields of around 100% were achieved in exploration and gas transportation and distribution activities.

In 2010, consumption of materials reached 16,501 tonnes, representing a 60% reduction with regard to 2009. The main reduction is due to non-use of calcium carbonate in the wet desulphuration at coal power plants as these were not operational over the year. Consumption of sulphuric acid was also down by 37% and sodium hydroxide was down 57% due to reduced consumption of demineralised water in the water-steam cycles.

The most relevant consumption was lubricating and insulation oil, used in rotary pumps and machines and on electrical transformers, which totalled 2,605 tonnes, 9% down on the previous year.

The second largest consumption is represented by 1,789 tonnes of magnetite, used in coal treatment at the Kangra mine.

The most relevant consumption was lubricating and insulation oil, used in rotary pumps and machines and on electrical transformers, which totalled 2,605 tonnes, 9% down on the previous year

#### Indirect consumption of energy in generation of electricity using primary sources

(TJ) <sup>(*)</sup>	2010	2009
		(proforma figures)
Coal	6,597	6,269
Natural gas	1,028	1,340
Oil derivatives	4,336	4,146
Biomass	100	87
Wind power	82	71
Geothermal	526	641
Hydraulic	1,392	1,267
Nuclear	5,548	5,124
<b>Total</b>	<b>19,608</b>	<b>18,945</b>

(\*) Calculated using consumption of electricity in ancillary and tertiary equipment, at the production installations of Gas Natural, in accordance with the methodology established through the GRI on the Excel sheet "Energy Balance Sheet".

#### Energy consumption

	(TJ)				
	2010	Consolidation since 01.05.2009	2008	2009	2008
Supply of natural gas	341,124	346,857	235,610	414,735	407,359
Coal consumption	8,295	20,402	–	30,603	71,675
Consumption of oil derivatives	16,054	11,931	294	17,635	15,337
Direct consumption of energy from fossil fuels	365,494	378,631	235,904	462,973	494,371



Paper consumption at company work centres totalled 281.4 tonnes, 27.1 tonnes of which was recycled paper. The initiative to reduce paper consumption include the use of digital media, sending electronic information to customers and suppliers, as well as recommendations aimed

at employees to lower the amount of documents and emails that are printed. All of these actions led to consumption of paper that was 30% lower than in 2009.

#### Materials used

(tonnes)

Type	Amount
Oils	2,605
Magnetite	1,789
Sulphuric acid	1,730
Calcium hydroxide	1,410
Lime	1,181
Sodium hypochlorite	881
Sodium bisulphate	640
Coagulant	593
Sodium hydroxide	497
Ammonia	125
Paper	254
Chlorohydric acid	145
Odoriser	199
Scale preventer	119
Iron sulphate	74
Paints and solvents	63
Detergent	38
Anti rust	35
Recycled paper	27
Flocculent	25
Hydracine	24
Biodispersant	17
Toner and ink cartridges	5
Others	4,025
<b>Others</b>	<b>16,501</b>

### Climate change

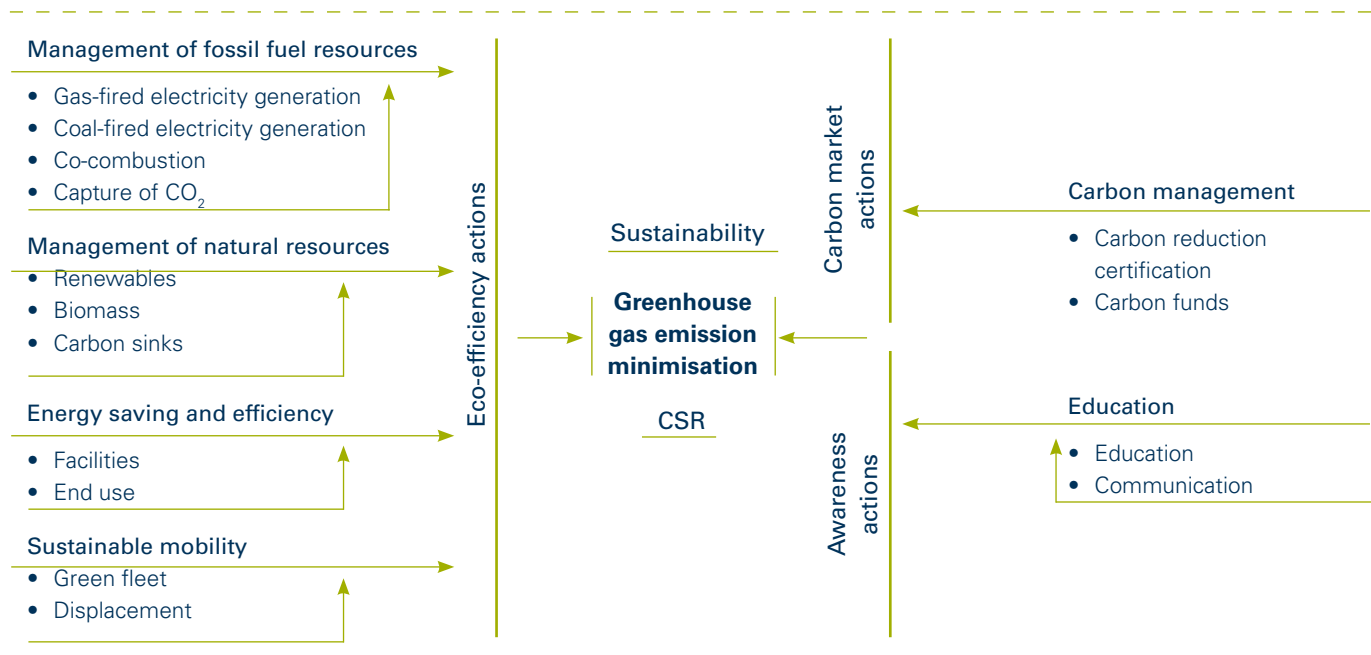
Gas Natural Fenosa shares social concerns for the climate change. For this reason, the company implements an active policy to reduce greenhouse gas emissions (GHG), requiring rational use of energy. Likewise, it believes that decisions taken in this regard by the competent institutions must be assessed using a balanced equilibrium between the social, environmental and economic aspects.

Gas Natural Fenosa's strategy and policy as far as energy is concerned are in line with objectives for safety of supply, competitiveness and environmental sustainability. The future energy scenarios will focus on energy efficiency and reduction of emissions. The company also believes it is necessary to design a post-Kyoto framework, dispelling

uncertainties and focusing on investment on clean and sustainable energies and towards technologies for the capture and storage of CO<sub>2</sub>, within a balanced mix of energy, providing us with a sufficient guarantee of supply.

In this context, natural gas will play a critical role, both in the transition towards an economy which is less coal-intensive, and because of the role it will have in the global energy balance in the future. Natural gas is the fossil fuel with the lowest emissions into the atmosphere. With natural gas, electricity generation, industry, the tertiary sector, housing and also the transport sector are able to use a fuel with higher environmental quality, which can also be easily combined with the different types of renewable energies.

Reductions of greenhouse gases of Gas Natural Fenosa will be carried out through the three core focal points: improving eco-efficiency, carbon management and raising society's awareness.





Gas Natural Fenosa shares social concerns for the climate change. For this reason, the company has an active policy to reduce greenhouse gas emissions.

The Gas Natural Fenosa's strategy is based on proper management of fossil fuels, on renewable resources, on energy saving and efficiency, on sustainable mobility, on management of coal markets and, finally, on schemes to manage demand.

Gas Natural Fenosa's commitment can be seen in the "LESS GHG" initiative, where the company defined quantitative targets, the results of which are shown below:

- Overall emissions of GHG in 2010 were 19.35 MtCO<sub>2eq</sub>, representing a 25% reduction with regard to emissions in 2009 (25.76 Mt CO<sub>2eq</sub>), thus complying from the outset with the target laid down for a 15% reduction by 2014.
- Specific emissions of CO<sub>2</sub> from electricity generation in 2010 totalled 313 g CO<sub>2</sub>/KWh, below the target value established of 370 g CO<sub>2</sub>/KWh.
- Reductions of GHG in developing countries or through the Clean Development Mechanisms in 2010 reached 0.875 MtCO<sub>2</sub>, representing 20% of the target set for 2010-2014.

- Emissions prevented in 2010 through the use of energies low in carbon and thanks to energy efficiency and saving were in excess of 17 MtCO<sub>2</sub>, thus complying with the target set.
- Methane emissions for each kilometre of the gas distribution and transportation network were 11.79 tCO<sub>2eq</sub>, 3% over the target set of 11.4 tCO<sub>2eq</sub>.

Evidence of the commitment of Gas Natural Fenosa in this area is shown through its presence on the programme titled "Caring for Climate: The Business Leadership Platform". Comprised of companies taking part in the UN Global Compact, the initiative has the goal of fighting against the effects of climate change by improving efficiency and reducing greenhouse gas emissions.

In 2010, for yet another year, Gas Natural Fenosa took part in the Carbon Disclosure Project, an initiative backed by institutional investors from around the world to distinguish the best performing companies in areas of mitigating climate change.

### Gas Natural Fenosa launches the “LESS Greenhouse Gases” initiative

In 2010, Gas Natural Fenosa launched the “LESS Greenhouse Gas Effect” initiative. The main aim of this is to reduce greenhouse gas emissions and improve the company’s energy efficiency. Through this initiative, the company undertakes to:

- Develop and set up energy policies and strategies that are consistent with the security of supply, competitiveness and environmental sustainability.
- Set up quantitative targets for the reduction of greenhouse gases.
- Level the balance of social, environmental and economic aspects to contribute to a low carbon economy.
- Optimise and promote energy efficiency and saving at its own installations and at those of customers.

- Encourage participation in the carbon markets and support globalisation of these, so that production and energy consumption trends are sustainable.
- Actively contribute to raise social awareness about climate change.
- Set up specific measures that help to reduce global emissions.
- Foster the execution of projects to reduce greenhouse gas emissions on a global scale, paying special attention to developing countries.

Under this framework, the goals established for the 2010-2014 period are as follows:

- Reduce total emissions of greenhouse gases by 15% for 2014, with regard to emissions for 2009.
- Maintain specific emissions of CO<sub>2</sub> from electricity generation at a level below 370 g CO<sub>2</sub>/kWh.

- During the 2010-2014 period, use CDM projects to prevent the emission of 4.5 Mt CO<sub>2eq</sub> in developing countries.
- Prevent the emission of more than 8 Mt CO<sub>2</sub>/year through energies low in carbon and through energy efficiency and saving.
- Reduce methane emissions per kilometre on the gas distribution and transportation network by 5%.

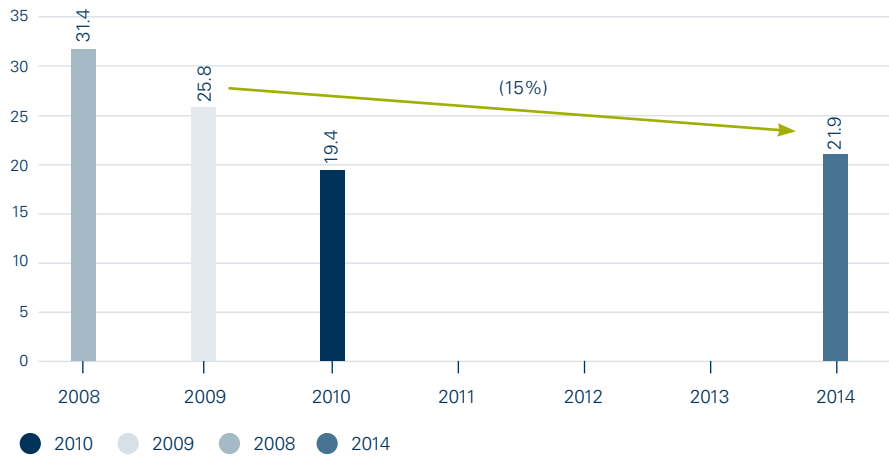
To make the foregoing commitments effective, the company’s strategy is based on three key areas: improving eco-efficiency, carbon management and raising social awareness. Consequently, the main action lines involve management of fossil resources and natural resources, energy efficiency and saving, sustainable mobility and management in the carbon markets.

### Compliance with climate change targets

	2010	Target value 2010	Level of compliance
Direct emissions (Mt CO <sub>2eq</sub> )	19.37	23.10	Compliance
Emission factor (g CO <sub>2</sub> /kWh)	314	359	Compliance
Emissions prevented (Mt CO <sub>2eq</sub> /year)	>17	8	Compliance
Emissions prevented by CDM projects (Mt CO <sub>2eq</sub> /year)	0.875	0.80	Compliance
Emissions by leaks in networks (t CO <sub>2eq</sub> /km grid)	11.79	11.40	No compliance

### Emissions of GHG

(MtCO<sub>2eq</sub>) and targets



#### Promoting energies that are less polluting, along with the best technologies

The reduction of CO<sub>2</sub> emissions fundamentally depends on two aspects: use of energy sources that are less carbon intensive and relying on better technologies in the combustion of fossil fuels.

Currently, combined cycles of gas are the most efficient technology to produce electricity from fossil fuels, with a performance that is up to 20% better than alternative technologies. Gas Natural Fenosa is one of the major combined-cycle operators in the world. The company has 10,863 MW of installed power, with combined cycles in Spain, Mexico and Puerto Rico.

With regard to eco-efficiency, of particular note is the use of coal with higher calorific power, improved performance of the thermal power plants, the set-up of a performance supervision system at the coal power plants and development of projects to optimise combustion. Moreover,

the company is studying the inclusion of biomass at the coal power plants to replace up to 15% of the coal burned in the so-called co-combustion process.

Gas Natural Fenosa calculates its CO<sub>2</sub> footprint through an inventory, control and check of greenhouse gas emissions from its activities in all countries where the company has a presence. Total emissions of the company in 2010 reached 19.372 Mt CO<sub>2eq</sub>, with an energy mix emission factor of 314 gCO<sub>2</sub>/kWh, 8% lower on 2009.

In 2010, emissions from its coal power plants fell 74% compared with 2009, falling from 3.06 million tonnes of CO<sub>2</sub> in 2009 to 0.80 in 2010. Specific emissions from the thermal power stations dropped 3%, from 411 tCO<sub>2</sub>/GWh in 2009 to 397 in 2010.

Over that same period, the company prevented the emission into the atmosphere of more than 17 million tonnes of CO<sub>2</sub>. Of that sum, 14.08 MtCO<sub>2</sub> correspond to emissions prevented at the electrical systems of Spain and Mexico through combined-cycle production, and 1.29 MtCO<sub>2</sub> through production of new mini-hydraulic plants, wind farms and cogeneration plants in the Spanish electricity system. The remainder of emissions avoided (2.13 MtCO<sub>2</sub>) correspond to voluntary initiatives stemming from improved efficiency at installations (0.78MtCO<sub>2</sub>), efficiency in the end use of energy (0.13 MtCO<sub>2</sub>), using vehicles that run on natural gas and employing video conferences (0.03 MtCO<sub>2</sub>), implementation of CDM projects (0.88 MtCO<sub>2</sub>), changeover of the

Meirama boiler (0.3 MtCO<sub>2</sub>), and with regard to drains and raising awareness (0.01 MtCO<sub>2</sub>).

Gas Natural Fenosa also takes part in programmes for the efficiency, capture and storage of CO<sub>2</sub>, such as the R&D CENIT programme, at the Spanish CO<sub>2</sub> Association and Technological Platform (AECO<sub>2</sub>-PTECO<sub>2</sub>) and the European Technological Platform for Zero Emissions Power Plants (ETP-ZEP). Besides, the company co-leads the CENIT CO<sub>2</sub> Project.

Gas Natural Fenosa also backs electricity generation using renewable sources. In 2010, 5,127 GWh was generated at the 1,933 MW of conventional hydraulic energy installed, 311 GWh at the 68 MW of installed power at mini-hydraulic power plants, 1,780 GWh at the 801 MW of installed wind power, and 320 GWh was produced at cogeneration plants.

Gas Natural Fenosa prevented the emission into the atmosphere of more than 17 million tonnes of CO<sub>2</sub>

### Carbon footprint

In 2010, Gas Natural took the first step to calculate its CO<sub>2</sub> footprint, which includes the inventory of all corporate activities in each country where the group has a presence.

The inventory therefore includes both direct emissions associated to the company's activities as well as indirect emissions, which are the result of the company's activities but which are generated at sources that are not controlled by Gas Natural Fenosa.

Detailed knowledge of the company's carbon footprint enables us to know the sources that are most responsible and helps us develop more effective plans for improvement.

Calculation of the CO<sub>2</sub> footprint was carried out with the assistance of the tool developed by SOCOIN. A versatile computer application that determines the direct and indirect emissions of the main greenhouse gases, CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O and SF<sub>6</sub>, individually for each installation or

pooled by type of technologies, by countries or by type of gas, among others.

This calculation tool designed using the life cycle analysis methodology described in the UNE-EN-ISO 14040, UNE-EN-ISO 14044 and UNE-EN-ISO 14064 standards; the premises of the GHG Protocol and the 2006 IPCC guidelines for national inventories of greenhouse gases (GHG). The process for calculating emissions was carried out in the following stages: definition of the scope; definition of the life cycle of each production activity, as well as the stages or systems that make up each of the identified cycles; definition of emissions by scope and identification; and determination of emission factors.

The scope of the calculation extends to the life cycle of gas and electricity; transportation and management of the most relevant waste;

consumption of fuels and chemical products, both of fixed sources as well as mobile ones, in operations of extraction, transportation, refining/processing, as well as combustion of the same.

The emission factors used for calculation of the carbon footprint come from reliable and verifiable sources, with specific emission factors used in accordance with the 2006 IPCC guidelines for national inventories of GHG and the emission factors corresponding to each country in accordance with data from the GHG Protocol.

The GHG and methodology of Gas Natural Fenosa have been verified by PricewaterhouseCoopers.

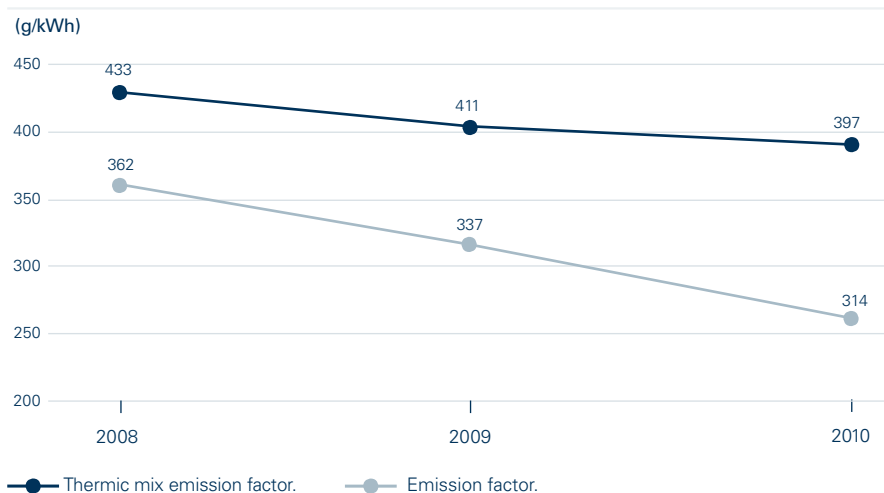


Detailed knowledge of the company's carbon footprint enables us to know the sources that are most responsible and helps us develop more effective plans for improvement

### Emissions of CO<sub>2</sub> from electricity generation

	2010	Consolidation since 01.05.09	2008	Pro forma figures	
				2009	2008
Cogeneration	196,419	165,561	74,231	170,504	74,231
Specific emissions (gCO <sub>2</sub> /kWh)	614	429	558	394	558
Combined-cycle power plants	15,119,577	16,086,789	10,824,683	19,294,115	20,643,134
Specific emissions (gCO <sub>2</sub> /kWh)	372	371	354	369	357
Coal power plants	797,025	2,042,867	0	3,064,301	6,999,585
Specific emissions (gCO <sub>2</sub> /kWh)	1,033	981	–	981	1,011
Fuel oil power plants	1,132,811	714,840	0	1,072,260	1,156,120
Specific emissions (gCO <sub>2</sub> /kWh)	657	669	–	669	684
<b>Total electricity-thermal generation</b>	<b>17,245,833</b>	<b>19,010,057</b>	<b>10,898,914</b>	<b>23,601,181</b>	<b>28,873,070</b>
Gas Natural Fenosa thermal mix emission factor (gCO <sub>2</sub> /kWh)	397	406	355	411	433
Gas Natural Fenosa Emission factor (gCO <sub>2</sub> /kWh)	314	342	347	337	362

### Emission factor





Direct fixed-source CO<sub>2</sub> emissions. Total Gas Natural Fenosa

(tCO <sub>2</sub> )	2010	Pro forma figures	
		2009	2008
Electricity	17,245,833	23,601,181	28,873,070
Gas (UP+MID/Distribution/ Liquefaction/Regasification)	670,752	711,708	1,165,551
Mining	21,927	80	0
Corporate	4,206	3,313	8,687
<b>Total Gas Natural Fenosa</b>	<b>17,942,718</b>	<b>24,316,282</b>	<b>30,047,308</b>

## Direct emissions of GHG. Total Gas Natural Fenosa

(tCO <sub>2eq</sub> )	2010	Consolidation since 01.05.09	2008	Pro forma figures	
				2009	2008
Fixed sources. Direct emissions of CO <sub>2</sub>	17,942,718	19,563,760	11,228,382	24,316,282	30,047,309
Fixed sources. Direct emissions of CH <sub>4</sub>	1,369,648	1,381,866	1,367,054	1,381,866	1,367,054
Fixed sources. Direct emissions of SF <sub>6</sub>	35,850	15,933	0	23,900	9,445
Movable sources. Direct emissions of CO <sub>2</sub> (own fleet)	23,400	26,747	9,444	36,568	11,665
<b>Total direct emissions of greenhouse gases</b>	<b>19,371,616</b>	<b>20,988,306</b>	<b>12,604,880</b>	<b>25,758,616</b>	<b>31,435,472</b>

## Indirect emissions of GHG. Total Gas Natural Fenosa

(tCO <sub>2eq</sub> )	(tCO <sub>2</sub> ) 2010	Consolidation since 01.05.09	2008	Pro forma figures	
				2009	2008
Fixed sources. Indirect emissions of CO <sub>2</sub>	1,083,658	677,468	20,494	1,008,676	1,057,377
Movable sources. Indirect emissions of CO <sub>2</sub> (travel by plane and train)	7,207	4,511	4,427	4,556	7,193

Gas Natural Fenosa also promotes rational and sustainable consumption of energy among its customers

#### Initiatives to reduce GHG emissions

(tCO <sub>2eq</sub> )	
Action lines	Emissions prevented in 2010
Electricity generation: combined-cycle plants	14,082,776
Electricity generation: renewables	1,226,103
Electricity generation: energy efficiency	566,344
T&D gas and electricity: energy efficiency	578,052
End use of gas and electricity: energy efficiency	133,222
Offsetting mechanisms	875,146
Sustainable mobility	29,905
Drains	4,000
Awareness	5,563

#### Reduction of methane emissions on networks

Methane emissions of Gas Natural Fenosa occur in gas exploration, transport and distribution operations. In 2010, these totalled 1,365,243 tonnes of CO<sub>2eq</sub>, 458,731 of which occurred in Spain. Overall, the specific emissions of methane reached 0.73 kg CO<sub>2eq</sub>/GJ of gas administered.

The use of better materials and the establishment of a comprehensive pipe monitoring and renewal plan have allowed Gas Natural Fenosa to reduce its emissions of CH<sub>4</sub> per unit and network length by 29% in comparison with 2006.

#### Reduction of emissions through clean development mechanism projects

Gas Natural Fenosa makes emission rights acquisitions through its participation on both the secondary market as well as on primary projects and carbon funds.

In 2010, total emissions of CO<sub>2</sub> from the coal power plants, fuel oil power plants and gas power plants in Spain totalled 10.5 million tonnes of CO<sub>2</sub>, versus an allocation of emission rights for 8.9 million tonnes, in accordance with National Allocation Plan for Greenhouse Gas Emission Allowances, 2008-2012.

To comply with the obligations of the Spanish National Allocation Plan, the group carries out comprehensive management of its CO<sub>2</sub> emission rights coverage portfolio for the 2008-2012 period and post-Kyoto through acquisition of emission rights and credits both through its participation on the secondary market as well as in primary projects and carbon funds.

In this regard, the company purchases rights from the Clean Development Mechanisms (CDM) and Joint Application (JA) projects, through participation in different carbon funds in which it has a committed investment of almost 60 million euros. We are referring to the Spanish Carbon Fund (promoted by the Ministry of the Environment and Rural

and Marine Affairs and administered by the World Bank), the Multilateral Carbon Fund (administered by the European Bank for Reconstruction and Development and the European Investments Bank), the Natsource Carbon Asset Pool (administered by Natsource Asset) and the Community Development Carbon Fund (managed by the World Bank). We must also add the bilateral procurement of emission rights from primary projects of different sectors.

To date, Gas Natural Fenosa has registered eight CDM projects with the United Nations: the hydroelectrical plants of Los Algarrobos (9.7 MW), Macho de Monte (2.4 MW) and Dolega (3.1 MW) in Panama, that of La Joya (50 MW) in Costa Rica and that of Amaime (18 MW) in Colombia; the use of biogas for energy at the Doña Juana Landfill in Bogotá (Colombia); the Sombrilla Project to replace fuel oil with natural gas in furnaces, boilers, drying rooms and other equipment at eight industrial plants located in Bogotá (Colombia), and the Quimvale Project in which fuel oil has been replaced with natural gas in the drying boiler of a calcium carbonate industry in Rio de Janeiro (Brazil).

Similarly, the company has other CDM projects, at different stages of progress, for validation in countries like Colombia, Guatemala, Brazil, Mexico and Panama. These are based on generation using renewable sources, the set-up of cogeneration systems, the reduction of emissions in gas networks and replacement of fuels with others that are less carbon intensive.

### Energy saving and efficiency

Gas Natural Fenosa also promotes rational and sustainable consumption of energy among its customers. The company's webpage offers consumers the use of "www.hogareficiente.com" and "www.empresaeficiente.com" sections, which offer tips on household energy efficiency and safety and enable self-diagnosis.

Furthermore, Gas Natural Fenosa focused on the development of specific solutions for the use of natural gas as a fuel in the airport sector and progress in its implementation in the fishing industry, as well as high efficiency poly-generation in the tertiary sector.

### Sustainability and biodiversity

The environmental management systems of Gas Natural Fenosa include the commitment to preserve biodiversity. The company performs a great many initiatives targeted at knowledge of ecosystems and habitats surrounding its installations. It also drives restoration and compensation projects when the environmental impact cannot be completely avoided. Moreover, it collaborates with different social organisations to support their initiatives in the defence of nature.

Coinciding with the declaration, by the UN Assembly, to make 2010 the International Year of Biodiversity, Gas Natural Fenosa submitted its first specific report in this area.

### Study of ecosystems

Gas Natural Fenosa prepares studies on the land and aquatic ecosystems that surround the electricity production plants in order to characterise the natural environment and be able to study the impact of its installations. All studies performed in 2010 were satisfactory.

In this context, the company carries out studies every two years on the forestry mass in those lands surrounding the coal and fuel oil installations to find out its status and the impact of air pollution on them. The methodology used is based on European regulations and on publications produced by the International Cooperative Programme on Assessment and Monitoring of the Air Pollution Effects on Forests (ICP-Forests).

Gas Natural Fenosa also included the monitoring of the effects of dumping on the environmental aquatic ecosystems as part of the environmental management of its thermal power plants. This involves annual studies in accordance with the criteria laid down in the Water Framework Directive.

32 soil quality studies were carried out in 2010 in Spain at electricity substations. All of the substations comply with the regulations established with regard to activities that could potentially contaminate the soil and with the criteria and standards for the declaration of contaminated soils. In accordance with these criteria, the soils at four substations were adapted.

Description of land owned, leased, managed or adjacent to protected natural spaces or unprotected high biodiversity areas

Location	Status	Position	Type of operation	Size (km <sup>2</sup> )	Value of biodiversity
Hinojos (Huelva)	Leased	Specially regulated area of Doñana Natural Park.	Production/ extraction	0.01	Area catalogued by the UNESCO as a biosphere reserve and special area for the protection of birdlife. (High-value).
Aznalcázar (Seville)	Leased	Located on the edge of the ecological corridor of the Guadiamar River. Outside the Natural Park.	Production/ extraction	0.01	Area of intensive farming and undergrowth animal life, home to the lynx ( <i>Linx pardinus</i> ), a species in danger of extinction.
Carmona (Seville)	Leased	Located outside the natural park on land making up the "Altiplanos de Écija" hydrogeological unit.	Production/ extraction	0.01	The area can be classified as pasture land-brush land with trees. Steppe aviary fauna included in the Andalusia list of endangered species, which are also protected by national and EU regulations.
Bollullos de la Mitación (Seville)	Leased	Located on the aquifer of the Aljarafe, which constitutes the eastern extension to the aquifer system of Almonte-Marismas, outside the Natural Park.	Production/ extraction	0.003	This area is heavily anthropised with extensive farming and it has no species included in the National Catalogue of Endangered Species.
Carmona (Seville)	Owned/ leased	Outside the Natural Park.	Office/ production/ extraction	0.02	Cereal farmland, heavily anthropised. The area can be classified as pasture land-brush land with trees. Steppe aviary fauna included in the Regional Catalogue of Endangered Species of Andalusia, which are also protected by national and EU regulations.

Description of land owned, leased, managed or adjacent to protected natural spaces or unprotected high biodiversity areas

Location	Status	Position	Type of operation	Size (km <sup>2</sup> )	Value of biodiversity
Almazán (Soria)	Administrative contract. Private use of publicly owned asset.	Outside a natural protected area. 1.2 km from the left bank of the River Duero and its tributaries.	Power station	0.009	In a catalogued wetland. It is not a habitat of community interest and the installation has a very low-level impact on animal life (noise, traffic).
Bahía de Guayanilla (Puerto Rico)	Managed	Adjacent	Regasification	13	Marine ecosystem.
San Juan Nepomuceno Departamento de Bolívar (Colombia)	Owned	Los Colorados Flora and Fauna Sanctuary.	Electricity distribution	0.1	Area of high biodiversity inside the National Natural Parks of Colombia.
Isle of Ometepe, Rivas. Municipio de Altagracia entrada al Puerto San Miguel (Nicaragua)	Owned	Located inside the Biosphere Reserve on the Isle of Ometepe.	Electricity distribution	0.0005	High, given that the installation is inside the buffer zone of the Volcán Maderas Natural Reserve on the Isle of Ometepe.
Bugaba, Province of Chiriquí (Panama)	Owned		Electricity generation	0.003	There are no protected areas. However, environmental conditions are maintained and no hunting of animals is allowed.
Calobre (Panama)	Owned	Province of Veraguas	Electricity generation	1	Close to the Forestry Reserve.
Boquete, Los Algarrobos (Panama)	Owned	Chiriquí	Electricity generation	8	Not located on a reserve, however it is a pristine area.

## Land occupation broken down by electricity distribution lines in protected areas

	Length of lines in SCI (km)	Length of lines in SPA (km)	Length of lines in IBA (km)	Surface area of lines in SCI (Ha)	Surface area in SBPA (Ha)	Surface area of lines in IBA (Ha)
Spain	3,330	2,629	5,693	6,045	4,917	10,295
Colombia	2	–	–	3	–	–
Guatemala	–	2,481	–	–	1,240	–
Panama	–	75	–	–	5	–
<b>Total</b>	<b>3,332</b>	<b>5,185</b>	<b>5,693</b>	<b>6,048</b>	<b>6,162</b>	<b>10,295</b>

SPA: Special Protection Areas.

SCI: Sites of Community Importance.

IBA: Important Bird Areas.

## Number of species whose habitats are in areas affected by operations

	No. of species in critical danger	No. of species in danger	No. of species almost threatened	No. of species with lesser concern	No. of vulnerable species
Spain	2	5	2	4	20
Colombia	6	21	25	–	27
Guatemala	4	262	102	–	–
Mexico	–	3	–	18	14
Nicaragua	1	2	2	7	3
Panama	–	3	–	–	7
Puerto Rico	–	9	–	–	–
<b>Total</b>	<b>13</b>	<b>305</b>	<b>131</b>	<b>29</b>	<b>71</b>

## Integration with the environment and environmental restoration

Gas Natural Fenosa carries out environmental impact studies and surveillance programmes which ensure compliance with preventive measures and minimise possible impacts of projects and processes which are not subject to environmental impact assessments.

In 2010, the company played an active role in various initiatives geared at improving biodiversity such as

reforesting and recovering endangered flora and fauna. It also participated in archaeological activities.

Similarly, for the purpose of promoting and collaborating in the preservation of biodiversity in the region, the electricity lines have been adapted to the Royal Decree governing Protection of Birdlife, together with the regional environmental authorities.

In Spain, Gas Natural Fenosa sponsors different scientific and environmental conservation organisations to support

their initiatives in the defence of nature. Together with the Oso Pardo Foundation, the company performs environmental education activities to encourage changes in attitudes and social support in conservation. It also collaborates with the Spanish Ornithology Society (SEO) in the Birds and Climate Programme to raise awareness on climate change and obtain phenology data on birds as a method to understand the impact climate change has on their biological cycle and assess the possible consequences.

Moreover, the power stations at Sabón (A Coruña) and La Robla (León) celebrated Tree Day in 2010, where school children listened to chats on the protection of trees and had the opportunity to plant some.

On the international stage, on 22 March Gas Natural Fenosa Brasil celebrated Water Day. Among the activities was a showing of the environmental films *Água: o desafio do século XXI* and *Terra: a força do planeta*, and the distribution of environmental information.

Also in Brazil, the company held the "Environmental Month" in June, with a campaign to raise awareness about biodiversity. Entertaining environmental conferences, courses and practices were imparted. The initiative ended with a photographic competition on biodiversity in Brazilian habitats and the handover of seedlings at the Maria Tuca Ecological Park (Tatuí, Sao Paulo Sul).

As part of the World Biodiversity Day, on 29 December, the company revealed some of the flora and non-indigenous species that represent current Brazilian biodiversity. Gas Natural Fenosa organised a guided tour of Burle Marx -Barra de Guaratiba- RJ, a place that is famous for having one of the largest collections of live plants in the world, with around 3,500 species. The area measures over 360,000 m<sup>2</sup>.

Finally, on 22 September, the World Car-free Day took place in Brazil to raise awareness on excess pollution caused by excessive use of cars. There was an environmental questionnaire with the motto "Leave your Consumption Dream at Home... Join this Campaign!" Participants were given objects made from recycled plastic bottles.



**Environmental impact studies**

Gas Natural Fenosa carries out environmental impact studies for its projects. Public participation in the procedures to approve these projects

is ensured through national and regional legislation in each country where the company carries out projects.

**Initiatives for reducing the environmental impact of activities, products and services****Initiatives relating to the use of materials**

<b>Initiative</b>	<b>Results</b>
Morocco: reduction of paper consumption through quantitative and qualitative optimisation of printing.	2% reduction in paper consumption.
Fuel oil power stations in the Dominican Republic: prioritise use of documents on electronic media, and absorbent material.	5% reduction in paper consumption and 5% in absorbent material.
Reduction in the consumption of coagulant and flocculent at the Aceca power station.	Reduction in the consumption of chemical products and water.
Anllares power station: washing and changeover of cation and anionic resins to decrease the number of regenerations.	Reduction of consumption of caustic soda and sulphuric acid.
Costa Rica, La Joya hydraulic generation plant: replanning of plant shutdowns and heating times to decrease usage time of the generator.	Reduction of diesel consumption.
Generation of electricity in Costa Rica: use of water-based solvents and better performance paints.	Decrease of chemical products; paints and solvents.
Aceca fuel oil/generation cycles: improvements to the chemical products dosage systems.	30% decrease in asset consumption and 55% decrease with regards to other chemical products.

**Initiatives relating to water consumption**

<b>Initiative</b>	<b>Results</b>
Gas Natural Fenosa work centres: installation of aerators in washrooms and raising employees' awareness on efficient use of water.	Reduction of domestic water consumption.
Limeisa: automatic control of ecological flows.	Sustainability of water resources.
Aceca: reduction of specific water consumption in the generation of electricity.	Reduction in water consumption per GWh generated.
Puerto Rico: determinación de áreas susceptibles de conservación.	15% reduction in water consumption.



**Initiatives relating to emissions**

Initiative	Results
Workplaces: campaigns to raise awareness in energy saving and efficiency, installation of presence detectors and 65 solar panels.	Reduction in energy consumption and emissions.
Servicing of the motor generators on the maintenance ladders, in cogeneration at Hornillos and La Andaya.	Reduction in the amount of pollutants.
Morocco: conclusion of the Six Sigma project targeted at reducing self-consumption of the natural gas transportation system in the Maghreb-European gas pipeline.	Reduction of energy consumption and emissions of CH <sub>4</sub> .
Electricity distribution in Panama: optimisation of fuel consumption in vehicles.	Reduction of emissions.
Dolega hydraulic plant in Panama: use of aerosols that do not affect the ozone layer.	Reduction of emissions.
Hydraulic power plants, Panama: adaptation of switches.	Minimisation of leaks of SF <sub>6</sub> .
Electricity generation: improvements in fuel temperatures and conditions.	Reduction of NO <sub>x</sub> emissions.
Gas distribution in Spain: replacement of obsolete materials for other new generation ones (PE and steel).	Minimisation of emissions of CH <sub>4</sub> .
Combined-cycle plants, Spain: system to identify and remove ammonia in emission.	Minimisation of emissions of NH <sub>3</sub> .
Regasification plant Puerto Rico: optimisation of the management of efficiency of the turbine compressors and the steam process.	Reduction in energy consumption and emissions.
Workplaces Colombia: Second stage of the "Make it Natural" campaign.	Reduction in energy consumption and emissions.
Modification of fuel injection times into the Wartsila 18V38 motor and replacement of the turbo compressor and reduction of ancillary consumption in the motors in the Dominican Republic.	Reduction of consumption and emissions.



**Initiatives relating to effluents**

<b>Initiative</b>	<b>Results</b>
Use of distilled condensate of slurry on arable land adjacent to La Andaya and Hornillos cogenerations.	Sustainability of water resources and minimisation of consumption of chemical fertilisers.
Guatemala: use of bio-solvents and spray pumps to neutralise possible accidental spillage of dielectric oil	Minimisation of dumping.
Los Algarrobos hydraulic plant, Panama: set-up of a new catchment system.	Avoid the risk of dumping into the river and on land.
Cogeneration at La Andaya and Hornillos: separation of oily waters to manage the floating material as a waste.	Minimisation of dumping.
Generation of fuel oil in the Dominican Republic: enhancement of the system to treat oily waters.	Reduction of dumping.

**Initiatives relating to noise**

<b>Initiative</b>	<b>Results</b>
Cogeneration Spain, El Romeral plant: soundproofing of motors and preventive maintenance.	Noise reduction.
Kenya, generation of fuel oil: increase of safety levels.	Noise prevention.
Fitting of soundproofing panels at the RMS.	Noise reduction.
Gas Natural Fenosa headquarters: soundproofing of the area where the fuel cell system is located.	Noise reduction.
Electricity distribution in Spain: positioning of anti-vibrators on the power transformers.	Noise reduction.
Kenya, generation of fuel oil: planting of banana trees in areas with a lot of noise.	Noise reduction.



**Initiatives relating to waste**

Iniciativa	Results
Electricity distribution in Panama: replacement of blue silica for cobalt-free orange silica.	Removal of cobalt as hazardous waste.
Sagunto combined-cycle power plant: changes in filling the dispersal tank.	Decrease of waste.
Gas distribution in Brazil: campaign to set up eco-points with containers for batteries.	Selective management of waste.
Gas transportation in Morocco: minimisation of hazardous waste by optimising planned maintenance routes and raising awareness of personnel.	2% reduction of waste.
Costa Rica, La Joya hydraulic generation plant: improved cleaning procedures in maintenance.	Minimisation of waste.
Electricity distribution in Nicaragua: recovery of non-reusable metal material from the distribution grid.	Recovery of waste.
Gas distribution in Spain: recovery of soil for replacement in trenches.	Reduction of rubble at waste tip.
Electricity distribution in Guatemala: repair of electrical transformers.	Reduction of waste: dielectric oil and scrap.
Generation of fuel oil in the Dominican Republic: reduction of material contaminated with hydrocarbons.	5% reduction of waste per MWh produced.

**Environmental impact**

The performance and commitment of Gas Natural Fenosa ensures that the activities of generation, transportation, distribution and commercialisation of electricity and gas is compatible with protecting the environment and the life quality of the public. The company seeks new focuses that enable it to keep the balance between the value of natural resources used and the wealth generated by the business.

Gas Natural Fenosa has an environmental management tool, called environmental units (UMAS). This tool quantifies the environmental aspects over time using the life-cycle

analysis methodology and the different stages given in the international ISO 14040 standards. This methodology quantifies the environmental impact on the environment of atmospheric emissions, consumption, resources, waste, water quality, noise and the impact on birdlife, *inter alia*.

The methodology characterises the environmental aspect in accordance with certain classifications of impact (acidification, winter smog, waste generation, global warming, water quality, eutrophication, photochemical smog, etc.) and gives the environmental impacts a dimensionless value (UMAS) regardless of their nature.

Gas Natural Fenosa seeks new focuses that enable it to keep the balance between the value of natural resources used and the wealth generated by the business

2010 saw a 10% reduction in the environmental impact with regard to the previous year, more specifically 33% in acidification of the atmosphere and global warming, 46% on toxicological impacts affecting the air, 37% winter smog and 56% photochemical smog.

### Involvement of suppliers and customers

The environmental commitments of Gas Natural Fenosa are not restricted to an internal scope, but extend to the value chain. 84% of the main gas distribution works and infrastructure contractors, and 100% of works inspection services and suppliers, have voluntarily joined the *Good Environmental Practices in Distribution Network Construction*. Furthermore, a project commenced in 2010 to encourage the main electricity distribution works and services suppliers to join the good practices document. 62% of the suppliers had joined by the end of 2010.

### Quantification of the environmental impact in UMAS

Impact classification	UMAS
Generation of hazardous waste	3,161
Acidification of the atmosphere	209
Generation of non-hazardous waste	148
Global warming	122
Toxicological impacts: affecting the air	82
Winter smog	37
Noise pollution	32
Water quality	28
Eutrophication: affecting aquatic ecosystems	6
Consumption of abiotic resources: energy resources	6
Consumption of abiotic resources: water resources	4
Photochemical smog	4
Consumption of abiotic resources: other resources	3
Affecting birdlife.	1
<b>Total UMAS</b>	<b>3,843</b>

Note: The environmental impact corresponds to the environmental aspects of installations considered as the totality of each installation, without considering the consolidation percentage.

### Gas Natural Fenosa calculates its Ecological Footprint

In line with its constant concern to maintain the balance between the activities that make up its different business lines and respect for the environment, Gas Natural Fenosa habitually works in the search and development for tools to support this task.

For this reason, in 2010 the company developed a methodology to calculate its Ecological Footprint, a synthetic indicator of sustainability that provides knowledge on the impact a certain activity or community has on its surroundings. The Ecological Footprint is defined as the total of productive hectares required to produce the resources consumed and the surface area required to absorb the waste generated.

The methodology developed by Gas Natural Fenosa, based on the Rees and Wackernagel methodology but with some additions, enables

the company's ecological footprint over time to be calculated and measured.

To calculate the ecological footprint, first it is necessary to identify the annual consumption and emissions, transforming the parameters identified into partial productive areas (hectares) using productivity indices. Subsequently, to compare the partial productive areas these are changed into global productive areas (global hectares) thanks to the use of specific equivalence factors that are recognised internationally. Lastly, the global hectares are related to the reference unit (gas and electricity GWh generated, transported and distributed).

This calculation methodology was applied both at individual centres as well as at corporate level, which enabled calculation of the ecological footprint associated to the following parameters: consumption of fuels,

consumption of water, direct emissions of CO<sub>2</sub>, SO<sub>2</sub> and NO<sub>x</sub> from generation of electricity, emissions generated from activities of transporting and distributing gas and electricity, occupation of space by the installations, occupation of space by water in the reservoir and occupation of waste treated at the landfill site.

The results obtained in 2010 show an overall ecological footprint of 7.24 gha/GWh, whereby 88.9% corresponds to the carbon footprint, 5.7% to the atmospheric footprint, 0.1% to the water footprint and 5.4% to the land occupation footprint. The ecological footprint has decreased 25.1% with regard to 2009, mainly through reduction of CO<sub>2</sub> emissions, which also involves a reduction of the carbon footprint.

Elsewhere, 21% of gas and electricity services suppliers, officially approved by Gas Natural Fenosa, hold the ISO 14001 certificate.

In addition, the company tries to raise customers' awareness of the importance of responsible and rational use of energy. In this regard, together with the Gas Natural Fenosa Foundation and wholesale and retail commercialisation businesses, it carries out campaigns, sponsors events and provides training under the Gesto Natural initiative.

## Interest in People



Gas Natural Fenosa is a project shared by 18,778 people working in 22 countries. 49.3% of them carry out their activity outside Spain. The average age is 42.7 years, with an average seniority in the company of 14.5 years. 27% of employees are women.

The company's human resources strategy is based on its mission and its aims are to promote a working environment that is respectful to employees and committed to their

training and professional development, foster commitment, encourage the diversity of opinions, perspectives, cultures, ages and gender and, finally, attract talent.

After completing the merger between Gas Natural and Unión Fenosa, the company capitalised on the best practices in people management, processed its daily operations and enabled the optimisation of the organisation following the merger.

During 2010, a human resources model was consolidated based on management units which define the human resources policies and models, and on the figure of the business partner as the strategic business advisor in the implementation and adaptation of policies and models in the different businesses and countries.

### Principles of responsible action with employees

Interest in people is one of the commitments laid down in the Gas Natural Fenosa Corporate Responsibility Policy, and is based on the following principles:

- Providing employees with professional development opportunities commensurate with their skills.
- Fostering a motivational working environment, where employees are treated with respect and their initiatives are considered in responsible fashion.
- Encouraging clear targets, efficient leadership, competitive compensations and acknowledging the targets met.
- Providing conditions which are conducive to a fair balance between professional and personal life within a framework of equality and dialogue.

## Main indicators

	2010	2009	2008
Staff rate. No. of employees	18,778	19,803	6,842
Men/Women (%)	73/27	74/26	69/31
Women in management posts (%)	21.70	19.70	18.90
Personnel costs (millions of euros)	798	600	338
Training hours per employee	47.80	42.20	44.52
Annual investment in training (euros)	8,057,570	8,505,000	3,480,300

## Relevant actions

Proposed actions for 2010	Actions taken 2010	Actions planned 2011
Set-up of an equal opportunities committee for the companies with a collective bargaining agreement.	● Set-up of the Equal Opportunities Committee.	Preparation of the Equality Plan.
New internal magazine: change of image and content adapted to the new company and in harmony with employees' opinion (specific survey about the magazine).	● Relevant internal communication campaigns: "Brand, Values and Positioning" and "New Strategic Plan".	Development of a programme for the recognition of continuous improvement and innovation.
Master Plan and Annual Plan for In-house Communication.	● Elaboration of the Master Plan and design of the Annual Plan for In-house Communication.	Campaign to strengthen values and the new Corporate Responsibility Policy.
Performance of Environment Survey. Set up of permanent panels of employees. Specific and periodic surveys.	● Survey completed on working environment and commitment. Set up of permanent panels of employees. Specific and periodic surveys.	Notification of the working environment survey results and action plan drawn up from the results obtained.

Level of compliance: ● High ● Medium ● Low



Guaranteeing equal opportunities, fostering diversity and offering an attractive professional career form part of the Gas Natural Fenosa's commitment to its employees

### Equal opportunity, diversity and social integration as levers for growth

Guaranteeing equal opportunities, fostering diversity and offering an attractive professional career form part of the Gas Natural Fenosa's commitment to its employees.

The company rejects all forms of discrimination. This criterion covers the selection and promotion processes, which are based on the assessment of the individual's skills, the analysis of the requirements that apply to the position and individual performance levels.

In 2010, the Equal Opportunities Committee was created to draw up a Gender Equality Plan in Spain.

Gas Natural Fenosa's commitment to equal opportunities and social integration goes beyond compliance with legislation. The company encourages recruitment of disabled persons, offering a work environment that enables them to develop under equal conditions.

Gas Natural Fenosa complies rigorously with the legal requirements of every country in which it works. In Spain, the minimum target is for 2% of the workforce to be represented by disabled persons. It resorts to suppliers that employ disabled individuals and directly contracts individuals with disabilities. On the international stage, the percentage of disabled persons reaches 3.2% of the workforce, above the minimum legal requirements in Brazil, Panama (3.74%), Morocco (2.88%) and Italy (over 7%).

The companies that form part of Gas Natural Fenosa strive to foster the integration of the disabled. In Spain, collaboration agreements have been established with the Adecco Foundation, FCSD (Catalan Down Syndrome Foundation) and the Guttman Institute, which specialises in medical and surgical treatment

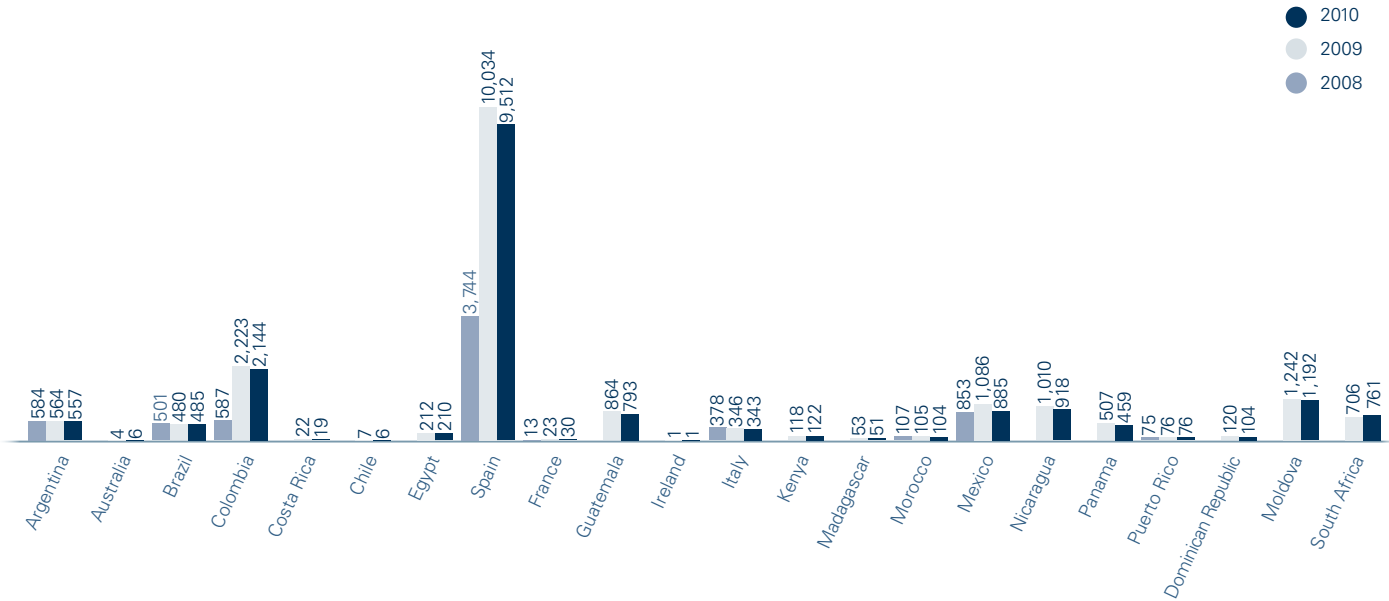
and the comprehensive rehabilitation of people suffering from spinal-cord injuries, acquired brain damage or other neurological disabilities. In 2010, the agreement signed by the company with the Generalitat of Catalonia remained in place for the integration into employment of women who have suffered gender violence and are at risk from social inclusion.

Gas Natural Fenosa believes that an individual's feeling of belonging and awareness of each area's characteristics are determining factors for the company's success. Accordingly, it encourages direct recruitment of local employees and executives. Consequently, Gas Natural Fenosa does not have a specific policy for the recruitment of local executives, but gives priority to recruiting this type of personnel over other options.



### Staff rate. Number of employees<sup>(\*)</sup>

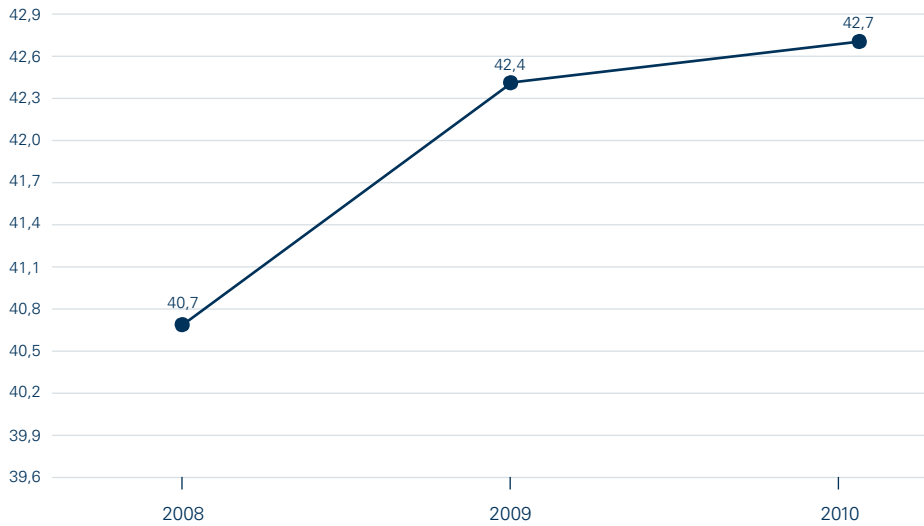
(employees)



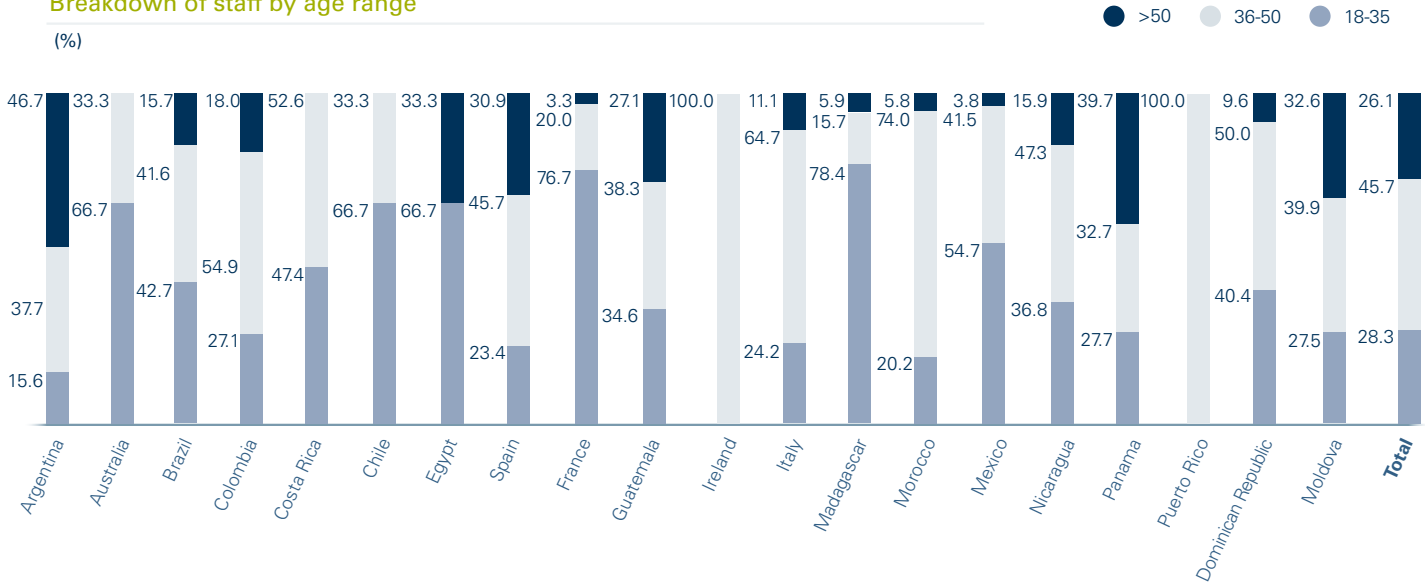
(\*) Number of employees according to corporate criterion. The indicators given later in this chapter apply to staff with centralised management, i.e. 15,716 people, 7,620 in Spain and 8,096 people spread across Argentina, Australia, Brazil, Colombia, Costa Rica, Chile, Egypt, France, Guatemala, Ireland, Italy, Madagascar, Morocco, Mexico, Nicaragua, Panama, Puerto Rico, the Dominican Republic and Moldova.

### Average employee age

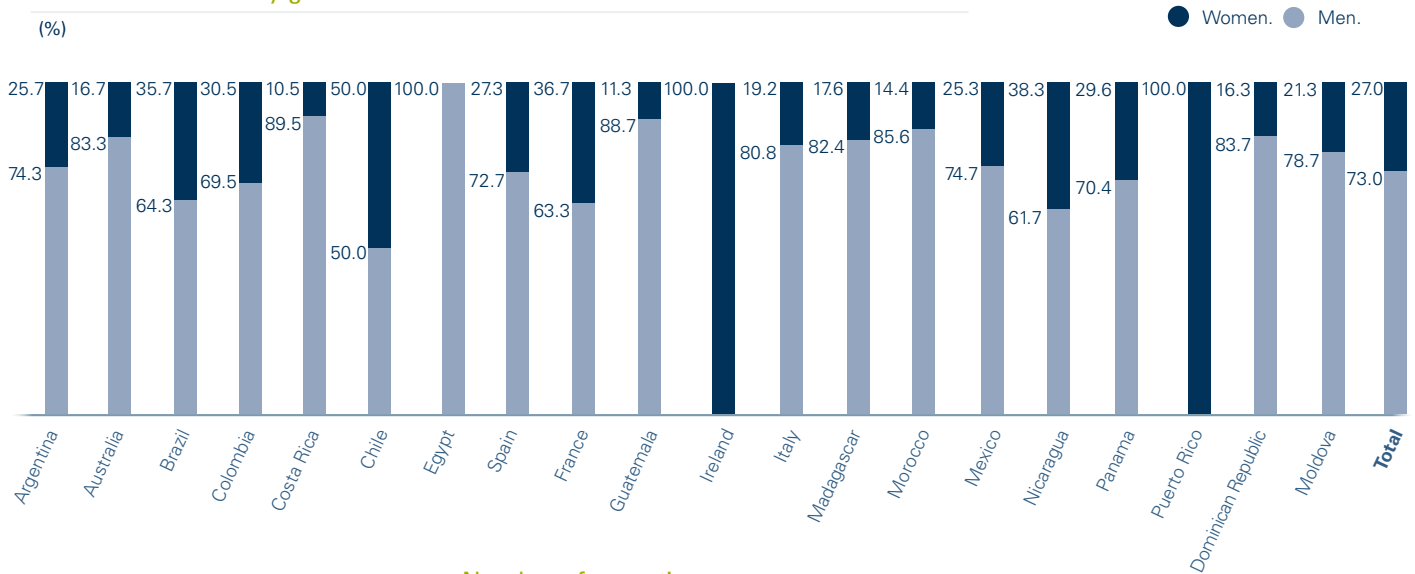
(years)



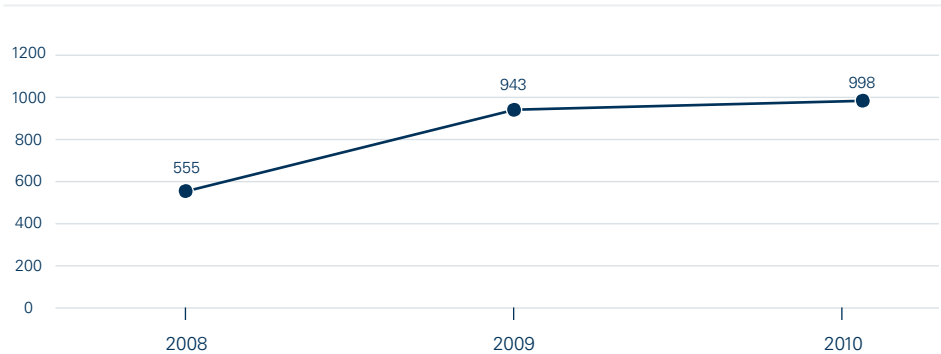
### Breakdown of staff by age range



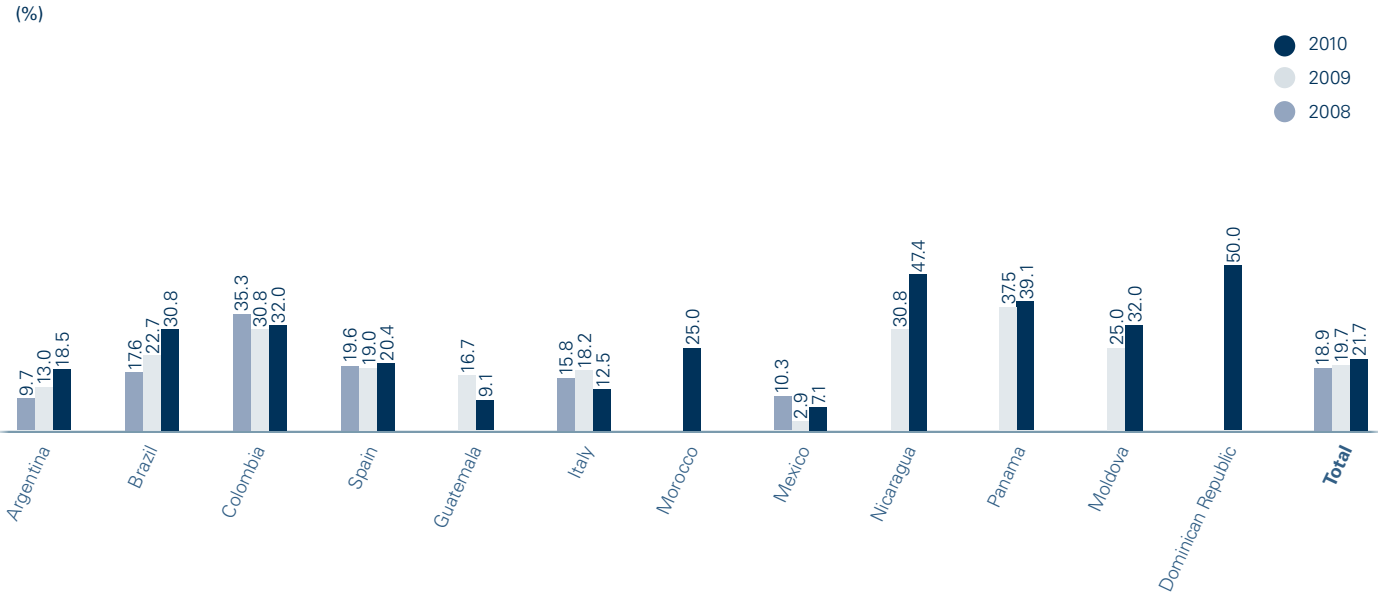
### Breakdown of staff by gender



### Number of executives

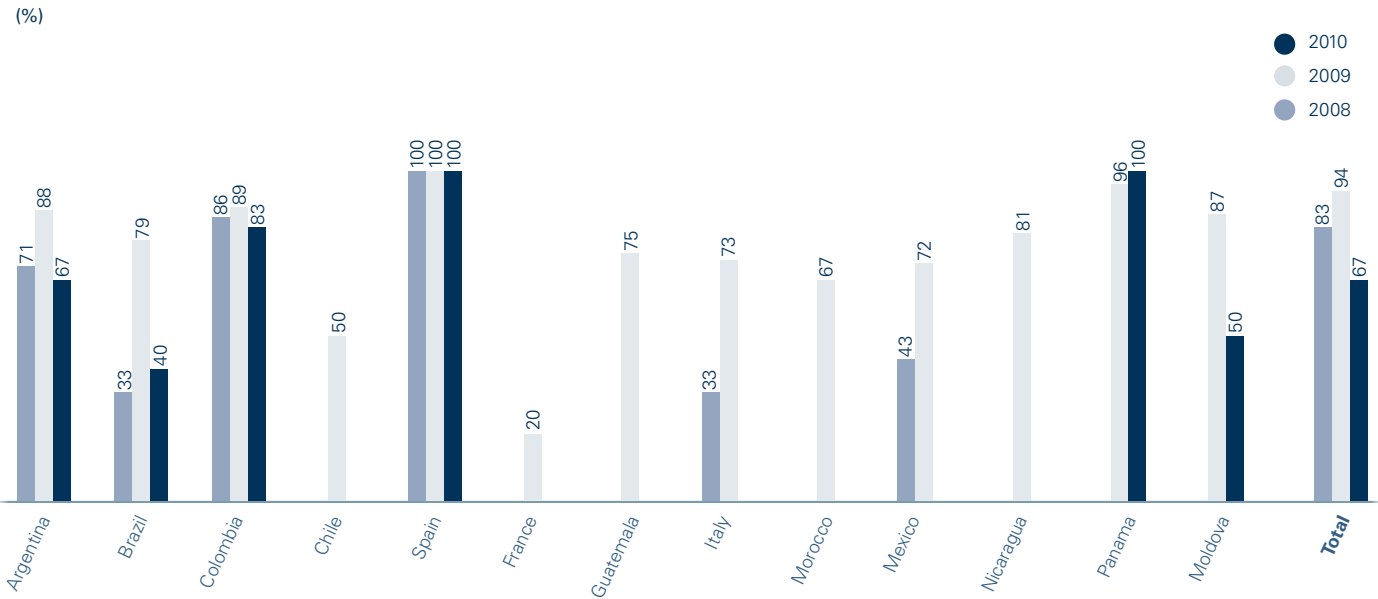


### Women in management posts<sup>(\*)</sup>



(\*) There are no executives in Australia, Costa Rica, Chile, Egypt, Ireland, Madagascar and Puerto Rico. In France, there are no women in management posts at the present time.

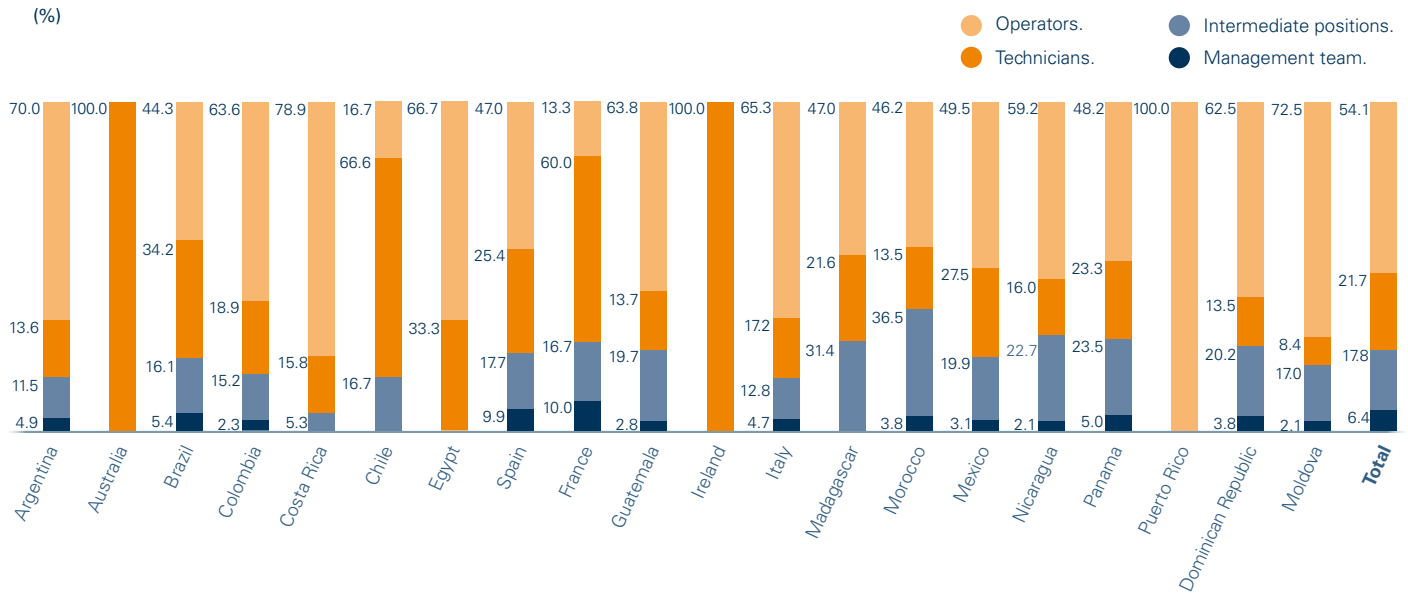
### Senior managers from the local community<sup>(\*)</sup>



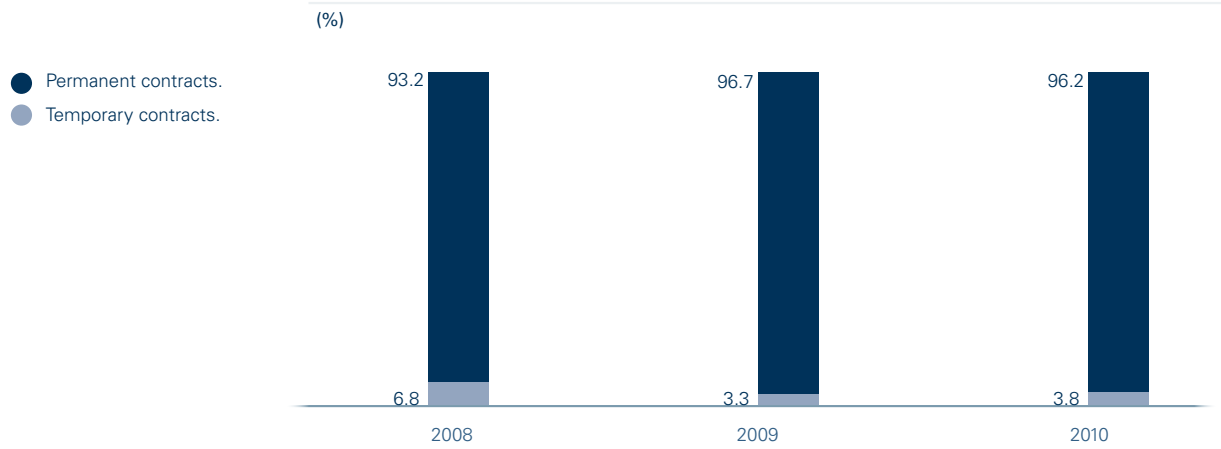
(\*) In 2010, there was an amendment to the criterion for the consideration of the term "senior executive". In 2010, it has been applied to the category of director and/or higher, whereas in previous years the term was applied to directors, deputy directors, heads of department and/or higher. The term "local executive" is applied to the senior executive who works for a company that belongs to the local community. The general fall reflected in the figure is due to the application of a more restrictive criterion in the definition of senior executive.

Note: There are no executives in Australia, Costa Rica, Chile, Egypt, Ireland, Madagascar and Puerto Rico. In the Dominican Republic, there are no executives from the local community.

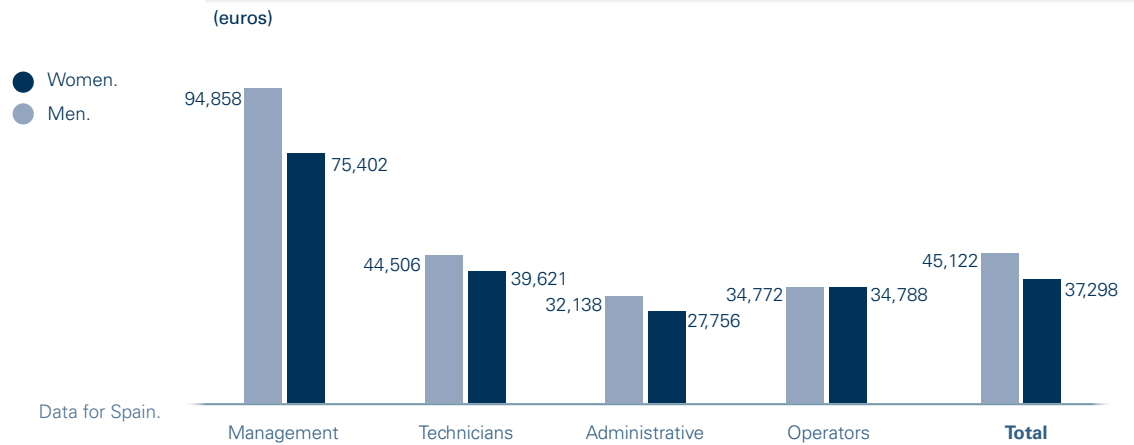
### Breakdown of staff by professional category



### Type of contract



### Average salary of men and women by professional category



### Recognition of trade union representation in the workplace

Gas Natural Fenosa unequivocally respects the right to freedom of association and trade union representation. The companies that make up Gas Natural Fenosa have freely elected workers' representatives. Accordingly, at the end of 2010:

- 37 organisations were represented at the company in all spheres of operation, 7 in Spain and 30 in international business.
- In Spain, according to the provisional figures after the elections that were held in 2010 at a good number of work centres, there were 451 union representatives.

In Spain, and without prejudice to the provisions laid down in current legislation, collective bargaining agreements specify the means of communication and information between the company and union representatives, through the corresponding work commissions and committees.

On 25 May 2010, the Gas Natural 2010-2011 Collective Bargaining Agreement was signed. It is the result of the shared desire to gradually furnish the company with a unique framework for labour relations for every centre, bringing together the various collective bargaining agreements in place to date. The company's general policy in this regard is to harmonise and make uniform the working conditions of employees at different companies.

Gas Natural Fenosa maintains appropriate communication channels with trade union representatives, always ahead of legislation, for reporting on organisational changes and working conditions that imply substantial change for workers.

Within the international sphere, there are several peculiarities in the system of providing notice of organisational changes established in the Italy and Guatemala agreements that go beyond the strict legal regulations to which the company is bound.



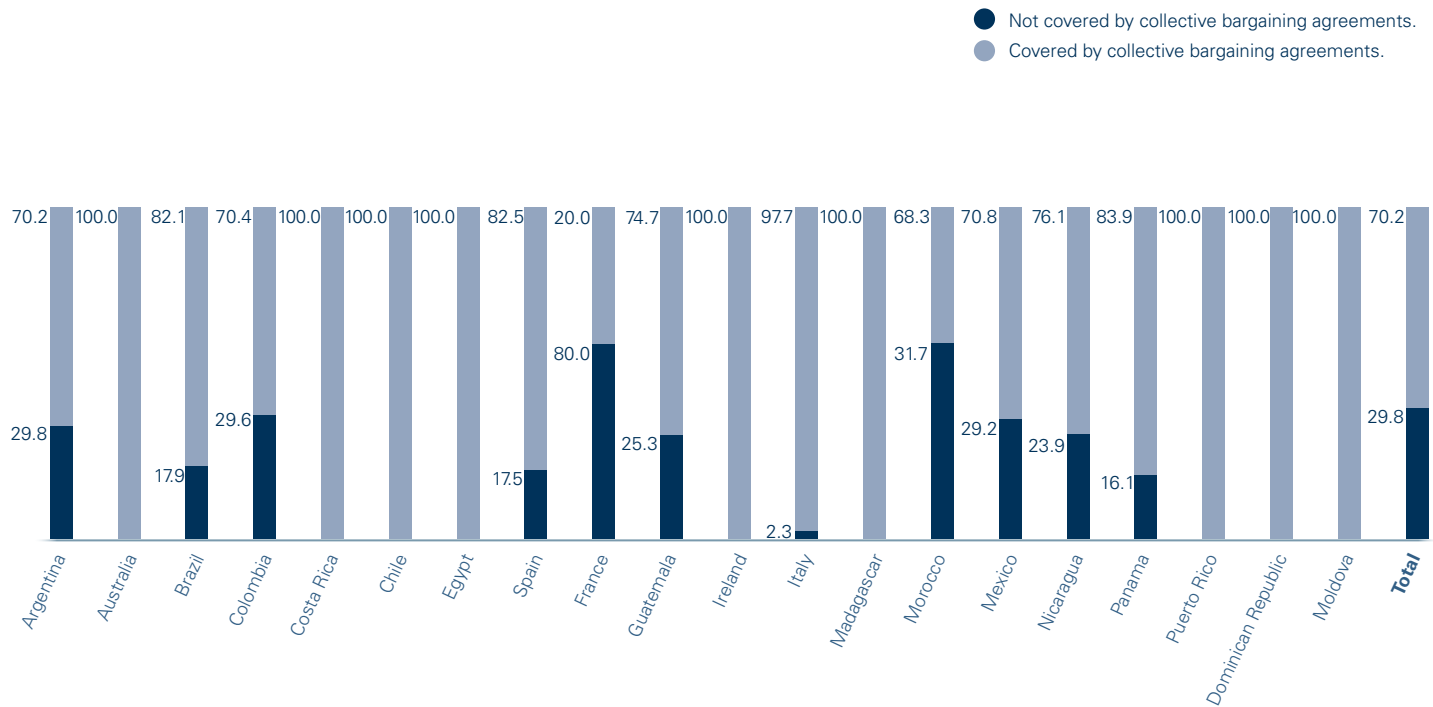
### Trade union presence in Spain<sup>(\*)</sup>

	No. of representatives	%
Comisiones Obreras (CCOO)	142	31.49
USO	107	23.73
Unión General de Trabajadores (UGT)	108	23.95
CIG	36	7.98
Confederación General de Trabajadores (CGT)	37	8.20
SIE	18	3.99
CIAA	2	0.44
Independent professionals	1	0.22
<b>Total</b>	<b>451</b>	<b>100</b>

<sup>(\*)</sup> Provisional figures (according to the election process and the corresponding legal terms) after the trade union elections of November 2010.

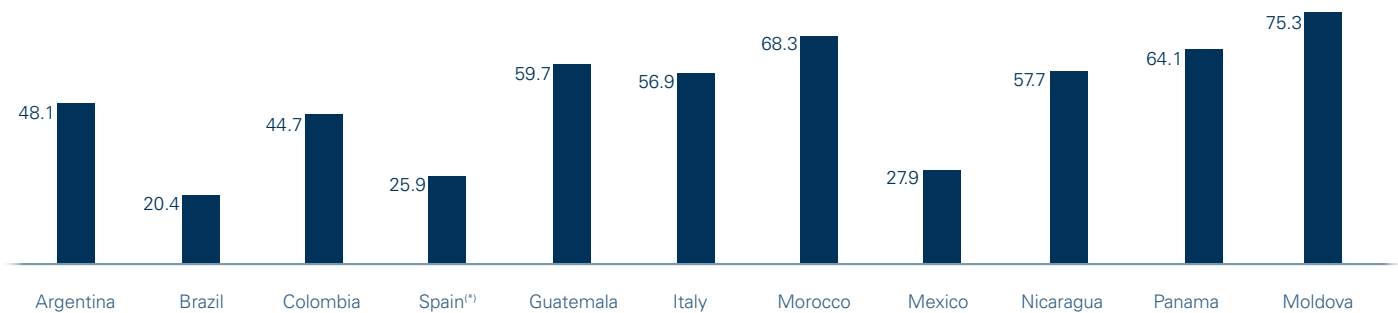
### Employee and collective bargaining agreement indicators

(%)



### Union membership by country

(%)



(\*) The percentage of affiliation in Spain is up 1.3 points owing to a reduction in total consolidated staff as a result of the disinvestments that were made and rotation.

Note: There are no members in Australia, Costa Rica, Chile, Egypt, France, Ireland, Madagascar, Puerto Rico and the Dominican Republic.

## Remuneration policy

The company's remuneration policy is governed by equality on an internal scale and competitiveness from the market point of view. The governing criteria are as follows:

- For employees included in the union agreement, the remuneration is established in accordance with the professional group and subgroup, as laid down in the current agreements.
- For managers and employees not included in the agreement, it is established on an individual basis in line with the remuneration policy approved by the Board of Directors' Appointments and Remuneration Committee.

Gas Natural Fenosa regularly carries out comparative studies to assess the competitiveness of its remuneration policy and applies a model based on increases to the real and anticipated CPI, the company's results and anticipated salary rises.

At group level, the variable remuneration policy applies, approximately, to 62.4% of the employees directly employed by Gas Natural Fenosa (15,716 employees). This policy is based on meeting the annual targets set by the company and the business unit, as well as assessing each employee's individual performance; work post objectives and professional action.



## Ratio between standard minimum salary and local minimum salary<sup>(\*)</sup>

Argentina	2.34
Brazil	1.89
Chile	4.07
Colombia	1.30
Costa Rica	2.83
Spain	2.06
France	1.49
Guatemala	2.31
Italy	1.24
Ireland	2.70
Madagascar	2.75
Morocco	2.72
Mexico	3.43
Nicaragua	1.33
Panama	1.06
Dominican Republic	1.70
Moldova	2.94

(\*) In Australia, Egypt and Puerto Rico, the staff with centralised management does not provide significant data for this indicator.

### Promotion of flexibility policies for employees

At Gas Natural Fenosa, the reconciliation of work and family is achieved mainly through labour flexibility measures.

Beyond the legally required minimums, the company allows its employees to enjoy benefits which, according to each collective bargaining agreement, include the possibility of working a continuous timetable on Fridays and in the summertime, while certain other groups of employees can manage their own timetables.

Furthermore, the legal entitlements to reduce the number of daily hours worked and the time limit thereof are extended by the company, including accumulating leave for breastfeeding and, in certain cases, increasing the terms of calculation. Women employees can also avoid travel that involves moving away from their home during pregnancy or breastfeeding.

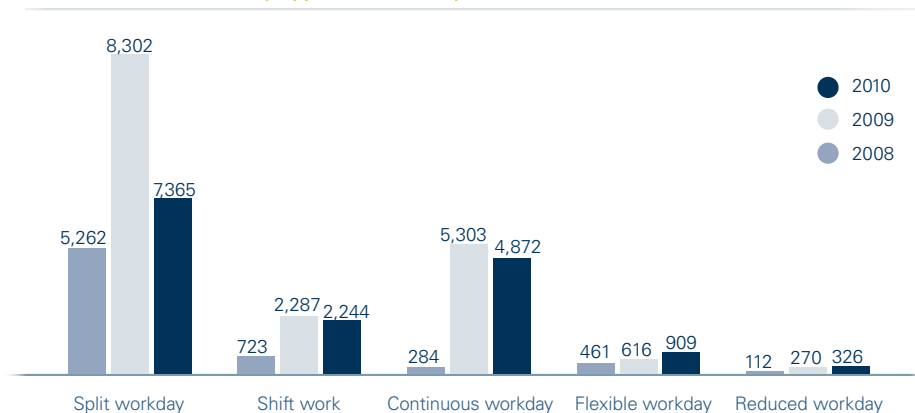
In addition, employees who are looking after relatives under special circumstances can apply for the Gas Natural Fenosa's policies that enable them to work closer to home.

### Services adapted to employee requirements

Gas Natural Fenosa offers its employees social benefits in every country in which it operates. In particular, under different names and content, depending on the area, country and agreement, it offers the following:

- Family allowance for the birth of a child, marriage, aid for nurseries and crèches or for disabled children.
- Work-family reconciliation policies.
- Medical care policies and services (hospitalisation, care, medicines, ophthalmology assessment, dentistry plan and similar).
- Existence of the "specific activity day" (gas workers day, electricians day, etc.).
- Financial benefits in cases of temporary invalidity.
- Sponsorship of sport and leisure activities.
- Financial assistance for meals (breakfast and lunch vouchers, allowances for meals and expenses, etc.).
- Study aid for employees and scholarship grants for their children, school subsidisation and scholarship fund with various regulations and scope.
- Defined contribution and complementary pension plans.
- Loans, advances and credit and insurance facilities to employees and their families.
- Electricity or natural gas consumption allowances.
- Agreements with insurance companies and banks.

### Breakdown of staff by type of workday<sup>(\*)</sup>



(\*) The 2009 values for this indicator vary compared to those published in the 2009 report because the information was incorrect for international companies. 2009 values were recalculated for those companies by extrapolating the 2010 distribution by real workday type.



Furthermore, in 2010, the company's pension scheme negotiation board agreed the merger of the plans of Unión Fenosa and Gas Natural in fulfilment of the corresponding Spanish legislation.

### Generation of employee commitment and involvement

The Management by Objectives (MbO) and Performance Management (PM) are two management systems used by Gas Natural Fenosa to involve employees in achieving the company's targets.

In 2010, Gas Natural Fenosa implemented a unique and integrated management computer system and laid down common criteria for the application of both methodologies in the appraisal process. In order to continue the integration process, the company developed different communication actions, with an abundance of training on methodologies, the applicable common criteria and the use of the computer system that had been launched.

Furthermore, at the end of 2010, the company launched a working environment survey on every employee and the results will be analysed and reported in 2011.

#### 2010 Commitment and Working Environment Survey

In 2010, Gas Natural Fenosa sent the Commitment and Working Environment Survey to more than 15,700 employees in the different countries in which it operates.

The aim was to find out the level of satisfaction and commitment of the staff in each country and area. The results will enable the establishment of global or local action plans to improve the issues that obtained the worst results and have a greater impact on employees' commitment.

In order to enable employees' participation, the materials used in the survey were translated into eight languages. Furthermore, the survey was anonymous and confidential and could be completed over the web or by means of a questionnaire on paper.

The questionnaire was designed with a common block of questions and specific questions were added for each country according to its peculiarities.

11 assessment categories were used: compensation and benefits, commitment, communication, working conditions, professional development and training, management, boss, image/market, organisation, internal relations and corporate responsibility.

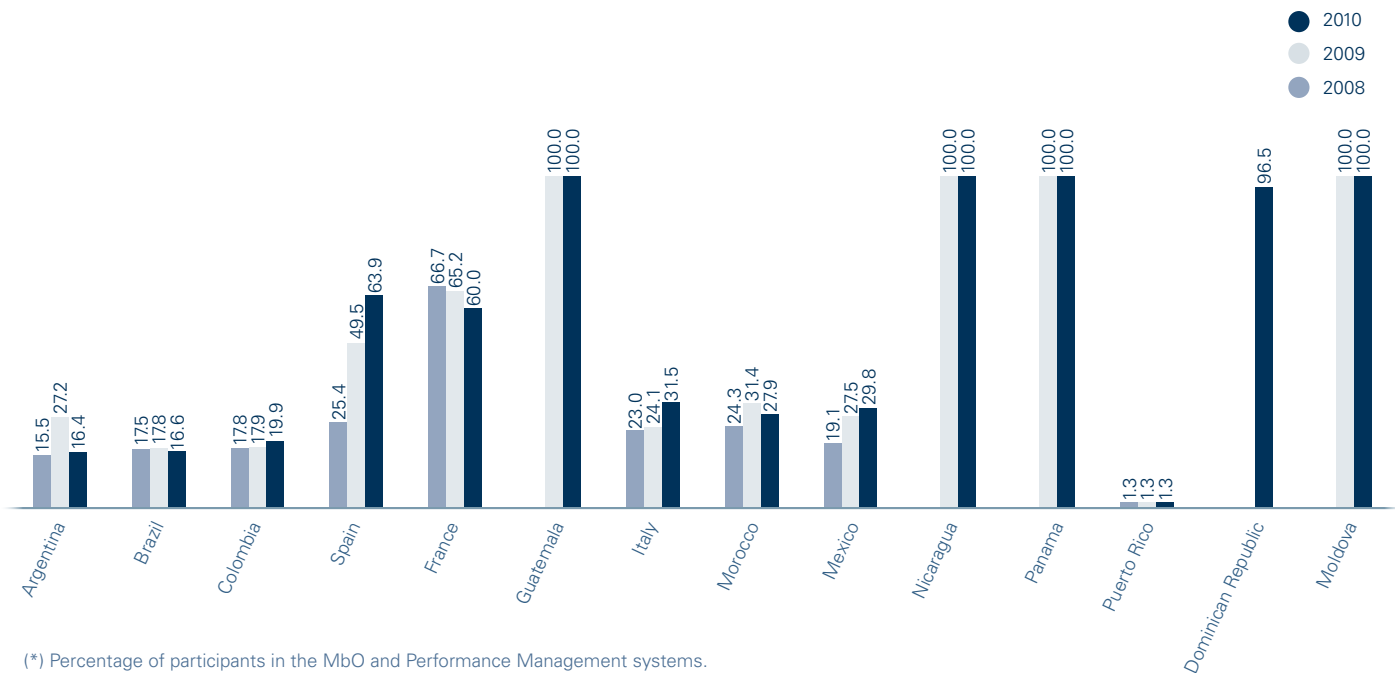
As support for the launch of the survey, the company started up an internal communication campaign encouraging participation with the slogan "I'm taking part." The results will be analysed and reported in 2011.

### Breakdown of personnel costs

(millions of euros)

	2010	2009	2008
Wages and salaries	643	501	258
Social Security costs	125	103	57
Definitive contribution plans	33	28	14
Definitive benefit plans	6	15	1
Work carried out for the company's fixed assets	(82)	(102)	(52)
Others	73	55	60
<b>Total</b>	<b>798</b>	<b>600</b>	<b>338</b>

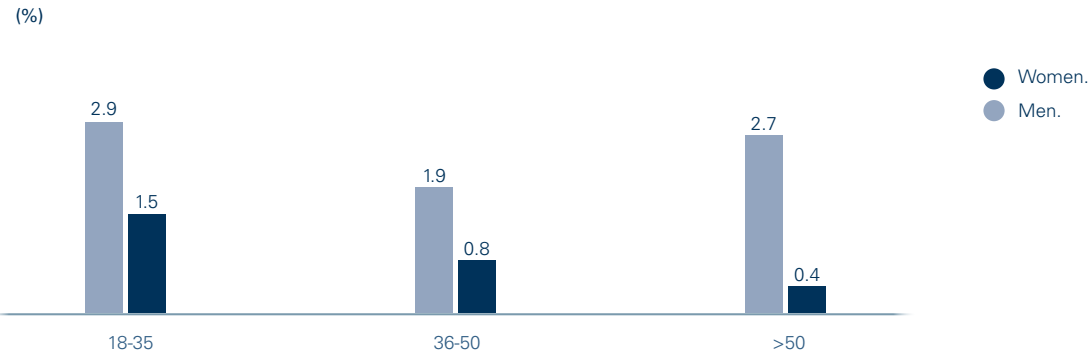
### Management by Objectives Evaluation System (OES) Indicators<sup>(\*)</sup>



(\*) Percentage of participants in the MbO and Performance Management systems.

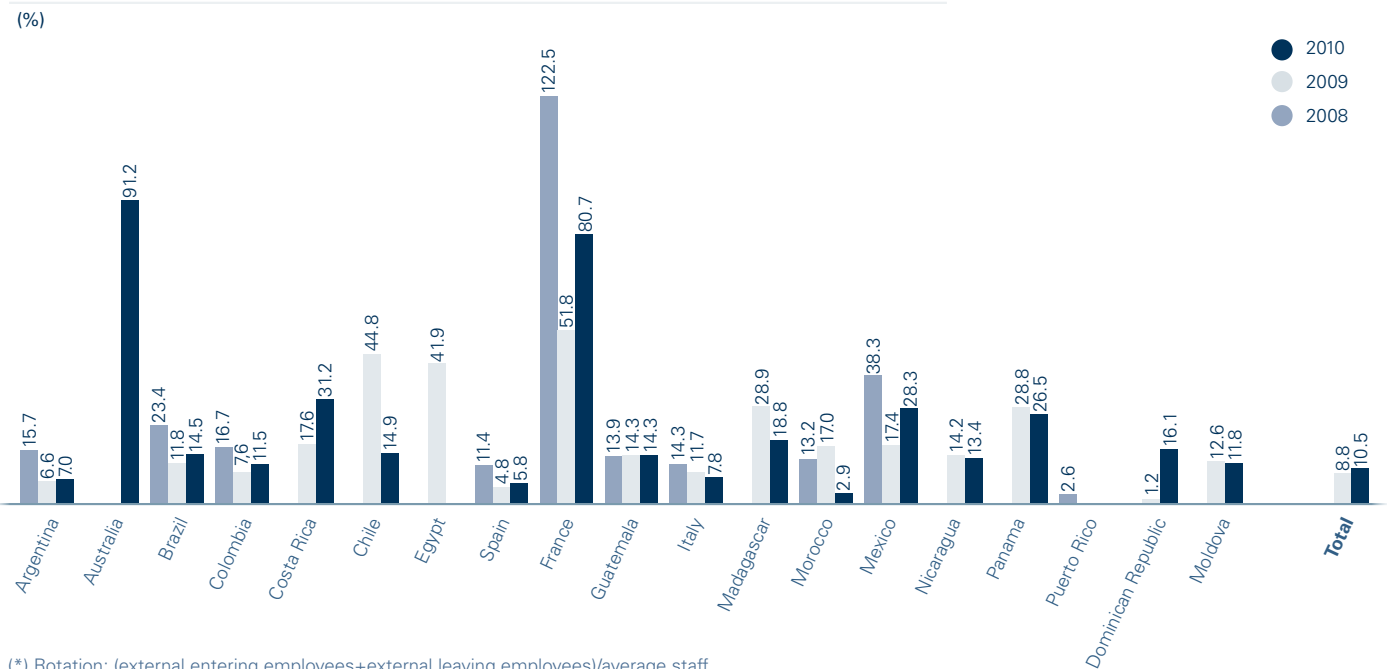
Note: In Australia, Costa Rica, Chile, Egypt, Ireland and Madagascar there are no people involved in the Performance Management and Management by Objectives processes.

Rotation rate<sup>(\*)</sup>



(\*) Rotation: (external entering employees + external leaving employees)/average staff.

Rotation rate by country<sup>(\*)</sup>

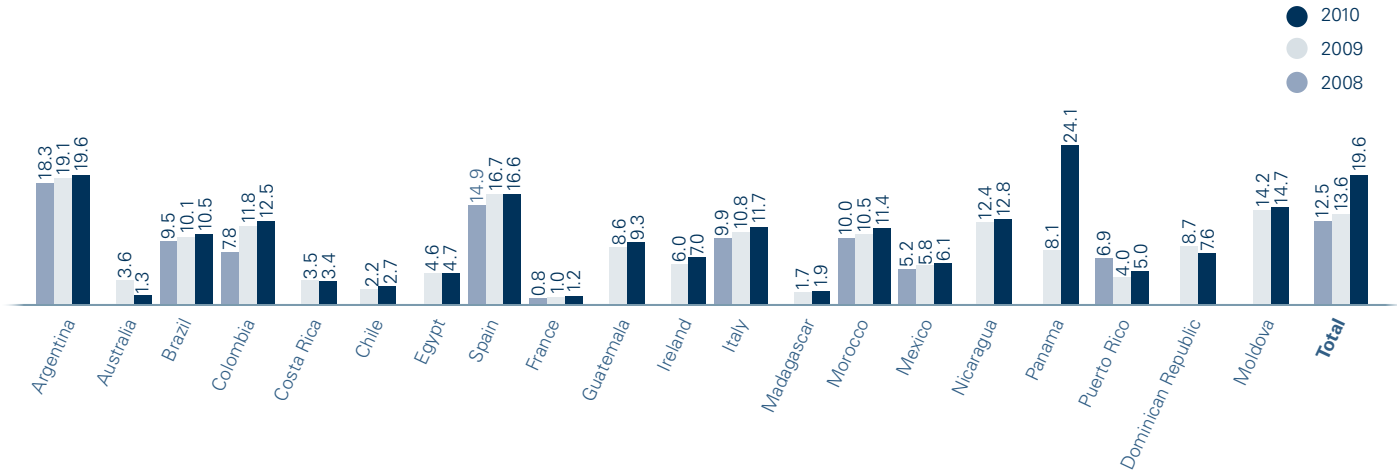


(\*) Rotation: (external entering employees+external leaving employees)/average staff.

Note: Egypt, Puerto Rico and Ireland registered entering or leaving employees in their staff.

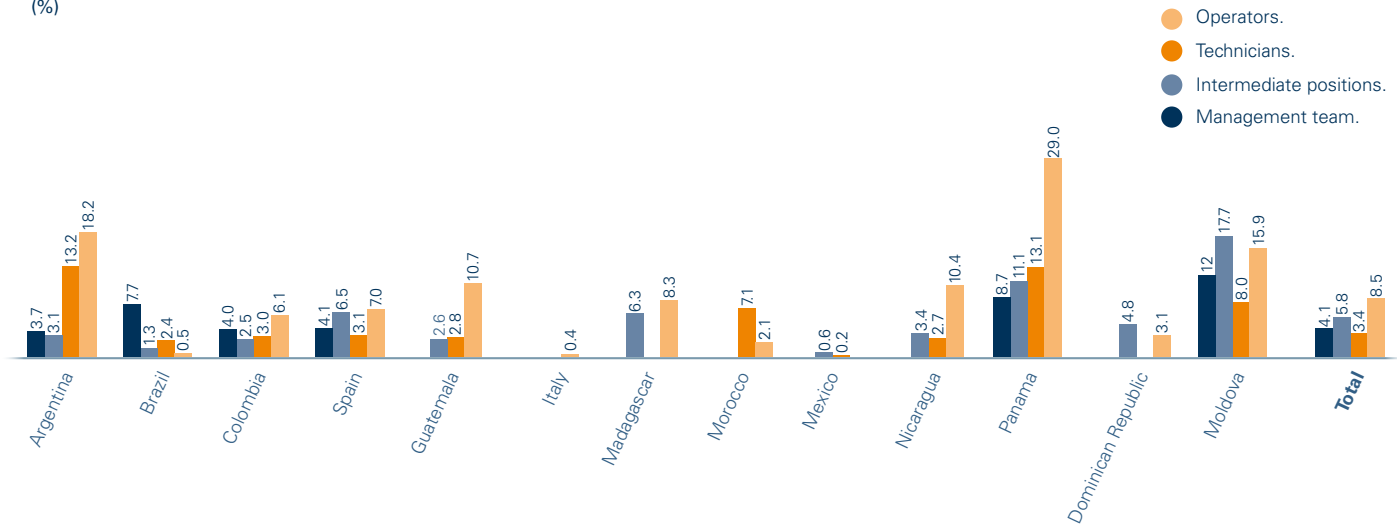
### Seniority rate. Average staff seniority by country

(years)



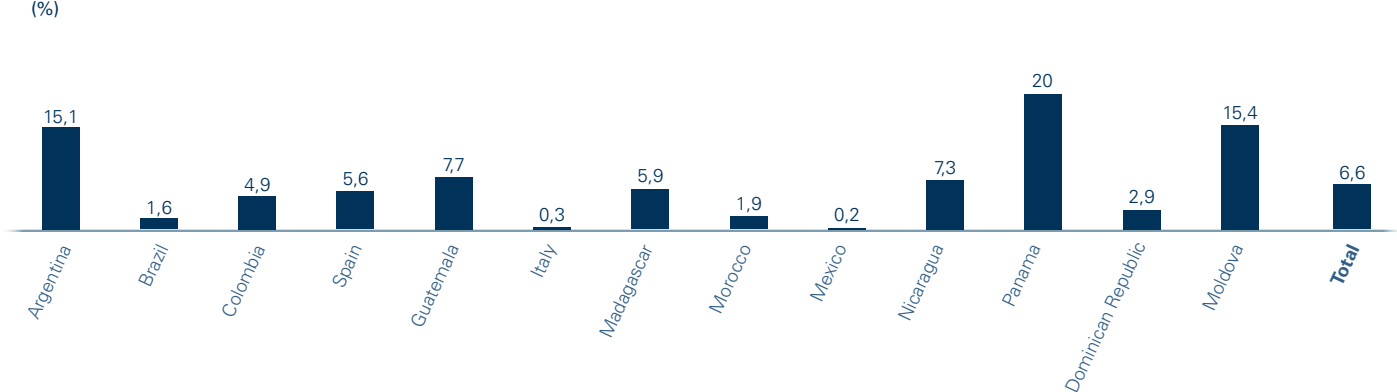
### Employees five years from retirement age, by category and country

(%)



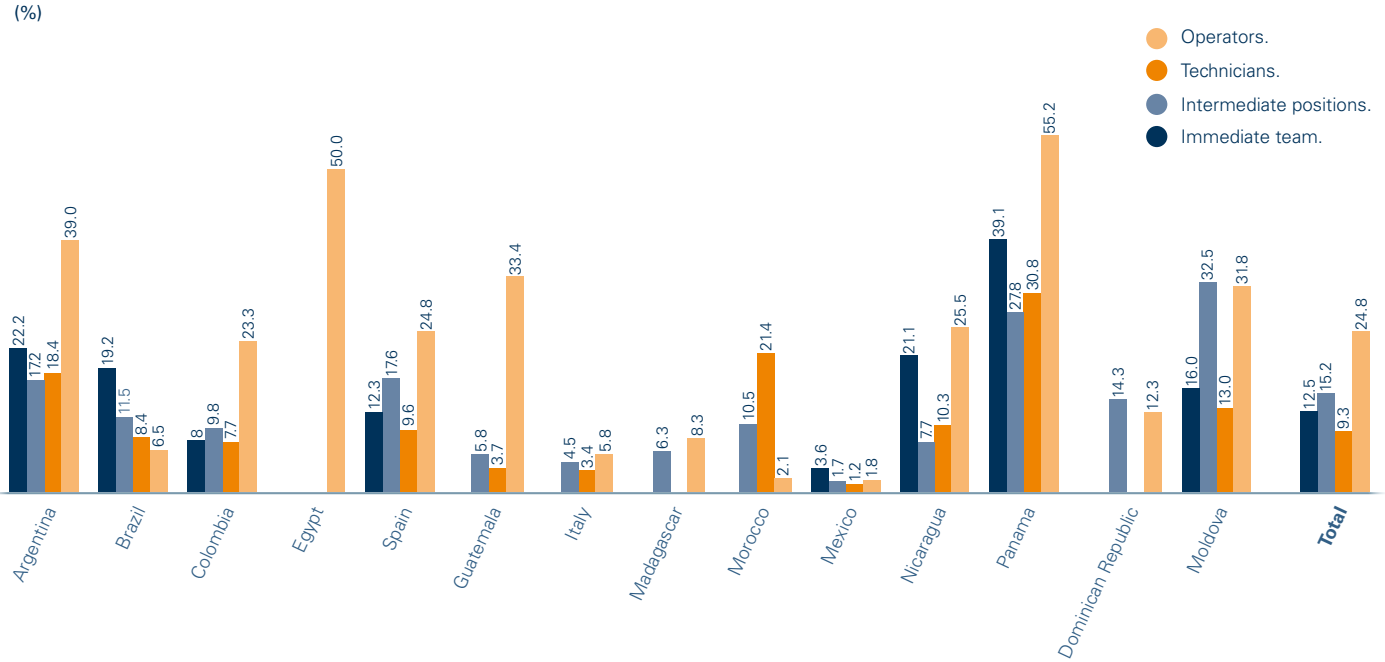
### Employees five years from retirement age

(%)

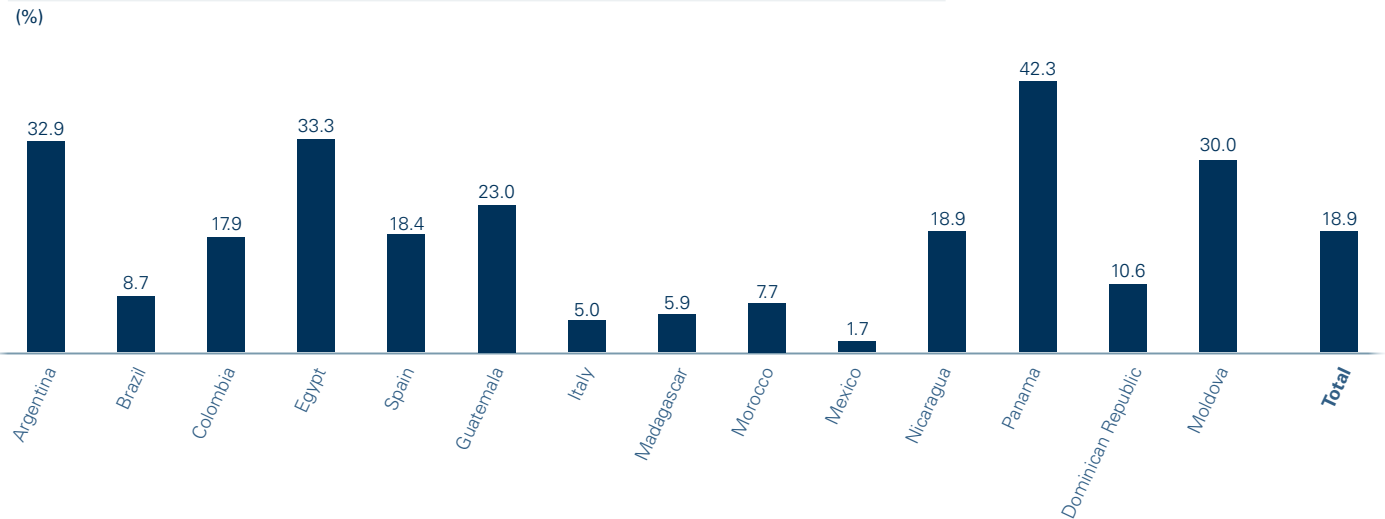


Note: In Australia, Chile, Costa Rica, Egypt, France, Ireland and Puerto Rico, there are no employees five years from retirement age.

Employees ten years from retirement age, by category and country



Employees ten years from retirement age



Note: In Australia, Chile, Costa Rica, Egypt, France, Ireland and Puerto Rico, there are no employees five years from retirement age.



The Corporate University of Gas Natural Fenosa has been consolidated as a basic strategic tool in building the corporate culture, which enables us to facilitate changes and unify policies, processes and styles

### Training for the continuous improvement and development of professional – Corporate University

The Corporate University of Gas Natural Fenosa, which was incorporated more than one decade ago, continued its work in training and the growth of the company's people in 2010. Its mission is "to contribute to developing professionals that make the vision of Gas Natural Fenosa a reality". The university has been consolidated as a basic strategic tool in building the corporate culture, which enables us to facilitate changes and unify policies, processes and styles.

The Corporate University's objectives include the following:

- Fostering the values and culture of Gas Natural Fenosa and sharing its strategic vision.
- Transmitting the styles of leadership and work that are typical of the organisation and developing pride of belonging.
- Guaranteeing that employees have the necessary skills and technical know-how.
- Transferring and sharing experience and best practices.
- Being a multinational and multidiscipline meeting point for employees.

In 2010, there was an important evolution in the model of government and management of the Corporate University. Accordingly, it has two governing bodies: the Advisory Board and the Management Committee. The training programme now also forms part of the Leadership Institute, which focuses on developing management and leadership skills, and the Technical Institute, which provides the specific

technical know-how required for operations in the different areas of the company.

The Corporate University measures the satisfaction of those attending the courses and the application of the know-how they acquire when they return to their work posts, as well as managers' opinions of the University's processes. This enables quality assurance and the practical result of the activities that are carried out, as well as the establishment of improvement plans. In 2010, the Corporate University renewed the ISO 9001:2008 certification, which covers all its activities.

In order to share best practices, the Gas Natural Fenosa Corporate University is part of various international business training networks, such as the EFMD (European Foundation for Management Development) or the Global CCU (Global Council of Corporate Universities), and it maintains a generous network of alliances with Spanish and international academic institutions. In 2010, it took part in the first International Corporate Universities Forum (ICUF), which was attended by more than 150 senior executives from international companies, universities and business schools.

## Gas Natural Fenosa training indicators

	2010	2009	2008
Staff trained (%)	81.80	85.40	90.10
Training hours per employee	47.80	42.20	44.50
Total course hours	794,769	707,219	304,595
Annual investment in training (euros)	8,057,570	8,505,000	3,480,300
Investment in training per person (euros)	484.90	506.90	508.70
Attendees	53,473	57,632	25,874
Users of online training schemes over total staff (%)	22.60	36.50	42.70
Participants' degree of satisfaction (out of 10)	8.40	8.40	-

Note: In Australia, Chile, Ireland and Puerto Rico, no structured training actions have been registered in 2010.



## Training hours by areas of knowledge

Area of knowledge	Hours
<b>Business</b>	<b>225,737</b>
Generation	43,104
Wholesale, retail and energy planning	37,979
Gas regulated	76,116
Electricity regulated	63,453
Engineering	5,085
<b>Corporate processes</b>	<b>491,687</b>
Prevention of occupational risks	161,618
Systems and integration office	65,807
Quality, the environment and other services	181,444
Languages	82,818
<b>Leadership School</b>	<b>77,345</b>
Executive development programmes	40,548
Focused programmes	36,797
<b>Total Annual Plan</b>	<b>794,769</b>

### Career opportunities for all employees

Employee satisfaction depends largely on the existence of professional development opportunities. Gas Natural Fenosa has tools which, when adapted to the various profiles, enable the development of its employees' professional careers.

For the employees included in the agreement, the main tools are The Professional Development Programme (PDP) and the Competence Management Model (GdC). Those not included in the agreement use the Management by Objectives (MbO) tool.

100% of the company's employees are assessed with one of these tools. The common aim of the tools is to favour mobility and allow vacancies to be covered through internal promotion.

In 2010, the new internal mobility procedure came into operation, approved by the Management Committee at the end of 2009. Its aim is to foster and facilitate the voluntary movement of employees between the different units to optimise the adaptation between people and posts, foster the development of professional careers and improve transversality and talent management. The procedure offers information on available

vacancies and offers employees the possibility of choosing those they consider useful.

In 2010, 412 vacancies were covered internally in Spain, 284 of which took place through this new internal mobility procedure, with applications from 980 candidates over the year. On an international scale, 237 posts have been covered with it, with applications from 1,279 candidates.

#### New internal mobility procedure

In 2010, the HR Development Department put in place the internal mobility procedure, whose fundamental objective is to foster the movement of the company's personnel with a flexible system that minimises vacancy periods and optimises person-post adaptation. The company also seeks to maximise the cover of vacancies with its own employees, promoting the relocation of resources to high value-added positions.

The procedure, which is managed locally in each country, guarantees confidentiality throughout the process and the employee's independence for managing his/her professional development without intermediation.

The publication of internal vacancies allows employees to apply for participation in selection

processes. At the same time, human resources performs an active search in accordance with the most appropriate profiles. Both actions are aimed at achieving the most effective cover of work posts, optimising the periods during which a post remains vacant.

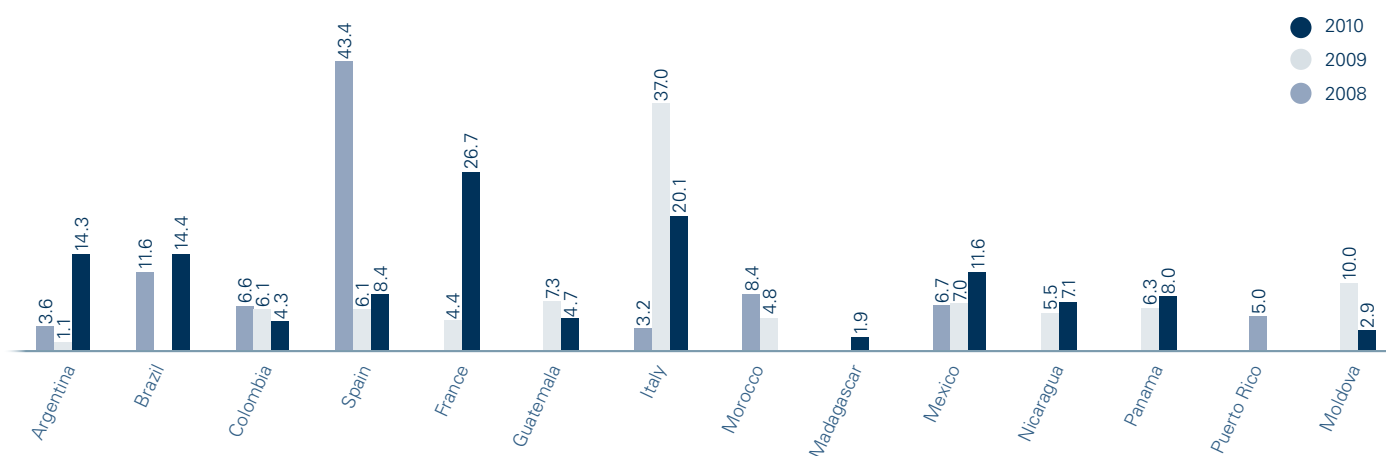
980 employees (13% of staff) applied for the vacancies that were published in 2010, generating a total number of 2,440 applications and an average of 2.5 applications per employee.

The mobility process fosters transversality, as shown by the around 50% of applications submitted for vacancies in other businesses.



## Staff promoted

(%)



Note: In 2010, in Australia, Costa Rica, Chile, Egypt, Ireland, Puerto Rico and the Dominican Republic, there were no staff promotions.

## Talent management

The human resources development model of Gas Natural Fenosa is based on talent management. The company has a Talent Management Programme to identify the human and intellectual capital and to carry out actions to attract it, retain it and develop it. There are two talent management systems in place at Gas Natural Fenosa:

- **Executive Talent.** It applies to the company's executive team and enables strategic planning of senior posts to be aligned with the company's values and strategy. This methodology is updated on an annual basis.
- **Professional Talent.** This is designed for intermediate positions, specialists and operators. Its aim is the development of employees who do not take part in the Executive Talent management programme and looks for profiles that are apt for promotion to positions of more responsibility.

In 2010, the company updated the talent appraisal of more than 900 executives in the framework of the Executive Talent system and appraised 820 employees under the Professional Talent system. In addition, a total of 160 executives were evaluated in 2010 by Management Appraisal.

In 2010 and in the framework of the BEST Programme (Grants for Students with Talent), 17 students on different engineering degrees and nine studying other university degrees carried out their practicums at the company. Moreover, through the Young Specialist Programme, Gas Natural Fenosa also maintained an active presence at 33 professional training centres in Spain. 49 students from 24 centres in 14 provinces carried out their practicums at Gas Natural Fenosa.

In the last quarter of 2010, the company laid down new lines of development for the Talent Management Model for implementation in 2011. The development focuses on two

fundamental areas. The first aims to optimise the model, changing it according to operative and strategic requirements for covering work posts, fostering a proactive, transversal focus with greater involvement of senior management. The second aims to structure development actions in accordance with the different target employee segments. In addition, the development seeks to integrate the talent management process in the company, making use of all the tools that are available, such as the Corporate University and internal mobility actions, among others.

The human resources development model of Gas Natural Fenosa is based on talent management

#### Recognition of Gas Natural Fenosa for its innovation in human resources

In competition with another 60 proposals, the Cultural Integration Classroom (AUDIC) of the Corporate University of Gas Natural Fenosa was awarded one of the prizes for innovation in human resources by Expansión y Empleo in 2010. The purpose of AUDIC is to foster the consolidation and adaptation of Gas Natural Fenosa's new business culture.

The AUDIC programme, based on which more than 60,000 training hours were given, seeks to promote the socialisation of people and teams, disseminate best practices and foster knowledge-exchange to obtain synergies, encourage

teamwork and develop a pride of belonging among the company's employees.

The company has developed various lines of action aimed at integration. These include advanced gas and electricity courses to ensure that teams share the plans and objectives of the various units, the launch of training programmes in leadership skills and the reallocation of new work posts within the framework of the company's mobility and in-sourcing policy.

#### Establishment of formal channels for the management of knowledge

The Corporate University carries out an annual needs identification process. It then draws up an Annual Training Plan with an offer that is classified into two blocks, according to its new approach: leadership institute (reinforcement of management skills) and a technical institute (technical/specialised courses, transversal programmes, reinforcement of management skills and training for cultural integration).

The offer responds to the commitment to providing employees with training and professional development opportunities in accordance with their skills, as provided in Gas Natural Fenosa

Corporate Responsibility Policy. In order to draw up the annual training plan, the Corporate University has the business managers' commitment. They occasionally work as teachers in their respective knowledge areas.

Gas Natural Fenosa has various training centres in Spain, including the Puente Nuevo Campus in Ávila, the training centre in Barcelona, Puente Princesa in Madrid and, finally, Bens in A Coruña. It also has academic areas in 10 other countries.

The company also has a Virtual Campus for easy, quick and flexible access to training content. In 2010, the main actions in this area focused on migrating the platform towards a web 2.0-based cooperation.

The 2010 training plan includes training in transversal processes, with 33,084 attendees and 491,687 classroom hours. For its part, the Basic Gas and Electricity Course, taught exclusively by internal experts, involved 860 attendees and 13,000 class hours. The Advanced Gas and Electricity Course, which is to end in 2011, involves the attendance of 100 executives and middle managers. It is being taught with the collaboration of internal experts and experts from the EOI - Business School.

There has also been training in people and team leadership and in management skills. In this area, special mention must be made of the following:

- The Training Programme for Management Committees in Latin America, with the participation of more than 125 executives from seven Latin American countries.
- Both editions of the Executive Development Programme, taught in-company by Instituto de Empresa and ESADE, with the participation of 73 employees from 11 countries.
- The Leadership and People Development Programme, which was attended by 23 people.
- The People Management Programme, with 1,500 classroom hours focused on change management and Lean Six Sigma.

In 2010, Gas Natural Fenosa launched an open offer of programmes for the first time. 684 people took part, with a total of 11,000 training hours given.

### Communication mechanisms for immediate, transparent and participatory dialogue

Internal communication is an essential support tool for developing business and achieving the company's targets. It is also crucial for the integration and satisfaction of the company's people. The various internal communication channels in place at Gas Natural Fenosa facilitate and foster a direct communication process that is immediate and clear and strengthens employee participation.

The "Our Energy" online platform was consolidated in 2010 as key to internal communication for the company's employees. This can be seen by the more than 3 million visits since it was launched in 2009. In 2010, 20 informative bulletins were published, 14 interviews with the company's executives and 25 videos. The platform also has mechanisms for collecting employees' opinions. In 2010, more than 70 questions were asked. As a result, almost 17,000 responses were received from employees.

Mention must also be made of the launch of campaigns on the new brand and Gas Natural Fenosa new Strategic Plan, which included the active participation of employees. Furthermore, other initiatives, such as the Noticeboard - Employee offers and the Opinion Channel, have also been maintained to encourage employee participation.

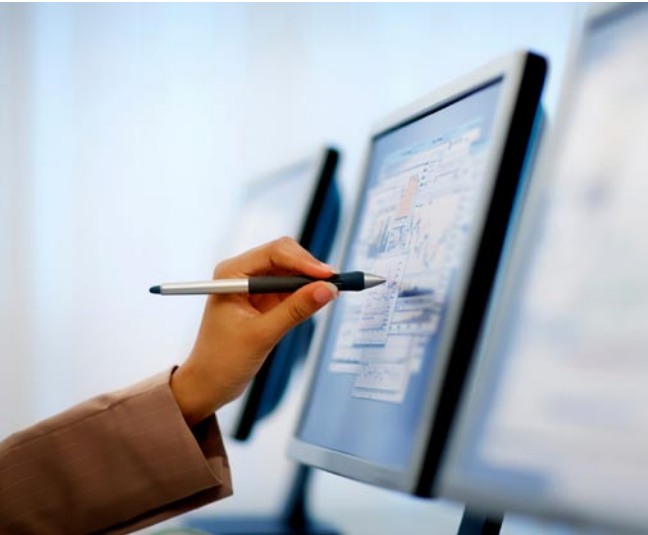
Similarly, in 2010, there was significant progress on the project for the construction of the company's unique Intranet. Its completion is scheduled for 2011.

In 2010, an employee panel completed four studies-opinion surveys on matters of interest for the company that enabled the planning of communication actions in accordance with the survey results.

The year 2010 also saw the annual Executives Day, which was used to present the new 2010-2014 Strategic Plan, and there were 13 "breakfasts with the directors" to favour knowledge-exchange between employees and general managers.

The design of the company's in-house magazine, *Natural*, which has a print run of 20,000 in four languages, was changed in 2010 and it was consolidated as one of Gas Natural Fenosa's fundamental communication channels. Furthermore, the Sports Club reported over 1,800 inscriptions.

The company's internal communication committees continue to work to guarantee that internal communication is in line with strategic objectives and with the objectives and interests of the company's different areas and businesses.



### Internal communication campaign “Positioning, Brand and Values of Gas Natural Fenosa”

Between April and June 2010, Gas Natural Fenosa implemented an intensive communication campaign among its employees to disseminate and involve people with the new brand and the definition and awareness of the company’s values. The entire process was based on the company’s positioning, defined as “always going further”, as an attitude of anticipation and adaptation.

The campaign meant that employees could be the first to learn about the new brand. The

campaign included a variety of materials: a spot for its launch, merchandising, posters, video of the Chairman, news, interviews and interactive games, among others. The campaign was promoted by a character created for the occasion, who was involved in every internal communication action.

The campaign was very successful among employees, as shown by the high level of participation, with a total of 47,899 visits to the micro site that was created for the purpose.

### Gas Natural Fenosa Intranet indicators

	<b>2010</b>
No. of NaturalNet hits	1,564,149
No. of hits on the Unión Fenosa Intranet	2,132,206

Note: At the present time, the company has several intranets owing to the fact that the full integration of contents and services into one single platform has not been completed.

### Indicators of the new “Our Energy” in-house communication platform<sup>(\*)</sup>

	<b>2010</b>
No. of hits	208,412
No. of page hits	1,823,312

(\*) The launch of the “Our Energy” platform took place in April 2009.

Top-down communication channel indicators<sup>(\*)</sup>

	<b>2010</b>
No. of items published	263
No. of interviews carried out	35
No. of articles published	30
No. of videos	36

(\*) Sections included on the "Our Energy" platform.

**Opinion measurement and listening channel: the employee panel**

In 2010, Gas Natural Fenosa started up the employee panel, which focuses on detecting their needs, concerns and expectations. It comprises a stable sample of 900 people who represent the entire company and its different areas.

The project is based on a consolidated methodology in the area of external customers and innovative in the area of internal customers.

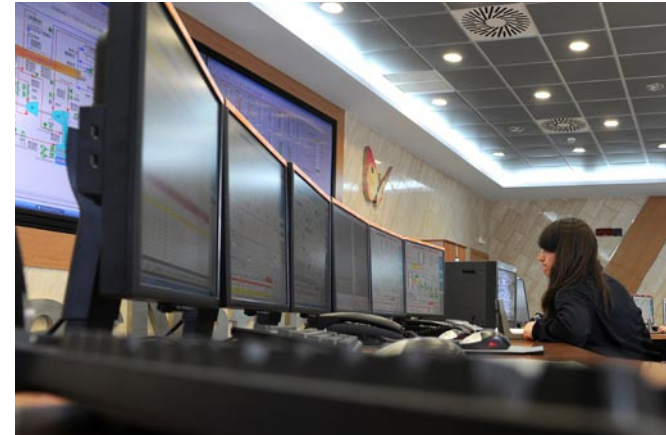
The preliminary determination of the distribution of the sample means that it is representative of the company.

The anonymous processing of the information guarantees the reliability of the results. As it is a stable sample over time, it also shows the evolution of certain specific issues.

On a regular basis, through an online questionnaire, the opinions of the employee sample are consulted on different issues. The conclusions that are drawn are analysed to detect and anticipate areas of improvement.

In 2010, four queries were launched: internal communication audit, valuation of the integration process, brand and positioning and gender equality analysis. The participation of the employees on the panel exceeded 95%.

Accordingly, the employee panel has consolidated its position as an important channel for listening to employees' opinions on matters of relevance for the company.



## Health and Safety



Health and safety are among Gas Natural Fenosa's main commitments to its employees, the environment and society as a whole.

After consolidating the integration, Gas Natural Fenosa's strategic objective in this area is to attain a position of leadership in health and safety management with regard to its employees and to all those who collaborate with the company.

This aim has been reinforced by the new Gas Natural Fenosa Corporate Responsibility Policy, adopted by the

company's Board of Directors in 2010. With regard to health and safety, the policy ratifies their strategic importance for the company.

The main challenge facing Gas Natural Fenosa in health and safety is the constitution of a sound health monitoring and prevention service drawn on the experience that has been gained and adapted to the needs and expectations drawn from the integration process.

### Principles of responsible action in health and safety

Health and safety is one of the commitments laid down in the Gas Natural Fenosa Corporate Responsibility Policy and is based on the following principles:

- Ensuring that safety is everyone's responsibility.
- Providing appropriate training and putting in place information, query and participation channels as key prevention elements.
- Incorporating risk prevention criteria in the company's decisions and processes, new projects, products and services to ensure ongoing improvement.
- Rejecting any conduct that may create an unsafe, intimidating or offensive working environment.

### Main indicators

	Objetivo 2011	2010	2009	2008
Accidents requiring medical leave	216	228	244	85
Days lost	4,890	5,147	5,932	1,668
Mortalities	0	2	1	0
Frequency rate	6.46	6.80	8.89	6.26
Severity rate	0.14	0.15	0.22	0.12
Incident rate	12.99	13.68	17.38	12.25
Absenteeism rate	3.13	3.30	2.56	1.94

### Relevant actions

Proposed actions for 2010		Actions taken 2010	Actions planned 2011
Unify and implement an integrated risk management system.	●	Creation of the new Joint Prevention Service.	Unification and implementation of the risk prevention system on an international scale.
Set up specific operating plans for departments with highest accident rates.	●	Unification of classification criteria for prevention activities.	Unification of the procedure for the assessment of occupational hazards.
Development of cooperation agreements with public rescue and emergency bodies.	●	Specific plan for reducing the accident rate in generation.	Implementation of the company's standard for the communication, registration and investigation of industrial safety accidents.
Carrying out of second and third project of operational risk map in representative installations.	●	Second operational risks map project and second self-assessment of the risks map for the Maghreb gas pipeline.	Collaboration with the USP Alex Foundation on the "Eyes for the World" campaign for sending used glasses donated by employees to deprived countries.

Level of compliance: ● High ● Medium ● Low



For Gas Natural Fenosa, it is crucial for employees, suppliers, contractors and collaborating companies to assume the commitment to prevention

### Provision of a safe and healthy working environment

For Gas Natural Fenosa, it is crucial for both employees and suppliers, contractors and collaborating companies to assume the commitment to prevention to ultimately interiorise and consolidate a culture that minimises professional risks, accidents and illnesses.

Gas Natural Fenosa set a target for the integration of procedures and practices on risk prevention and industrial safety, taking those developed previously by the businesses that today make up the company as a reference. The aim seeks to define an integrated risk prevention system that complies with the anticipated standards, positions the company as a reference in its sector and makes it possible to achieve the highest possible level of efficiency in processes and the effectiveness of the results. The size of this challenge can be understood by considering the new needs in quality and quantity arising from the changes the company has set in motion across its geographical action area.

The process for incorporating prevention criteria in the area of decisions, activities, projects, products and services produces a jump in quality by guaranteeing that Gas Natural Fenosa anticipates and favours a healthy and safe environment from the very design of the decision-taking process.

Shaping the integrated risk prevention system the company wants includes, first of all, integrating people, processes and resources and, secondly, identifying synergies that enable the constitution and promotion of the new service.

The new system that has been designed, whose main lines were defined in 2010, is based on the following principles:

- Compliance with current legislation.
- Prevention and safety, shared responsibility.
- Information and training, bases for continuous improvement.
- Structure that favours a prevention culture.
- Creation, maintenance and operation of installations with risk prevention in mind.
- Zero accidents as a universal target.
- Collaboration, coordination and information as a basis for action.
- Incident/accident analysis to put in place action plans.
- Clear communication to customers and users in the area of safety.
- Dissemination of these principles to suppliers, contractors and collaborators.



In 2010, the company put in place the tools required to make the new system operative. These tools integrate and process the information jointly (it was previously analysed separately) for the companies that today make up Gas Natural Fenosa. Accordingly, to monitor and analyse the accident rate, the company continues to investigate 100% of the accidents that are recorded.

With regard to its commitment to contractors and suppliers, Gas Natural Fenosa incorporated the electricity business contractors into the accident rate website, which already included gas suppliers. Therefore, suppliers undertake to report training requirements and compliance with legislation in the area of risk prevention and to report the accident rate of the work carried out for Gas Natural Fenosa.

The year 2010 saw the launch of the new Joint Prevention Service in Spain. It has two units that work in coordination: Safety and Risk Prevention; and Health Monitoring.

### Preventive action

At Gas Natural Fenosa, prevention activities have become the tool that guarantees the highest levels of health and safety for workers when carrying out their activities. Through the identification and regular assessment of the risks involved in the different activities and the regular control of working conditions, the company adopts the measures required to guarantee the entire organisation's involvement in the challenge for integrating prevention as part of the company's strategy.

Risk assessment in Spain is updated twice a year, and whenever changes are detected which could give rise to modifications in working conditions or jobs. In whatsoever case, beyond the requirement for updating and review provided in current legislation.

In 2010, as part of the actions taken to unify risk prevention, the company worked with the units in the various countries to coordinate the classification criteria for the activities associated with risk prevention and the information that is to be reported in this area. The aim was to offer, for the first time, international figures on prevention activities.

Across Gas Natural Fenosa, all over the world, 36,509 prevention activities were recorded, 15,052 of which took place in Spain. Accordingly, the company more than achieved the targets that were set. Special mention must be made of the efforts made to control working conditions, the inspections that were carried out and the supervision of the inspections that were documented. These activities are key for the support Gas Natural Fenosa provides to employees and contractors in risk prevention.

The company has set the triple target of adopting the best experiences reported by the different countries in which it operates, of unifying the risk prevention criteria and of taking joint actions. In 2010, special mention must be made of the implementation of the integrated management system procedures and the meetings that took place in Nicaragua, Panama and Guatemala. The 2nd Day on Quality, the Environment and Occupational Risk Prevention also took place in Panama, at which the Integrated Quality, Environmental and Safety Management Plan was presented.



Special mention must also be made of the Risk Prevention Week in Brazil. Its aims involved updating collaborators and making them aware of the importance of occupational safety and focusing professionals on the awareness of occupational risks in confined spaces. At the event, the company carried out theoretical and practical activities through work sessions, as well as training in fire-fighting for the emergency brigades.

Other actions of significance carried out by the company in 2010 include the following:

- Promotion of prevention for workers in Italy.
- Road Safety Campaign in Argentina.
- Road Safety awareness action in Morocco.
- Voluntary commitment to taking part in the Occupational Health and Safety Self-management Programme in Mexico.

#### Summary of preventive actions carried out in Gas Natural Fenosa

	<b>2010</b>
General and specific risk assessments	2,109
Extraordinary activities risk assessments	10,046
Regular control of work conditions	20,653
Emergency-related actions	803
Other action	2,898
<b>Total</b>	<b>36,509</b>

#### Summary of preventive actions carried out. Spain

	<b>Consolidation since 01.05</b>			<b>Pro forma figures</b>	
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
General and specific risk assessments	246	199	160	212	234
Extraordinary activities risk assessments	202	122	52	154	134
Regular control of work conditions	12,048	4,386	549	6,095	6,119
Emergency-related actions	405	259	126	320	230
Other action	2,151	1,260	322	1,594	1,242
<b>Total</b>	<b>15,052</b>	<b>6,226</b>	<b>1,209</b>	<b>8,375</b>	<b>7,959</b>

## Training and information

Training and information are fundamental tools for integrating prevention at Gas Natural Fenosa and for making use of the synergies created during the integration process. The coming-together of experiences, methodology and installations made 2010 a year full of training activities in occupational risk prevention.

The training, developed by the Joint Prevention Service, focuses on efficiency and seeks the maximum benefits for employees.

Throughout 2010, the training actions were planned by the Corporate University. Together with the priority programmes established in the planning document, special importance was placed on those related to safety when working in the presence of gas and near electrical risk. Accordingly, given the preventive maturity of Gas Natural Fenosa, training focused on recycling courses that were practical and highly participatory to consolidate and strengthen previously acquired knowledge.

Other training programmes focused on the handling of work equipment in safe conditions, such as forklift trucks, bridge cranes and mobile elevator platforms for people.

As in previous years, the company also focused on training the members of building and installations emergency teams. Always from a practical viewpoint and focused on solving emergency situations to guarantee the safety of people and buildings.

With regard to information, special mention must be made of the video "Awareness of Work Accidents", which was made with the participation of Colombian collaborators who had suffered accidents. The video was given the "Positiva Zafiro 2010" prize by the Positiva ARP Insurance Company.

For each work post, Gas Natural Fenosa has designed specific training in health and safety, which is updated as required.

With regard to operations and under the guidance and protection of the Safety Director, the person responsible on a corporate level for managing all matters related to risk prevention and management with regard to hazardous goods, the company designed training programmes for Spain that focused on safety methods when working with risks associated with the handling, storage and transport of hazardous goods.

In 2010, the integration of training in the international electricity business gave rise to training ratios that cover the company as a whole. In said period, 49.75% of employees took part in the 678 courses that were given on health and safety. The average number of training hours per employee was 4.76. For 2011, Gas Natural Fenosa has set the target of improving said index by 5%.

In Spain, 4,627 employees took part in the training activities, 60.72% of total staff. 417 training activities were carried out in comparison with the 514 of the previous year. The number of training hours per employee was 3.08.

Gas Natural Fenosa requires by contract that all its contractors certify that their employees have received specific safety and prevention training for the work commissioned to them. The monitoring process in place at the company showed that, in 2010, 2,380 workers renewed or updated their training.



Training and information are fundamental tools for integrating prevention at Gas Natural Fenosa and for making use of the synergies created during the integration process

Furthermore, particular mention must be made of the training given to the company's safety personnel on the company's procedures and policies on human rights. In 2010, 22.69% of these employees received this kind of training, with a total of 3,490 hours.

With regard to the safety personnel's training in human rights and in keeping with Gas Natural Fenosa's commitments in the area, the company has set the target of including training requirements on human rights in contracts with safety service providers in 2011.

#### Safety training. Spain

	Consolidation since 01.05			Pro forma figures	
	2010	2009	2008	2009	2008
% attendees over total staff	60.72	51.60	61.91	68.90	99.00
No. of training actions completed	417	367	337	514	830
Training hours per employee	3.08	4.21	5.20	9.36	9.60

#### Safety training. Gas Natural Fenosa

	2010
% attendees over total staff	49.75
No. of training actions completed	678
Training hours per employee	4.76

### Continuous monitoring and data recording

In 2010, Gas Natural Fenosa completed and implemented the internal procedure for unifying criteria for the collection of data and investigating accidents in accordance with the recommendations of the International Labour Organisation and the European Statistics on Accidents at Work. The register is completed on an integrated scale for the electricity and gas businesses on one single accident rate website for every country in which the company operates. The results obtained in this area are included in control reports on a regular basis.

In Spain, the company started the development of a new computer application for prevention management in 2010. The application will enable the integration of all prevention activities, the reporting of accidents and their investigations and unified information management into one single medium. The operation of this tool will constitute a decisive step forward for its implementation in the other countries in which the company operates.

The accident rate of Gas Natural Fenosa was again considerably reduced in 2010, surpassing the target that was set. The results are the result of

the efforts made by the company to integrate prevention and of the fact that the criteria and preventive measures had the desired effect.

For 2011, Gas Natural Fenosa has renewed its target of reducing its occupational accident rate by 5% in relation to the figure recorded in 2010. To achieve this target, the company will continue its specific operative plans for the units with the worst accident indices and it will help consolidate the integrated occupational risk prevention system.

### Zero Accident Rate Plan at the Power Generation Department

During the Power Generation Department Days held in October 2010, the company presented the Zero Accident Plan, which includes important measures that are to be adopted to improve accident rates. Special mention must be made of the fact that the plan was approved by the company's Management Committee.

For the implementation and development of the plan, a working party was created with the involvement and participation of all the generation managers and with the Joint Prevention Service as a specialised unit.

The Zero Accident Plan is an action that has been fully integrated into the company, since it is an initiative put forward by the units themselves. It involves every hierarchical superior and receives support from senior management.

The main lines of action are:

- Adaptation of work areas. Improvement of workers' access to workplaces that require habitual permanence to minimise the risks of overstrain, tripping, crashing and knocks and blows.
- Work tools and equipment. Replacement and/or adaptation of the work tools and equipment at the units to adapt them to current legislation, minimising the risks of overstrain, cuts and flying particles.
- Protective equipment. Creation of employee awareness of the importance of using personal protective equipment.
- Training and awareness. Making managers and workers aware of their responsibilities in risk

prevention. Improving knowledge to protect the back and eyes. Eliminating unsafe behaviour in the work that is carried out.

- Control and monitoring. Controlling the level of absenteeism due to accident and/or illness in the carbon unit. Checking the effectiveness of the corrective and preventive actions arising from accidents.

### Accident indicators

	Target for 2011	Consolidation since 01.05			Pro forma figures	
		2010	2009	2008	2009	2008
Accidents requiring medical leave	216	228	244	85	337	313
Days lost	4,890	5,147	5,932	1,668	8,659	7,665
Mortalities	0	2	1	0	1	0
Frequency rate	6.46	6.80	8.89	6.26	9.48	8.59
Severity rate	0.14	0.15	0.22	0.12	0.24	0.21
Incident rate	12.99	13.68	17.38	12.25	18.9	16.98
Absenteeism rate	3.13	3.30	2.56	194	-	-

### Accident indicators by country

	Accidents requiring medical leave	Days lost	Mortalities	Frequency rate	Severity rate	Incident rate
Argentina	16	402	0	15	0	28.70
Brazil	3	29	0	3	0	6.30
Colombia	56	478	0	9.89	0.08	26.78
Spain	89	3,064	0	6.15	0.21	10.58
Guatemala	14	194	1	8.99	0.12	17.26
Italy	1	9	0	1	0	2.97
Kenya	3	16	0	11	0	26
Morocco	1	91	0	4	0	9.50
Mexico	9	98	0	5.22	0.06	10.94
Nicaragua	26	496	1	12	0	27.13
Panama	3	29	0	2	0	6.56
Dominican Republic	1	19	0	4	0	8.52
Moldova	6	226	0	11.63	23	4.89

Note: Australia, Costa Rica, Chile, Egypt, France, Ireland, Madagascar and Puerto Rico have not reported accidents in 2010.

### The culture of prevention in the value chain

The coordination of prevention activities with suppliers, contractors and collaborating companies is a critical part of this area, since they have become a fundamental link in the company's value chain. The requirements to be met by Gas Natural Fenosa's collaborators regarding the fulfilment of prevention and safety measures undoubtedly constitute an element of distinction that helps reduce accident figures in the work carried out for the company year after year.

These requirements are put in place from the moment the relationship with Gas Natural Fenosa begins. The company requires them by contract to certify that their workers are appropriately trained in prevention and safety for the work they have to carry out.

In 2010, a number of backup activities were carried out in the area, including the following:

- Supervision and consultancy campaign for the coordination of activities with contractors that carry out maintenance work and small-scale work, repairs or adaptations at the work centres in Spain. The company seeks to make said collaborators aware of the need for meeting the requirements provided in legislation on prevention.
- 3rd Technical Contractors Seminar for the gas business.
- Definition of approval requirements for felling and pruning companies.

- Sending to contractor companies of the various requirements on the prevention of forest fires during the laying of electricity cables in the various autonomous regions.
- Design and start-up of 893 preventive coordination activities with contractor companies and third parties, 186 of which were carried out on an international scale.
- In the electricity distribution area and as provided in the procedures of the OSHAS 18001 prevention management system, the company supervised 418 contractors and subcontractors employing a total of 4,124 people. Said collaborating companies reported a total of 13 accidents, with one mortality.

At the end of 2010, 589 companies were registered on the website on prevention coordination in comparison with the 493 of the previous year. In 2010, the company reported a total of 78 accidents, with the result of 1,566 days of absenteeism. This figure represents an improvement in comparison with the previous year. For its part, the frequency index stands at 19.56, a figure that has improved notably in comparison with 2009. It is also lower than the general index published by the National Institute for Occupational Health and Safety (INSHT) for the energy gas and water production and distribution sector.

In Spain, the group counted a total of 498,400 days worked by the company's contractors and subcontractors taking part in construction or maintenance activities.

### Participation of workers' representatives

The culmination of the integration process has led to the constitution of the Health and Safety Committee, which brings together all the companies included in the scope of application of the new company's unique collective bargaining agreement.

Said committee, together with those that remain in operation at the other companies until they are incorporated into the aforementioned unique agreement, is the best instrument for transmitting a culture of prevention in the company since the workers' representatives are the link that guarantees that the company's management and workers share a common view on health and safety matters.

The committee comprises two technical subcommittees, six territorial subcommittees and nine specific subcommittees. The latter correspond to the safety committees at the thermal power stations and combined-cycle power plants and the hydraulic plant of Velle. The committee meetings are held on a quarterly basis or whenever requested by one of the representatives. The committee is also authorised to adopt its own rules of operation. However, it proceeds without prejudice to the powers provided in current legislation to prevention delegates.

These committees account for 98% of employees in Spain. All the company's collective bargaining agreements expressly regulate health and safety issues.

### Occupational health

In 2010, besides defining and managing policies on integral health, the health monitoring area of Gas Natural Fenosa developed policies on ergonomics and psychosocial issues.

Also in 2010, this area successfully carried out the conversion of the health monitoring service into a self-insurance service at every location and company in the group complying with minimum legal requirements. Self-insurance is the acquisition of the administrative authorisation for the company's medical services to operate as a medical insurer at sites where the staff exceeds a certain number of employees, which enables the provision of the health monitoring service for work accident, professional illness and common illness by the company's medical services.

This development will help reach the target of achieving the physical, psychological and social well-being of employees.

Also in 2010, with the aim of fostering a culture of prevention, the company continued the campaigns and initiatives aimed at promoting employee participation in issues related to prevention and health.

The medical services in Spain also collaborated on the implementation of a new medical insurer for all the workers of Electricaribe and their families in Colombia, providing new covers for 4,662 people.

Accordingly, the company drew up an action procedures guide for medical services, already in place in Spain, to unify prevention criteria. The guide will be transferred to Mexico, Brazil, Argentina, Colombia, Panama and Moldova for implementation in 2011.

Gas Natural Fenosa also continued the campaigns and initiatives aimed at fostering employee participation in issues related to prevention and health in 2010. In this section, special mention must be made of the hypertension week that took place in Argentina, which was also joined by the medical services of Spain.

Prevention initiatives such as the one that was carried out in Spain for combating obesity and excess weight are also worthy of mention. The results obtained so far have been very positive regarding the improvement of weight, analyses, blood pressure figures and in reference to the indicators of participants' satisfaction with the initiative.



In 2010, the company relaunched the anti-smoking campaign, which involved 758 participants, and the blood donor campaign, with the participation of 1,188 employees. The campaigns were joined by those on the prevention of cardiovascular disease, cancer, obesity, diabetes and on vaccines.

Similarly, mention must be made of the new assessment of job satisfaction and psychosocial risk factors. The assessment, which

involved 1,212 employees, focused on workers in the electricity business. The results enabled the company to prevent possible conflicts, to be familiar with the areas which are of most concern to employees, and to propose measures to improve them.

Furthermore, in matters related to ergonomics, the company performed three studies at the work centres, created one guide for the correct use of chairs at work posts,

carried out 41 actions to favour working conditions for personnel who are particularly sensitive and set in motion a campaign for good posture habits at the office.

**Constitution of the health monitoring service at the self-insurer in professional contingencies**

In 2010, Gas Natural Fenosa made great efforts in Spain to implement a new, more direct health model for employees. The model, which involves health staff and own resources, increases the number of people who receive care in terms of health monitoring, work accidents, professional illnesses and common illnesses. The new model covers the medical care of 5,517 employees in matters related to health monitoring, 5,214 in work accidents and 7,663 in ergonomics and psychosociology, in comparison with the 2,717, 3,878 and 3,715, respectively, of the previous model.

The courses of action carried out are the following:

- Equivalent distribution agreements for the other areas with the insurance companies.
- Inclusion of the best practices and processes of each service in a common procedures guide for the entire company.

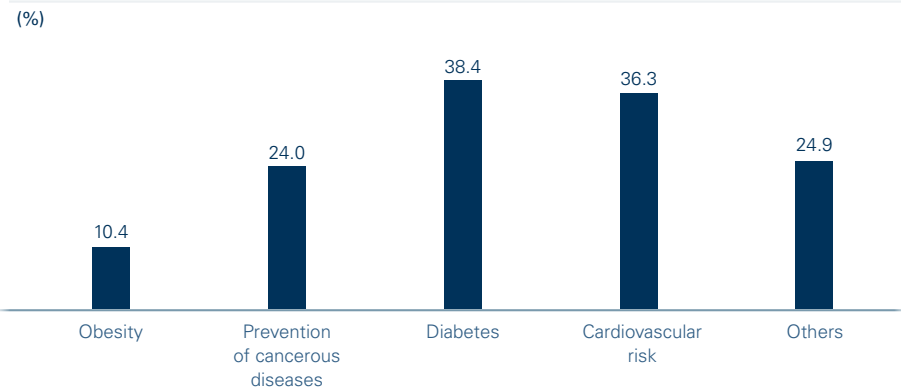
- Implementation of one single computer system.
- Development of the care network for meeting the requirements that may arise in the area of care and health monitoring.
- Comparative analysis of methods and services in psychosociology and ergonomics to optimise procedures.
- Design of a continuous training plan for employees.
- Renewal of apparatuses and instruments and updating of installations.
- Dissemination of a cascade communication plan for the new model across the company.



### Participants in occupational health campaigns

	2010	2009	2008
Prevention and/or early detection campaigns	31,534	43,461	12,621
Vaccination campaigns	5,488	8,158	2,392
Checkups	11,667	14,277	5,122
Medical assistance	25,091	28,178	14,652

### Staff taking part in prevention campaigns



Note: Australia, Costa Rica, Egypt, Ireland, Madagascar and Puerto Rico do not have members of staff who have taken part in prevention campaigns in 2010.

### Measures for guaranteeing industrial safety

In this area, the company's priority is to detect and avoid possible risks in activities, products and services that may affect people, the environment or installations.

Gas Natural Fenosa determines the safety criteria, analyses the incidents and risks and supervises the compliance and execution of its conclusions and recommendations. Accordingly, it applies the latest technological developments, adopts the most appropriate safety measures, guarantees the correct transfer of applicable new legislation to the various operating units, disseminates

the best practices in the use of energy and cooperates on training the agents that could be involved in the value chain.

In 2010, Gas Natural Fenosa has carried out initiative such as the following:

- As a continuity of the company's industrial safety risk map, the implementation of the project for identifying and quantifying risks at electricity substations to detect and minimise possible injuries to people, damages to assets and the environment, as well as their effect on supply continuity.
- Development of the second self-assessment of the industrial safety risk map of the Maghreb gas pipeline,

with a review of the action plan and monitoring of the improvement actions put in place.

- Participation in the Board of Directors of BEQUINOR, (National Consumer Goods and Industrial Safety Association), which provides information, documentation, support and advisory services to Spanish companies interested in the standardisation and safety of their industrial activities and products.
- Active collaboration in the working parties of the Technology Platform on Industrial Safety (PESI).
- Development of a specific training itinerary for all the group's personnel, which will be disseminated as from 2011 in three modules: knowledge of industrial technical safety, the investigation of industrial safety accidents and the prevention management system for serious accidents.
- Development and implementation of specific technological projects to improve safety in fire protection on the company's premises.

- Creation of a database on legislation on the matter, which maintains the legislation applicable to the business fully effective by line of activity.

- Preparation of a standard applicable across the company for the reporting, registration and investigation of industrial safety accidents and incidents. Its implementation is scheduled for 2011.

In 2010, the company also carried out 695 activities related to the design and set-up of emergency and self-protection plans in office buildings and industrial installations. These activities include the review of current plans and the carrying out of simulations followed by concluding reports.

Similarly, special mention must be made of the training cycles that are specifically given to the emergency brigades to guarantee their correct preparation for any event.

As a result of contact with the distribution assets of Gas Natural Fenosa and in accordance with the registers of the various companies, 436 accidents occurred involving the general public, causing 322 injuries and 60 deaths. At the end of 2010, 21 legal actions had been brought against Gas Natural Fenosa for these causes.

#### Accidents involving the general public due to the company's activities

	Accidents	Injuries	Deaths	Legal actions
Gas business	86	138	4	14
Electricity business	350	184	56	7
<b>Total</b>	<b>436</b>	<b>322</b>	<b>60</b>	<b>21</b>



### Cooperation with institutions

Gas Natural Fenosa's involvement in achieving the safety of people and assets is a fundamental part of its stakeholders' expectations for excellence as a public service.

In order to fulfil its commitment to becoming a leading company in the monitoring of prevention, relations with institutions that specialise in health and safety are crucial for Gas Natural Fenosa. Relations with this type of organisation make it possible to simplify the coordination necessary in cases where different emergency teams take part and help public bodies to be aware of the most appropriate action method in energy supply installations. In short, collaboration, training and the transfer of information and experience to the organisations that monitor citizen safety represent an important line of action for the company.

In 2010, collaboration with the institutions took the form of activities that include the following:

- Participation in the ORP Valencia 2010: 7th International Congress on Occupational Risk Prevention, with the paper "Semicircular Lipoatrophy related to Buildings: Current Situation and Focuses".
- Signing of an agreement with the Galician Health and Safety Institute of Xunta de Galicia Regional Government for the dissemination of best prevention practices and the opening of the Electrical Risk Prevention Classroom at its installations in Rande (Pontevedra) to promote training in health and safety for the players taking part in the construction and maintenance of electrical installations.
- Meeting to coordinate the activities required for self-protection plans in substations with the electricity distribution units and civil protection.
- Collaboration with the Health and Safety Office of Orense on the "Requirements arising from the Assessment, Planning, Use and Commercialisation of First-Aid Equipment" session.
- Preparation of the low-voltage electricity work prevention sheet for the ISGAS (Xunta de Galicia).
- Meeting with the Port Authority of Villagarcía for carrying out actions in the port area.

## Commitment to Society

Gas Natural Fenosa is committed to the societies in which it operates, where it generates value through its condition as an energy company and through social investment.

The company, through its own initiatives and also those developed in partnership with recognised social institutions and organisations, helps to satisfy social needs which have not been covered. Gas Natural Fenosa has procedures that allow it to prioritise its activities in this area and detect the areas that need to be dealt with more urgently.

Gas Natural Fenosa applies a global, strategic focus to its social investments, allocating resources to activities that strengthen the company's activity and provide structural improvements to the communities of which it forms a part.

Mention must also be made of the fact that safety in the gas and electricity supply, operations efficiency and the



preservation of the business are among the company's main commitments to social responsibility. Furthermore, the company generates positive external benefits for society as a result of its capacity for investment and innovation.

### Principles of responsible action with society

Social commitment is one of the aspects laid down in the Gas Natural Fenosa Corporate Responsibility Policy and is based on the following principles:

- Positive integration in the society of the countries where we carry out our activities, respecting the culture, rules and setting.
- Generation of value through our own activity and with the collaboration of NGOs, the local community and other social players in every country in which we operate.
- Promotion of education, training, cultural wealth and the inclusion of the more underprivileged collectives through social investment.

### Main indicators

	2010	2009	2008
Evolution of the contribution from Gas Natural Fenosa (millions of euros)	13.70	15.40 <sup>(*)</sup>	16.80
Breakdown by type of action (%)	–	–	–
Social	39.90	40.70	57.60
Environmental	14.80	23.80	25.60
Cultural	45.30	35.40	16.80
Others	–	0.10	–
No. of sponsorship and social action activities	388	325	274

(\*) In 2009, the criteria for calculating the figure for “contribution from Gas Natural Fenosa” changed. Said figure does not include the international provision from Unión Fenosa.

### Relevant actions

Proposed actions for 2010	Actions taken 2010	Actions planned 2011
Support to the acts celebrating Xacobeo 2010.	● Support for social and cultural activities as part of the Xacobeo 2010, the Jubilee Year of Santiago de Compostela.	Collaboration on an event of special interest for cultural and social development.
Design of the new tool based on the parameters arising from the new company structure.	● Development of a computer platform for a better integration of information on community support activities, controlling their efficiency and greater transparency in their reporting.	International launch of the computer platform developed in 2010.
Definition of a social “project type” based on the successful experiences of Gas Natural Fenosa.	● Extension of the natural gas exhibition at the Valladolid Science Museum with the inclusion of electricity business applications.	Increased employee participation in the sponsorship and social action initiatives put in place by the company.
Design, preparation and implementation of a methodology enabling the impact of sponsorship activities to be analysed.	● Development of a methodology for obtaining data on the impact of sponsorship activities with a view to improving reporting.	Establishment of criteria for quantifying the return on investment indicators to adapt the selection of projects.

Level of compliance: ● High ● Medium ● Low

### Positive integration in society

The Millennium Development Goals and principles of the UN Global Compact constitute the reference framework for Gas Natural Fenosa in social improvements. The company develops initiatives aimed mainly at improving living conditions of underprivileged collectives.

Accordingly, the company places special importance on matters related to education, especially children's education, since it is essential for social cohesion and progress. As a result, Gas Natural Fenosa focuses part of its social commitment activities on supporting and fostering educational and cultural initiatives.

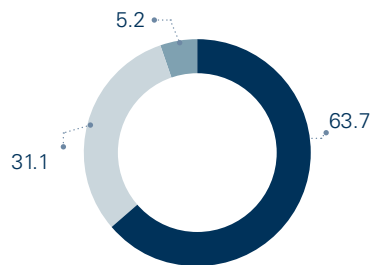
The company considers its social investment programmes within the framework of its business development strategy. The aim is to generate a higher level of commitment by the company to the society of which it forms a part. In order to measure the results, Gas Natural Fenosa has tools for assessing the impact of the social programmes it carries out on its reputation. In this regard, as in previous years, in 2010 it continued to use the London Benchmarking Group methodology (LBG), which offers an overall view of social investment and enables a comparison of the results obtained with those of other companies.

In addition, in 2010, the company developed a computer platform for monitoring information on these activities, providing greater control over efficiency and increasing transparency in communication.

The Millennium Development Goals and principles of the UN Global Compact constitute the reference framework for Gas Natural Fenosa in social improvements

### Motivation for initiatives<sup>(\*)</sup>

(%)

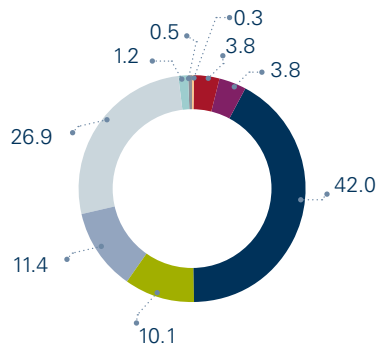


- Business-related initiatives.
- Social investment.
- Specific contribution.

(\*) LBG methodology

### Area of action<sup>(\*)</sup>

(%)



- Art and culture.
- Economic development
- Education and youth.
- Environment.
- Health.
- Humanitarian aid
- Investigation.
- Social welfare.
- Sports.

(\*) LBG methodology

### Educational initiatives

Education activities for young people are still one of Gas Natural Fenosa's main lines of activity. Especially with regard to the good use of energy and sustainable development. In 2010, we may highlight the conferences given as part of the programme titled "Natural Gas and the Environment". Given by specialists, the conferences were attended by a total of 100,059 Spanish students. For its part, the online activity "Natural Gas, the 21<sup>st</sup> Century Energy" involved the participation of 1,253 school groups.


In Spain, the company continued to collaborate with the Príncipe de Girona Foundation, which promotes the professional, academic and research training of young people. It also gave its support to the Carolina Foundation, which provides training to students in journalism and energy efficiency. Similarly, Gas Natural Fenosa continued to collaborate with ESADE through the Vicens-Vives Programme for Leadership and Civic Commitment.

In 2010, in Moldova, the company took part in the 2nd Student Technologies Festival to support education and youth.

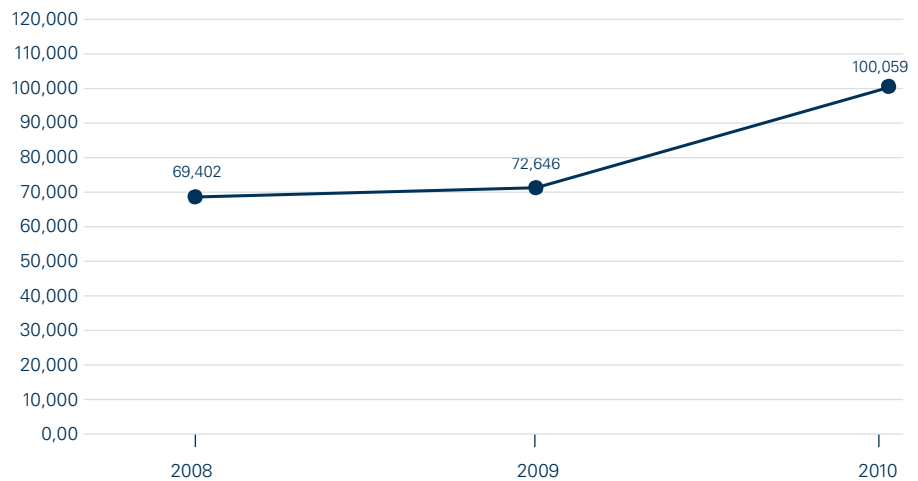
For its part, in Latin America, we should highlight the support for the Empresarios por la Educación Foundation in Colombia and collaboration with the Maloka Interactive Centre, which focuses on creating learning areas for children in

vulnerable areas. In Guatemala, the company collaborated with the San Carlos University to organise the 23rd National Science Olympics.

In Brazil, the Cidade Viva Institute organised the Rio Socio Cultural Award with the company's support. The award is given to the top 10 outstanding initiatives in social and economic development.

 If you would like more information about these matters, you can access the "Educational Activities and Exhibitions" section of the Gas Natural Fenosa website at [www.gasnaturalfenosa.com](http://www.gasnaturalfenosa.com).

**Total participation of students in the "Natural Gas and the Environment" educational programme. Spain**





### Social action focused on underprivileged groups

Gas Natural Fenosa drives and supports projects that help reduce social inequality and integrate the most vulnerable social collectives.

In Spain, the company collaborates actively with foundations that carry out humanitarian actions, such as the provision of blankets and food to the homeless and the construction of places for personal hygiene and shelter. Accordingly, the Mambré Foundation, which focuses on the social integration of the homeless, was chosen in 2010 to receive the amount the company spends each year on Christmas cards.

In Italy, the company collaborated on various projects for accompanying the elderly to territorial medical services in 2010 and took part in congresses on mental pathologies associated with old age.

In Moldova, the Help Flood Victims organisation, which receives support from Gas Natural Fenosa, provided help to the victims of the floods that occurred in summer 2010.

In Latin America, the company collaborates with the Argentinian Michael Ham Memorial College Foundation, which provides meals for the young underprivileged. In Guatemala, the company shared out bags with basic articles to the families affected by tropical storm Agatha. Furthermore, in Mexico, the Un Kilo de Ayuda Foundation and the Mexican Red Cross continue to receive support from the company. Furthermore, also in Mexico, the company made a donation to those affected by hurricane Karl in the state of Veracruz.



**For further information on the social action programmes in the subsidiaries of Gas Natural Fenosa, please see each country's corporate responsibility reports available at [www.gasnaturalfenosa.com](http://www.gasnaturalfenosa.com).**

### Promotion of health and research

Gas Natural Fenosa supports programmes that promote the conservation and refurbishment of cultural heritage, respect for the natural environment and the creation of new, more sustainable action models.

In Spain, Gas Natural Fenosa collaborated with the Conama Foundation, which organised the National Environmental Congress. It also supported the Alcalá Natura 21 programmes, which focused on training children and raising their awareness of environmental matters. Furthermore, it agreed to collaborate with the Hotel Technological Institute (ITH) to foster energy efficiency in the sector.

Gas Natural Fenosa also supports research aimed at improving the quality of life of people with diseases and their relatives. In 2010, its collaboration with the Down Syndrome Foundation enabled the development of tools that enable those suffering from the syndrome to live a more independent life. For its part, the support given to the Aleph-Tea Association helped improve the quality of life of people affected by development disorders and problems related to autism, as well as those of their relatives.

In 2006, Gas Natural Fenosa took part in the incorporation of the ProCNIC Foundation, which carries out research

on cardiovascular diseases, the first cause of death in the world. In 2009, the company extended its commitment to collaborating with this organisation to 2020.

In Argentina, the company organised and charity dinner for the Vidal Silvestre Foundation, which promotes biodiversity and respect for the environment. Also in Argentina, it collaborated with the Mundo Sano Foundation for the development of an encounter on forgotten or unattended diseases, which appear mainly in rural and underprivileged areas.

In Nicaragua, the company supported the Teletón organisation in its annual collection for providing specialised medical care for children and young people with various disabilities.



**For further details of programmes in the Gas Natural Fenosa's Latin American subsidiaries geared towards research and health care, please see the corporate responsibility reports available at [www.gasnaturalfenosa.com](http://www.gasnaturalfenosa.com)**



### Renewal of the agreement with the Valladolid Science Museum

In 2010, the City Hall of Valladolid and Gas Natural Fenosa renewed the agreement to maintain the present exhibition in the Valladolid Science Museum on the characteristics and history of natural gas for an extendable term of five years.

The company decided to extend its collaboration with the Science Museum, a centre for the research and dissemination of science and new technologies, in keeping with its commitment to make society aware of the rational use of energy and respect for the environment.

Gas Natural Fenosa will also update and renew the content of the natural gas exhibition with the inclusion of electricity and renewable energies, among others. The natural gas exhibition,

which opened in May 2005, takes an educational look at the formation, extraction, transport and applications of natural gas. It describes the high-tech processes that are applied to natural gas so that it can reach homes, businesses and industries: from its extraction to its transport over thousands of kilometres by sea, using methane carriers, or by land, using gas pipelines.

The exhibition is also the result of the special relationship the company has with Valladolid, a city in which it began its activities in 1852, 158 years ago, with the distribution of gas manufactured for the city's public lighting.

### Corporate volunteers and employee participation

The launch of initiatives that put the company's commitment to the societies and communities of which it forms a part into practice is largely possible thanks to the efforts made by its employees.

One of the actions Gas Natural Fenosa carries out with its employees' participation is the Solidarity Day. This initiative, developed and managed by employees, consists of participants donating one day's salary a year for social commitment programmes in

the countries in which Gas Natural Fenosa carries out its activities. For the Solidarity Day event, Gas Natural Fenosa also donates an amount equal to the amount donated by employees and assumes all management costs.

The Solidarity Day Association began in 2000 and has successfully involved almost 2,000 people. It has collected over two million euros, which have been used to foster training for children and young people and for social projects in Mexico, Colombia, Nicaragua, Guatemala, Panama, Mozambique, Kenya, Bolivia, Philippines, Dominican Republic and Moldova.

The 2010 edition of the Solidarity Day collected 350,000 euros, which will be used for educational projects in Argentina, for the training of 30 young people in farming administration and for the university costs of 12 young engineering students.

In Argentina, Gas Natural Fenosa continued its corporate volunteers plan, which began in 2002 and receives support from the Gas Natural Fenosa Foundation. It runs the "Social Entrepreneurs" programme, which gives employees the possibility of collaborating on social projects. In 2010, as part of this programme, the Gas Natural Fenosa Foundation financed seven projects that were implemented through collaboration agreements with social organisations and associated with improving living conditions and overcoming conditions of poverty, inter alia.

In Mexico, the company continued the corporate volunteers work that began in 2005. However, in 2010, special mention must be made of the collections made by the country for those affected by the earthquake in Haiti and by hurricane Alex, visits to homes for children and the elderly, participation by volunteers in the Live Earth race for water, the liberation of a protected species of turtle and the donation of food and clothes for immigrants.

### Corporate volunteers and employee participation

In 2010, as a result of the Santiago de Compostela Jubilee Year, Xacobeo 2010, the company launched a cultural and leisure project that brought together around 250,000 people at various events. Accordingly, it implemented a large programme of cultural events: exhibitions, which received 372,245 visitors; congresses, which brought together 10,700 attendees; and audiovisual shows, which were seen by 30,994 people.

As in previous years, Gas Natural Fenosa sponsored musical seasons in various Spanish towns and cities. Among others, worthy of note is the collaboration with the Gran Teatre del Liceu of Barcelona and Teatro Real of Madrid. The company also financed the Granada International Festival of Music and Dance, and the Porta Ferrada International Festival (Girona). Also in 2010, the company took part in the Castell de Peralada International Music Festival and collaborated with the Murcia Symphony Orchestra.

Furthermore, Gas Natural Fenosa continued its promotion of film culture with the sponsorship of 32 Cinesa 3-D cinemas, in collaboration with the Sitges Film Festival, support for the 39th Cartagena International Film Festival and the 2010 Málaga Free Film Festival.

For its part, in Latin America, special mention must be made of the support given to the 12th Ibero-American Theatre Festival 2010 in Colombia and the concert seasons in Argentina, promoted by the Ministry of Culture of the Government of the City of Buenos Aires and by the Secretariat of Culture of the Nation and the Scholarship Fund, which seek to give children exposure to different musical genres.



For further information relating to this subject, please consult the "Sponsorship and Social Action" section of the Gas Natural Fenosa corporate website, at [www.gasnaturalfenosa.com](http://www.gasnaturalfenosa.com).

The launch of initiatives that put the Gas Natural's commitment to the societies and communities of which it forms a part into practice is largely possible thanks to the efforts made by its employees

#### Solidarity initiative within the framework of Xacobeo 2010

As part of Xacobeo 2010, the Santiago de Compostela Jubilee Year, Gas Natural Fenosa designed a number of actions aimed at strengthening the sense of belonging to the company and increasing cohesion between the employees in different areas.

Along these lines, the company organised a pilgrimage along the St. James's Way, which involved the participation of more than 3,000 Gas Natural Fenosa employees and relatives. The initiative took place between 27 March and 4 July along different stages of between 15 and 35 km through the autonomous regions of Navarre, La Rioja, Castilla y León and Galicia.

Mention must be made of the fact that the pilgrimage to Santiago coincided with the full merger between Gas Natural and Unión Fenosa, where the latter is closely associated with Galicia, which made this project even more significant.

The action took place under the motto "Pilgrim, leave what you can and take what you need". Accordingly, participants made an anonymous and voluntary donation in an envelope that was given at the beginning of each stage. The sum of the donations was then doubled by the company. The total collection reached more than 19,000 euros. The NGO that received the donations, Aldeas Infantiles, was decided by an online vote.

#### Fostering cultural enrichment

An important part of the company's cultural investment is carried out through the Gas Natural Fenosa Contemporary Art Museum. This exhibition area is based in A Coruña and has been open for more than ten years. The museum puts on exhibitions and drama, and carries out educational and leisure activities. In 2010, it attracted 36,817 visitors, which represented an increase of 19% in comparison with the previous year. For its part, the museum website received more than 172,000 visits in 2010, in comparison with the 140,000 of 2009.

In 2010, the museum held several exhibitions. In particular, "Fiat Lux. Creación e Iluminación" (Fiat Lux. Creation and Lighting), with top-level international artists that use light as a creative element; "Mentiras Verdaderas" (True Lies), by the photographer Rosa Muñoz; "Sinergias. Arte latinoamericano actual en España" (Synergies. Current Latin American Art in Spain); and finally, "Arte y salud. Artistas de la colección DKV" (Art and Health. Artists from the DKV Collection). Together with its permanent collection, it also held the 11th edition of the Contemporary Art Biennial Show ("La Mostra Internacional Gas Natural Fenosa"), one of the museum's signs of identity that involved more than 500 artists from 40 different countries.

In 2010, over 6,000 students from 77 schools took part in the activities for the dissemination of contemporary art organised by the museum.

Gas Natural Fenosa Contemporary Art Museum does not only engage in art-related activities, but also takes part in activities to promote healthy leisure and to favour the social integration of people with any form of disability. In 2010, it extended these initiatives to other centres in Galicia through an agreement with the provincial council of A Coruña.

Gas Natural Fenosa collaborates on prizes awarded to foster and promote new ideas and knowledge. In particular, it forms part of the Duran Farell Award of the Technical University of Catalonia (UPC), which is given for research in the field of technology, and the prize of the Spanish Ceramic Tile Manufacturers' Association (ASCER),

which is given for the use of ceramics in architectural works and interior design.

The company also supports other cultural institutions, such as MNAC (National Art Museum of Catalonia), MACBA (Contemporary Art Museum of Barcelona), the Valladolid Science Museum and the Thyssen Bornesmiza Foundation, an organisation with which it has an agreement for improving its energy installations.

In Italy, the company collaborated on the annual assembly of ANCI EXPO, which seeks to encourage local culture in the municipalities of Italy and strengthen communication between them and central government.

In Moldova, in collaboration with the local network of the UN Global Compact, the fourth edition of an

international conference on corporate social responsibility took place with the aim of promoting this new business concept among public administrations, civil society and the local private sector.

Gas Natural Fenosa also invested in the creation of knowledge in Latin America. Among others, mention must be made of the support given to the Soumaya Museum in Mexico and the collaboration with the private entity Backstage of Brazil, which has a programme of visits to historical buildings.

#### Activities of the Gas Natural Fenosa Contemporary Art Museum in 2010

In 2010, the Gas Natural Fenosa Contemporary Art Museum implemented a large programme of cultural, educational, social and artistic activities. These activities took place in Galicia, which is where the museum is located, with a permanent exhibition of more than 600 works, and in the other areas in which the company operates.

In 2010, it also organised various temporary exhibitions, including the following:

- "La luz como pincel" (Light as a Brush). Selection of 17 works from museum's permanent collection.

The exhibition was the first in Algeria and is part of the museum's desire to internationalise its collections.

- "Identidad y Ausencia" (Identity and Absence). Exhibition of the museum's permanent collection, based on the representation of the human figure, which could be visited at the company's offices in Barcelona.
- "Mentiras Verdaderas" (True Lies), by Rosa Muñoz. Exhibited at the museum centre in A Coruña, it included the latest

photographs taken by the artist, seven of which were taken for the event.

The activities also included the 11th edition of the Gas Natural Fenosa Contemporary Art Biennial Exhibition. On this occasion, the exhibition received proposals for 522 works by artists from 12 different countries. The prizes awarded totalled more than 45,000 euros.



### Business-related initiatives

In 2010, Gas Natural Fenosa maintained its commitment to developing numerous projects for improving or enabling access to electricity and other basic services for underprivileged collectives.

These programmes are based on the idea of building a system for accessing energy in low-income communities through a new social management model that brings together the efforts of local residents, local associations, non-profit organisations and companies.

Gas Natural Fenosa has developed the “Social Energy” initiative since 2004, a Gas Natural Fenosa marketer that operates in settlements occupied by people from the Colombian Caribbean, offering the areas’ inhabitants safe and reliable access to electricity. Since it was set up, this initiative has successfully completed 96 electricity standardisation projects, has another 148 under execution and a further 167 waiting to be launched. The projects enable safe access to energy for 58,801 families and provide direct jobs for 3,500 people.

Furthermore, in Colombia, the company continued the “Ráquira Project: Clean and Productive Energy”. The initiative began in 2007 in the Colombian town of Ráquira and has fostered the replacement of 60 traditional coal ovens for the production of craft items with others that use natural gas. In 2010, the company donated 12,000 trees to the town to compensate the greenhouse gas emissions caused by the ovens.

In Argentina, special mention must be made of the initiative titled “Cuartel V”, which seeks to supply natural gas to an underprivileged area of the province

of Buenos Aires. Launched in 2003, “Cuartel V” makes it possible to extend gas networks to low-resource quarters by using a new finance mechanism that involves inhabitants in the project. To date, over 84 km of network have been built and the service has been extended to other similar quarters.

In order to foster self-employment, Gas Natural Fenosa runs the “Impulse for your Business” programme in Mexico, which is designed to train professionals that can form part of the gas business through their incorporation into collaborating or service provider companies. The programme continued in 2010 with the training of 208 natural gas installers. 152 were certified by the Mexican Natural Gas Association. In its third year of life, this initiative seeks to foster self-employment and provide business methods and know-how that contribute with value added for the companies. Thanks to this programme, among others, Gas Natural Fenosa has achieved sixth place in Mexico in the ranking of the top 50 companies with the highest level of social responsibility in Mexico, drawn up by the *Mundo Ejecutivo* magazine in 2010.

With regard to projects for the promotion of safety, Gas Natural Fenosa in Mexico ran the “Careful with Carbon Monoxide” campaign for 56,993 primary schoolchildren. The aim is to promote the safe use of gas.

Also in Mexico, the company continued to develop safety programmes with the authorities responsible for dealing with emergencies. Special mention must be made of the “Exchange Days on Safety and the Management of Incidents involving Natural Gas”, which began in 2005 and involve the participation of the main security corps responsible for dealing with emergencies.

The projects carried out to improve the environment include the “Friends of the Air” initiative in Colombia. As part of the project, the company drew up a plan for reducing greenhouse gas emissions, registered with the Ministry of the Environment of Colombia, which brings together the criteria for the reduction obtained with each conversion of vehicles to natural gas. Furthermore, the project provides for the plantation of a tree for each vehicle that is adapted, which has enabled the plantation of 550 trees in Altos de Cazucá, a depressed area of the Colombian municipality of Soacha.

### Institutional commitment

Gas Natural Fenosa is an active member of prestigious national and international sectorial and business institutions, in which it participates with its experience, know-how and resources.

These include the International Chamber of Commerce, The Conference Board and the business federations for the gas and electricity sectors, UNESA and Sedigas, respectively. The company also plays an active role in the Spanish Energy Club, the World Energy Council, Eurogas, the International Gas Union, the Technical Association of the European Natural Gas Industry, the Mediterranean Energy Observatory (OME) and the Florence School of Regulation. Gas Natural Fenosa is also a member of CEOE and of the Catalan employers’ association Foment del Treball Nacional.

In the field of corporate responsibility, the Company is a member of Forética, an ethical management association, and of the Spanish Association for the UN Global Compact, which promotes



ten principles on human rights, labour rights, environmental improvement and the fight against corruption. In both cases, in 2010, the company formed part of the governing bodies of the organisations.

Gas Natural Fenosa has also belonged to the Corporate Reputation Forum (FRC) since it was created. This organisation fosters the measurement and improvement of the assessment of reputation and corporate social responsibility.



### The Gas Natural Fenosa Foundation

The Gas Natural Fenosa Foundation carries out its activities in four large areas: energy and the environment, international activities, training and historical heritage.

In the area of environmental awareness, the Gas Natural Fenosa Foundation carried out 17 activities in 2010, which involved the participation of 3,231 people in 13 autonomous regions of Spain with which the company has signed collaboration agreements. In 2010, new collaboration agreements were signed with various departments of the autonomous regions of Galicia, Navarre, Catalonia, Madrid and Valencia

In addition, the Foundation carried out research and studies with teams from various universities and research centres and published two new books in its collection. In 2010, for research projects were finalised and a new one began, scheduled to end in the second quarter of 2011. Mention must be made of the fact that, in this area, environmental information was sent to customers, enclosed with their bills, on "Energy Efficiency in Spanish Households". The information was sent to approximately 7.7 million customers.

On an international scale, the Gas Natural Fenosa Foundation continued its activities in Algeria, Argentina, Brazil, Colombia, Morocco and Mexico. In Argentina, we should highlight the "First Export" programme, which was begun in 2001 and designed to help Argentinian SMEs develop their capacity for exports. Since it was launched, it has advised 10,611 companies and offered training to 22,799 professionals. Mention must be made of the prize awarded in 2010 to the Gas Natural Fenosa Foundation by the *Prensa Económica* magazine for its support for the country's exports.

In Colombia, the programmes that had been started up in previous years continued: the "Young Scientists" programme, a project for converting natural gas vehicles; a training and

certification programme for natural gas inspectors and domestic gas repair workers; and, finally, a programme for promoting the business of contractors and installation firms.

In Mexico, the Foundation continued its support for the "Impulse for your Business" programme, which began in 2008. It also commissioned a team of researchers at the Autonomous University of Mexico (UNAM) with a "Comparative Study on the use of Natural Gas and the use of Liquid Petroleum Gas. A Technical, Economic, Environmental and Safety Focus".

In Algeria, in collaboration with the IDEC/Pompeu Fabra University and the Oran Chamber of Commerce and Industry (CCIO), the Foundation held a seminar on the "Creating Companies: from the Idea to the Project", designed for the Algerian business community, and in which over one hundred people took part.

In Brazil, the Foundation continued to carry out training courses in collaboration with the Viva Rio NGO. These courses are intended for youths and adults living in the communities of Cantagalo, Pavao and Pavãozinho, in southern Rio de Janeiro. Furthermore, the Espaço Criança Esperança professional training centre gave various training courses for around 100 people in 2010. The training centre's installations were visited by José Manuel Durão Barroso (President of the European Commission), Irina Bokova (Director General of UNESCO), the wife of the Sheik of Qatar and Princesses Matilde of Belgium and Marie of Denmark.

In Italy, also in 2010, the publication titled "Forests and Deforestation in Italy. Actions to mitigate Climate



Change,” published by the Gas Natural Fenosa Foundation in collaboration with Università degli Studi de Bari, was also presented.

In Morocco, the Foundation forms part of the Board of the Princess Lalla Meryem Institute for autistic children in Tangiers. The Foundation also continued the training programme that was started in 2008, in natural gas for future engineers of the National School of Applied Sciences (ENSAT).

Mention must be made of the fact that the Energy Training Centre started its activities in Portugal, with a training programme for the personnel of collaborating companies.

Finally, with regard to the Gas History Centre, two new publications were presented for the Gas History Library collection. The first was the book *The Gas Industry in Galicia*, which was presented in A Coruña, and the second was *Gil's Family. Catalan*

*Businessmen in the 19th century Europe*, presented in Barcelona.

All the actions carried out in 2010 are outlined in the Activities Report of the Gas Natural Fenosa Foundation.



**For more, up-to-date information about the Gas Natural Fenosa Foundation, please log on to the Foundation's website at [www.fundaciongasnatural.org](http://www.fundaciongasnatural.org).**

#### Gas Natural Fenosa Foundation. Activities in Spain

	2010	2009	2008
No. of active agreements with autonomous regions	18	13	13
No. of seminars/courses held	19	18	18
Budget allocation (out of total) (%)	12	17	17
No. of publications	4	4	4
Environmental education fact sheets	1	0	1
Information sheets	9	11	11

#### Gas Natural Fenosa Foundation. International activities

	2010	2009	2008
No. of activities	15	18	17
% of the total budget	12	14	17
No. of countries in which it operates	8	7	7

## Integrity

Gas Natural Fenosa's commitment to integrity can be seen in the policies, procedures and tools put in place to guarantee that its activities and those of its employees comply with the internal and external laws, procedures and standards that are applicable in every area of its operations.

Integrity also includes the instruments developed to guide the people of Gas Natural Fenosa in a behaviour that is in keeping with the principles laid down in the company's Code of Ethics and in its Mission, Vision and Values.

The governing bodies of Gas Natural Fenosa are ultimately responsible for supervising performance in this area and for ensuring that the company has the procedures and standards in place that are required to safeguard the organisation's commitment and that of its individuals with integrity responsibility and transparency.

### Principles of responsible action governing its behaviour

Integrity is one of the commitments laid down in the Gas Natural Fenosa Corporate Responsibility Policy and is based on the following principles:

- Reject corruption, fraud and bribery in our business dealings and establishing measures to prevent and combat them, developing internal channels allowing communication of irregularities while respecting and preserving anonymity.
- Respect the principles of the UN Global Compact, as well as the principles of the OECD for corporate governance.
- Respect all aspects of the UN Universal Declaration of Human Rights and the Declaration of the ILO regarding basic rights in the workplace, drawing special attention to our recognition of the rights of ethnic minorities, refusal to accept child exploitation, forced labour or any other practices that contravenes the rights of workers.

### Main indicators

	2010	2009	2008
Correspondence received by the Code of Ethics Committee	45	25	22
Number of messages received per 200 employees	0.48	0.75 <sup>(*)</sup>	0.64
Geographical origin of correspondence (%)			
Argentina	2	8	5
Brazil	2	0	0
Colombia	13	4	0
Spain	42	56	40
Guatemala	7	-	-
Italy	2	4	5
Kenya	2	-	-
Mexico	16	28	50
Nicaragua	11	-	-
Panama	2	-	-
Average time for resolving correspondence (days)	40	48	46
Audit projects analysed on the basis of the risk of fraud	32	26	35

(\*) Calculated using Gas Natural figures without Unión Fenosa.

Relevant actions

Proposed actions for 2010	Actions taken 2010	Actions planned 2011
Improvement of the space given over to the code in the company's Intranet and establishment of a declaration on compliance of the Code of Ethics by employees. Implementation on website of space to enable suppliers to access relevant information regarding the Code of Ethics.	<ul style="list-style-type: none"> <li>● First stage of the process for the declaration of compliance with the Code of Ethics by the company's employees.</li> <li>● Definition of the new content of the space for the Code of Ethics on Gas Natural Fenosa's Intranet.</li> </ul>	<ul style="list-style-type: none"> <li>● Implementation of a space on the website for access to the Code of Ethics by suppliers.</li> <li>● Improvement of the space for the Code of Ethics on the company's Intranet.</li> <li>● Finalisation of the "process for the declaration of compliance with the Code of Ethics" of Gas Natural Fenosa by every employee.</li> </ul>
Definition of basic corporate governance principles to be implemented in all group companies. Analysis of the corporate governance regulations applied in international listed companies.	<ul style="list-style-type: none"> <li>● Study and analysis of corporate governance systems in the countries in which Gas Natural Fenosa has listed subsidiaries (Argentina, Colombia and Brazil), which includes the description of the Spanish corporate governance system.</li> </ul>	<ul style="list-style-type: none"> <li>● Progressive implementation of Gas Natural Fenosa Corporate Governance standards in countries in which the company has subsidiaries. Analysis of the corporate governance regulations applied in international listed companies.</li> </ul>
Progress in quantifying mid- and long-term price risk, especially on the four-year timeline of the Strategic Plan defined in 2010.	<ul style="list-style-type: none"> <li>● Design of a reporting system for the recurrent updating of the quantification of the short- and mid-term price risk.</li> </ul>	<ul style="list-style-type: none"> <li>● Progress in the implementation of the Credit Risk Admission System through its full integration in commercial systems.</li> </ul>
Design of optimum retention models in field of insurable operational risk.	<ul style="list-style-type: none"> <li>● Modelling of the insurable operational risk exposure as a support instrument for the design of optimum insurance programmes.</li> <li>● Definition of the concept of total risk cost associated with a specific hedging policy.</li> </ul>	<ul style="list-style-type: none"> <li>● Completion of the implementation of the insurable operational risk system.</li> </ul>
Identification of risks in the area of human rights.	<ul style="list-style-type: none"> <li>● Definition of basic commitments in the area of human rights.</li> </ul>	<ul style="list-style-type: none"> <li>● Approval of the Human Rights Policy and training in the area for every employee.</li> </ul>

Level of compliance: ● High ● Medium ● Low

### Corporate governance

The bodies of government of Gas Natural Fenosa work to the principles of effectiveness and transparency. The principles that govern their operation respond to recommendations in the area of good governance of listed companies.

Gas Natural Fenosa’s practices in corporate governance are described in detail in various annual reports, which are sent to the General Meeting of Shareholders for its knowledge or approval.

The documentation prepared by the Gas Natural Fenosa in relation to its corporate governance practices seeks to provide information on the most relevant standards and procedures implemented in the area and to disclose the criteria used as a base for taking decisions.

The General Meeting of Shareholders, the highest decision-taking body in the company takes part in the development of corporate governance practices, as does the Board of Directors and its Committees: the Executive Committee, the Appointments and Remuneration Committee and the Audit and Control Committee. The Management Committee also plays a relevant role from the viewpoint of management.


In 2010, the company’s main bodies of government, the Board of Directors, its committees and the Management Committee, worked as expected, fully developing their powers without interference and with scrupulous respect for current legislation and applicable standards at all times. In this year, the aforementioned bodies met as follows:

- Board of Directors: 11 meetings.
- Executive Committee: 10 meetings.
- Appointments and Remuneration Committee: 10 meetings.
- Audit and Control Committee: 6 meetings.
- Management Committee: monthly meetings.

Mention must be made of the fact that, in its meeting of 17 September 2010, the Board of Directors of Gas Natural SDG, S.A. agreed the company’s adherence to the Code of Good Tax Practices. The result of collaboration between the Tax Authorities and a representation of large Spanish enterprises, recorded in the so-called “Large Taxpayers Forum”; the aim of the code is to set up a relationship of transparency, trust, good faith and collaboration between the tax authorities and the enterprises with a view to reducing litigation. Furthermore, it seeks to set up communication channels that enable both parties to minimise indirect tax costs arising from compliance with formal obligations.

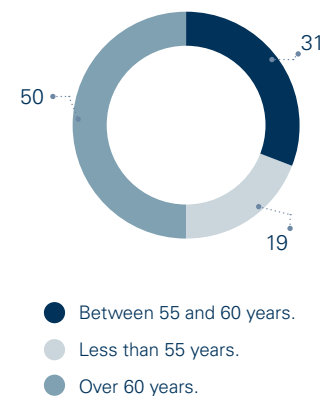
Adhesion to the code implies the obligation to informing the Board of Directors of the fiscal policies applied by the company and, in particular, of

the relevant consequences in this area regarding the operations to which the Board must submit and the fiscal policies applied in the year, before the preparation of the annual accounts and submitting the Corporate Tax assessment.

 All the corporate information of Gas Natural Fenosa can be read on the company website, at [www.gasnaturalfenosa.com](http://www.gasnaturalfenosa.com).

### Diversity of the Board of Directors

(%)



## Composition of the Board of Directors and various committees

(at 31 December 2010)

	Board of Directors	Executive Committee	Audit and Control Committee	Appointments and Remuneration Committee	Type of Director
Chairman	Mr Salvador Gabarró Serra	Chairman			Executive
Deputy Chairman	Mr Antonio Brufau Niubó	Board member		Board member	Proprietary member
Chief Executive Officer	Mr Rafael Villaseca Marco	Board member			Executive
Board member	Mr Ramon Adell Ramon <sup>(1)</sup>				Independent
Board member	Mr Enrique Alcántara-García Irazoqui				Proprietary member
Board member	Mr Demetrio Carceller Arce	Board member			Proprietary member
Board member	Mr Santiago Cobo Cobo <sup>(2)</sup>			Board member	Independent
Board member	Mr Felipe González Márquez <sup>(3)</sup>				Independent
Board member	Mr Carlos Kinder Espinosa	Board member	Board Member		Proprietary member
Board member	Mr Emiliano López Achurra <sup>(4)</sup>	Board member			Independent
Board member	Mr Carlos Losada Marrodán <sup>(5)</sup>	Board member	Chairman		Independent
Board member	Mr Juan María Nin Génova	Board member			Proprietary member
Board member	Mr Juan Rosell Lastortras				Proprietary member
Board member	Mr Narcís Serra Serra				Proprietary member
Board member	Mr Luis Suarez de Lezo Mantilla <sup>(6)</sup>				Proprietary member
Board member	Mr Miquel Valls i Maseda <sup>(7)</sup>			Chairman	Independent
Non-director Secretary	Mr Manuel García Cobaleda <sup>(8)</sup>	Secretary	Secretary	Secretary	

(1) Mr Ramon Adell Ramon joined the Board of Directors on 18 June 2010, replacing Mr Jaime Vega de Seoane Azpilicueta

(2) Mr Santiago Cobo Cobo stepped down as a member of the Executive Committee on 18 June 2010. He was appointed as a member of the Appointments and Remuneration Committee on 17 December 2010.

(3) Mr Felipe González Márquez joined the Board of Directors on 17 December 2010, replacing Mr José Arcas Romeu.

(4) Mr Emiliano López Achurra became a member of the Executive Committee on 18 June 2010, replacing Mr Santiago Cobo Cobo

(5) Mr Carlos Losada Marrodán was appointed Chairman of the Audit and Control Committee on 17 December 2010.

(6) Mr Luis Suarez de Lezo Mantilla joined the Board of Directors on 26 February 2010, replacing Mr Enrique Locutura Rupérez

(7) Mr Miquel Valls i Maseda stepped down as Chairman of the Audit and Control Committee and was appointed Chairman of the Appointments and Remuneration Committee on 17 December 2010.

(8) Mr Manuel García Cobaleda was appointed Secretary of the Board of Directors on 29 October 2010. Mr Felipe Cañellas Vilalta stepped down as Assistant Secretary on 24 December 2010.

Note: On 30 December 2010, Mr Fernando Ramírez Mazarredo handed in his resignation from his posts of Member of the Board of Directors and Member of the Audit and Control Committee.

## Remuneration of the Board of Directors

(euros)

	Position	Board	Executive Committee	Audit and Control Committee	Appointments and Remuneration Committee	Total
Mr Salvador Gabarró Serra	Chairman	550,000	550,000			1,100,000
Mr Antonio Brufau Niubó	Deputy Chairman	126,500	126,500		12,650	265,650
Mr Rafael Villaseca Marco	Chief Executive Officer	126,500	126,500			253,000
Mr Juan María Nin Génova	Director	126,500	126,500			253,000
Mr Enrique Alcántara-García Irazoqui	Director	126,500				126,500
Mr José Arcas Romeu <sup>(1)</sup>	Director	115,000			12,650	127,650
Mr Ramon Adell Ramon <sup>(2)</sup>	Director	57,500				57,000
Mr Carlos Kinder Espinosa	Director	126,500	126,500	12,650		265,650
Mr Juan Rosell Lastortras	Director	126,500				126,500
Mr Enrique Locutura Rupérez <sup>(3)</sup>	Director	23,000				23,000
Mr Demetrio Carceller Arce	Director	126,500	126,500			253,000
Mr Fernando Ramírez Mazarredo <sup>(4)</sup>	Director	126,500		12,650		139,150
Mr Narcís Serra Serra	Director	126,500				126,500
Mr Luis Suarez de Lezo Mantilla <sup>(5)</sup>	Director	103,500				103,500
Mr Carlos Losada Marrodán	Director	126,500	126,500			253,000
Mr Santiago Cobo Cobo	Director	126,500	69,000			195,500
Mr Emiliano López Achurra	Director	126,500	57,500			184,000
Mr Miquel Valls i Maseda	Director	126,500		12,650	12,650	151,800
Mr Jaime Vega de Seoane Azpilicueta <sup>(6)</sup>	Director	69,000				69,000
Mr Felipe González Márquez <sup>(7)</sup>	Director	11,500				11,500
<b>Total</b>		<b>2,574,000</b>	<b>1,435,500</b>	<b>37,950</b>	<b>37,950</b>	<b>4,085,400</b>

(1) Accepted resignation from the Board of Directors on 17 December 2010.

(2) Appointment by co-optation to the Board of Directors on 18 June 2010.

(3) Accepted resignation from the Board of Directors on 26 February 2010.

(4) Presented his resignation on 30 December 2010.

(5) Appointment by co-optation to the Board of Directors on 26 February 2010 and ratification at the General Meeting of Shareholders of 20 April 2010

(6) Accepted resignation from the Board of Directors on 18 June 2010.

(7) Appointment by co-optation to the Board of Directors on 17 December 2010.

Gas Natural Fenosa's Code of Ethics and the adhesion to external initiatives such as the UN Global Compact, reflect the company's formal commitment with an integral, responsible and transparent way of acting



### Code of Ethics

Gas Natural Fenosa's Code of Ethics and the adhesion to external initiatives such as the UN Global Compact, reflect the company's formal commitment with an integral, responsible and transparent way of acting.

The code lays down the principles for the company's employees and determines what behaviour is expected in matters relating to corruption and bribery, respect for people, professional development, equal opportunities, occupational health and safety, and caring for the environment, inter alia. It also sets out the guidelines for relations between Gas Natural Fenosa's employees and the collaborating institutions or companies.

Gas Natural Fenosa's aim is to ensure that the code is well known, understood and fulfilled by everyone in the organisation. Since its constitution in 2005, the Code of Ethics Committee ensures the achievement of said aim. The Chair of the Code of Ethics Committee is held by the Internal Audit Department. The other members are ascribed to the areas of Finance and Capital Market, External Relations, Labour Relations and Customer Service. The Secretary of the committee belongs to the HR Department.

The company has set up local committees in Argentina, Brazil, Colombia, Italy, Mexico, Guatemala, Panama, Nicaragua and Moldova. With a structure similar to that of the Code of Ethics Committee, the mission of these committees is to reproduce the functions the Committee carries out in Spain in each country to cover the company's entire area of action. Accordingly, the company guarantees the existence of safeguard procedures in the different countries in which it operates.

The Code of Ethics Committee has the function of supervising the consultation and notification procedure put in place by the company in 2006. This channel has been enabled so that employees and third parties can solve their doubts regarding the application of the code or inform the Committee, in an anonymous and confidential way, of any conducts which are not in keeping with the principles set out therein. All communications received are confidential and are processed in accordance with the stipulations of the Spanish Protection of Personal Data Act, Law 15/1999.

The Audit and Control Committee of the Board of Directors is the body responsible for receiving notifications related to fraud, audits, decisions on accounting processes and internal control. In 2010, 39% of the notifications received were related to alleged fraud, none of which had any significant impact.

The Code of Ethics is available in nine different languages and has a specific section on the corporate Intranet, where it offers information on its content and the way in which the consultation and notification procedure works.

The Code of Conduct Committee issues quarterly reports to the Audit and Control Committee and the Management Committee, and it reviews the reports drawn up by the local committees. In 2010, the Committee held eight working meetings, and the local committees held 25. Communications received from employees were analysed in the aforesaid sessions, among others.

In 2010, the committee did not receive any notification of incidents taking place in the Gas Natural Fenosa related to labour or child exploitation or in relation to the rights of the corresponding local communities.

18% of the notifications received by the Code of Ethics Committee were related to the principle of respect for people, and they were all solved appropriately. No notification was related to any form of discrimination.

The committee has a several-year work plan for developing actions whose main aim is to extend the Code of Ethics. In 2010, the annual work plan of the Code of Ethics Committee included, among others, the following actions:

- Coordination and leadership of the first phase of the process for the declaration of compliance with Gas Natural Fenosa's Code of Ethics by employees, which will take place recurrently across the company.

- Training and information activities aimed at company employees.
- External dissemination actions.
- Activities for extending the code to suppliers in Spain and abroad.
- Review of the security of the processes related to the Gas Natural Group query and notification procedure.
- Definition of a clause in the General Terms and Conditions of Contract of Gas Natural Fenosa, in which information is provided to suppliers, contractors and collaborating companies on the Code of Ethics.

To consolidate the above initiatives, Gas Natural Fenosa's Code of Ethics includes the information given to the people in the company, as do the training plans.

The actions planned by the Code of Ethics Committee in 2011 include the following:

- Inclusion of an area on the website to enable suppliers to access contents relating to the Code of Ethics and the query and notification procedure.
- Finalisation of the process for the declaration of compliance with Gas Natural Fenosa's Code of Ethics by every employee.



## Code of Ethics chapter to which notifications refers

(%)	Queries	Notifications	Total
Respect for the law, human rights and ethical values	–	7	5
Respect for other persons	13	18	17
Professional development and equal opportunities	–	7	5
Corruption and bribery	7	25	20
Use and protection of assets	–	5	3
Corporate image and reputation	7	7	7
Loyalty to the company and conflicts of interest	73	9	25
Treatment of information and knowledge	–	2	2
Customer relations	–	5	3
Relations with external collaborating companies and suppliers	–	15	12
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>



## Average time for resolving correspondence

(days)	2010	2009	2008
Queries	21	–	31
Notifications	51	48	48
General	40	48	46

## Accesses to Code of Ethics contents

(number of visits)	2010	2009	2008
"Our Energy"	4,006	2,788	–
NaturalNet	1,856	3,066	4,838
<b>Total</b>	<b>5,862</b>	<b>5,854</b>	<b>4,838</b>

In 2010, Gas Natural Fenosa designed a framework of actions in human rights that responds to the company's desire to be an active player in the promotion and protection of human rights in its area of influence

### Human Rights Policy

In 2010, Gas Natural Fenosa designed a framework of action in human rights that corresponds to the company's desire to be an active player in the promotion and protection of human rights in its area of influence. This has given rise to a specific policy that is to be adopted by the company's Management Committee at the beginning of 2011.

Over its 100 years, Gas Natural Fenosa has always stood out as a company that operates in accordance with the highest social and environmental standards. Even so, in order to guarantee global requirements in the area and respond to the growing requirements of third parties, the company has decided to put in place a policy that covers its commitments in the area of human rights. In particular, given that international growth has led it to operating environments in which the protection of said rights takes on special importance.

In order to draw up this policy, an internal consultation process has been carried out to identify potential risks for the protection of human rights according to the situation and characteristics of the places in which the company operates, together with consultations to independent

organisations that specialise in human rights to define the content, structure and commitments of the policy. The result is the formalisation of 10 commitments in the Human Rights Policy of Gas Natural Fenosa, defined in coherence with the company's Code of Ethics, adopted in 2005, and with the 10 principles of the UN Global Compact, to which the company subscribed in 2002 and which includes, among others, the business community's responsibility for protecting human rights at the workplace and in the places in which they exercise their influence.

Special mention must be made in this policy of Gas Natural Fenosa's commitment to disseminating and promoting human rights not only among its employees, but also with third parties related to the company: customers, suppliers, contractors and collaborating companies along the supply chain and the communities around its installations and activity centres anywhere in the world.

Any behaviour contrary to the Human Rights Policy will be channelled through the Code of Ethics Committee, following channels and processing equivalent to those used for consultations and notifications on the Code of Ethics.

In 2010, Gas Natural did not carry out any training activity directly related to human rights. However, in order to disseminate the new Human Rights Policy, the company will design and implement a training programme in 2011 for its entire staff.

### The development of Gas Natural Fenosa's Human Rights Policy

Gas Natural Fenosa wishes to be an active player in the protection of human rights in its area of influence and in accordance with its level of impact. Accordingly, the company started the process to formalise its policy in this area in 2010.

First of all, Gas Natural Fenosa determined which human rights issues are particularly relevant for a company of its characteristics. To do so, it carried out a context analysis to understand which human rights issues are more critical in its various areas of operation. This work defined the main risks in human rights for Gas Natural Fenosa. Then, with the collaboration of the country managers, the company assessed said risks in the different countries, where it understood the concept of risk as the possibility of Gas Natural Fenosa's activities and operations in the corresponding management area leading to or being directly or indirectly related to a violation of human rights with regard to the people at the company and third parties.

The foregoing analyses made it possible to define Gas Natural Fenosa's commitments in human rights, which constitute the foundation of the company's policy and which were consulted with external and independent organisations that specialise in the area and subsequently adopted by the members of the Corporate Reputation Committee and Management Committee.

In its policy, Gas Natural Fenosa undertakes to exercise due diligence in this area, which includes the following:

- Appropriate analysis of the risks in human rights, including potential impact on vulnerable groups and in the area of gender
- Establishment of commitments.
- Allocation of responsibilities for performance in this area.
- Training for the company's employees.
- Supervision and monitoring of the policy
- Correction of any bad practices.

Among others, the policy provides for Gas Natural Fenosa's commitment to making suppliers, contractors and collaborators aware during the initial stages of investment projects, taking into consideration their impact on the protection and promotion of human rights and defining the corresponding indicators.

In 2011, the company will put in place the training plan that has been designed to ensure that the policy is known, understood and complied with by the employees operating in the more sensitive areas.





### Risk Management System

Gas Natural Fenosa’s activities are subject to different kinds of risk factors.

In order to minimise risks associated with its business, the company has developed mechanisms so that these risks can be identified, characterised, and determined with the greatest possible amount of detail. Similarly, over the last few years, Gas Natural Fenosa has made considerable progress in the overall management and control of the most relevant risks, gaining detailed knowledge of said risks in both the daily management of the various businesses and in the strategic planning and reflection processes.

One of the key concepts to risk management is the concept of risk profile, understood as the level of exposure to the uncertainty resulting from the joint effect of the various categories of risk classified by Gas Natural Fenosa.

### Type of risk

Business
Commodity price
Electricity price
Commodity volume
Electricity volume
Regulatory
Strategic
Financial
Interest rate
Exchange rate
Liquidity
Credit
Retail
Wholesale
Operational
Image and reputation
Regulatory
Fraud
Processes
Systems

### Process for identifying, characterising and determining the risk profile

	Determining the global risk profile	Final proposal by business unit	Risk control and management	New position identification	Position and risk information	Position and risk development	Alternative proposal	Approval
Governing bodies	•							•
Persons in charge of overall risk profile		•						
Persons in charge of risk control and measurement			•			•	•	
Persons in charge of risk management and spheres of action			•	•	•	•	•	

Gas Natural Fenosa's global risk profile can be continuously seen through the identification, characterisation and measurement of the most important risks. This knowledge makes it possible to determine the maximum exposure to the risk that is accepted, managing it through the allocation of limits by risk category and in global terms to establish the global target risk profile.

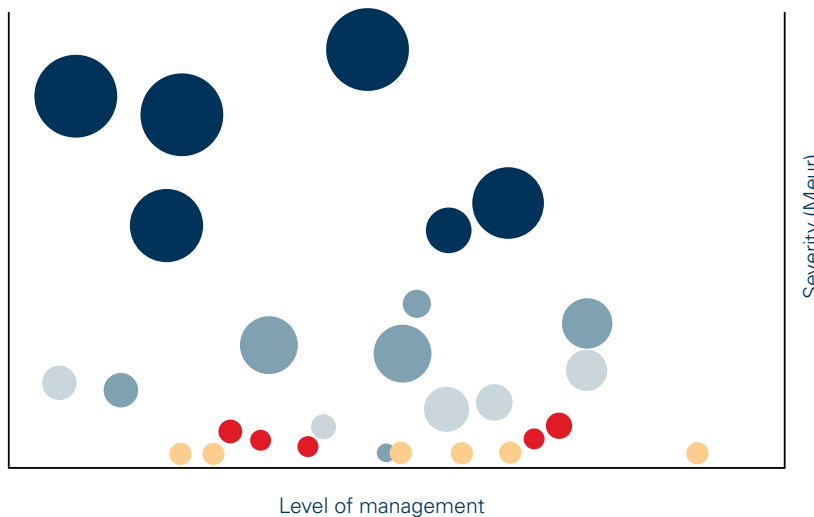
The tools that enable the continuous improvement of the process for identifying, characterising and determining Gas Natural Fenosa's risk profile include the Risk Committee, the development of standards led by the General Risk Standard, the Corporate Risk Map and the Risk Measurement System.

The Risk Committee is responsible for determining and reviewing the objective risk profile of the company, guaranteeing its alignment with the strategic position and ensuring third-party interests. It also guarantees that the entire organisation understands and accepts its responsibility in identifying, assessing and managing the most significant risks.

Monitoring and assessing risk exposure in an integrated approach, and controlling overall exposure to it, allows efficiency in decision-making to be underpinned, making it possible to optimise the risk-return binomial.

The General Risk Standard lays down the general principles and guidelines for behaviour in order to identify, inform, assess and manage Gas Natural Fenosa's exposure to risk. It is updated and implemented by the Risks Committee.

**Corporate Risk Map**

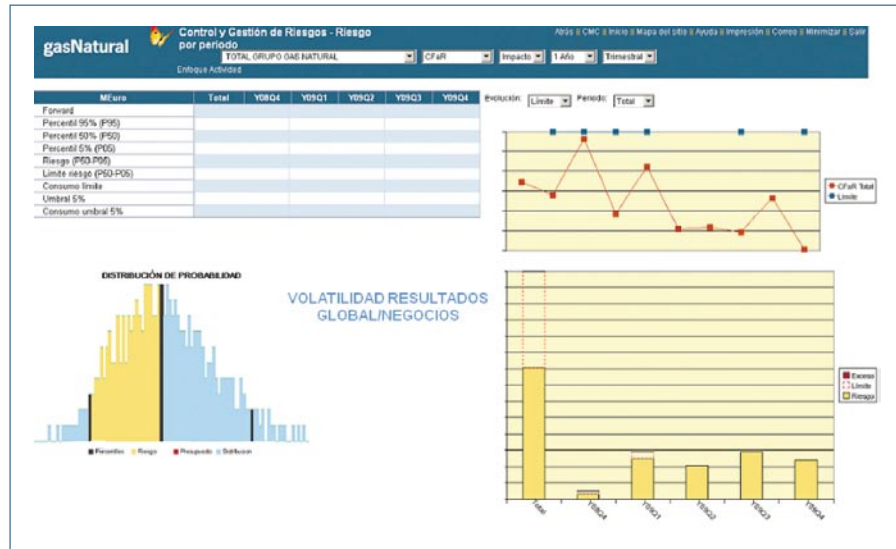


Risk impact severity

- Very high.
- High.
- Average.
- Low.
- Very low.

The Corporate Risks Map is a reflection led by the Risks Committee and focuses on characterising and quantifying the most important risks. The identification and characterisation of the risks take into account the characteristics of the position at risk, the impact variables, the potential quantitative and qualitative severity, the probability of occurrence and the degree of management and control. The various risks are characterised in absolute and relative terms and illustrated in graph format. The conclusions are presented to the Audit and Control Committee and, where applicable, the Board of Directors. It is updated annually. In 2010, the company drew up the first full version of the map after the merger that gave rise to Gas Natural Fenosa.

The Credit Risk Measurement System uses a scoring system that has been developed internally to control the credit risk profile of Gas Natural Fenosa's commercial portfolio



The Risk Measurement System is designed to provide the recurrent and probabilistic quantification of the risk position assumed on a global scale for the different risk categories. It has been designed as a support tool for the business units and guarantee that they have an optimum level of independence in decision making, while simultaneously ensuring that the level of risk taken on by the company and per business unit is in keeping with the risk profile established by the governing bodies. Fundamentally, it covers three risk categories: market risk, credit risk and insurable operational risk.

The Market Risk Measurement System shows, in each relevant business, the uncertainty related to the evolution of and in view of risk factors related to raw materials prices for energy, exchange rates and interest rates. It is a dynamic information instrument that shows Gas Natural Fenosa's level of exposure to different risk categories. The measurement system used by the company also makes it possible to identify the existence of natural cover among the various business units, thereby guaranteeing efficiency in

decision-making with an appropriate balance between risk and profitability and safeguarding the interests of the concurrent stakeholders. Said system allows for the measurement of the company's strategic plan on the time horizon.

The Credit Risk Measurement System uses a scoring system that has been developed internally to control the credit risk profile of Gas Natural Fenosa's commercial portfolio. The scoring system categorises the portfolio in accordance with its credit quality, anticipating and enabling the control of its anticipated loss through a structure of faculties that consist of an objective anticipated loss. The system makes it possible to anticipate and control the credit quality of the commercial policies.

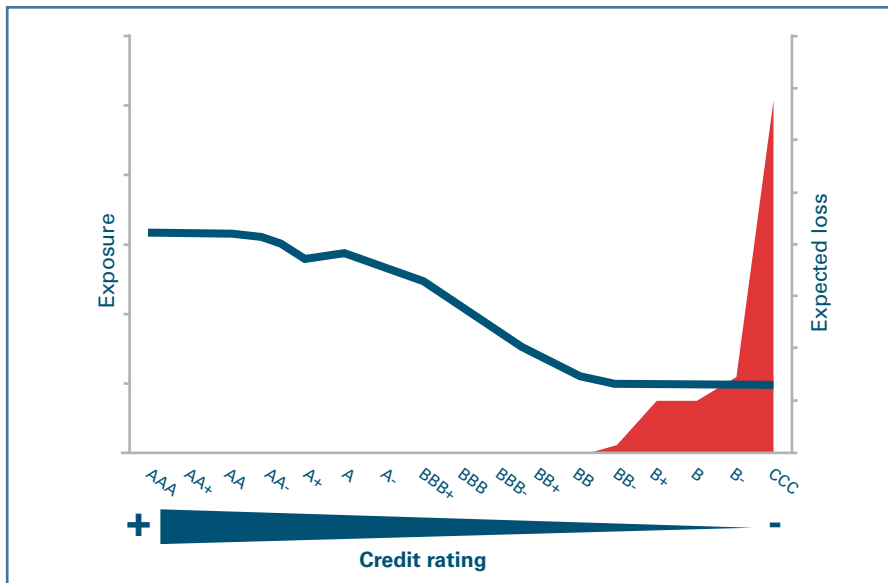
In 2010, special mention must be made of the company's progress in the area of credit risk. On a wholesale level, the company homogenised its risk management policy for the gas and electricity businesses, defining a unique structure of faculties that consists of the required strategic positioning.

On a retail scale, Gas Natural Fenosa made significant progress in the implementation of credit qualification models. In this case, the definition of the risk profile and objective anticipated loss required a detailed analysis in view of the heterogeneity of the customer segments of the retail business to propose risk management policies that consisted of the intrinsic characteristics and particularities of said segments.

The following graph summarises the logic of the risk profile and objective anticipated loss, limited to increased exposure as credit quality is reduced. It also shows the distribution of the anticipated loss, which increases with the deterioration of customer credit quality.

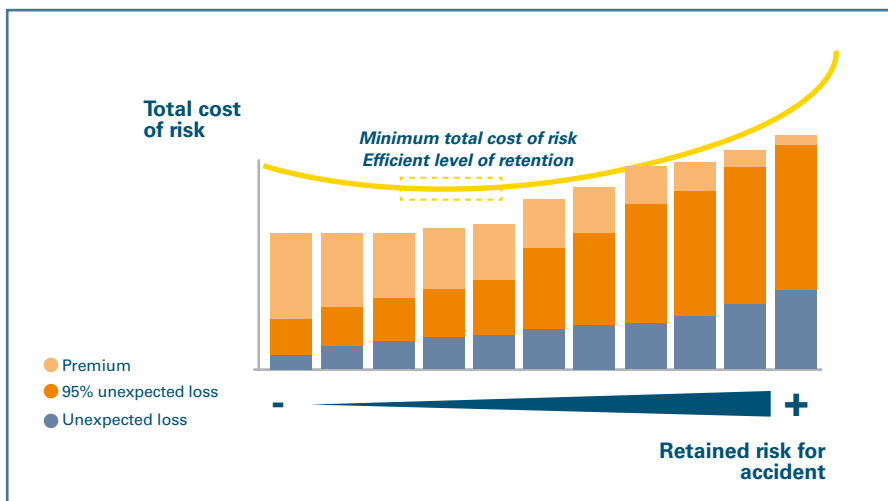
Finally, special mention must be made of the Insurable Operational Risk System. This focuses on

promoting efficiency in operational risk management and any cover for incidents affecting the performance of Gas Natural Fenosa's assets and contracts. Accordingly, the company has a probabilistic calculation module that provides support for the design of covers, limits and exemptions for the Gas Natural Fenosa Insurance Programme, guaranteeing the efficiency of the costs and risks that are assumed and the optimisation of the covers that are taken out.



Accordingly, the company defined the concept of total risk cost associated with a certain cover policy. It consists of applying the concept of relevant costs not only to the premium associated with an insurance programme, but also to the anticipated and unanticipated cost associated with the costs retained by the company for a certain level of trust.

Gas Natural Fenosa developed a system based on simulation instruments that make it possible to calculate said total risk cost, facilitating the setting of optimal risk retention levels and desirable covers in view of the alternatives for the reinsurance market in the renewal of the insurance programme.





### Internal audit

At Gas Natural Fenosa, the internal audit is an independent and objective assessment tool. The Internal Audit Department reports in turn to the Audit and Control Committee, the Chairman and the Chief Executive Officer of Gas Natural Fenosa.

It is responsible for guaranteeing the supervision and continuous assessment of the effectiveness of the internal control system in every area of Gas Natural Fenosa, providing a methodical and rigorous approach for process monitoring and improvement and for the assessment of operational risks and controls relating thereto. All the foregoing is designed to achieve compliance with the company's strategic objectives and to assist the Audit and Control Committee and the company's senior management in its functions in the areas of management, control and corporate governance.

The Internal Audit Department has a method in place for assessing the operational risks in keeping with best practices in corporate governance and based on the conceptual framework of the COSO report. It is based on the type of risks defined in the Corporate Risks Map of Gas Natural Fenosa.

The Internal Audit Department assumes responsibility for verifying compliance with the policies, standards and controls put in place by senior management in order to assess the operational risks of the processes and prevent and identify internal control weaknesses, including those that are related to ethical issues such as fraud, corruption and bribery. Based on the results obtained, an action plan is designed with a view to implementing corrective measures which shall mitigate residual risks identified as having greater potential impact than the established tolerable or accepted risks.

The development of the internal audit function at Gas Natural Fenosa is designed to contribute to continuous improvement in the provision of auditing services, by applying policies based on the management and measurement of its quality, and in encouraging the creation of a qualified team of human resources, promoting internal rotation, training, continuous assessment and professional development.

In 2010, 149 internal audit projects were carried out, 32 of which corresponded to the review of processes associated with the main operational risks of the general corporate and business departments at Gas Natural Fenosa.

In addition, given the independent and transversal nature of the Internal Audit Department's functions, it takes part in or leads the relevant projects from the point of view of compliance with internal codes of conduct, and chairs the Code of Ethics Committee.



### Non-compliances and fines

In Spain in 2010, the company was fined on three occasions for issues related to the Personal Data Protection Act (LOPD). On two of said occasions, Gas Natural Servicios was fined. The fines received by this company totalled 190,101.21 euros. The third fine, for the amount of 60,101.21, was given to Unión Fenosa Comercial.

In addition, in Moldova, the National Energy Regulation Agency fined ICS Red Unión Fenosa with a reduction of 0.5% of the energy distribution rate for non-compliance with an electricity supply and distribution service quality indicator. This reduction will be calculated for the entire useful energy volume supplied by the company to end consumers in 2009 and will be taken into consideration in the next updating of electricity supply rates. The fine was applied for non-compliance with the term for solving problems affecting excess admissible voltage deviation. The quality regulations of said country provide for the reduction of the distribution tariff by 0.5% for non-compliance with the term of five days in more than 10% of cases. The amount of the fine is 160,000 euros.

In Colombia, the company was fined with the payment of compensation of 105,140 euros for the tragic death of a user. In addition, in the same country, the company was given a fine of 101,246 euros for causing an accident to the network of the town of Tunja.

In Brazil, the gas distribution company of Rio de Janeiro was given two fines for the amount of 65,966.32 euros each, as a result of

an accident involving fire caused by the drainage of the medium-pressure network and an explosion with results of minor importance.

In Guatemala, three disciplinary procedures were brought for various matters related to the operation of the service. The largest fine totalled 515,865 euros and was the result of exceeding the tolerance limits set for the current imbalance indicator during the second half of 2004. The second, which totalled 171,871 euros, occurred as a result of non-compliance with the provision of the service in the second half of 2006, where the allegation of force majeure submitted by the company was not accepted. Finally, the company was given a third fine, for the amount of 69,764 euros, owing to non-compliance with the tolerance level set for the current imbalance in the measurements taken during the month of February 2006.

Other than these cases, no fines were given in the areas in which the company carries out its activities.

Mention must be made of the fact that, in fiscal matters in 2010, Gas Natural Fenosa was not given any relevant fine in relation to tax issues. Furthermore, the company did not receive any fines of whatsoever other kind for amounts of more than 60,000 euros.





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## Additional Information

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## Awards and Recognition



### Acknowledgement in responsible investment indices

- For the ninth successive year, Gas Natural Fenosa was included in the FTSE4Good sustainability index.
- The DJSI recognised Gas Natural Fenosa as the world leader from among water, gas and electricity utilities.
- For the second year running, Gas Natural Fenosa was leader in the gas distribution sector of DJSI World.
- Gas Natural Fenosa was included in the selective DJSI Europe and became the only company in its sector to receive said recognition.

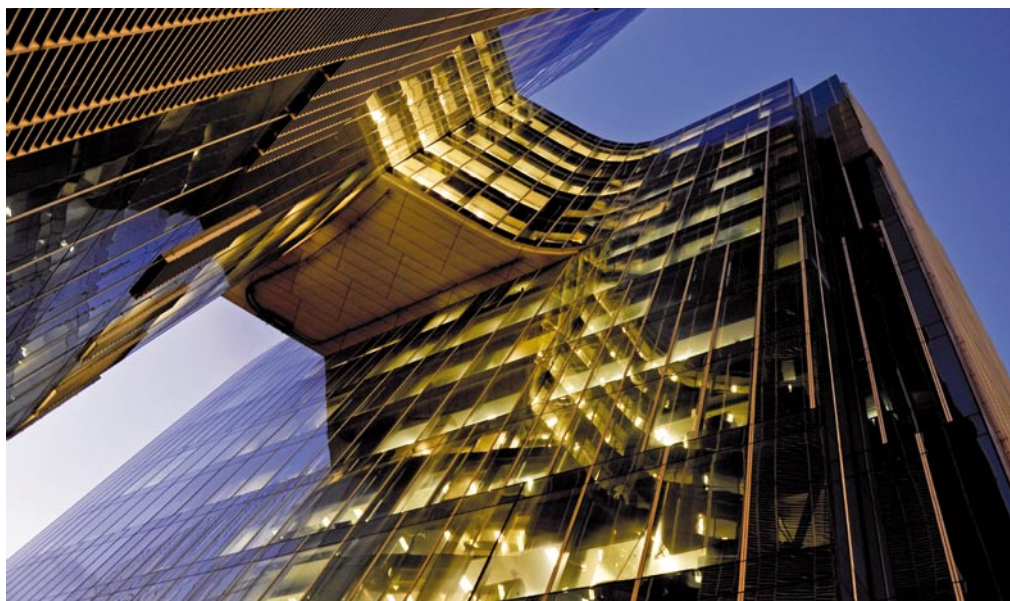
### Awards and recognition given to Gas Natural Fenosa

- CEG was one of the winning companies at the 10th ABT award, in the "Customer Service" category.
- Gas Natural Fenosa has been classified for the second year running as the leading company in the world in the gas sector according to the "Platts Top 250" ranking.
- The Cultural Integration Classroom (AUDIC) of the Corporate University of Gas Natural Fenosa was awarded one of the prizes for innovation in human resources by Expansión y Empleo in 2010.
- The video *Awareness of Work Accidents*, made by Gas Natural Fenosa, received the "Positiva Zafiro 2010" prize awarded by the Positiva ARP Insurance Company.
- The Gas Natural Fenosa Foundation received an award given by the Argentinan magazine *Prensa Económica* for its support for the country's exports.
- The CEO of Gas Natural Fenosa, Rafael Villaseca, received the prize for best CEO of the year at the 2010 edition of the Platts Global Energy Awards.

### Awards and recognition given to Gas Natural Fenosa

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- Gas Natural Fenosa received a Special Mention at the Hermes de Oro 2009 awards, given by Mercamadrid, for the company's work in the development and modernisation of the energy infrastructure of south Madrid.
  - Gas Natural Fenosa was recognised as the gas or electricity company with the best reputation in Spain according to the Spain Reputation Pulse 2010 Report.
  - Gas Natural Fenosa was recognised as the gas or electricity company with the best reputation in Spain according to the Spain Reputation Pulse 2010 Report.
  - Gas Natural Fenosa became the ninth most admired energy company in the world according to the "2010 World's Most Admired Companies" ranking drawn up by the US magazine Fortune.
  - Red Unión Fenosa received the Gold Mercury Award for the category of socially responsible trademark in energy at the 7th edition of "Trademark of the Year" organised by the Chamber of Commerce and Industry of Moldova.
  - Gas Natural Fenosa was recognised as world leader in its sector in sustainability and included for the third year running in the Gold Class of the 2010 Sustainability Yearbook drawn up by PricewaterhouseCoopers and SAM (Sustainable Asset Management).
  - In 2010, Gas Natural Fenosa won the first edition of the Corresponsables awards in the category of Large Business thanks to its initiative for extending the gas grid to low-resource quarters in Buenos Aires, Cuartel V.
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## Contents and GRI Indicators

### Contents

The following table indicates the chapters and the pages of the 2010 Corporate Responsibility Report of Gas Natural Fenosa containing the different requirements established by the Global Reporting Initiative (G3 Guidelines, 2006).

<b>1. Strategy and analysis</b>	<b>Reporting level</b>	<b>Issues not reported</b>	<b>Reason for the omission</b>	<b>Comments</b>	<b>Pages</b>
1.1 Chairman's statement	Complete				4-5
1.2 Description of main impacts, risks and opportunities	Complete				20 -21, 172 - 175
<hr/>					
<b>2. Organisation profile</b>	<b>Reporting level</b>	<b>Issues not reported</b>	<b>Reason for the omission</b>	<b>Comments</b>	<b>Pages</b>
<b>Organisation profile</b>					
2.1 Name of organisation.	Complete				13
2.2 Main brands, products and/or services.	Complete				13, 54 - 56
2.3 Operational structure of organisation, including the main divisions, operating entities, subsidiaries and joint ventures.	Complete				12, 13, 17
2.4 Location of the organisation's head office.	Complete				Back cover
2.5 Location and name of the countries in which significant activities are performed or which are relevant specifically with regard to sustainability matters addressed in the report.	Complete				6, 12
2.6 Nature of ownership and legal personality.	Complete				13
2.7 Markets served (including the geographical breakdown, the sector supplied and the types of customers/beneficiaries).	Complete				6, 12, 47

<b>2. Organisation profile</b>	<b>Reporting level</b>	<b>Issues not reported</b>	<b>Reason for the omission</b>	<b>Comments</b>	<b>Pages</b>
2.8 Dimensions of the organisation (including number of employees, net sales or revenues, total qualifications, amount of product or service rendered).	Complete				13-16, 28-29, 67, 111
2.9 Significant changes in the size, structure and ownership of the organisation over the period covered by the report.	Complete				4-5, 13
2.10 Prizes and awards received during the period in question.	Complete				180 - 181
<b>3. Parameters of report</b>	<b>Reporting level</b>	<b>Issues not reported</b>	<b>Reason for the omission</b>	<b>Comments</b>	<b>Pages</b>
<b>Profile of report</b>					
3.1 Period covered by the information contained in the report.	Complete				9
3.2 Date of most recent previous report.	Complete				9
3.3 Cycle for presentation of reports (annual, twice-yearly, etc.).	Complete				9
3.4 Contact details for questions relating to report or its content.	Complete				9
<b>Scope and coverage of report</b>					
3.5 Process of definition of report contents.	Complete				8-9
3.6 Coverage of report.	Complete				6-7
3.7 State any limitations in the scope or coverage of report.	Complete				6-7
3.8 Information on joint ventures, subsidiaries, leased installations, subcontracted activities, and other entities which could significantly affect the comparison between periods and/or organisations.	Complete				6-7

<b>3. Parameters of report</b>	<b>Reporting level</b>	<b>Issues not reported</b>	<b>Reason for the omission</b>	<b>Comments</b>	<b>Pages</b>
3.9 Techniques for measuring data and bases for making calculations, including the assumptions and techniques underlying the estimates applied in the compiling of indicators and other information in the report.	Complete				6-9
3.10 Description of the effect that the restatement of information belonging to previous reports could have, together with the reasons for said restatement.	Complete				6-7
3.11 Significant changes relating to previous periods in the scope, coverage or in the valuation methods applied in the report.	Complete				6-7
<b>Index of GRI contents</b>					
3.12 Table indicating the location of the basic contents of the report.	Complete				182-203
<b>Verification</b>					
3.13 Policy and current practice in respect of requesting external verification of report.	Complete				4-5, 9, 206-207
<b>4. Governance, commitments and participation of stakeholders</b>					
<b>Governance</b>					
4.1 Governance structure of organisation.	Complete				164 - 166
4.2 State whether the Chairman holds an executive post.	Complete				165 - 166
4.3 Number of members of the highest governing body who are independent or not executive.	Complete				165 - 166
4.4 Mechanisms for shareholders and employees to notify the highest governing body of recommendations and indicators.	Complete				35, 70, 71, 164
4.5 Link between the remuneration of the highest governing body, senior management and executives and the performance of the organisation.	Complete				CGR 15 - 17



4. Governance, commitments and participation of stakeholders	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
4.6 Procedures implemented to prevent conflicts of interest in the highest governing body.	Complete				CGR 43 - 45
4.7 Procedure for determining the qualification and experience required from members of the highest governing body to guide the organisation's strategy in social, environmental and economic matters.	Complete				CGR 61,62
4.8 Mission and values statements developed internally, codes of conduct and policies relating to economic, environmental and social performance, and the state of the implementation thereof.	Complete				30 - 31, 167-168
4.9 Procedures of the highest governing body to supervise the identification and management, by the organisation, of the economic, environmental and social performance, including the related risks and opportunities, and the adherence or compliance with internationally agreed standards, codes of conduct and principles.	Complete				35
4.10 Procedures to assess the performance of the highest governing body, particularly regarding the economic, environmental and social performance.	Complete				CGR 61,62
<b>Commitments with external initiatives</b>					
4.11 Description of how the organisation has adopted a preventive approach or principle.	Complete				30-31, 172-176
4.12 Social, environmental and economic principles or programs carried out externally, and those which any other organisation may subscribe or approve.	Complete				92, 151
4.13 Main associations to which it belongs and/or national and international entities which the organisation supports.	Complete				159

<b>4. Governance, commitments and participation of stakeholders</b>	<b>Reporting level</b>	<b>Issues not reported</b>	<b>Reason for the omission</b>	<b>Comments</b>	<b>Pages</b>
<b>Participation of stakeholders</b>					
4.14 List of stakeholders which the organisation has included.	Complete				8
4.15 Base for identifying and selecting the stakeholders to which the organisation is committed.	Complete				37-39
4.16 Approaches taken for the inclusion of stakeholders, including the frequency of their participation by types and the category of the stakeholders.	Complete				8, 37-39
4.17 Main concerns and areas of interest which may have arisen through the participation of the stakeholders and the way in which the organisation has responded thereto in the drawing up of the report.	Complete				8, 37-39

## Performance Indicators

### Economic Performance Indicators

Management Approach 20, 30-33, 66-67

#### Aspect: Economic Performance

<b>GRI code</b>	<b>GRI description</b>	<b>Reporting level</b>	<b>Issues not reported</b>	<b>Reason for the omission</b>	<b>Comments</b>	<b>Pages</b>
EC1 (P)	Direct value generated and distributed.	Complete				23
EC2 (P)	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	Complete				20, 172-175
EC3 (P)	Coverage of the organisation's defined benefit plan obligations.	Complete				120-121
EC4 (P)	Significant financial assistance received from governments.	Complete				AR 144

**Aspect: Presence in Market**

<b>GRI code</b>	<b>GRI description</b>	<b>Reporting level</b>	<b>Issues not reported</b>	<b>Reason for the omission</b>	<b>Comments</b>	<b>Pages</b>
EC5 (A)	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	Complete				119
EC6 (P)	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation.	Partial	Percentage of purchase budget awarded to local suppliers.	Not available	Owing to the merger, the integration of the information systems that process the training activity is being adapted. The changes needed to obtain this information were not planned for 2010. This information is expected to become available in 2013.	62-63
EC7 (P)	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Complete				112, 115
<b>Aspect: Indirect Economic Impacts</b>						
EC8 (P)	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Complete				149-150
EC9 (A)	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Complete				23-25, 99-101, 160 - 161

Environment Performance Indicators

Management Approach 30-33, 74-75

**Aspect: Materials**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EN1 (P)	Materials used, by weight or volume.	Complete				90
EN2 (P)	Percentage of materials used that are recycled input materials.	Not applicable			Owing to the nature of Gas Natural Fenosa's activities, recycled materials are not used.	

**Aspect: Energy**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EN3 (P)	Direct energy consumption by primary energy source.	Complete				89
EN4 (P)	Indirect energy consumption by primary source.	Complete				89
EN5 (A)	Energy saved due to conservation and efficiency improvements.	Complete				89,94
EN6 (A)	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Complete				104-107
EN7 (A)	Initiatives to reduce indirect energy consumption and reductions achieved.	Complete				104-107

**Aspect: Water**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EN8 (P)	Total water withdrawal by source.	Complete				87-88
EN9 (A)	Water sources significantly affected by withdrawal of water.	Complete				87-88
EN10 (A)	Percentage and total volume of water recycled and reused.	Complete				88

**Aspect: Biodiversity**

<b>GRI code</b>	<b>GRI description</b>	<b>Reporting level</b>	<b>Issues not reported</b>	<b>Reason for the omission</b>	<b>Comments</b>	<b>Pages</b>
EN11 (P)	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high bio-diversity value outside protected areas. Identify operational sites owned, leased, managed in, located in, adjacent to, or that contain protected areas and areas of high biodiversity value outside protected areas.	Complete				100-101
EN12 (P)	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Complete				100-101
EN13 (A)	Habitats protected or restored.	Complete				100-101
EN14 (A)	Strategies, current actions, and future plans for managing impacts on biodiversity.	Complete				100-101
EN15 (A)	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Complete				102

**Aspect: Emission, Spills and Waste**

<b>GRI code</b>	<b>GRI description</b>	<b>Reporting level</b>	<b>Issues not reported</b>	<b>Reason for the omission</b>	<b>Comments</b>	<b>Pages</b>
EN16 (P)	Total direct and indirect emissions of greenhouse gas emissions, by weight.	Complete				75, 96, 97
EN17 (P)	Other relevant indirect green-house gas emissions by weight.	Complete				97
EN18 (P)	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Complete				94
EN19 (P)	Emissions of ozone-depleting substances by weight.	Complete				81, (Note 1)
EN20 (P)	NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions by type and weight	Complete				81
EN21 (P)	Total water discharge by quality and destination.	Complete				88
EN22 (P)	Total weight of waste by type and disposal method.	Complete				84-86
EN23 (P)	Total number and volume of significant spills.	Complete				78
EN24 (A)	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annexe I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not applicable			Gas Natural Fenosa administrates its hazardous waste as generated by the group's activities through authorised handlers, in accordance with current legislation in each country. Consequently, it does not transport said waste itself.	
EN25 (A)	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoffs.	Complete				87

**Aspect: Products and Services**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EN26 (P)	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Complete				104-108
EN27 (P)	Percentage of products sold and their packaging materials that are reclaimed by category.	Complete				83-85

**Aspect: Compliance with Laws**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EN28 (P)	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Complete				79

**Aspect: Transport**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EN29 (A)	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.	Partial	Significant environmental impacts arising from logistics and/or employee transport.	Not applicable	Gas Natural Fenosa uses its "Carbon Footprint" tool to measure the company's global emissions for scopes 1, 2 and 3. To measure the impact caused by employee transport when travelling to their place of work, the company is developing a method that will enable its future quantification.	97

**Aspect: General**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EN30 (A)	Total environmental protection expenditures and investments by type.	Complete				79-80

## Society Performance Indicators Labour Practices and Decent Work

## Management Approach

30-33, 110-111, 134-135

**Aspect: Employment**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
LA1 (P)	Total workforce by employment type, employment contract, and region.	Complete				113-116
LA2 (P)	Total number and rate of employee turnover by age group, gender, and region.	Complete				113-116, 123
LA3 (A)	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Complete				120-121

**Aspect: Relations company/Employees**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
LA4 (P)	Percentage of employees covered by collective bargaining agreements.	Complete				118
LA5 (P)	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Complete				117



**Aspect: Occupational Health and Safety**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
LA6 (A)	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Complete				144
LA7 (P)	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region.	Complete				142
LA8 (P)	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Complete				139-140
LA9 (A)	Health and safety topics covered in formal agreements with trade unions.	Complete				144

**Aspect: Education and Training**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
LA10 (P)	Average hours of training per year per employee by employee category.	Partial	Total number of hours by category and number of hours by employee and by category.	Not available	Owing to the merger, the integration of the information systems that process the training activity is being adapted. The changes needed to obtain this information were not planned for 2010. This information is expected to become available in 2012.	127
LA11 (A)	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Complete				126-127
LA12 (A)	Percentage of employees receiving regular performance and career development reviews.	Complete				122

**Aspect: Diversity and Equal Opportunities**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
LA13 (P)	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Complete				115, 165-166, Note 7
LA14 (P)	Ratio of basic salary of men to women by employee category.	Complete				116

**Society Performance Indicators Human Rights**

**Management Approach**

30-33,  
162-163,  
170-171

**Aspect: Investment and Supply Practices**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
HR1 (P)	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Complete				167-169
HR2 (P)	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	Partial	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	Not available	Gas Natural Fenosa assesses its suppliers on issues related to health and safety and guarantees their compliance with current legislation. In February 2011, the company adopted its Human Rights policy and, throughout this year, it plans to include criteria related to Human Rights in the assessment and selection of suppliers. This information is expected to become available around 2012.	167-169
HR3 (A)	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Partial	Total employee training hours on policies and procedures related to human rights issues.	Not available	In February 2011, Gas Natural Fenosa adopted its Human Rights policy and, in this year, it plans to prepare a specific training plan to disseminate the policy and its awareness to its entire staff. This information is expected to become available around 2012.	171

**Aspect: Non-Discrimination**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
HR4 (P)	Total number of incidents of discrimination and actions taken.	Complete				168

**Aspect: Freedom of Association and Collective Agreements**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
HR5 (P)	Operations identified in which the right to exercise freedom of association or collective bargaining may be at significant risk, and actions taken to support these rights.	Complete				117-118

**Aspect: Child Exploitation**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
HR6 (P)	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	Complete				168

**Aspect: Forced Labour**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
HR7 (P)	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures taken to contribute to the elimination of forced or compulsory labour.	Complete				168

**Aspect: Safety Practices**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
HR8 (A)	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.	Complete				140

**Aspect: Rights of Indigenous People**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
HR9 (A)	Total number of incidents of violations involving rights of indigenous people and actions taken.	Complete				168

**Society Performance Indicators: Society**

Management Approach					30-33, 149-150, 162-163	
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**Aspect: Community**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
SO1 (P)	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	Complete				20-25, 151

**Aspect: Corruption**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
SO2 (P)	Percentage and total number of business units analysed for risks related to corruption.	Complete				176
SO3 (P)	Percentage of employees trained in organisation's anti-corruption policies and procedures.	Complete				167-169
SO4 (P)	Actions taken in response to incidents of corruption.	Complete				168

**Aspect: Public Policy**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
SO5 (P)	Public policy positions and participation in public policy development and <i>lobbying</i> .	Complete				(Note 2)
SO6 (A)	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Complete				(Note 3)

**Aspect: Unfair Competition**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
SO7 (A)	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices, and their outcomes.	Complete				177

**Aspect: Compliance with Laws**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
SO8 (P)	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Complete				177

## Society Performance Indicators Product Responsibility

## Management Approach

**Aspect: Customer Health and Safety**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
PR1 (P)	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Complete				48, 49, 56, 57, (Note 4)
PR2 (A)	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.	Complete				177

**Aspect: Labelling of Products and Services**

<b>GRI code</b>	<b>GRI description</b>	<b>Reporting level</b>	<b>Issues not reported</b>	<b>Reason for the omission</b>	<b>Comments</b>	<b>Pages</b>
PR3 (P)	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Complete				(Note 5)
PR4 (A)	Total number of non-fulfilment with the regulation and the voluntary codes related to the information and labelling of products and services, distributed in accordance with the type of result of the said incidents.	Complete				(Note 6)
PR5 (A)	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Complete				28, 45, 46, 48, 52, 53

**Aspect: Marketing Communications**

<b>GRI code</b>	<b>GRI description</b>	<b>Reporting level</b>	<b>Issues not reported</b>	<b>Reason for the omission</b>	<b>Comments</b>	<b>Pages</b>
PR6 (P)	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Complete				59
PR7 (A)	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.	Complete				177

**Aspect: Customer Privacy**

<b>GRI code</b>	<b>GRI description</b>	<b>Reporting level</b>	<b>Issues not reported</b>	<b>Reason for the omission</b>	<b>Comments</b>	<b>Pages</b>
PR8 (A)	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Complete				177

**Aspect: Compliance with Laws**

<b>GRI code</b>	<b>GRI description</b>	<b>Reporting level</b>	<b>Issues not reported</b>	<b>Reason for the omission</b>	<b>Comments</b>	<b>Pages</b>
PR9 (P)	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Complete				177

**Electricity Sector Indicators****Management Approach**

30-33, 44-45, 74-75, 110-111, 134-135

**Aspect: Organisation Profile**

<b>GRI code</b>	<b>GRI description</b>	<b>Reporting level</b>	<b>Issues not reported</b>	<b>Reason for the omission</b>	<b>Comments</b>	<b>Pages</b>
EU1	Installed capacity, broken down by primary energy source and by regulatory regime.	Complete				15
EU2	Net energy output, broken down by primary energy source and by regulatory regime.	Complete				15
EU3	Number of residential, industrial, institutional and commercial customer accounts.	Complete				47
EU4	Length of above and underground transmission and distribution lines by regulatory regime.	Complete				16
EU5	Assignment of CO <sub>2</sub> emission rights or equivalent, broken down by carbon market.	Complete				98-99

**Aspect: Information on Economic Management Approach**

<b>GRI code</b>	<b>GRI description</b>	<b>Reporting level</b>	<b>Issues not reported</b>	<b>Reason for the omission</b>	<b>Comments</b>	<b>Pages</b>
EU6	Management approach to ensure short and long-term electricity availability and reliability.	Complete				64-65
EU7	Demand-side management programs including residential, commercial, institutional and industrial programs.	Complete				54-55
EU8	Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development.	Complete				21-22
EU9	Provisions for decommissioning of nuclear power sites.	Complete				80
EU10	Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory system.	Partial	Capacity being built in MW.	Not available	In its 2010-2014 Strategic Plan, Gas Natural Fenosa defines the installed power planned for 2012 after the disinvestments undertaken with the authorities in the framework of the merger process. Furthermore, for the period 2013-2014, the Strategic Plan has defined the strategic lines in installed power for conventional power generation and renewable energies. This information is expected to become available around 2012.	64-65
EU11	Average generation efficiency of thermal plants by energy source and by regulatory regime.	Complete				16
EU12	Transmission and distribution losses as a percentage of total energy.	Complete				16



**Aspect: The Environment**

<b>GRI code</b>	<b>GRI description</b>	<b>Reporting level</b>	<b>Issues not reported</b>	<b>Reason for the omission</b>	<b>Comments</b>	<b>Pages</b>
EU13	Biodiversity of offset habitats compared to the biodiversity of the affected areas.	Complete				99-101

**Aspect: Management Approach on Labour Practices and Standards**

<b>GRI code</b>	<b>GRI description</b>	<b>Reporting level</b>	<b>Issues not reported</b>	<b>Reason for the omission</b>	<b>Comments</b>	<b>Pages</b>
EU14	Programs and processes to ensure the availability of a skilled workforce.	Complete				129
EU15	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region.	Complete				124-125
EU16	Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors.	Complete				136-137

**Aspect: Performance Indicators**

<b>GRI code</b>	<b>GRI description</b>	<b>Reporting level</b>	<b>Issues not reported</b>	<b>Reason for the omission</b>	<b>Comments</b>	<b>Pages</b>
EU17	Days worked by contractor and subcontractor employees involved in construction, operation & maintenance activities.	Complete				143
EU18	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training.	Complete				139

**Aspect: Community**

<b>GRI code</b>	<b>GRI description</b>	<b>Reporting level</b>	<b>Issues not reported</b>	<b>Reason for the omission</b>	<b>Comments</b>	<b>Pages</b>
EU19	Stakeholder participation in the decision making process related to energy planning and infrastructure development.	Complete				23-25
EU20	Approach to managing the impacts of displacement.	Complete				23-25
EU21	Contingency planning measures, disaster/emergency management plan and training programs, and recovery/restoration plans.	Complete				23-25

**Aspect: Social Performance indicator**

<b>GRI code</b>	<b>GRI description</b>	<b>Reporting level</b>	<b>Issues not reported</b>	<b>Reason for the omission</b>	<b>Comments</b>	<b>Pages</b>
EU22	Number of people physically or economically displaced and compensation, broken down by type of project.	Complete				25

**Aspect: Management Approach on Product Responsibility**

<b>GRI code</b>	<b>GRI description</b>	<b>Reporting level</b>	<b>Issues not reported</b>	<b>Reason for the omission</b>	<b>Comments</b>	<b>Pages</b>
EU23	Programs, including those in partnership with government, to improve or maintain access to electricity and customer support services.	Complete				158-159
EU24	Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity and customer support services.	Complete				56-59

**Aspect: Product Responsibility Indicators**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EU25	Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases.	Complete				147
EU26	Percentage of population unserved in licensed distribution or service areas.	Complete				23
EU27	Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime.	Complete				50
EU28	Power outage frequency.	Complete				49
EU29	Average power outage duration.	Complete				49
EU30	Average plant availability factor by energy source and by regulatory regime.	Complete				16

(1) The cooling systems and fire extinguishing systems of Gas Natural Fenosa comply with current environmental legislation with regard to the non-use of chlorofluorocarbon (CFC) substances. Moreover, the use of natural gas absorption cooling systems facilitates the implementation of measures for eliminating the CFCs used in compression cooling cycles. Absorption uses coolants with a zero Ozone Depletion Potential (ODP) on the ozone layer. Natural gas absorption cooling cycles (using ammonia-water or lithium bromide-water mixtures) contribute to the international policy for the elimination of CFCs.

(2) Gas Natural Fenosa does not defend positions other than those declared in its Corporate Responsibility Policy.

(3) Through its Code of Ethics, Gas Natural Fenosa states its stance against improper remuneration and influence peddling.

(4) Natural gas and electricity, products sold by Gas Natural Fenosa, are not subject to life cycle phase assessment procedures.

(5) The general terms and conditions of contracting for the services provided by Gas Natural Fenosa provide customers with the appropriate information about their rights and obligations and about the features of the services provided (gas and electricity). There are no records of breaches of agreements regarding the legal obligations required in each country in which the company operates in this area.

(6) There have been no significant breaches of this kind.

(7) At present, the number of female Directors on the Board is zero, although Gas Natural SDG, S.A. has had female Directors in the past. On no occasion has the Company limited, vetoed or restricted the possible appointment of a Director on the basis of gender, a circumstance which has never been taken into account.

AR: 2010 Annual Report.

CGR: 2010 Corporate Governance Report.

## Global Compact, MDGs and GRI

Principles	GRI indicators (direct relevance)	GRI indicators (indirect relevance)	Millennium Development Goals
<b>Human Rights</b>			
<b>Principle 1.</b> Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence.	HR1-9	LA4, LA13, LA14; SO1 <u>EU16</u> , <u>EU18</u> , <u>EU20</u> , <u>EU24</u> , <u>EU26</u>	<b>Goal 1:</b> Eradicate extreme poverty and hunger <b>Goal 2:</b> Achieve universal primary education <b>Goal 3:</b> Promote gender equality and empower women <b>Goal 4:</b> Reduce child mortality <b>Goal 5:</b> Improve maternal health <b>Goal 6:</b> Combat HIV/AIDS, malaria and other diseases <b>Goal 7:</b> Ensure environmental sustainability <b>Goal 8:</b> Develop a global partnership for development
<b>Principle 2.</b> Business should ensure that their own operations are not complicit in human right abuses.	HR1-2, HR8	<u>EU16</u> , <u>EU18</u> , <u>EU20</u> , <u>EU26</u>	
<b>Workplace</b>			
<b>Principle 3.</b> Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.	HR5; LA4,LA5		
<b>Principle 4.</b> Business should uphold the elimination of all forms of forced and compulsory labour.	HR7	HR1-3	<b>Goal 2:</b> Achieve universal primary education <b>Goal 3:</b> Promote gender equality and empower women
<b>Principle 5.</b> Business should uphold the effective abolition of child labour.	HR6	HR1-3	
<b>Principle 6.</b> Business should eliminate discrimination in respect of employment and occupation.	HR4; LA2, LA13,LA14	HR1-2; EC5, EC7; LA3	
<b>The environment</b>			
<b>Principle 7.</b> Business should support a precautionary approach to environmental challenges.	4.11	EC2 <u>EU9</u>	
<b>Principle 8.</b> Business should undertake initiatives to promote greater environmental responsibility.	EN2, EN5-7, EN10, EN13-14, EN18, EN21-22, EN26-27, EN30 <u>EU8</u> , <u>EU13</u>	EC2; EN1, EN3-4, EN8-9, EN11-12, EN15-17, EN19-20, EN23-25, EN28-29; PR3-4	<b>Goal 7:</b> Ensure environmental sustainability
<b>Principle 9.</b> Business should encourage the development and diffusion of environmentally-friendly technologies.	EN2, EN5-7, EN10, EN18, EN26-27 <u>EU7</u> , <u>EU8</u>		

Principles	GRI indicators (direct relevance)	GRI indicators (indirect relevance)	Millennium Development Goals
<b>Anti-corruption</b>			
Principle 10. Business should act against corruption in all its forms, including extortion and bribery.	SO2-4	SO5-6	

Note: the underlined GRI indicators correspond to those included in the Sector Supplement for the Utilities sector.

## GRI Application Level Check Statement



### Statement GRI Application Level Check

GRI hereby states that Gas Natural SDG, S.A. has presented its report "2010 Corporate Responsibility Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

14 March 2011, Amsterdam

A handwritten signature in blue ink, appearing to read "Nelmara Arbex".

Nelmara Arbex  
Deputy Chief Executive  
Global Reporting Initiative



The "+" has been added to this Application Level because Gas Natural SDG, S.A. has submitted (part of) this report for external assurance. GRI accepts the reporter's own judgment for choosing its assurance Provider and for deciding the scope of the assurance.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. [www.globalreporting.org](http://www.globalreporting.org)

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 25 February 2011. GRI explicitly excludes the statement being applied to any later changes to such material.

# Independent Review Report



*Free translation from the original in Spanish, in the event of a discrepancy, the Spanish language version prevails.*

## INDEPENDENT REVIEW REPORT ON THE 2010 CORPORATE RESPONSIBILITY REPORT

To the Management Committee of Gas Natural SDG, S.A.

### **Scope of the work**

We have carried out a review of the following aspects of the 2010 Corporate Responsibility Report (CRR) of Gas Natural SDG, S.A. and its Group of Companies (hereon, Gas Natural Fenosa) for the year ended 31 December 2010:

- The adaptation of the contents of the 2010 CRR with the Guide for the Preparation of Sustainability Reports of the Global Reporting Initiative (GRI) version 3.0 (G3) (hereon, GRI-G3 Guide), and validation of the core performance indicators and additional indicators proposed in that guide and in the GRI Electric Utilities Sector Supplement (referenced to pages 186-205 of the 2010 CRR).
- The adaptation of the contents of the 2010 CRR with the principles of inclusivity, materiality and responsiveness of the AA1000 AccountAbility Principles Standard 2008 issued by AccountAbility, Institute of Social and Ethical Accountability (hereon, AA1000APS (2008)).
- The information provided concerning the actions carried out in 2010 for each corporate responsibility commitment, specified in pages 45, 68, 75, 111, 135, 150 and 163 of the 2010 CRR.
- The indicators for 2010, included in "Key Corporate Responsibility Indicators" on pages 28-29 of the 2010 CRR.

The preparation of the 2010 CRR and its content are the responsibility of the Management of Gas Natural Fenosa, who is also responsible for defining, adapting and maintaining the management and internal control systems from which information is obtained. Our responsibility is to issue an independent report based on the procedures applied in our review.

This review was performed with the following scopes:

- Reasonable assurance for the key indicators of "Commitment to results" and "Integrity" for 2010, included in "Key Corporate Responsibility Indicators" of the 2010 CRR.
- Limited assurance for:
- GRI-G3 indicators for 2010 included in the "Content and GRI indicators" of the 2010 CRR and other indicators included in "Key Corporate Responsibility Indicators".
- Actions performed in 2010 for each corporate responsibility commitment.

### **Criteria and procedures applied to carry out the review**

We carried out our review in accordance with Standard ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). This standard lays down two levels of review; a lower or limited level of assurance ("Limited Assurance Engagement") and another more advanced a reasonable level of assurance ("Reasonable Assurance Engagement"). In both cases, it is necessary to obtain sufficient evidence to support the information

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presented. In the case of reasonable assurance, the scope of the review processes is greater in order to reduce the risk of omission or error in the information presented to an acceptably low level.

We have also carried out our work in accordance with AA1000 Assurance Standard 2008 de AccountAbility under a moderate type 2 assurance engagement.

Our review work consisted of enquiries of management and various units of Gas Natural Fenosa that have participated in the preparation of the 2010 CRR and the application of certain procedures which are generally described below in order to obtain reasonable or limited assurance, as appropriate:

a) Work performed - reasonable assurance:

- Meetings with Gas Natural Fenosa personnel for the analysis of the processes of data compilation, validation and consolidation at corporate and country level.
- Analysis and documentation of processes through flow-diagrams, indicating key controls for subsequent validation.
- Assessment of IT and internal control systems in relation to the preparation of selected indicators.
- Testing, through sampling, of reported data and validation of key controls identified.
- Verification through substantive review testing of the consistency and reasonableness of the quantitative and qualitative information of the indicators and their adequate compilation.

b) Work performed - limited assurance:

- Meetings with Gas Natural Fenosa personnel to know the management approaches applied and obtain the necessary information for external review.
- Analysis of the processes to compile and validate the data presented in the 2010 CRR.
- Analysis of the adaptation of 2010 CRR content to GRI-G3 Guide and GRI Electric Utilities Sector Supplement and AA1000APS (2008) standards.
- Analysis of the documentation and actions carried out in relation to the application of the principles of inclusivity, materiality and responsiveness of AA1000APS (2008) with respect to the information included in the 2010 CRR on the basis of stakeholder requirements.
- Review of the information on management approaches applied to each group of indicators.
- Verification, through analytical review and substantive tests, on the basis of a sample selection, of the consistency and reasonableness of quantitative and qualitative information of the principal and additional indicators and key indicators of corporate responsibility for 2010, included in the 2010 CRR, and their appropriate compilation on the basis of the data provided by the information sources of Gas Natural Fenosa.
- Analysis of information actions performed by Gas Natural Fenosa in 2010 for each corporate responsibility commitment.

**Independence**

We have carried out our work in accordance with the independence rules laid down by the Code of Ethics of the International Federation of Accountants (IFAC). The work was carried out by a team of sustainability specialists with broad experience in the review of this type of reports.

**Conclusion**

- With respect to the reasonable assurance work, as a result of our review we conclude that the information reported on the key indicators of "Commitment to results" and "Integrity" for 2010, included in the section on "Key Corporate Responsibility Indicators" (pages 28-29) of the 2010 CRR, has been prepared appropriately and reliably in all significant respects, in accordance with the reporting criteria of Gas Natural Fenosa.





Concerning the limited assurance work, as a result of our review, we have identified no significant deviations or omissions with respect to:

- The reasonableness and consistency of the information reported in the 2010 CRR relating to the principal and additional performance indicators and other key indicators.
- the preparation of the 2010 CRR report of Gas Natural Fenosa, in all significant respects, in accordance with the GRI-G3 Guide for the Preparation of Sustainability Reports and the GRI Electric Utilities Sector Supplement.
- Information on actions performed in 2010 for each of the corporate responsibility commitments specified on pages 45, 68, 75, 111, 135, 150 and 163 of the 2010 CRR.

Similarly, we have not identified any significant deviations or omissions in the preparation of the 2010 CRR in accordance with the principles of inclusivity, materiality and responsiveness laid down in AA1000APS (2008). Specifically:

- with respect to the basic principle of inclusiveness, no significant deviations or omission has been identified in the information presented by the management of Gas Natural Fenosa concerning attentiveness to processes of stakeholder engagement and participation.
- with respect to the principle of materiality, no significant deviations or omission has been identified in the information presented by the management of Gas Natural Fenosa in that there is a balanced understanding of the relevant sustainability aspects to the organisation and its stakeholders.
- with respect to the principle of responsiveness, no significant deviations or omission has come to light in the information presented by the management of Gas Natural Fenosa in that there is a process for developing replies attentive to significant topics and the expectations of stakeholders in relation to the establishment, management and follow-up of sustainability policies and objectives.

### **Recommendations**

During the verification process, certain observations and recommendations have come to light that are submitted to the management of Gas Natural Fenosa in an internal document. Set out below is a summary of the most significant recommendations concerning improvements in the application of the principles of inclusivity, materiality and responsiveness, which do not alter the conclusion expressed in this report.

### **Inclusivity**

Following on with the information presented in previous years, Gas Natural Fenosa presents in its 2010 CRR the main actions of specific dialogue by stakeholders and some indicators relating to the development of expectations. Gas Natural Fenosa should continue to drive these improvements through the implementation of an overall system to manage its reputation and stakeholder relations.

### **Materiality**

Gas Natural Fenosa includes as material topics the aspects taken into account by the main international standards such as GRI, indexes such as the DJSI and FTSE4Good and reputation measurement tools such as Reprtrak. Gas Natural Fenosa should move forward in the process for defining a global system to follow up material topics, including internal analyses by the different areas of the company and external verification with key stakeholders.



**Responsiveness**

The Board of Directors approved a new CR policy late 2010 and the action framework was defined for the approval of the Human Rights policy. As in previous years, Gas Natural Fenosa presents the actions proposed in 2010, the actions carried out, the level of compliance and the actions forecast for 2011 in the CRR report for each commitment. Progress should be made in implementing the CR policy in all geographies in which Gas Natural Fenosa is present through the definition of a Corporate Responsibility Master Plan. Similarly, the information in the CRR should be expanded concerning practical cases and how stakeholders' specific expectations have been directly responded to, particularly in relation to controversial aspects arising during the year.

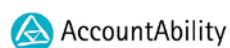
PricewaterhouseCoopers Auditores, S.L.

A handwritten signature in black ink, appearing to be 'Ferrán Rodríguez', written over a faint circular stamp or watermark.

Ferrán Rodríguez  
Partner

Barcelona, 24<sup>th</sup> of March, 2011





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