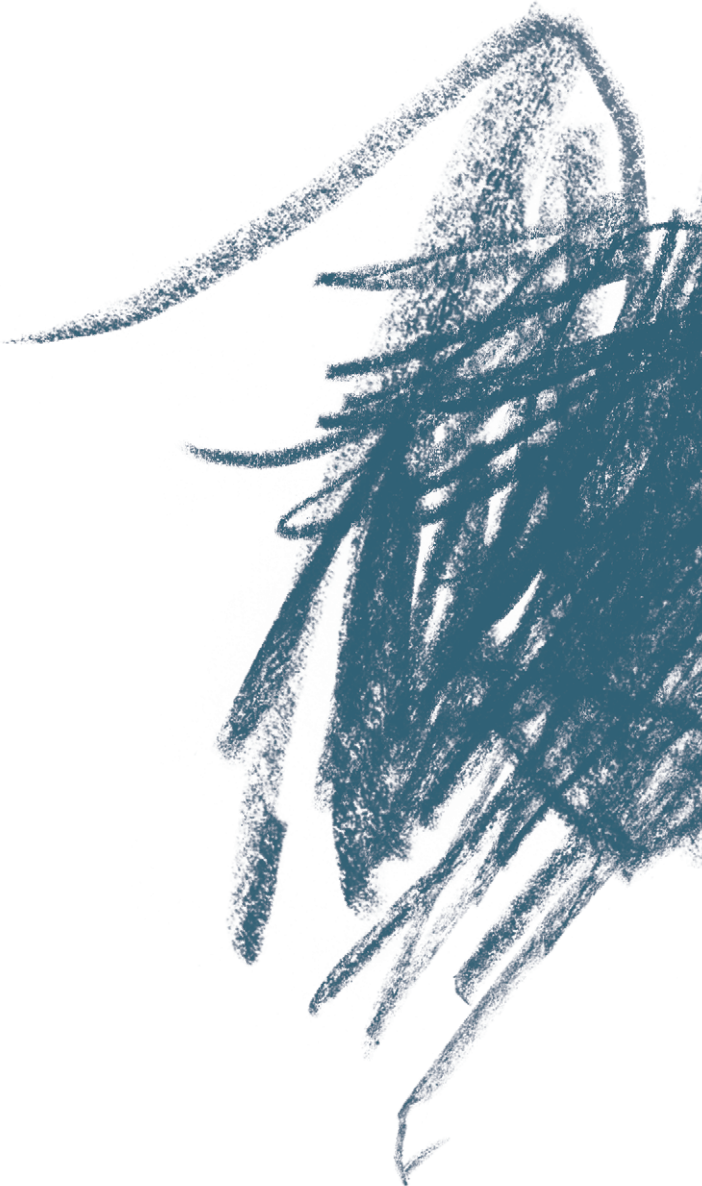
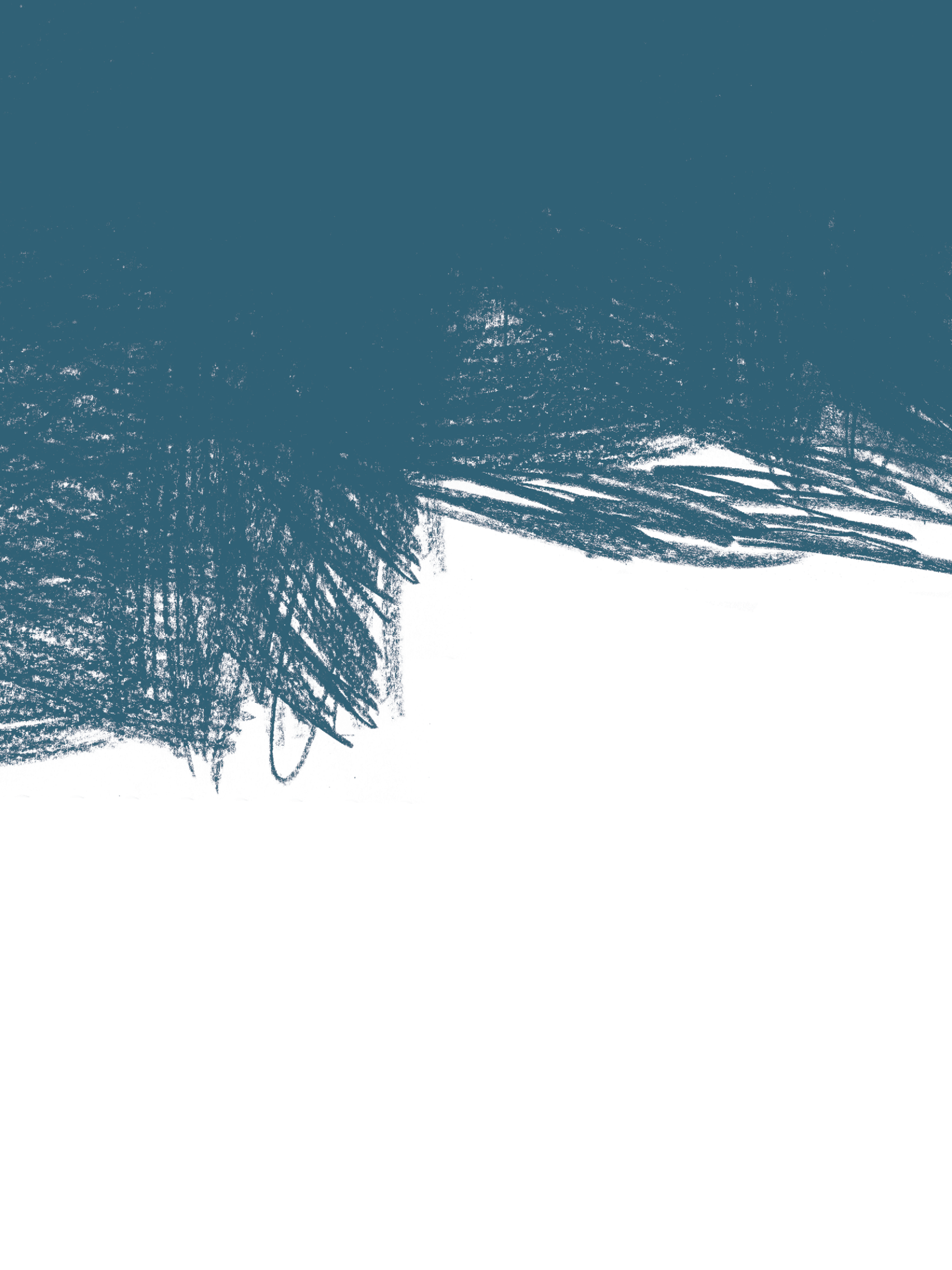


Annual Corporate
Governance Report



**Annual Corporate
Governance Report**







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A. Capital Structure

A.1. Complete the following table on the Company's share capital:

Date of last modification	Share capital (euros)	Number of shares	Number of voting rights
30-04-1999	447,776,028	447,776,028	447,776,028

Please indicate whether or not there are different types of shares with different rights associated:

No

A.2. Provide details of the direct and indirect owners of significant stakes in your company at year end, excluding Directors:

Name or company name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Caja de Ahorros y Pensiones de Barcelona	100	167,734,747	37.460%
Repsol YPF, S.A.	108,497,349	29,627,960	30.847%
GDF Suez, S.A.	-	39,571,184	8.837%

Name or company name of the direct holder of the stake	Through: name or company name of the direct holder of the stake	Number of direct voting rights	% of total voting rights
Caja de Ahorros y Pensiones de Barcelona	Criteria CaixaCorp, S.A.	167,734,747	37.460
Repsol YPF, S.A.	Repsol Petróleo, S.A.	22,060,960	4.927
Repsol YPF, S.A.	Repsol Exploración, S.A.	7,567,000	1.690
GDF Suez, S.A.	Genfina	28,084,032	6.272
GDF Suez, S.A.	Suez Environnement Holding Be S.c.r.L.	11,487,152	2.565

Indicate the most significant changes in the shareholder structure occurred during the year:

Name or company name of shareholder	Date of the transaction	Description of the transaction
GDF Suez, S.A.	28/10/2008	Equity below 10% of share capital
Caja de Ahorros y Pensiones de Barcelona	28/10/2008	Equity over 35% of share capital

A.3. Complete the following tables regarding the members of the company's Board of Directors who hold voting rights over the Company shares:

Name or company name of Director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Antonio Brufau Niubó	32,306	–	0.007
Rafael Villaseca Marco	1,000	–	–
Caixa d'Estalvis de Catalunya	13,550,000	–	3.026
Carlos Kinder Espinosa	100	–	–
Carlos Losada Morradán	–	5,808	0.001
Demetrio Carceller Arce	1,000	–	–
Enrique Alcántara-García Irazoqui	3,834	–	0.001
Enrique Locutura Rupérez	4,134	–	0.001
Fernando Ramírez Mazarredo	200	–	–
Francisco Reynés Massanet	24	–	–
José Arcas Romeu	415	–	–
Juan María Nín Génova	144	–	–
Miguel Valls Maseda	2,600	–	0.001

Name or company name of the direct holder of the stake	Name or company name of the direct holder of the stake	Number of direct voting rights	% of total voting rights
Carlos Losada Marrodán	Mercedes Cavestany de Dalmases	5,808	0.001
% total voting rights in possession of the Board of Directors			3.038

Fill in the following tables regarding the members of the Company's Board of Directors who own stock options in the Company:

A.4. Indicate, where applicable, the family, commercial, contractual or corporate relations which could exist between the owners of significant stakes, provided they are known by the Company, unless they are irrelevant or arise from normal trading activities:

Relationship type.

COM CON COR

Brief outline:

Details of commercial, contractual or corporate relations between "la Caixa" and Repsol YPF, S.A. are provided in the information prepared by said Groups.

Name or company name of related parties

Repsol YPF, S.A.
Caja de Ahorros y Pensiones de Barcelona



A.5. Indicate, where applicable, the commercial, contractual or corporate relations which could exist between the holders of significant shares and the company and/or its group, unless they are irrelevant or arise from normal trading activities:

Relationship type:

Commercial

Brief outline:

Normal trading operations.

Name or company name of related parties

Caja de Ahorros y Pensiones de Barcelona

Repsol YPF, S.A.

A.6. Specify whether any shareholders' agreements have been notified to the Company that affect it in accordance with the provisions set forth in Article 112 of the Securities Market Act. Where applicable, give a brief description and list the shareholders associated with the agreement:

Yes

% of share capital affected:

68.307

Brief outline of agreement:

Agreement of 11 January 2000, novation of 16 May 2002 and addenda of 16 December 2002 and 20 June 2003.

Parties to parallel shareholders agreements

Repsol YPF, S.A.

Caja de Ahorros y Pensiones de Barcelona

Indicate whether or not the Company is aware of the existence of concerted actions among its shareholders. If so, briefly describe them:

No

If any modification or cancellation of said agreements or concerted actions has taken place during the year, please make express mention of this.

A.7. Indicate if there is any individual person or legal entity that exercises or who might exercise control of the Company pursuant to Article 4 of the Securities Market Act. Respond where applicable:

No

A.8. Complete the following tables concerning the Company's treasury stock:

At year end:

Number of direct shares	Number of indirect shares (*)	% of share capital
-	-	-

(*) Through:

Total
-

Provide details of the significant changes occurring during the year pursuant to Royal Decree 1362/2007:

Unrealised gains/(Losses) of treasury stock disposed of over the period (in thousands of euros)
-

A.9. Give details of the terms and conditions corresponding to the General Meeting of Shareholders' current mandate to the Board of Directors for acquiring or assigning own shares.

Point five of the agenda of the General Meeting of Shareholders of 21 May 2008 agreed the following:

Five.- Authorisation to the Board of Directors for the derivative acquisition of own shares, either directly or through owned companies, in the terms agreed by the General Meeting and with the legally established restrictions, thus cancelling the authorisation agreed by the Ordinary General Meeting of 16 May 2007.

Five one).- To cancel the authorisation granted to the Board of Directors by the General Meeting held on 16 May 2007 to acquire Company shares for good and valuable consideration.

Five two).- To authorise the Board of Directors to acquire, on a payment basis, and in a term of no longer than eighteen months, on one or more occasions, up to a maximum of 5% of share capital, Company shares which are completely paid in provided that the aforesaid percentage between the shares acquired by the Company and those held by the subsidiaries is never exceeded. The minimum and maximum acquisition price shall be the share price on the Continuous Market of the Spanish Stock Exchange, with an upward or downward variation of 5%. If the shares are not listed, the maximum and minimum acquisition price shall be established at between one and a half times and twice the book value of the shares, as per the latest audited consolidated balance sheet. The Board of Directors is authorised to delegate this authorisation to the person or persons it deems pertinent. This authorisation is understood to apply also to the acquisition of Company shares by subsidiaries.

A.10. Indicate, where applicable, the legal and statutory requirements in the Articles of Association regarding the use of voting rights, and legal restrictions on the acquisition or sale of holdings in the share capital.

Indicate whether or not there are legal restrictions to exercising voting rights:

No

Maximum percentage of voting rights that can be exercised by a shareholder in accordance with legal restrictions

-

Indicate whether or not there are statutory restrictions to exercising voting rights:

No

Maximum percentage of voting rights that can be exercised by a shareholder in accordance with statutory restrictions

-

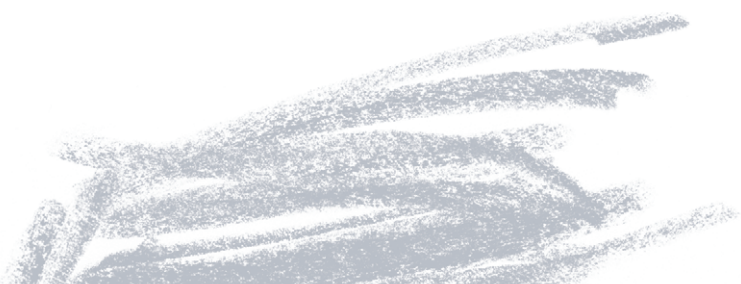
Indicate whether or not there are legal restrictions to the acquisition or assignment of shares in the Company's capital:

No

A.11. Specify whether the General Meeting has agreed to take up measures of neutralisation against a takeover bid by virtue of provisions set forth in Law 6/2007.

No

If appropriate, explain the measures approved and the terms under which the restrictions would not be enforceable:



B. Structure of the Management of the Company

B.1. Board of Directors

B.1.1. Describe the maximum and minimum number of Directors set forth in the Articles of Association:

Maximum number of Directors	20
Minimum number of Directors	10

B.1.2. Complete the following table with the members of the Board:

Name or company name of Director	Representative	Position on Board	Date first appointment	Date last appointment	Election procedure
Salvador Gabarró Serra	–	Chairman	23-06-2003	08-06-2006	Vote at General Meeting
Antonio Brufau Niubó	–	Deputy Chairman	16-06-1989	16-05-2007	Vote at General Meeting
Rafael Villaseca Marco	–	Chief Executive Officer	20-04-2005	21-05-2008	Vote at General Meeting
Caixa d'Estalvis de Catalunya	Narcís Serra Serra	Director	23-06-2003	08-06-2006	Vote at General Meeting
Carlos Kinder Espinosa	–	Director	20-04-2005	21-05-2008	Vote at General Meeting
Carlos Losada Marrodán	–	Director	16-12-2002	21-05-2008	Vote at General Meeting
Demetrio Carceller Arce	–	Director	21-05-2008	21-05-2008	Vote at General Meeting
Emiliano López Achurra	–	Director	23-06-2003	08-06-2006	Vote at General Meeting
Enrique Alcántara-García Irazoqui	–	Director	27-06-1991	16-05-2007	Vote at General Meeting
Enrique Locutura Rupérez	–	Director	21-05-2008	21-05-2008	Vote at General Meeting
Fernando Ramírez Mazarredo	–	Director	20-04-2005	21-05-2008	Vote at General Meeting
Francisco Reynés Massanet	–	Director	21-05-2008	21-05-2008	Vote at General Meeting
Jaime Vega de Seoane Azpilicueta	–	Director	20-04-2005	21-05-2008	Vote at General Meeting
José Arcas Romeu	–	Director	07-04-2006	07-04-2006	Vote at General Meeting
Juan María Nin Génova	–	Director	21-05-2008	21-05-2008	Vote at General Meeting
Miguel Valls Maseda	–	Director	20-04-2005	21-05-2008	Vote at General Meeting
Santiago Cobo Cobo	–	Director	16-12-2002	21-05-2008	Vote at General Meeting

Total number of Directors	17
----------------------------------	----

Indicate the replacements occurring in the Board of Directors during the period:

Name or company name of Director	Condition member of the Board at the time of replacement	Replacement date
José Luis Jové Víntró	Proprietary Member	25-01-2008
José Vilarasau Salat	Proprietary Member	25-01-2008

B.1.3. Complete the following tables regarding the members of the Board of Directors and their different status:

Executive Directors

Name or company name of Director	Committee which proposed appointment	Position in the Company's management structure
Salvador Gabarró Serra	Appointments and Remuneration Committee	Chairman
Rafael Villaseca Marco	Appointments and Remuneration Committee	Chief Executive Officer

Total number of Executive Directors	2
% total of the Board	11.765

External Proprietary Directors

Name or company name of Director	Committee which proposed appointment	Name or title of significant shareholder he/she represents or who proposed appointment
Antonio Brufau Niubó	–	Repsol YPF, S.A.
Caixa d'Estalvis de Catalunya	–	Caixa d'Estalvis de Catalunya
Carlos Kinder Espinosa	Appointments and Remuneration Committee	Criteria CaixaCorp, S.A.
Demetrio Carceller Arce	Appointments and Remuneration Committee	Repsol YPF, S.A.
Enrique Alcántara-García Irazoqui	–	Criteria CaixaCorp, S.A.
Enrique Locutura Rupérez	Appointments and Remuneration Committee	Repsol YPF, S.A.
Fernando Ramírez Mazarredo	Appointments and Remuneration Committee	Repsol YPF, S.A.
Francisco Reynés Massanet	Appointments and Remuneration Committee	Criteria CaixaCorp, S.A.
Juan María Nín Génova	Appointments and Remuneration Committee	Criteria CaixaCorp, S.A.

Total number of Proprietary Directors	9
% total of the Board	52.941

External Independent Directors

Name or company name of Director	Profile
Carlos Losada Marrodán	Managing Director of ESADE. Academic. Law Graduate and Doctorate in Business Administration
Emiliano López Achurra	Lawyer. Diploma in International Studies (I.E.P). Diploma in European Community Law (Colegio de Europa)
Jaime Vega de Seoane Azpilicueta	Naval Engineer and Entrepreneur
José Arcas Romeu	Engineer. Entrepreneur
Miguel Valls Maseda	Business Studies Graduate. Master's Degree from EADA and Business Administration Diploma from IESE
Santiago Cobo Cobo	Entrepreneur. Business Administration Graduate

Total number of Independent Directors	6
% total of the Board	35.294

Other External Directors

Detail the reasons why they cannot be considered as proprietary or independent and their relationships, either with the company or its executives or with its shareholders:

Indicate the changes, if any, in the type of Director during the period:

B.1.4. Where applicable, explain why Proprietary Directors have been appointed at the request of shareholders whose holding in the capital is less than 5%.

Name or company name of shareholder	Explanation
Caixa d'Estalvis de Catalunya	Institution of recognised prestige and solvency that owns 3.026%

Indicate whether or not formal requests have been accepted for presence on the Board from shareholders whose holding is equal to or higher than that of others for whom Proprietary Directors have been appointed. If appropriate, explain the reasons why these have not been dealt with:

No

B.1.5. Indicate whether or not a Director has resigned from his/her post before the conclusion of his/her term of office, whether or not he/she has provided the Board with reasons and through which medium and, if he/she has done so in writing to the entire Board, explain at least the reasons given:

Yes

Director's name	Reason for resignation
José Luis Jové Vintró	Professional reasons
Josep Vilarasau Salat	Professional reasons

B.1.6. Indicate, where applicable, the powers delegated to the Managing Director(s):

Name or company name of Director	Brief outline
Rafael Villaseca Marco	He has delegated extensive powers of representation and administration in accordance with the nature and requirements of the Chief Executive Officer.

B.1.7. Indicate, where applicable, the Board members holding positions of administrators or executives in other companies forming part of the group of the listed company:

Name or company name of Director	Company name of group company	Position
Rafael Villaseca Marco	Gas Natural Aprovisionamientos SDG, S.A.	Chairman
Rafael Villaseca Marco	Repsol-Gas Natural LNG, S.L.	Deputy Chairman

B.1.8. Identify, if applicable, the Directors of your company who are members of the Board of Directors of other companies listed on official stock exchanges in Spain other than those of your group, that have been reported to the company:

Name or company name of Director	Corporate name of the listed company	Position
Salvador Gabarró Serra	Enagás, S.A.	Director
Salvador Gabarró Serra	Criteria CaixaCorp, S.A.	Director
Antonio Brufau Niubó	Repsol YPF, S.A.	Chairman
Demetrio Carceller Arce	Ebro Puleva, S.A.	Director
Demetrio Carceller Arce	Compañía Logística de Hidrocarburos CLH, S.A.	Director
Demetrio Carceller Arce	Sacyr-Vallehermoso, S.A.	Director
Demetrio Carceller Arce	Sociedad Anónima Damm	Chairman
Francisco Reynés Massanet	Sociedad General de Aguas de Barcelona, S.A.	Director
Jaime Vega de Seoane Azpilicueta	Obrascon Huarte Lain, S.A.	Director
Juan María Nin Génova	Repsol YPF, S.A.	Director
Juan María Nin Génova	Criteria CaixaCorp, S.A.	Director

B.1.9. Indicate and, where applicable, explain whether or not the Company has laid down rules on the number of Boards on which its Directors can sit:

No

B.1.10. With regard to Recommendation No. 8 of the Unified Code, indicate the general policies and strategies of the company that the plenary Board has reserved the right to approve:

The investment and finance policy	Yes
The definition of the structure of the group of companies	Yes
The corporate governance policy	Yes
The corporate social responsibility policy	Yes
Strategic or Business Plan, as well as the management aims and annual budgets	Yes
The remuneration policy and appraisal of senior management performance	No
Control of risk management policy, as well as periodic monitoring of the internal information control system	Yes
The dividend policy, as well as the treasury stock policy, with special focus on their limits	Yes

B.1.11. Fill in the following tables regarding the total remuneration of the Directors earned over the year:

a) In the Company which is the object of this report:

Remuneration concept	Data in thousands of euros
Fixed remuneration	707
Variable remuneration	764
Expenses	4,086
Established in Articles of Association	–
Stock options and/or other financial instruments	–
Others	3
Total:	5,560

Other benefits	Data in thousands of euros
Advances	–
Credits granted	–
Pension plans and funds: contributions	151
Pension plans and funds: obligations	–
Life insurance premiums	25
Guarantees made by the Company to Directors	–

b) Through company Directors belonging to other Boards of Directors and/or the senior management of group companies:

Remuneration concept	Data in thousands of euros
Fixed remuneration	–
Variable remuneration	–
Expenses	81
Established in Articles of Association	–
Stock options and/or other financial instruments	–
Others	–
Total:	81

Other benefits	Data in thousands of euros
Advances	–
Credits granted	–
Pension plans and funds: contributions	–
Pension plans and funds: obligations	–
Life insurance premiums	–
Guarantees made by the Company to Directors	–

c) Total remuneration by type of Director:

Director type	By company	By group
Executive	2,827	81
External Proprietary	1,683	–
External Independent	1,050	–
Other External	–	–
Total:	5,560	81

d) As a percentage of the profits attributable to the controlling company:

Total remuneration of Directors (in thousands of euros)	5,641
Directors' total remuneration/(net) profit attributed to the parent company (%)	0.5

B.1.12. Identify members of senior management who are not also Executive Directors, and indicate the total remuneration they earned during the year:

Name or company name	Position
Sergio Aranda Moreno	Managing Director Latin America
Antonio Basolas Tena	Manager of Strategy & Development
Antonio Gallart Gabás	Chief Corporate Officer
Jordi García Tabernero	Manager of Communications Office
Carlos Javier Álvarez Fernández	Chief Financial Officer
Josep Moragas Freixa	Managing Director of Retailing
Manuel García Cobaleda	Manager of Legal Services
Manuel Fernández Álvarez	Managing Director of Wholesale
José María Egea Krauel	Managing Director of Gas Management
Antoni Peris Mingot	Managing Director of Regulated Business
Total remuneration of senior management (in thousands of euros)	
	5,762

B.1.13. Indicate if there are guarantee or ironclad clauses, for cases of dismissal or control changes, in favour of members of senior management, including Executive Directors of the Company or its Group. Indicate if these contracts must be notified and/or approved by the bodies of the Company or its Group:

Number of beneficiaries	11
Body that authorises the clauses	
Board of Directors	No
General Meeting	No
Is the General Meeting informed of the clauses?	No

B.1.14. Indicate the process for establishing the remuneration of the members of the Board of Directors and the relevant clauses of the Articles of Association in that respect:

Process for establishing payment for the members of the Board of Directors and the statutory clauses:

Article 22 of the Regulations of the Board of Directors states the following:

"1.- The position of Director of Gas Natural SBG, S.A. shall be remunerated in the form set out in the Articles of Association, in the light of the report issued by the Appointments and Remuneration Committee, pursuant to Article 31 of these regulations.

The Appointments and Remuneration Committee shall propose to the General Meeting of Shareholders the criteria it deems appropriate to assure compliance with the purposes of this Article, and the Board shall be responsible for its approval and the final distribution of the total sum, within the limits set out in the Articles of Association for that purpose. Each year, whenever it deems appropriate, the Board of Directors shall be entitled to approve payments of the amounts pertaining to each Director for the activities performed during that period.

2.- The Board shall define the payment policy for its Directors, determining (i) the amounts corresponding to the fixed components, with a breakdown of those that correspond to the participation in the Board and its Committees and (ii) the variable concepts, where applicable, specifying their relative importance with regard to the fixed components. Except for just cause, remuneration through the delivery of shares, stock options or instruments referenced to the share value shall be limited to Executive Directors.

3.- Remuneration of the Directors shall be transparent. The Annual Report, which is an essential part of the Annual Accounts, shall contain any information deemed appropriate concerning the remuneration received by the members of the Board of Directors."

Complementing the foregoing, section 2 of Article 31 expressly states: "The Committee (Appointments and Remuneration Committee) has powers to examine and submit the following matters: ...to propose criteria for the remuneration of the Company's Directors and to assure transparency in remunerations."

Furthermore, Article 44 of the revised text of the Articles of Association, in accordance with the agreements adopted in the General Meeting of Shareholders of 23 June 2003, specifically states:

The remuneration of the Board of Directors shall consist of a maximum of 10% of annual net profit, the sum within this limit being determined in proportion with the number of active Directors.

The said remuneration can be subtracted from net profit only after the legal and statutory reserves have been covered and having paid ordinary shares a dividend of no less than 4% of their face value.

The Board of Directors shall share out the remuneration as they see fit.

Directors can also receive additional remuneration by receiving Company shares, stock options or other securities offering entitlement to shares, or through remuneration systems correlated with share prices. The application of such systems shall have to be approved by the General Meeting of Shareholders, which shall establish the value of shares taken as reference, the number of shares to be delivered to each Director, the strike price of the stock options, the duration of the agreed system and any other terms deemed pertinent.

The Board of Directors shall be entitled to implement incentive plans consisting of the delivery of Company shares, stock options, other securities offering entitlement to shares, or pegged to the share price, to remunerate Company personnel or the personnel members it deems appropriate, complying at all times with the requirements set out in the Spanish Companies Act (LSA), the Securities Market Act and other regulations applying to these cases, in particular prior approval of the General Meeting of Shareholders when mandatory.

Remunerations set out in this Article shall be compatible and independent from salaries, wages, compensations, pensions, stock options or compensations of any kind determined with a general or singular character for members of the Board of Directors performing executive duties, no matter what their relationship with the Company may be, whether labour -common or senior management- mercantile or rendering of services, relationships which shall be compatible with the status of member of the Board of Directors."

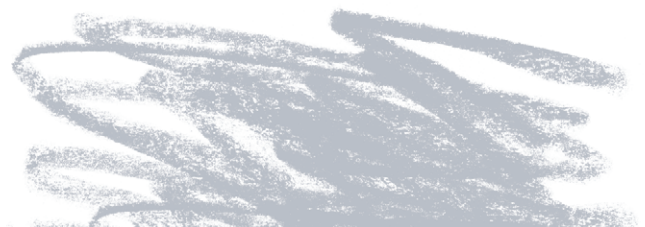
Indicate whether or not the Board in its plenary session has reserved the right to adopt the following decisions:

At the proposal of the chief executive of the company, the appointment and possible resignation of senior executives, as well as their compensation clauses.	Yes
The remuneration of Directors, as well as, in the case of executives, the additional remuneration through their executive duties and other conditions that their contracts must include.	Yes

B.1.15. Indicate whether or not the Board of Directors adopts a detailed payments policy and specify the matters on which it pronounces:

Yes

Amount of the fixed elements, with a breakdown if applicable of the allowances for participation on the Board and its Committees, and an estimate of the annual fixed remuneration to which they are entitled	Yes
Variable payment concepts	Yes
Main characteristics of the social benefits systems, with an estimate of the equivalent annual cost or amount	Yes
Conditions to be observed in the contracts of those who exercise senior management functions as Executive Directors	Yes



B.1.16. Specify whether the Board submits a report on the remuneration policy for Directors to voting at the General Meeting as a separate item of the agenda. Where applicable, explain the aspects of the report regarding the salary policy adopted by the Board for future years, the most significant changes in the said policies with regard to that applied during the year, and the global summary of how the remuneration policy was applied during the year. Give details of the role played by the Remuneration Committee and, if external consultancy services have been used, the identity of the external consultants that have provided the service:

No

Have external consultancy services been used?

Identity of the external consultants

B.1.17. Indicate, where applicable, the identity of Board members who are also members of the Boards of Directors, Directors or employees of companies that hold significant stakes in the listed company and/or companies of your group:

Name or company name of Director	Company name of significant shareholder	Position
Salvador Gabarró Serra	Criteria CaixaCorp, S.A.	Director
Antonio Brufau Niubó	Repsol YPF, S.A.	Chairman Executive
Enrique Locutura Rupérez	Repsol YPF, S.A.	Executive Director of LNG
Fernando Ramírez Mazarredo	Repsol YPF,S.A	Chief Financial Officer
Francisco Reynés Massanet	Criteria CaixaCorp, S.A.	General Director
Juan María Nin Génova	Criteria CaixaCorp, S.A.	Director

Provide details, if appropriate, of the relevant relationships other than those included in the previous heading, of the members of the Board of Directors with the significant shareholders and/or in entities of its Group:

B.1.18. Indicate whether or not there has been any modification to the regulations of the Board during the year:

No

B.1.19. Indicate the procedures for the appointment, re-election, assessment and removal of Directors. Provide details of the competent bodies, the procedures to be followed and the criteria applicable in each procedure.

Procedures for the appointment, re-election, assessment and removal of Directors are set out in Articles 41 and 42 of the Articles of Association and in Articles 11 to 14, 16 and 31 of the Board of Directors' Regulations.

1.- Appointment, re-election or ratification:

The General Meeting of Shareholders is competent for appointing Directors and establishing the number thereof, subject to the limits stipulated in Article 41 of the Articles of Association.

If vacancies were to arise during the term for which the Directors were appointed, the Board shall be entitled to designate, using the cooption system, among the shareholders, the persons to occupy these vacancies until the next General Meeting of Shareholders is held.

A person does not have to be a shareholder to be appointed as a Director, except in the event of the aforementioned appointment by cooption.

Persons subject to prohibition or professional incompatibility as established by law cannot be appointed as Administrator.

It will be necessary to appoint persons who not only satisfy legal provisions and those laid down in the Articles of Association for the position, but who have a prestigious position and are equipped with the professional skills and expertise required to perform their duties.

Pursuant to the Regulations of the Board of Directors, the following persons cannot be proposed or designated as External Independent Directors:

- a) Those who have been employees or Executive Directors of companies in the Gas Natural Group Gas Natural, unless three or five years, respectively, have lapsed since the said relationship.
- b) Those who receive from the Company or the Gas Natural Group whatsoever amount or benefit for a concept other than the Director's remuneration, unless it is not significant.
For the intents and purposes of the provisions laid down in this section, consideration shall not be given to the dividends or pension complements received by the Director as a result of his/her previous professional or labour relationship, as long as the said complements are unconditional and, consequently, the company paying them cannot suspend, modify or revoke their accrual at its discretion without a breach of obligations.
- c) Those who are or have been during the last three years a partner of the external auditor or the party responsible for the auditors' report for the audit during the said period of the Company or any other company in the Gas Natural Group.
- d) Those who are Executive Directors or senior executives of another company in which any Executive Director or Senior Executive of Gas Natural SDG, S.A. is an External Director.
- e) Those who maintain or have maintained during the last year an important business relationship with the Company or with any company in the Gas Natural Group either on their own behalf or as a majority shareholder, Director or senior executive of an institution that maintains or would have maintained the said relationship.
The consideration of business relation shall apply to that of goods or services supplier, including financial, advisory or consultancy services.
- f) Those who are majority shareholders, Executive Directors or senior executives of an institution that receives or has received during the last three (3) years significant donations from any of the companies in the Gas Natural Group.
This shall not include those who are mere patrons of a foundation that receives donations.
- g) Those who are spouses, individuals bound by a similar kinship or second-degree relatives of an Executive Director or Senior Executive of the Company.
- h) Those who have not been proposed for either appointment or renovation by the Appointments and Remuneration Committee.
- i) Those who are in any of the cases indicated in paragraphs a), e), f) or g) of this section with regard to any majority shareholder or shareholder represented on the Board. In the case of kinship as per paragraph g), the limitation shall apply not only to the shareholder but also to its Proprietary Directors in the investee company.
Directors are appointed and re-elected in accordance with a formal and transparent procedure, following a report from the Appointments and Remuneration Committee.

Directors shall be appointed to their position for a term of three (3) years, although outgoing Directors can be re-elected once or several times. Under no circumstances shall the Independent Directors remain in their post as such for a period of more than 12 years.

All the proposals for the appointment of Directors submitted by the Board of Directors to the General Meeting of Shareholders and the approved appointment decisions by cooption shall have to be notified previously by the Appointments and Remuneration Committee. When the Board does not follow the recommendations of said Committee, it will have to explain the reasons and record the said reasons in the minutes. Directors affected by appointment, re-election or replacement proposals shall refrain from attending or taking part in the deliberations and votes of the Board of Directors or of the Committee dealing with said proposals.

2.- Replacement or removal:

Directors shall be replaced in their position for the length of the term for which they were appointed, unless they are re-elected, and when so determined by the General Meeting of Shareholders by virtue of the powers granted thereto.

According to Article 15.4 of the Regulations of the Board of Directors, when an Independent Director resigns from his/her post prior to the termination of his/her term of office, he/she shall explain the reasons in a letter addressed to the other Directors. The resignation shall be notified as relevant information.

B.1.20. Indicate cases in which Directors are compelled to resign.

Besides the cases of professional incompatibility or prohibition applicable by law, Article 15 of the Regulations of the Board of Directors states:

"...2.- Directors shall be compelled to tender their resignation to the Board of Directors and proceed with the pertinent resignation, if the latter deemed it appropriate, in the following cases:

- a) When Internal Directors leave the executive positions outside the Board and which were associated with their appointment as Director.
- b) When they are subject to any of the conditions of professional prohibition or incompatibility pursuant to applicable laws, the Articles of Association or these regulations.
- c) When they commit a serious breach of their obligations as Directors, jeopardising the interests of the Company.
- d) When the reason why they were appointed as Independent, Executive or Proprietary Directors is no longer applicable.

3.- Once a Director has been relieved of his/her duties, he/she shall not be permitted to offer his/her services in a rival company for two years, unless the Board of Directors exempts him/her from this obligation or shortens the duration thereof.

B.1.21. Explain whether the duties of the chief executive of the Company correspond to the position of Chairman of the Board. If this is the case, indicate the measures which have been taken to limit the risks of accumulation of powers in a single person:

No

Indicate and, where applicable, explain whether or not rules have been laid down to empower one of the Independent Directors to request the call of a Board meeting or the inclusion of new matters on the agenda to coordinate and report the concerns of the External Directors and direct the assessment by the Board of Directors.

No

B.1.22. Are reinforced majorities other than those applicable by law required for any type of decision?

 No

Indicate how decisions are taken in the Board of Directors, specifying at least the minimum quorum and the type of majorities for approving decisions:

Description of decision:

Various corporate decisions.

Quorum	%
Article 47 of Articles of Association and Article 10 of Board Regulations. Half plus one of the members in attendance or represented.	52.94

Type of majority	%
Articles 49 and 50 of the Articles of Association and 10 of the Board Regulations. Absolute majority of those in attendance or represented. Two-thirds majority for the delegation of powers.	52.94

B.1.23. Indicate if there are specific requirements other than those relating to Directors in order to be appointed as Chairman.

 No

B.1.24. Indicate whether the Chairman has a casting vote:

 No

B.1.25. Indicate whether the Articles of Association or the Board Regulations establish any age limit for Directors:

 No

Age limit for Chairman	-
Age limit for CEO	-
Age limit for Directors	-

B.1.26. Indicate whether the Articles of Association or the Board Regulations establish a limited mandate for Independent Directors:

 Yes

Maximum number of years of mandate	12
---	----

B.1.27. If there are few or no female Directors, explain the reasons or the initiatives adopted to correct this situation.

Explication of the reasons and the initiatives

Cf. Section F. Recommendation 15.

In particular, indicate whether or not the Appointments and Remuneration Committee has laid down procedures to ensure that the selection processes are not subject to implicit bias that prevents the selection of female Directors and deliberately look for female candidates with the required profile:

Yes

Indicate the main procedures

Article 31.2 of the Regulations of the Board of Directors lays down the Appointments and Remuneration Committee's obligation to ensure that "when covering new vacancies, selection processes shall apply that are not subject to implicit bias that prevents the selection of female Directors, where the potential candidates shall include, under the same conditions, women that meet the professional profile being sought".

B.1.28. Indicate if there are formal processes for delegation of votes in the Board of Directors. If so, describe them briefly.

According to Article 47 of the Articles of Association: "[...]The Directors who are unable to attend shall be entitled to confer their representation to another Director, there being no limit on the number of representations that each Director can have. The representation shall have to be granted by means of any written document, and also by telegram, telex or telefax".

In addition, Article 10.3 of the Regulations of the Board lays down the following: "3.- Each Director shall be entitled to confer his/her representation to another Director, there being no limit on the number of representations held by each member for attending the Board meeting. Absent Directors' representations can be conferred by means of any written document, and by telegram, email, telex or telefax addressed to the Chairman's Office or the Board Secretary sufficiently in advance".

B.1.29. Indicate the number of meetings that the Board of Directors has held over the year. Also indicate, where applicable, how many times the Board has met without the Chairman being present:

Number of meetings of the Board	13
Number of Board meetings without the Chairman attending	–

Indicate the number of meetings held by the different Board committees over the year:

Number of meetings of the Executive or Delegated Committee	12
Number of meetings of the Audit Committee	7
Number of meetings of the Appointments and Remuneration Committee	11
Number of meetings of the Appointments Committee	–
Number of meetings of the Remuneration Committee	–

B.1.30. Indicate the number of meetings held by the Board of Directors during the year without the attendance of all its members. When calculating the number, representations made without specific instructions shall be considered as non-attendance:

Number of non-attendances of Directors during the year	10
% of non-attendances over the total number of votes during the year	7.690

B.1.31. Indicate if the individual and consolidated Annual Accounts submitted for approval by the Board are certified previously:

Yes

Identify, where applicable, the person(s) who has/have certified the Company's individual and consolidated Annual Accounts in order to be drawn up by the Board:

Name	Position
Carlos Javier Álvarez Fernández	Chief Financial Officer

B.1.32. Explain, where applicable, the mechanisms established by the Board of Directors to prevent the individual and consolidated annual accounts it draws up from being submitted to the General Meeting of Shareholders with qualifications in the auditors' report.

In accordance with Article 7 of the Regulations of the Board: "1.- Once it has received the Reports issued by the Financial-Economic Department and by the Audit and Control Committee, and following pertinent clarifications, the Board of Directors shall draw up the individual and consolidated Annual Accounts and the Management Report, in clear and precise terms which render their content easily intelligible. The Board of Directors shall ensure that said Accounts provide a true and fair view of the assets, financial position and the results of the Company, pursuant to laws applicable.

2.- Unless expressly stated otherwise in the minutes, it will be understood that before signing the formulation of the Annual Accounts required by law, the Board of Directors and each one of its members has been provided with the information necessary to perform this deed, and may record the exceptions it deems pertinent, where applicable.

3.- The Board of Directors shall endeavour to prepare the accounts in such a way that the auditor of the Company's accounts shall be unable to record qualifications. Nevertheless, if the Board of Directors considers that its criterion must be maintained, it will publicly explain the content and extent of the discrepancy".

Article 32 of the Regulations of the Board of Directors regulates the duties of the Audit and Control Committee, and certain powers and functions it assigns to said Committee pertain to the auditing process.

B.1.33. Is the Secretary of the Board a Director?

No

B.1.34. Explain the procedures for appointing and dismissing the Secretary of the Board, indicating whether or not his/her appointment and dismissal have been reported by the Appointments Committee and adopted by the Board in its plenary session.

Appointments and dismissal procedure

Article 26 of the Regulations of the Board of Directors states the following:

The Secretary of the Board shall be appointed and dismissed by the latter after a report issued by the Appointments and Remuneration Committee and shall not necessarily have to be Director. He/She shall be responsible for exercising the functions attributed to his/her status by mercantile legislation and these regulations.

Does the Appointments Committee report the appointment?	Yes
Does the Appointments Committee report the dismissal?	Yes
Does the plenary session of the Board adopt the appointment?	Yes
Does the plenary session of the Board adopt the dismissal?	Yes

Is the Board Secretary commissioned with the duty of especially supervising the good governance recommendations?

Yes

B.1.35. Indicate, where applicable, the mechanisms established by the Company to safeguard the independence of the auditor, financial analysts, investment banks and rating agencies.

In accordance with Art. 32.2 of the Board Regulations, the Audit and Control Committee is responsible for maintaining necessary relations with the External Auditors to receive information on any questions which could jeopardise their independence, and any other matters relating to the progress of the audit, as well as any communications required pursuant to legislation governing auditing and technical auditing standards.

In addition, the Board of Directors is bound by its own Regulations (Article 6.4) to hold direct relations with the members of the Company's senior management and the auditors. The objective, professional and continuous nature of this relationship shall respect the independence of the auditors to the utmost.

The Company's relations with financial analysts and investment banks are based on the principles of transparency, simultaneity and non-discrimination, as well as the existence of specific and different agents for each collective.

In addition, the Company shall take special care not to compromise or interfere with the independence of the financial analysts in respect of the services offered by investment banks, in accordance with the internal codes of conduct established by them and designed to separate their analysis and assessment services.

B.1.36. Specify whether the Company has changed external auditor over the year. If appropriate, identify the incoming and outgoing auditors:

No

Outgoing auditor

Incoming auditor

In the case of disagreements with the outgoing auditor, explain the content of the said disagreements:

No

Explanation of the disagreements

B.1.37. Indicate if the audit company performs other tasks for the company and/or its group other than auditing activities, and if so, state the amount of the fees received for said activities and the percentage of the fees billed to the company and/or its group:

Yes

	Company	Group	Total
Amount of tasks other than auditing activities (in thousands of euros)	458	370	828
Amount of tasks other than auditing/ Total amount billed by the audit company (%)	48.083	16.004	25.360

B.1.38. Specify whether the Auditor's report on the Annual Accounts from the previous year includes any reservations or exceptions. Where applicable, indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of the said reservations or exceptions.

No

B.1.39. Indicate how many years the current audit company has been auditing, without interruption, the Annual Accounts of the Company and/or its Group. Also indicate the percentage of the number of years audited by the current audit company over the total number of years that the Annual Accounts have been audited:

	Company	Group
Number of years without interruption	18	18
No. of years audited by the current audit company/ No. of years the Company has been audited (%)	100	100

B.1.40. Indicate the holdings of the members of the Board of Directors in the capital of companies which have the same, similar or complementary type of activity that constitutes the business purpose of the Company and of its Group, and of which the Company has been informed. Also indicate the positions or duties that they perform in these companies:

Name or company name of Director	Name of object company	% holding	Position or duties
Salvador Gabarró Serra	Enagás, S.A.	–	Director
	Iberdrola, S.A.	0.001	–
Antonio Brufau Niubó	Repsol YPF, S.A.	0.017	Executive Chairman
Rafael Villaseca Marco	Enagás, S.A.	–	–
	Repsol YPF, S.A.	–	–
	Enagás, S.A.	–	Director
	Iberdrola, S.A.	–	–
Caixa d'Estalvis de Catalunya	Repsol YPF, S.A. through Repinves	1.627	–
Demetrio Carceller Arce	Disa Corporación Petrolífera, S.A.	–	Executive Chairman
Enrique Locutura Rupérez	Repsol YPF, S.A.	–	Executive Director of LNG
Fernando Ramírez Mazarredo	Repsol YPF, S.A.	–	Chief Financial Officer
José Arcas Romeu	Iberdrola Renovables, S.A.	–	–
	Iberdrola, S.A.	–	–
Juan María Nin Génova	Repsol YPF, S.A.	–	Director

B.1.41. Indicate and, where applicable, provide details of whether there is a procedure whereby Directors can have external assessment:

Yes

Details of the procedure

In accordance with internal regulations, Directors are entitled to propose to the Board, via the Secretary and by means of a notification directed to the Chairman, that external advisors be hired at the Company's expense (legal, accounting, technical, financial, commercial advisors or of any other kind), advisors they consider necessary for the Company's interests, to provide assistance in their duties when faced with specific problems of some relevance and complexity associated with their duties.

The Board of Directors shall be entitled to veto the approval of the proposal if considered unnecessary, in view of the amount involved, or if it considers that the said assessment can be provided by the Company's own specialists and technicians. (cf. Article 21.2 and 3 of the Regulations of the Board).

B.1.42. Indicate and, where applicable, provide details of whether there is a procedure whereby Directors can have the information necessary to prepare the meetings of the Boards of Directors with sufficient time:

Yes

Details of the procedure

Article 9.2 of the Regulations of the Board of Directors states:

"2.- Ordinary meetings shall be convened by the Chairman, or by the Secretary or Assistant Secretary following the order of the Chairman, through any of the channels set out in the Articles of Association, including by email, provided the recipient Director has given his/her address in said mail. The notification shall include the place and the agenda of said meeting, and shall be issued, barring exceptional cases, at least 48 hours before the meeting is to be held. Prior to each meeting, the Directors shall be furnished with the information and documentation considered to be pertinent or relevant regarding the subjects to be addressed in the Board meeting. Directors shall also be furnished with the minutes of the previous meeting, regardless of whether said minutes have been approved or not.

However, when the agreement to be adopted is the modification of the Regulations of the Board of Directors, the Chairman of the Board, the Audit and Control Committee or at least four Directors may propose the said modifications to the Board when circumstances arise which, in their opinion, make it appropriate or necessary, attaching a report explaining the reasons and scope of the modification being proposed, where applicable. The Board shall be called by means of individual notice sent to each of the members with more than fifteen days' notice of the date of the meeting.

The Board meeting shall have a quorum, without being previously convoked, if all the Directors are present or represented and unanimously accept that the Board meeting be held".

Articles 21.1 and 3 of the aforementioned Regulations state the following concerning the right of information of Directors:

"1.- Directors shall have access, through the Chairman, and, as the case may be, through the Secretary, to all the Company's services, and shall be entitled to collect, with unlimited powers, any information or assessment they may require regarding any aspect of the Company. The right of information also applies to the subsidiaries and shall be channelled through the Chairman or the Secretary of the Board of Directors or of the pertinent Committees of the Board, furnishing him/her with the information directly, offering him/her the appropriate agents or taking any measures required for the requested analysis.

...

3.- The Chairman of the Company shall have to be notified of the request for access and the proposal referred to in numbers 1 and 2 of this Article through the Secretary of the Board of Directors".

It is usual practice to send the members of the Board of Directors, together with the call to the meeting, all the information that may be useful for learning the matters on the agenda for the Board meeting. In our opinion, the information given is considered complete and sufficient for the members of the Board of Directors to reach an opinion and form criteria.

During and following the meeting, Directors shall be furnished with any information or clarifications they deem appropriate in respect of the points included in the agenda, or points which were not included but which were addressed in the same meeting.

B.1.43. Indicate and, where applicable, give details of whether or not the Company has laid down rules that oblige the Directors to report and, in cases that damage the Company's credit and reputation, resign:

Yes

Explain the rules

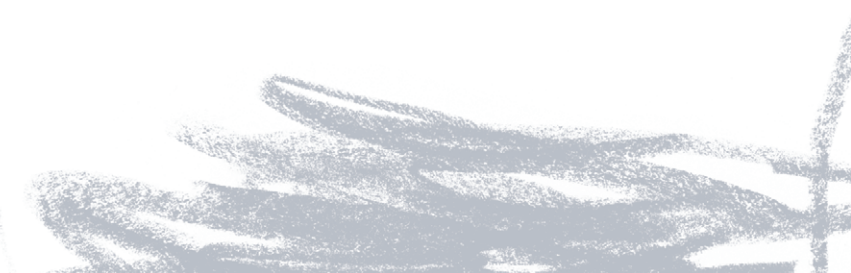
Article 15.2 of the Regulations of the Board of Directors states the following:

Directors shall be compelled to tender their resignation to the Board of Directors and proceed with the pertinent resignation, if the latter deemed it appropriate, in the following cases:

- a) When Internal Directors leave the executive positions outside the Board and which were associated with their appointment as Directors.
- b) When they are subject to any of the conditions of professional prohibition or incompatibility pursuant to applicable laws, the Articles of Association or these regulations.
- c) When they commit a serious breach of their obligations as Directors, jeopardising the interests of the Company.
- d) When the reason why they were appointed as Independent, Executive or Proprietary Directors is no longer applicable.

B.1.44. Indicate whether or not any member of the Board of Directors has informed the Company that he/she has been prosecuted or hearings against him/her have been opened for any of the offences laid down in Article 124 of the Spanish Companies Act:

No



Indicate whether or not the Board of Directors has analysed the case. If the answer is affirmative, give a reasoned explanation of the decision taken as to whether or not the Director remains in his/her post.

No

Decision taken

Reasoned explanation

B.2. Committees of the Board of Directors

B.2.1. Provide details of all the committees of the Board of Directors and their members:

Executive Committee

Name	Position	Type
Salvador Gabarró Serra	Chairman	Executive
Antonio Brufau Niubó	Board Member	Proprietary Member
Carlos Kinder Espinosa	Board Member	Proprietary Member
Carlos Losada Marrodán	Board Member	Independent
Demetrio Carceller Arce	Board Member	Proprietary Member
Francisco Reynés Massanet	Board Member	Proprietary Member
Rafael Villaseca Marco	Board Member	Executive
Santiago Cobo Cobo	Board Member	Independent

Audit Committee

Name	Position	Type
Miguel Valls Maseda	Chairman	Independent
Fernando Ramírez Mazarredo	Board Member	Proprietary Member
Francisco Reynés Massanet	Board Member	Proprietary Member

Appointments and Remuneration Committee

Name	Position	Type
José Arcas Romeu	Chairman	Independent
Antonio Brufau Niubó	Board Member	Proprietary Member
Miguel Valls Maseda	Board Member	Independent

B.2.2. Specify whether the Audit Committee is responsible for the following:

Supervising the preparation process and integrity of the financial information related to the Company and, where applicable, the Group, reviewing compliance with the standard requirements, the appropriate definition of the consolidation perimeter and the correct application of the bookkeeping criteria.	Yes
Regularly reviewing the internal control and risk management systems so that the main risks can be identified, processed and appropriately publicised.	Yes
Ensuring the independence and effectiveness of the internal audit duty; propose the selection, appointment, re-election and dismissal of the person in charge of the internal audit service; forward the budget for this service; receive periodic information on its activities, and verify that senior management considers the conclusions and recommendations in its reports.	Yes
Setting up and supervising a mechanism that enables employees to communicate any significant irregularities, especially those related to finance and bookkeeping, and to do so in a confidential manner.	Yes
Raising the selection, appointment, re-election and substitution proposals concerning the external auditor to the Board, as well as the terms and conditions of his/her contract.	Yes
Likewise receiving information from the external auditor on the audit plan and the results of carrying it out and checking that senior management take its recommendations into account.	Yes
Guaranteeing the independence of the external auditor.	Yes
In the event of groups, to see that the group auditor accepts liability for the audits of the companies that make up the group.	Yes

B.2.3. Describe the organisational and operational rules and the responsibilities attributable to each of the Board's committees.**Committee name****Appointments and Remuneration Committee.****Brief outline**

Appointments and Remuneration Committee (Article 31 of the Regulations of the Board of Directors).

- Duties:

The Committee carries out research and makes proposals to the Board for the following issues:

- Putting forward criteria for the remuneration of the Company's Directors and to assure transparency in remunerations.
- Putting forward the general policy for remuneration of the member of the Gas Natural Group Board of Directors.
- Putting forward the guidelines for appointments, selection, careers, promotion and dismissal of senior management, in order to ensure that the Group always has highly qualified personnel, suitable for the management of its activities.
- Reviewing the structure and composition of the Board of Directors, the criteria that should be applied to the statutory renewal of the Directors, the aptitudes required of the candidates to cover each vacancy, the fulfilment of the requirements for each category of Director and the process for the incorporation of new members, raising the corresponding reports to the Board as applicable. For covering new vacancies, selection processes shall be guaranteed that are not subject to implicit bias that prevents the selection of female Directors, including, under the same conditions and among potential candidates, women who meet the professional profile being sought.
- Issuing a report on the transactions that involve or may involve conflicts of interests and, in particular, transactions with associated parties submitted to the Board.
- Issuing a report on the appointments and dismissals of the members of senior management.

- Organisation and operation:

- The Appointments and Remuneration Committee shall comprise a minimum of three and a maximum of five Directors, designated by the Board of Directors from among the External Directors, bearing in mind their experience and aptitudes. Its members shall leave their post when they do so in their capacity as Directors, when agreed by the Board of Directors, or after a period of three years from their appointment. They can be re-elected.

- The Board of Directors shall elect the Chairman from among the members of the Committee; the Chairman shall not have the casting vote. The secretary of the Committee shall be the same as the secretary of Board of Directors.
- The Committee shall hold meetings whenever necessary to issue its reports, when considered necessary by the Chairman or upon request from its members. At least four meetings per year must be held. They shall be called by the Chairman with prior notice of at least two days before the meeting date, except in certain defined circumstances. Notification for the meeting shall include the agenda together with the pertinent documents to aid proceedings. The meetings shall normally take place at the registered office.

Committee name

Executive or Delegated Committee.

Brief outline

Executive Committee (Articles 50 and 51 of the Articles of Association and Article 30 of the Board Regulations).

- Powers:

The Executive Committee has been delegated all the powers of the Board except the following:

- a) Powers that cannot be legally delegated.
- b) Approval of the Group's Strategic Plan and Annual Budgets.
- c) Approval of and modification to the Regulations of the Board of Directors.
- d) Determination of policies for information and communication with shareholders, markets and public opinion and approval of the Annual Corporate Governance Report.
- e) Determination of the content of the Company's corporate website.
- f) Approval of treasury stock policy.
- g) In general, the decision on operations that entail acquisition and disposal of substantial Company assets.

- Organisation and operation:

- The Executive Committee shall be comprised by the Chairman of the Board of Directors and a maximum of another seven Directors, belonging to the groups envisaged in Article 3 of the Regulations and in the same proportion as exists in the Board of Directors. The appointment of the members of the Executive Committee shall require an affirmative vote from at least two thirds of the Board members with existing appointments.
- The Chairman of the Board of Directors shall act as Chairman of the Executive Committee and the Secretary of the Board of Directors shall act as secretary, or the person taking his/her place.
- The Executive Committee shall be understood to be validly constituted when more than half of its members attend the meeting in person or by representative.
- The members of the Executive Committee shall leave their post when they do so in their capacity as Directors or as agreed by the Board. The positions that become available shall be covered promptly by the Board of Directors.
- The Executive Committee shall hold its ordinary meetings at least once a month. The Secretary shall take the minutes of the agreements adopted in each meeting and these shall be outlined in the following plenary meeting of the Board of Directors.
- For cases in which, in the view of the Chairman or of the majority of members of the Executive Committee, the importance of the issue so requires, the agreements adopted by the Committee shall be submitted for ratification from the plenary Board meeting.
- The same shall be applicable in relation to issues the Board has submitted for examination to the Executive Committee and the Board has the final decision.
- In any other case, the agreements adopted by the Executive Commission shall be valid and binding, without the need for subsequent ratification from the full Board meeting.
- The provisions in the Regulations for the operation of the Board of Directors shall be applicable to the Executive Committee.

Committee name**Audit Committee.****Brief outline**

Audit and Control Committee (Article 51 bis of the Articles of Association and Article 32 of the Board Regulations).

- Duties:

- Reporting to the General Meeting of Shareholders on questions raised by shareholders with respect to matters within their competence.
- Proposing to the Board of Directors for submission to the General Meeting of Shareholders of the appointment of external auditors, pursuant to Article 204 of the revised Spanish Companies Act approved by Royal Decree 1564/1989, of 22 December.
- Supervising the internal audit services, guaranteeing their independence and proposing the appointment, re-election and dismissal of the person responsible. Accordingly, the person responsible for the internal audit function shall present an annual work plan, report on the relevant incidents occurring during its development and submit a report on its activities at the end of the year.
- Monitoring and supervising the preparation of financial information, guaranteeing the correct application of the accounting principles and inclusion of all the companies that are to be included in the consolidation perimeter.
- Monitoring and supervising the Company's risk management and internal control systems, guaranteeing that they identify the types of risk the Company faces and the measures considered for reducing them and dealing with them in the event of effective damage.
- Raising the selection, appointment, re-election and substitution proposals concerning the external auditor to the Board, as well as the terms and conditions of his/her contract.
- Liaising with External Auditors to receive information on any questions which could jeopardise their independence, and any other matters relating to the progress of the audit, as well as any communications required pursuant to legislation governing auditing and technical auditing standards.
- Monitoring of the development of annual auditing.
- Acting as a communication channel between the Board of Directors and the external auditors, and assessing the results of each audit.
- Reviewing the information on the Company's activities and results which is compiled periodically in compliance with current stock market regulations, making sure that they are prepared in accordance with the same accounting criteria as the annual accounts and ensuring the transparency and accuracy of this information.
- Measures it considers appropriate in the auditing activity, internal financial control system, and compliance with legal regulations in matters of provision of information to markets and the transparency and accuracy thereof.
- Checking compliance with the Internal Code of Conduct for Securities Markets current at any time, and in general with the rules governing the Company and making any necessary proposals for their improvement.
- Providing information during the first quarter of the year, and whenever the Board of Directors so requests, on compliance with these regulations.
- Setting up and supervising a mechanism that enables employees to communicate any significant irregularities, especially those related to finance and bookkeeping, and to do so in a confidential manner.

- Organisation and operation:

- The Audit and Control Committee shall comprise a minimum of three and a maximum of five Directors appointed by the Board of Directors from among the External Directors, taking into account their knowledge and experience in issues of accountancy, audit and risk management. Its members shall leave their post when they do so in their capacity as Directors, when agreed by the Board of Directors, or after a period of three years from their appointment. They can be re-elected.

- The Board of Directors shall elect the Chairman of the Committee, who shall not have a casting vote and shall be replaced in accordance with the Articles of Association (Article 51 bis) and legislation. He/She may be re-elected following the term of one year after his/her dismissal. The Secretary of the Committee shall be the same as the Secretary of Board of Directors.
- The Committee shall hold meetings, called by its Chairman, whenever necessary, to issue their reports, when considered necessary by the Chairman or upon request from its members. At least four meetings per year must be held. The notification for the meeting shall include the agenda together with the relevant documents to facilitate proceedings, and must be made at least two days in advance, except in certain defined circumstances, by way of any written means. The meetings shall normally take place at the registered office. The Committee may invite any executive or employee it deems appropriate to its meetings.

B.2.4. Indicate the faculties for advising, consultancy and, if relevant, appointments, for each of the committees:

Committee name

Appointments and Remuneration Committee.

Brief outline

Already detailed in section B.2.3 in this report.

Committee name

Executive Committee.

Brief outline

Already detailed in section B.2.3 in this report.

Committee name

Audit Committee.

Brief outline

Already detailed in section B.2.3 in this report.

B.2.5. Indicate, where applicable, the existence of Committee Regulations, the location at which they are available for consultation, and the modifications that have been made during the financial year. Also indicate whether any annual report on each Committee's activities has been voluntarily drafted.

Committee name

Appointments and Remuneration Committee.

Brief outline:

No regulations corresponding to the Board Committees have been approved. They are regulated by the Organisation and Operation Regulations of the Board of Directors and its Committees, which are available on the Company's website. These Regulations were not modified in 2008.

Mention must be made of the fact that the Regulations of the Board of Directors are duly registered in the Mercantile Register of Barcelona.

Committee name

Executive or Delegated Committee.

Brief outline

No regulations corresponding to the Board Committees have been approved. They are regulated by the Organisation and Operation Regulations of the Board of Directors and its Committees, which are available on the Company's website. These Regulations were not modified in 2008.

Mention must be made of the fact that the Regulations of the Board of Directors are duly registered in the Mercantile Register of Barcelona.

Committee name

Audit Committee.

Brief outline

No regulations corresponding to the Board Committees have been approved. They are regulated by the Organisation and Operation Regulations of the Board of Directors and its Committees, which are available on the Company's website. These Regulations were not modified in 2008.

Mention must be made of the fact that the Regulations of the Board of Directors are duly registered in the Mercantile Register of Barcelona.

Furthermore, the Audit and Control Committee drafts an annual report on its own activities which is placed at the disposal of the shareholders before the Ordinary General Meeting and published on the Company website.

B.2.6. Indicate whether the makeup of the Executive Committee reflects the participation in the Board by the various Directors depending on status:

Yes



C. Related-Party Transactions

C.1. Indicate whether the plenary Board has reserved the power to approve the operations that the company carries out with Directors, with major shareholders or shareholders represented on the Board, or with individuals related to these, following a favourable report from the Audit Committee or any other Committee commissioned with this duty:

Yes

C.2. Detail the significant operations that imply a transferral of resources or obligations between the Company and entities within its Group and the significant shareholders of the Company:

Name or company name of significant shareholder	Name or company name of the company or entity of the Group	Nature of the relationship	Type of operation	Amount (thousands of euros)
Caja de Ahorros y Pensiones de Barcelona	Gas Natural SDG, S.A.	Commercial	Financial expenses	16,810
Caja de Ahorros y Pensiones de Barcelona	Gas Natural SDG, S.A.	Commercial	Leases	3,1740
Caja de Ahorros y Pensiones de Barcelona	Gas Natural SDG, S.A.	Commercial	Other expenses	12,339
Caja de Ahorros y Pensiones de Barcelona	Gas Natural SDG, S.A.	Commercial	Financial income	13,622
Caja de Ahorros y Pensiones de Barcelona	Gas Natural SDG, S.A.	Commercial	Other income	2,344
Caja de Ahorros y Pensiones de Barcelona	Gas Natural SDG, S.A.	Commercial	Financing agreements: credits and provisions of capital (lender)	161,936
Caja de Ahorros y Pensiones de Barcelona	Gas Natural SDG, S.A.	Commercial	Financing agreements: credits and provisions of capital (borrower)	107,757
Caja de Ahorros y Pensiones de Barcelona	Gas Natural SDG, S.A.	Commercial	Guarantees provided	39,418
Caja de Ahorros y Pensiones de Barcelona	Gas Natural SDG, S.A.	Commercial	Guarantees received	114,598
Caja de Ahorros y Pensiones de Barcelona	Gas Natural SDG, S.A.	Commercial	Dividends and other distributed earnings	172,367
Caja de Ahorros y Pensiones de Barcelona	Gas Natural SDG, S.A.	Commercial	Collaboration or management contracts	1,278,731
Repsol YPF, S.A.	Gas Natural SDG, S.A.	Commercial	Other costs	8,904
Repsol YPF, S.A.	Gas Natural SDG, S.A.	Commercial	Purchase of tangible assets, intangible assets and other assets	219
Repsol YPF, S.A.	Gas Natural SDG, S.A.	Commercial	Provision of services	18,803
Repsol YPF, S.A.	Gas Natural SDG, S.A.	Commercial	Sales of goods (manufactured or not)	442,202
Repsol YPF, S.A.	Gas Natural SDG, S.A.	Commercial	Leases	7,997
Repsol YPF, S.A.	Gas Natural SDG, S.A.	Commercial	Purchase of goods (manufactured or not)	964,210
Repsol YPF, S.A.	Gas Natural SDG, S.A.	Commercial	Reception of services	27,005
Repsol YPF, S.A.	Gas Natural SDG, S.A.	Commercial	Other income	2,949
Repsol YPF, S.A.	Gas Natural SDG, S.A.	Commercial	Sale of tangible assets, intangible assets and other assets	2
Repsol YPF, S.A.	Gas Natural SDG, S.A.	Commercial	Dividends and other distributed earnings	157,463
GDF Suez, S.A.	Gas Natural SDG, S.A.	Commercial	Reception of services	14,667
GDF Suez, S.A.	Gas Natural SDG, S.A.	Commercial	Provision of services	39,878
GDF Suez, S.A..	Gas Natural SDG, S.A.	Commercial	Dividends and other distributed earnings	32,016
GDF Suez, S.A.	Gas Natural SDG, S.A.	Commercial	Sales of goods (manufactured or not)	1,143,004
GDF Suez, S.A.	Gas Natural SDG, S.A.	Commercial	Other costs	665
GDF Suez, S.A.	Gas Natural SDG, S.A.	Commercial	Purchase of goods (manufactured or not)	357,267

C.3. Detail the significant operations that imply a transferral of resources or obligations between the Company or entities within its Group and the Administrators or Executives of the Company:

Name or company name of Administrators or Executives	Name or company name of the company or entity of the Group	Nature of the operation	Type of operation	Amount (thousands of euros)
Caixa d'Estalvis de Catalunya	Gas Natural SDG, S.A.	Commercial	Financing agreements: credits and provisions of capital (lender)	341
Caixa d'Estalvis de Catalunya	Gas Natural SDG, S.A.	Commercial	Financial expenses	37
Caixa d'Estalvis de Catalunya	Gas Natural SDG, S.A.	Commercial	Other costs	304
Caixa d'Estalvis de Catalunya	Gas Natural SDG, S.A.	Commercial	Guarantees received	60,000
Caixa d'Estalvis de Catalunya	Gas Natural SDG, S.A.	Commercial	Collaboration or management contracts	11,477
Caixa d'Estalvis de Catalunya	Gas Natural SDG, S.A.	Commercial	Financial income	825
Caixa d'Estalvis de Catalunya	Gas Natural SDG, S.A.	Commercial	Dividends and other distributed earnings	15,447

C.4. Detail the important operations carried out by the Company with other companies belonging to the same Group, provided that they are not eliminated in the process of drafting the consolidated financial statements and are not part of the Company's usual trading in terms of its purpose and conditions:

C.5. Indicate whether the members of the Board of Directors have been affected by any conflicts of interest over the year, in accordance with the provisions set forth in Article 127 ter of the Public Limited Companies Act.

No

C.6. Detail the mechanisms established to detect, determine and resolve possible conflicts of interest between the Company and/or the Group, and its Directors, Executives or significant shareholders.

1.- Directors:

The conflicts of interest are regulated by Article 16 of the Regulations of the Board of Directors, which states the following:

- The Director must abstain from intervening in deliberations and voting on issues in which he/she has a direct or indirect interest and would give rise to a conflict of interests.
- The Director shall be considered to have an interest when the issue affects a member of his/her family, or a Company, entity or their respective Groups, not belonging to the Gas Natural Group, in which the Director acts as representative, manager or adviser, or has a majority holding in their capital or has been put forward by those entities as a Proprietary Director in Gas Natural Group.
- Directors must report their personal situations to the Board, as well as those of their closest family members and also the companies controlled by them. Specifically, Directors must report aspects relating to holdings, positions held and activities, syndication agreements and, in general, any fact, situation or link that may influence their loyal conduct as Administrators of the Company. Likewise, Proprietary Directors must inform the Board of any conflict of interest between the Company and the shareholder that proposed their appointment, or which could compromise their duty to be loyal.
- The Director cannot carry out direct or indirect professional or commercial transactions with the Company or companies in the Group, unless he/she has previously reported the situation of conflict of interests, and the Board,

subject to a report from the Appointments and Remuneration Committee, has approved the transaction. For ordinary operations, the generic authorisation for the operation type and its implementation procedure shall be sufficient. In all cases, any conflicts of interest of the Company's Administrators shall be reported in the Annual Corporate Governance Report.

- In his/her capacity as loyal representative of the Company, the Director must inform the Company of shares in the Company he/she holds, directly or through companies in which he/she has a majority holding, following the procedure and other processes that are established for investment in Gas Natural SDG, S.A and investee companies.
- Votes on proposals for appointments, re-election or dismissal of Directors shall be secret, and the affected Directors must abstain from taking part in these votes and their deliberations.
- The Director must notify the Company of significant changes to their professional circumstances and changes which affect the nature or capacity by virtue of which he/she was appointed as Director.
- The Director shall inform the Company of any kind of legal or administrative claim or any claim of any nature in which they are involved which, due to its significance, could have a serious bearing on the reputation of the Company. The Board shall examine the matter and adopt the appropriate measures in the Company's interest and with the required urgency.
- The Board of Directors shall endeavour, at all times, to prevent Proprietary Directors from using their position to obtain asset benefits without adequate compensation, to the advantage of the shareholder that put them forward for the position.

2.- Directors and Executives:

Section 6 of the Internal Code of Conduct, for issues relating to the Securities Markets of Gas Natural SDG, S.A., contains the information that the Directors and Executives of the entity must provide concerning conflicts of interest:

"6.1. The persons included in the subjective scope of this internal Code of Conduct shall be obliged to inform the Secretary of the Board of Directors of Gas Natural SDG, S.A. of any possible conflicts of interest that may emerge with the corporate relationships in which they hold an interest or with the ownership of their personal or family assets, or any other cause that may interfere in the fulfilment of activities which are the object of these regulations.

In the case of there being a doubt over the existence of a conflict of interest, the obliged persons must consult the Secretary of the Board of Directors of Gas Natural, S.A who shall resolve the issue in writing. The Secretary may take the matter to the Appointments and Remuneration Committee if he/she considers it to be of particular significance.

The persons affected by potential conflicts of interest must keep the information up to date, reporting any modification or closure of the previously communicated situations.

6.2. The affected persons must abstain from participating in the adoption of any kind of decision that could be affected by the conflict of interests with the Company".

3.- Significant shareholders:

With regard to this section, Article 16, *in fine*, of the Board Regulations establishes:

"Accordingly, any direct or indirect transaction between the Company and a significant shareholder must be submitted for approval by the Board of Directors, subject to a ruling from the Appointments and Remuneration Committee of the Board. The Committee must assess the transaction in terms of equal treatment and fair market conditions. The affected

Proprietary Directors must abstain from taking part in the Board deliberations and voting. For ordinary operations, a generic authorisation may be granted for the operation type and its implementation procedure”.

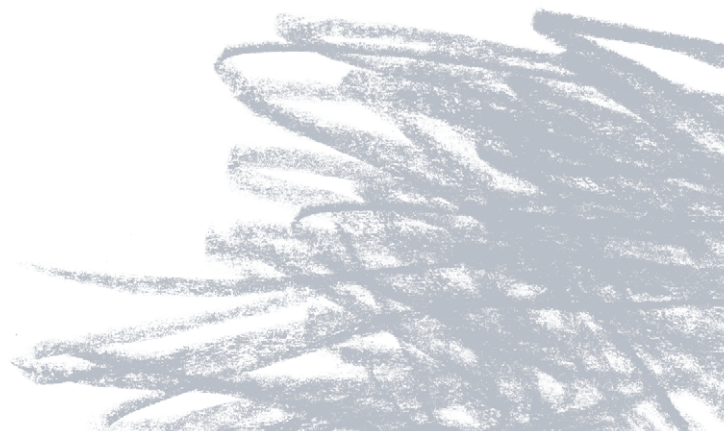
Article 31 of the Board Regulations envisages, among the functions entrusted to the Appointments and Remuneration Committee, the task of informing the Board of transactions that imply or may imply conflicts of interest.

Finally, Article 6.5 of these Regulations obliges the Board of Directors to include, in the Annual Report and the Annual Corporate Governance Report, information on the transactions completed with significant shareholders, so that other shareholders may be informed of their scope and importance.

C.7. Is there more than one listed company in the group in Spain?

No

Identify the subsidiary companies that are listed in Spain:



D. Risk Control Systems

D.1. General description of the risk policies of the Company and/or the Group, detailing and assessing the risks covered by the system, together with justification for the adaptation of the system to the profile of each risk type.

The Gas Natural Group's strategy is based on the basic principles of growth, diversification, profitability and quality, which are transmitted repeatedly to its interest groups in the reports issued recurrently. These include annual reports, quarterly earnings reports and various reports of a strategic nature.

The said strategy basically covers the exploration and production of gas reserves, the gas supply and transportation, the wholesale and retail commercialisation of gas and electricity, the generation of electricity and the distribution of gas.

All with presence in both Spain and in other countries of Europe, Africa and America. This places Gas Natural Group in a context which is subject to several types of risk factors that are inherent to its activity.

The general risk policy is aimed at safeguarding Gas Natural Group's assets and is consolidated by the following aspects:

- Controlled expansion of activities ensuring the fulfilment of quality standards.
- Profitable growth risk guidelines established by the governing bodies.
- Quick response to changes in the environment.
- High level of professionalism of members of the Board of Directors and other members of the organisation.
- Dynamic decision-making processes.
- Flexibility, objective-based organisational structure.
- Standard structure aimed at ensuring proper operation of critical processes and sub-processes for Gas Natural, guaranteeing their efficiency and effectiveness and the appropriate control of transactional risks.

Gas Natural Group takes the view that the risks that require a greater degree of proactive management are those that, given the severity of the risk occurring, could have a negative bearing on the fulfilment of the Strategic Plan and/or on the Company's financial soundness in the short, medium and long term. Although Gas Natural Group administrates its business with prudence and diligence, many of the risks are inherent to the management of its activities, and are therefore beyond its control on certain occasions, and foreseeing and/or avoiding their consequences is unfeasible.

Gas Natural Group's broad experience in understanding and controlling risks can be seen in their integrated management. The main aim of global risk management is to guarantee the correct identification, assessment and management of the most important risks by the various business units. All with the aim of guaranteeing that the level of exposure to the risk assumed by Gas Natural Group in the development of its business is consistent with its global target risk profile. The said risk profile responds to the level of uncertainty that must be assumed to achieve the strategic annual targets set by its governing bodies. The target risk profile is laid down in the different levels of uncertainty in accordance with the relevant risk category, as approved by the corresponding governing bodies.

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 Corporate Risk Map of the Gas Natural Group

The process of identifying and assessing Gas Natural Group's risks is governed by the Corporate Risk Map. The preparation and updating of the said Map is the responsibility of the Financial-Economic Department in close collaboration with the Internal Audit Department and the business units.

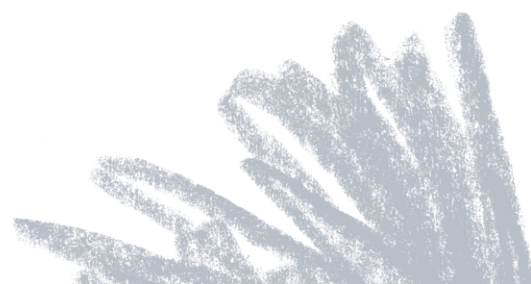
It is an instrument which is designed to identify and assess the main risk categories that affect Gas Natural Group. In a schematic form these are:

- a) Business risks.
 - a.1) Price.
 - a.2) Volume.
 - a.3) Regulatory.
 - a.4) Strategic.
- b) Financial risk.
 - b.1) Exchange rate.
 - b.2) Interest rate.
 - b.3) Liquidity.
- c) Credit risk.
 - c.1) Retail.
 - c.2) Wholesale.
- d) Operational risk.
 - d.1) Legal/Contractual.
 - d.2) Human Resources.
 - d.3) Fraud.
 - d.4) Processes.
 - d.5) Information systems.

The aim of the preparation of the Risk Map is to analyse the effects of the various risk categories on each of the Gas Natural Group's basic processes/activities. Accordingly, the following is taken into account:

- a) Risk position: definition and characteristics.
- b) Impact variables.
- c) Qualitative and quantitative severity of the risk occurring.
- d) Probability of risk occurring.
- e) Defined controls and their effectiveness.

The conclusions drawn from the Map are conveyed to the Risk Committee, the Chief Executive Officer and the Audit and Control Committee; basic guidelines for action concerning risks are established regularly with the aim of reducing exposure in activities that have a residual risk of greater impact for Gas Natural Group.



Comprehensive Risk Control and Management System

Gas Natural Group has established a Comprehensive Risk Control and Management System that identifies, assesses and controls the risks to which the Company is exposed. The foundations for this system are:

- a) Definition of the general risk policy and profile.
- b) Provision of organisational resources.
- c) Internal policies, procedures and regulations of various types.
- d) Adequate controls and measurement methodologies.
- e) Technological infrastructure and information systems.

These foundations are set up through a process of continuous improvement, and their implementation is permanently regulated in cooperation among the various Committees, Governing Bodies and Departments of Gas Natural Group, as well as by the Internal Audit Department.

With regard to regulations, special mention must be made of the coming-into-the effect in 2007 of the General Risk Standard, whose main aim is to lay down the general principles and behaviour guidelines to guarantee the appropriate identification, information, assessment and management of Gas Natural Group's exposure to risk. The aim of the General Risk Standard is to guarantee that the entire organisation understands and accepts its responsibility in identifying, appraising and managing the most significant risks. Accordingly, it establishes various managers for the management, measurement, control and laying-down of limits for each of the typified risk categories. In 2008, progress has been made in the development of the General Risk Standard, based on the issue of procedures that specify the general issues laid down in the Standard. In particular, mention must be made of the approval by the Risk Committee of the Market Risk Limits Allocation and Management Procedure. It lays down the guidelines for managing the uncertainty associated with the development of and achieving the targets set for the various lines of business, brought about by the evolution of commodity prices, the exchange rate and the interest rates that are relevant for Gas Natural Group.

The fundamental principle on which Gas Natural Group is based in order to assess, mitigate and reduce the principal existing risks is that of reasoned business prudence in all of its actions, with strict and faithful compliance of the legislation in force.

As an integral part of the Comprehensive Control and Management System, particular mention must be made of the Risk Measurement System. The purpose of the system is to quantify the risk assumed globally and by each of the relevant businesses on a recurring base of probability, regarding risk factors related to variations in market prices.

D.2. Indicate whether or not any of the various types of risk (operative, technological, financial, legal, reputational, fiscal, etc.) that affect the Company and/or its Group have arisen during the year:

Yes

If the answer is Yes, indicate the circumstances that caused them and whether or not the established control systems worked.

Risks occurred during the year	Causes of risks	Operation of Control Systems
The risks have evolved without significant impact on the consolidated Annual Accounts.	All the causes of the risks are external and inherent to the activities carried out by Gas Natural Group.	The internal control systems have worked appropriately.

D.3. Indicate whether there is a committee or governing body that is responsible for establishing and supervising these control devices:

Yes

If the answer is Yes, describe its functions.

Name of the Committee or body	Description of duties
Executive Committee:	<p>The Executive Committee, in its capacity as appointed body of the Board of Directors, likewise gathers the necessary reports and advice for each case; it examines and authorises all significant operations which, due to their habitual occurrence in the Company or their financial magnitude, are not authorised by the Board. The Executive Committee usually informs the Board of the decisions taken and requests, where appropriate, their ratification or approval from the highest governing body.</p> <p>The Executive Committee is also responsible for proposing the Strategic Plan, the Group's Objectives and the Annual Budget to the Board of Directors.</p>
Audit and Control Committee:	<p>The responsibilities of the Audit and Control Committee are established in the Articles of Association and the Regulations of the Board of Directors.</p> <p>Among these are the functions of researching, reporting, supporting and making proposals to the Board of Directors in relation to their monitoring tasks, by means of a periodic review of compliance with the procedure for drafting business and financial information, the procedure for the identification and assessment of the risks included in the Corporate Risk Map, the Internal Control System of the Company (Regulations, Laws, Policies, Codes, Accounting and Internal Control Procedures, etc.) of the auditing procedure and independence of the External Auditor, and compliance with established policies in matters of corporate governance. The Committee has also been assigned with the responsibilities of setting up and supervising a mechanism that enables employees to communicate any irregularities of importance, especially those of a financial and bookkeeping nature, and to do so in a confidential manner.</p> <p>The main activities of the Committee in 2008 concerning the review of the internal control and risk management systems of Gas Natural Group are set forth, <i>inter alia</i>, in the Annual Report on the Activities of the Audit and Control Committee.</p>
Quality Committee:	<p>Its main objectives are to submit the Strategic Quality Plan for approval from the senior management and, in partnership with the Quality Department, it is also responsible for coordinating and driving the introduction of the provisions in the Plan in each of the affected organisational units, these units being ultimately responsible for their introduction. Likewise, through the Quality Department, it reports on the development of the measurements taken recurrently and systematically of the Gas Natural Group's customer satisfaction and the alignment between the quality objectives and intrinsic business risks.</p>
Management Committee:	<p>The Management Committee, comprising senior executives (specifically the Chief Executive Officer, the General Managers and the remaining Directors, as shown in the table of foregoing section B.1.9), is the body that coordinates the business and corporate departments. Its principal functions include researching and proposing the objectives, the Strategic Plan and the Annual Budget, as well as escalating the proposals for actions that may affect the securing of the Company's Strategic Plan to the highest authorities. All of the members of the Management Committee also participate in the drafting of the Corporate Risk Map through technical meetings at which they contribute their views on the principal uncertainties and possible effects on the business.</p>

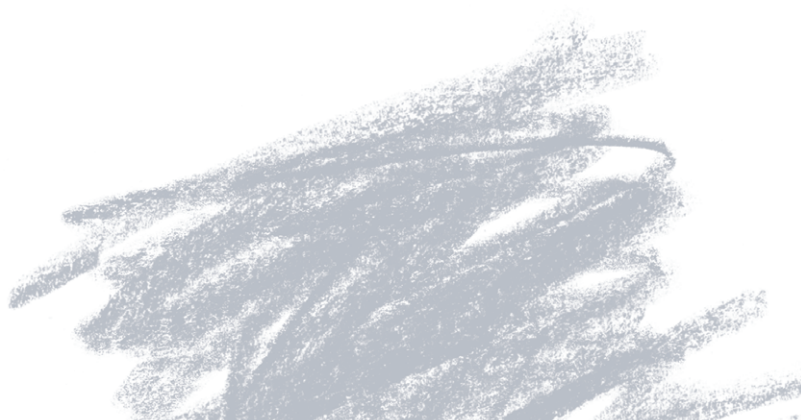
Name of the Committee or body	Description of duties
Data Protection Committee:	Its objective is to instigate, coordinate and drive the introduction of organisational and technical measures in all of the Group's companies, which ensure the security and confidentiality of the personal data provided by customers, suppliers or employees, fulfilling, in turn, the provisions set forth in the Personal Data Protection Act and its Security Regulations. It must ensure coverage for the risks that are inherent to its scope of operation.
Regulation Committee:	Its objective is the definition of the carrying out of the Gas Natural Group integrated regulation strategy, ensuring that the uncertainty associated with the regulatory sphere is properly managed.
Risk Committee:	This Committee is responsible for guaranteeing the correct determination and review of Gas Natural Group's target risk profile, ensuring that the entire organisation understands and accepts its responsibility in the identification, assessment and management of the most relevant risks. The permanent members of the said Committee include the Financial-Economic Department, the Gas Management Department, the Wholesale Business Department, the Retail Business Department and the Internal Audit Department. In addition, the other members of the Management Committee can take part in the Committee as non-permanent members for dealing with specific cases. The risk management strategy designed by the Committee is applied by the Risk Subcommittee.
Chief Executive Officer:	The Chief Executive Officer authorises those operations that, due to their financial cost or nature, are directly submitted to the his/her jurisdiction and have been proposed by the Company's Executive Directors in the necessary reports. In the event that the operations exceed the pre-established limits, they are submitted by the Chief Executive Officer to the Executive Committee or the Board of Directors, as appropriate. As a fundamental and principal function, the Chief Executive Officer is responsible for the execution and implementation of the agreements adopted by the Board of Directors and the Executive Committee, and can give authority to the Company Executives which are most suitable in each case, in accordance with the nature and significance of the matter. The participation of the Chief Executive Officer in the discussion of the most pertinent conclusions of the Corporate Risk Map is also significant. The conclusions complement and contextualise the decision-making process in terms of the risks assumed by Gas Natural Group
Board of Directors:	Gas Natural Group practises a business policy in which the analysis and management of risks plays a key role in decision-making processes. The established risk management control systems are configured at the following levels: the Board of Directors is responsible for carrying out whatsoever action that may be necessary for the fulfilment of the corporate purpose laid down in the Articles of Association. At any given time, the governing criterion is the sustained maximisation of the Company's value. Accordingly, it shall be competent to determine Gas Natural Group's strategic focuses and economic targets, the supervision and verification of the fulfilment of the said strategy and targets by senior management in accordance with the Company's purpose and interests. All guaranteeing the future viability of Gas Natural Group and its competitiveness in the development of the business activity expressly under its control. When carrying out its functions, the Board of Directors shall establish as many supervision systems as required to guarantee control over its members' decisions. In order to carry out the aforementioned functions, the Board of Directors has the following powers, particularly relevant in the area of risk management and control. Adoption of the Group's Strategic Plan, the Annual Budgets, the Annual Financial Plan and the investments and finance policy. Adoption of the risk management and control policy and regular monitoring of the indicators and internal control systems. Adoption of the corporate governance and corporate social responsibility policies. Adoption of the policy on dividends and treasury stocks.
Strategy and Development Department:	In charge of defining and ensuring compliance with the strategic vision of the Gas Natural Group. In this regard, it is responsible for preparing the strategic reflection of the Group and ensuring the strategic consistency of business planning and portfolio of the Group, carrying out the required internal analyses, those of the business environs and of the Group's positioning in the sector. In addition, together with the corresponding business units, it is in charge of detecting new gas and electricity business opportunities and new energy projects for the Group, and taking part in the definition, assessment and negotiation of the resulting business development projects.

Name of the Committee or body	Description of duties
Financial-Economic Department:	<p>The Financial-Economic Department is responsible for defining the accounting, financial, fiscal, risk-control, investor-relations and management control policies, as well as their development and implantation at Gas Natural Group, supervising the level of fulfilment of the targets and the evolution of each business unit. With regard to the control and management of risks, mention must be made of the functions carried out by the Finance and the Risk Control and Management Units attached to the said Department.</p> <p>The Risk Control and Management Unit is responsible for conceptually determining the risks inherent in Gas Natural's business and assess the global risk profile, developing the necessary policies and tools. The Finance Unit, through the Insurance Department, is responsible for assessing potential risks of material damage, civil liability and loss of profit, as well as the management of incidents that affect Gas Natural Group in this area, proposing, managing and administrating the industrial insurance policies. Likewise, it is responsible for defining and monitoring the Regulations which govern authorisations, responsibilities and limits for the risks to be assumed in the operations carried out by Gas Natural Group. Through Finance and the Capital Market, the Finance Unit is responsible for managing the needs for finance and the financial risks associated with the interest rate. In addition, through the Treasury Board, it is responsible for organising, directing and controlling the funds of the different companies, as well as the exchange rate financial risk management, all coordinated with the Risk Control and Management Unit.</p>
Gas Management Department:	<p>Responsible, through the Gas Balance Unit, for defining the supply of gas and analysing the balance of supply and demand, knowing its value and flexibilities in order to propose performance indicators to optimise global profit. In addition, it acts in coordination with the business units to ensure the safety of the gas supply system in countries in which Gas Natural Group operates.</p>
Resources Department:	<p>This Department is responsible for the overall management of the common services in fields such as Information Systems, Contracting and Resources, Engineering and Technology, as well as Process Improvement. The role played by these units is fundamental for the management and mitigation of risks of an operational nature. Specifically: the Information Systems unit is responsible for the comprehensive management of the Information Systems, enhancing the level of contact with the business units and valuing and prioritising the required solutions. Special mention must be made of Information Security, which is responsible for laying down the policies and standards governing information security and the administration of tools for its management and the analysis of risks. The Contracting and Resources Unit is responsible for the definition, planning and implementation of the policies for the purchases of goods and services. It is also responsible for designing the property management policies, inventories, internal resources, documentation and assets security.</p> <p>The Engineering and Technology Unit is responsible for improving internal customer service, guaranteeing safety and prevention in technical activities and ensuring the efficient use of the corresponding resources. In particular, in the area of Engineering, it is responsible for the definition, planning and implementation of the infrastructures policies. In addition, in the area of Technology, it is responsible for carrying out technological research and development, implementing energy solutions and developing and fostering the use of renewable energies. It is also responsible for coordinating activities resulting from the application of the Kyoto Protocol through Clean Development projects. Finally, the Engineering and Technology Unit is also responsible for the area of Industrial Safety, Prevention and the Environment, laying down the general policies and principles that govern Gas Natural Group with regard to Industrial Safety and Occupational Risk Prevention.</p> <p>The Process Improvement Unit is responsible for focusing the Group's processes, consolidating and generalising initiatives aimed at improving productivity and quality. In particular, the Quality and Standards Unit is responsible for laying down the basic guidelines for the Quality Plan, measuring satisfaction, homogeneity and support for the measurement criteria, the modernisation of processes and the coherence of the standards as they are developed.</p>
Internal Audit Department:	<p>The main purpose of the Internal Audit Management is to ensure the supervision and continuous assessment of the effectiveness of the Internal Control System in all fields of the Gas Natural Group, providing a systematic and stringent approach for process monitoring and improvement, and for the assessment of operational risks and controls relating thereto. All of which is geared towards meeting the strategic objectives of the Gas Natural Group: profitability, growth and quality, and assisting the Audit and Control Committee and the senior management of the Gas Natural Group in carrying out their responsibilities in the fields of management, control and corporate governance. In order to achieve these aims, the Internal Audit Department, which answers to the Audit and Control Committee and which in turn reports to the Chairman and Chief Executive Officer of Gas Natural Group, draws up and executes a Strategic Audit Plan and Annual Internal Audit Plans, in accordance with a method of assessment of operational risks, based on the Conceptual Framework of the COSO Report (the Committee of Sponsoring Organisations of the Treadway Commission) and taking as a basis the type of risks defined in the Corporate Risk Map of Gas Natural Group. In accordance with the aforementioned methodology, the operational risks associated with the processes are prioritised by assessing their impact, relative importance and degree of control. Based on the results obtained in the aforementioned assessment, 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. Finally, it should be pointed out that the functions and activities of the Internal Audit Department are provided in Annual Report on the Activities of the Audit and Control Committee.</p>

Name of the Committee or body	Description of duties
Legal Services Department:	The Legal Services Department carries out its functions and services to guarantee the legality of the Company's operations and avoid risks in commercial and corporate areas and, in general, guarantee the fulfilment of existing legal obligations. It is divided into several units geared at providing service to the various business units, in fields related to wholesale, retail and Latin America business, financial-economic services, strategy and development, gas management, fair competition and litigious legal services.
Secretary of the Board of Directors:	In accordance with Article 26 of the Regulations of the Board of Directors, the Secretary of the Board, via the Secretary or, where applicable, via the Assistant Secretary, is responsible for assisting the Chairman in his/her tasks, and especially for providing the Board members with advice and information required, looking after the Company documentation, as well as keeping the minutes of the sessions and attesting to the agreements of the Company's governing bodies. The Secretary of the Board shall be responsible for the formal and material legality of the Board's actions at all times, as well as those of other Committees, ensuring that their procedures and governing rules are regularly reviewed, thus minimising the existing Company risks.

D.4. Identification and description of the procedures for compliance with the different regulations affecting the Company and/or its Group.

Gas Natural Group's activities are significantly conditioned by the application of various relevant regulations related to gas, electricity and environmental activities in all the countries in which Gas Natural Group operates. In order to guarantee compliance with the said regulations, there is an appropriate allocation of responsibilities in each of the business units, aimed at guaranteeing observance of and compliance with relevant legislative issues. In addition, as laid down in section D3, the Regulation Committee, especially with regard to environmental issues and in collaboration with the Resources Department through the Engineering and Technology Unit, is responsible for implementing a global and integrated control of compliance with legislative requirements in order to avoid risks in the said area.



E. General Meeting

E.1. Indicate and, where applicable, give details of whether or not there are differences between the quorum system laid down in the Spanish Companies Act and the quorum for constituting the General Meeting of Shareholders.

No

	% of quorum different to the provisions set forth in Article 102 LSA for general cases	% of quorum different to the provisions set forth in Article 103 LSA for these special cases set forth in Article 103
Quorum required for the first call to meeting	-	-
Quorum required for the second call to meeting	-	-

E.2. Indicate and, where applicable, give details of whether or not there are differences between the system laid down in the Spanish Companies Act and the system for adopting corporate agreements:

No

Describe how the system differs from that of the LSA.

E.3. List the shareholders' rights in relation to General Meetings which differ from those of the LSA.

Shareholders' rights in respect of General Meetings are those established by the Spanish Companies Act and other applicable legal regulations:

- Right to information.
- Right of attendance.
- Right of representation.
- Right to vote.

In accordance with the right to attendance, the General Meeting may be attended by those shareholders who, either individually or grouped with others, hold a minimum of 100 shares, provided that they are recorded in the corresponding accounting register five days prior to the meeting, and that they possess, as indicated in the meeting announcement, the corresponding attendance card attesting to compliance with the aforementioned requirements, which shall be issued in the name of the entities to whom it legally corresponds (Article 33 of the Articles of Association).

E.4. Indicate, where applicable, the measures adopted to encourage participation of the shareholders in General Meetings.

The most notable measure adopted is the Meeting's approval of its regulations since, as indicated in its introduction, the regulations constitute an obligatory reference for improving the information provided to shareholders on the content of the decisions to be taken and in achieving their active participation in the General Meetings.

The regulations were approved by the Ordinary General Meeting held on 14 April 2004.

In addition, mention must be made of the fact that in the General Meeting of Shareholders of 16 May 2007, in order to enable the participation of all the Company's shareholders, the possibility of voting on the website at www.gasnatural.com was introduced for the first time in the section on the General Meeting of Shareholders, creating a specific area called electronic vote, with clear and simple instructions for voting on each matter on the agenda of the Ordinary General Meeting of Shareholders.

From the date of publication of the announcement of the General Meeting, the Company shall place on its website all the proposals for decisions formulated by the Board of Directors in respect to the items on the agenda, unless since the proposals are not legally or statutorily required to be made available to the shareholders from the date of the meeting announcement, the Board deems that there is a justifiable reason for not doing so.

In addition, from the date of the announcement of the meeting, any other information which is considered appropriate for facilitating the attendance of the shareholders at the Meeting and their active participation therein shall be published on the Company website including:

- (I) Information on the meeting venue, indicating, where applicable, access to the room designated for this purpose.
- (II) Sample of an attendance card and the document for vote delegation indicating the procedure for obtaining the originals.
- (III) A description of the delegation or electronic voting systems which may be used.
- (IV) Information, where applicable, on the systems and procedures which facilitate monitoring of the Meeting (simultaneous translation or diffusion via audiovisual media).

Likewise, shareholders may, prior to the General Meeting, request in writing from the Board of Directors any reports or clarifications they deem appropriate regarding matters included in the agenda. The Board of Directors, except in specific cases (detrimental to Company interests, matters not included in the agenda or irrelevant information) is obliged to provide that information.

When the meeting is held, the Chairman shall invite the shareholders who wish to intervene to identify themselves to the Meeting Secretary. Having given the reports that the Chair deems appropriate, and prior to voting having addressed all the items in the agenda, the shareholders may take the floor. During this part of the meeting, shareholders may verbally request any reports or clarifications deemed appropriate regarding items in the agenda. The Administrators of the Company, except in the cases mentioned in the previous paragraph, are obliged to provide the information requested. This information shall be provided by the Chairman or, where applicable, as he/she indicates, by the Chairman of the Audit and Control Committee, or any other Board Committee competent in the matter in question, the Secretary, an Administrator, or if advisable, any employee or expert in the matter in hand.

E.5. Indicate whether the position of Chairman of the General Meeting coincides with that of Chairman of the Board of Directors. Indicate, where applicable, the measures adopted to encourage independence and effective operation of the General Meeting:

Yes

Details of measures

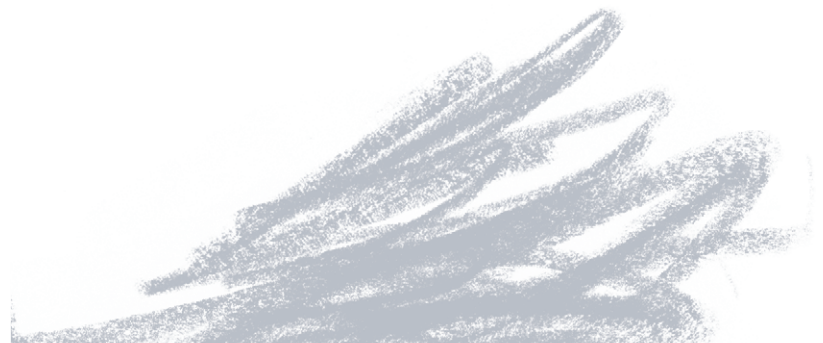
The General Meeting Regulations, which contain full details of the measures for ensuring independence and effective operation of the meeting, may be consulted on the Company website.

The most significant measures adopted are as follows:

- The General Meeting may be attended by those shareholders who either individually or in a group with others hold a minimum of 100 shares provided that they are recorded in the corresponding accounting register five days prior to the meeting, and that they possess as indicated in the meeting announcement, the corresponding attendance card attesting to compliance with the aforementioned requirements, which shall be issued in the name of the entities to whom it legally corresponds.
 - As a general rule, the media shall be permitted access to the Meeting in order to subsequently make public the progress of the meeting and the decisions taken therein.
 - In addition, a video of the meeting shall be made available for subsequent dissemination.
 - In order to ensure the security of those attending and the good order and progress of the General Meeting, sufficient surveillance, protective measures as well as access control shall be available.
 - As a general rule, the necessary requirements for simultaneous translation of the speakers at the meeting shall be made available.
 - Prior to the Meeting and following publication of the call to meeting, the shareholders that represent the least 5% of the share capital may request that a complement to the call to meeting be published, including one or more points of the agenda. The exercise of this right must be carried out through notification requiring acknowledgement of receipt received at the Company's registered office within five days following publication of the call to Meeting.
 - Shareholders have the right to intervene in the General Meeting and to request the information and clarifications they deem appropriate, and the Chairman of the Meeting in the exercise of his/her powers and without prejudice to any other actions may:
 - (I) Request that speakers clarify questions which have not been understood or which have not been sufficiently explained.
 - (II) Call the other shareholders to order so that they confine their comments to matters relating to the Meeting and refrain from making inappropriate statements or exercising their rights in an abusive or obstructive manner.
 - (III) Announce to those wishing to speak that the time allotted to them is coming to an end and that they should adjust their speech accordingly, and if they persist in the conduct described in the preceding paragraph, their right to speak shall be withdrawn; and
 - (IV) If it is considered that their contribution disrupts or may disrupt the normal course of the meeting, they may be required to leave the premises and, where applicable, the necessary measures may be taken to ensure that they are ejected.
 - Mention must be made of the fact that, without prejudice to the possibility of presenting a complement to the call in accordance with Article 97 of the LSA and proposals for agreements in accordance with Article 100 of the LSA, prior to the announcement of the General Meeting, when the floor is open to speakers, the shareholders may formulate proposals for decisions to the General Meeting on matters in the agenda which do not legally need to be made available to the shareholders when the meeting is announced, and on those issues on which the Meeting may deliberate without their being included in the agenda.
-

E.6. Indicate, where applicable, the amendments made during the financial year to the General Meeting Regulations.

The Regulations of the General Meeting of Shareholders were not modified in 2008.



E.7. Indicate the attendance data of the General Meetings held during the financial year to which this report refers:

Attendance data

Date of General Meeting	% physical presence	% represented	% remote voting		Total
			Electronic vote	Others	
21/05/2008	69.400	16.100	–	–	85.500

E.8. Indicate briefly any decisions taken in the General Meetings held during the financial year to which this report refers, and the percentage of votes in the case of each decision.

During 2008, Gas Natural SDG, S.A. held an Ordinary General Meeting on 21 May 2008. The decisions adopted and the percentage of votes accorded to each are indicated below, as well as the share capital present and represented.

Ordinary General Meeting of Gas Natural SDG, S.A.

One.- Analysis and approval, where applicable, of the Annual Accounts (Annual Report, Balance Sheet and Profit and Loss Account) of the Management Report, for Gas Natural SDG, S.A. pertaining to the year ended on 31 December 2007.

Votes against: 0.004%.

Abstentions: 1.193%.

Votes in favour: 98.803%.

Two.- Analysis and approval, where applicable, of the Consolidated Annual Accounts (Balance Sheet and Profit and Loss Account, recognised Income and Expenses Statement, Cash Flow Statement and Report) and Management Report, for the Consolidated Group of Gas Natural SDG, S.A. pertaining to the year ended on 31 December 2007.

Votes against: 0.004%.

Abstentions: 1.193%.

Votes in favour: 98.803%.

Three.- Examination and approval, where applicable, of the proposed application of the results of the 2007 financial year and share-out of dividends.

Votes against: 0.000%.

Abstentions: 0.0002%.

Votes in favour: 99.9998%.

Four.- Examination and approval, where applicable, of the Board of Directors' actions during the 2007 financial year.

Votes against: 0.011%.

Abstentions: 0.044%.

Votes in favour: 99.945%.

Five.- Authorisation to the Board of Directors for the derivative acquisition of own shares, either directly or through owned companies, in the terms agreed by the General Meeting and with the legally established restrictions, thus cancelling the authorisation agreed by the Ordinary General Meeting of 16 May 2007.

Votes against: 0.003%.

Abstentions: 0.036%.

Votes in favour: 99.961%.

Six.- Amendments to the Articles of Association.

6.1.- Amendment of Article 2 on the corporate purpose.

Votes against: 0.004%.

Abstentions: 0.038%.

Votes in favour: 99.958%.

6.2.- Amendment of Article 51 bis on the rules for the operation of the Auditing Committee, as well as the introduction of a new Article 51 ter on the Appointments and Remunerations Committee.

Votes against: 0.004%.

Abstentions: 0.038%.

Votes in favour: 99.958%.

6.3.- Amendment of Articles 55 and 56 on the Annual Accounts for adaptation to Law 16/2007, dated 4 July, on the reform and adaptation of mercantile legislation governing accounts for the international harmonisation thereof in accordance with European Union legislation.

Votes against: 0.004%.

Abstentions: 0.038%.

Votes in favour: 99.958%.

6.4.- Amendment of Article 59 on the appointment of auditors.

Votes against: 0.004%.

Abstentions: 0.038%.

Votes in favour: 99.958%.

6.5.- Deletion of Article 67 on the resolution of conflicts.

Votes against: 0.004%.

Abstentions: 0.044%.

Votes in favour: 99.952%.

Seven.- Ratification, appointment or re-election of members of the Board of Directors.

7.1.- Ratification and, where applicable, appointment of Demetrio Carceller Arce.

Votes against: 0.370%.

Abstentions: 0.038%.

Votes in favour: 99.592%.

7.2.- Ratification and, where applicable, appointment of Enrique Locutura Rupérez.

Votes against: 0.370%.

Abstentions: 0.038%.

Votes in favour: 99.,592%.

7.3.- Ratification and, where applicable, appointment of Francisco Reynés Massanet.

Votes against: 0.382%.

Abstentions: 0.038%.

Votes in favour: 99.58%.

7.4.- Ratification and, where applicable, appointment of Juan María Nín Génova.

Votes against: 0.370%.

Abstentions: 0.038%.

Votes in favour: 99.592%.

7.5.- Re-election and, where applicable, appointment of Rafael Villaseca Marco.

Votes against: 0.234%.

Abstentions: 0.038%.

Votes in favour: 99.728%.



7.6.- Re-election and, where applicable, appointment of Santiago Cobo Cobo.

Votes against: 0.004%.

Abstentions: 0.037%.

Votes in favour: 99.959%.

7.7.- Re-election and, where applicable, appointment of Carlos Kinder Espinosa.

Votes against: 0.378%.

Abstentions: 0.038%.

Votes in favour: 99.584%.

7.8.- Re-election and, where applicable, appointment of Carlos Losada Marrodán.

Votes against: 0.004%.

Abstentions: 0.037%.

Votes in favour: 99.959%.

7.9.- Re-election and, where applicable, appointment of Fernando Ramírez Mazarredo.

Votes against: 0.487%.

Abstentions: 0.048%.

Votes in favour: 99.465%.

7.10.- Re-election and, where applicable, appointment of Miguel Valls Maseda.

Votes against: 0.004%.

Abstentions: 0.037%.

Votes in favour: 99.959%.

7.11.- Re-election and, where applicable, appointment of Jaime Vega de Seoane Azpilicueta.

Votes against: 0.047%.

Abstentions: 0.037%.

Votes in favour: 99.916%.

Eight.- Re-election of the accounts auditors of the Company and its Consolidated Group for the year 2008.

Votes against: 0.005%.

Abstentions: 0.058%.

Votes in favour: 99.937%.

Nine.- Delegation of powers of attorney to supplement, develop, execute, remedy and formalise the decisions taken by the General Meeting.

Votes against: 0.0000%.

Abstentions: 0.0007%.

Votes in favour: 99.9993%.

E.9. Indicate whether or not there is a statutory restriction to the minimum number of shares required to attend the General Meeting:

Yes

E.10. Indicate and justify the Company's policies with regard to delegation of votes at the General Meeting

In accordance with the terms of Article 34 of the Articles of Association and Article 8 of the General Meeting Regulations, each shareholder with the right to vote in the General Meeting may be represented by an agent provided that this person as a Company shareholder is part of the Meeting.

The representation should be stated in writing which includes any representation granted by any means of remote communication which duly guarantees the identity of the person.

Natural persons who are shareholders and who are not in full possession of their civil rights and legal persons who are shareholders may be represented by duly accredited legal agents

Representation which cannot be demonstrated according to law shall not be deemed valid or effective.

Representation may be revoked at any time.

Personal attendance at the General Meeting of the person represented may be revoked.

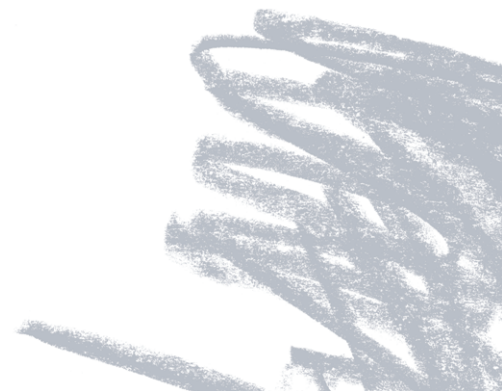
When the Administrators of the Company represent any shareholder, the document authorising that delegation should contain the agenda of the Meeting as well as instructions for exercising the right to vote. If there are no such instructions, a favourable vote shall be assumed in respect of the proposals of the Board of Directors.

E.11. Indicate whether the Company is aware of the institutional investors' policy of participating or not in the Company decisions:

No

E.12. Indicate the address and means of access to corporate governance information on the website.

All the information required pursuant to Article 117 of the Securities Market Act, Law 26/2003, of 17 July, and Order ECO/3722/2003 and Circular 4/2007 of 27 December of the National Securities Market Commission (CNMV) may be found on the website www.gasnatural.com. The Corporate Governance information can be accessed through the section Information for Shareholders and Investors



F. Degree of Compliance with Corporate Governance Recommendations

Indicate the Company's degree of compliance with the recommendations given in the Unified Code of Good Governance.

In the event of failure to comply with any such recommendations, explain the recommendation, standards, practices or criteria in question applied by the Company.

1. The Articles of Association of listed companies should not limit the maximum number of votes that can be issued by the same shareholder or contain other restrictions that prevent the Company from being taken over through the purchase of its shares on the market.

See epigraphs: A.9, B.1.22, B.1.23 and E.1, E.2

Complies

2. When the parent company and the subsidiary are listed, they must both publicly define the following in detail:

- a) **The respective areas of activity and possible business relationships between them, as well as those of the dependent listed company with the remaining group companies;**
- b) **The mechanisms in place to solve possible conflicts of interest that may occur.**

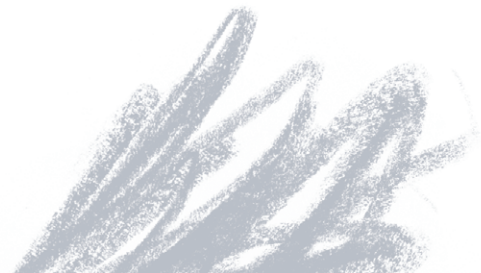
See epigraphs: C.4 and C.7.

Not applicable

3. Although it is not expressly required in mercantile legislation, they should submit the transactions that involve a modification to the Company's structure for approval by the General Meeting of Shareholders, especially the following:

- a) **The transformation of listed companies into holding companies through the creation of subsidiaries or the incorporation of essential activities into dependent enterprises that hitherto had been carried out by the company itself, even though this party holds full domain over the former;**
- b) **The acquisition or disposal of essential operating assets, when this involves an effective modification of the corporate purpose;**
- c) **Operations that have the same affect as liquidation of the Company.**

Complies



4. The detailed proposals of the agreements to be adopted by the General Meeting of Shareholders, including the information referred to in Recommendation 28, should be published with the publication of the announcement of the call to the meeting.

Complies

5. In the General Meeting of Shareholders, the matters that are substantially independent must be voted separately so that shareholders can exercise their voting preferences separately. And the said rule should be applied, in particular:

- a) To the appointment or ratification of Directors, which must be voted on separately;
- b) In the event of amendments to the Articles of Association, to each Article or group of Articles that are substantially independent.

See epigraph: E.8

Complies

6. The companies should allow the division of the vote so that the financial brokers legitimated as shareholders but acting on behalf of different customers can issue their votes in accordance with the instructions given by the said customers.

See epigraph: E.4.

Complies

7. The Board should carry out its functions on the basis of a unified purpose and independence, giving the same treatment to all the shareholders and following the Company's interest, understood as maximising the Company's economic value in a sustained manner.

It should also ensure that, in its relations with the stakeholders, the company observes legislation and regulations; fulfils its duties and contracts in good faith; observes the uses and good practices of the sectors and territories in which it operates; and observes the additional principles of social responsibility it has voluntarily accepted.

Complies

8. As the core of its mission, the Board should adopt the Company's strategy and the organisation required for its implementation, as well as supervising and controlling the management's fulfilment of targets and observance of the Company's corporate interest and purpose. Accordingly, in its plenary session, the Board reserves the competency for adopting the following:

a) The general policies and strategies of the Company, and more specifically:

- I) The Strategic or Business Plan, as well as the management aims and annual budgets;**
- II) The investment and finance policy;**
- III) The definition of the group companies structure;**
- IV) The corporate governance policy;**
- V) The corporate social responsibility policy;**
- VI) The remuneration policies and assessment of performance of senior management;**
- VII) The policy for control and management of risks, as well as periodic monitoring of the internal information and control systems;**
- VIII) The dividend policy, as well as the treasury stock policy, with special focus on their limits.**

See epigraphs: B.1.10, B.1.13, B.1.14 and D.3.

b) The following decisions:

- I) At the proposal of the chief executive of the Company, the appointment and possible resignation of senior executives, as well as their compensation clauses.**
See epigraph: B.1.14.
- II) The remuneration of Directors, as well as, in the case of executives, the additional remuneration through their executive duties and other conditions that their contracts must include.**
See epigraph: B.1.14.
- III) The financial information that must be published periodically, given its status as a listed company.**
- IV) All kinds of investment or operations which, due to the amount or special characteristics, are of a strategic nature, unless approval falls to the General Meeting;**
- V) The creation or acquisition of shareholdings in special purpose enterprises or enterprises with registered offices in countries or territories considered as tax havens, as well as any other transactions or operations of a similar nature which, due to their complexity, could hamper the Group's transparency.**

c) The operations that the Company carries out with Directors, with major shareholders or shareholders represented on the Board, or with related parties ("related-party transactions").

However, this authorisation by the Board should not be considered necessary for the related-party transactions that meet the following three conditions:

- 1. They are carried out by virtue of contracts whose terms and conditions are standardised and applied generally to many customers;**
- 2. They are carried out at prices or rates generally established by the person acting as the supplier of the good or service in question;**
- 3. Their amount does not exceed 1% of the Company's annual revenue.**

It is recommended that the Board should approve the associated transactions after a favourable report has been issued by the Audit Committee or, where applicable, any other party to which that function has been commissioned; and, besides not exercising or delegating their right to vote, the members of the Board who are affected should leave the meeting room while the Board deliberates and votes on the matter.

It is recommended that it should not be possible to delegate the competencies attributed to the Board here, except for those mentioned in paragraphs b) and c), which may be adopted in emergencies by the Executive Committee and subsequently ratified by the Board in its plenary session.

See epigraphs: C.1 and C.6.

Complies partially

The degree of fulfilment is very high as a result of the following:

In accordance with Article 4 of the Regulations of the Board of Directors:

“1.- The Board of Directors is responsible for carrying out whatsoever action that may be necessary for the fulfilment of the corporate purpose laid down in the Articles of Association. At any given time, the criterion governing the actions taken by the Board of Directors is the sustained maximisation of the Company's value. In particular, it shall be competent for the following:

- Determining the Company's strategic orientation and financial objectives and agreeing, at the proposal of senior management, the appropriate measures for their achievement.
- Supervising and verifying that the members of senior management comply with the strategy and meet the targets set and observe the corporate purpose and interest.
- Ensuring the Company's future viability and its competitiveness, as well as the existence of appropriate leadership and management, where the Company's activity is expressly submitted to its control.
- Adopting the Company's codes of conduct and exercising the powers laid down in Article 5 of these regulations.

When carrying out its functions, the Board of Directors shall establish all the supervision systems required to guarantee the control of its members' decisions, in accordance with its corporate interest and the interests of the minority shareholders.

2.- The Board of Directors shall be responsible for whatsoever management, representation and control activities necessary or appropriate for achieving the corporate purpose as laid down in the Articles of Association. It shall respond for this obligation to the General Meeting. The bestowing of powers in favour of one or more members of the Board does not deprive the latter of the organic competency laid down in the Spanish Companies Act and Articles of Association.

3.- The Board of Directors is authorised, within the legal and statutory limits or those expressly laid down in these regulations, for the following:

- Appointing one or more Directors, in the case of vacancies, by means of the cooptation system until the first General Meeting is held.
- Accepting Directors' resignations, where applicable.
- Appointing and dismissing the Chairman, Deputy Chairman, Chief Executive Officers, Secretary and Assistant Secretary of the Board of Directors.
- Delegating functions to any of its members under the terms and conditions laid down in law and the Articles of Association, as well as their revocation.
- Appointing the Directors to the various Committees laid down in these regulations and revoking their mandates.
- Preparing the annual accounts and the Management Report.
- Presenting the reports and agreement proposals which, in accordance with the provisions laid down in law and the Articles of Association, are to be prepared by the Board of Directors to be heard and adopted, where applicable, by the General Meeting, including the Annual Corporate Governance Report.
- Establishing the Company's economic targets and adopting, when so proposed by senior management, the strategies, plans and policies aimed at achieving the said targets, where the fulfilment of the said activities is subject to its control.

- Adopting the acquisitions and transfers of the Company's assets or those of its subsidiary companies which, as a result of whatsoever circumstance, are of particular significance.
- Establishing its own organisation and operation, and as well as that of the Company's senior management, and, in particular, modifying these regulations.
- Exercising the powers awarded to the Board of Directors by the General Meeting, which may only be delegated if so laid down expressly by agreement of the General Meeting, as well as the other powers bestowed by virtue of these regulations.

4.- The Board of Directors is also the Company's organic representative under the legal terms and conditions laid down in the Articles of Association. The delegation or bestowing of such a power of representation in favour of one or more Directors implies an obligation for the latter to notify the Board of whatsoever documents they sign in the exercise of the said power and which go beyond ordinary administrative requirements.

5.- The Board of Directors shall regularly assess its own operations and that of its Committees.

Similarly, Article 5 of the said regulations on the powers reserved expressly for the Board of Directors lays down the following:

"Notwithstanding the powers of representation and execution awarded by the Articles of Association to the Chairman and the Chief Executive Officers, as well as the effects of the powers or delegations bestowed to third parties directly by the Company, with regard to the legal independence of the governing bodies of the companies in the Group, a prior decision by the Board of Directors of Gas Natural, S.A. shall be required in the following cases:

- 1.- Presentation to the Ordinary General Meeting of the Annual Accounts and the Management Report of Gas Natural SDG, S.A. and the consolidated accounts, as well as any other proposals legally required of the Administrators of the Company.
- 2.- Adoption of the Group's Strategic Plan, the Annual Budgets, the Annual Financial Plan and the investments and finance policy.
- 3.- Definition of the capital ownership structure and the structure for delegations and powers.
- 4.- Adoption of the corporate governance and corporate social responsibility policies.
- 5.- The incorporation of new companies or entities, or participation in already existing companies when this presupposes an investment exceeding ten million euros of a stable nature for the Gas Natural Group, or is removed from the main Company activity.
- 6.- Adoption of merger, absorption, spin-off, concentration and dissolution transactions with or without liquidation, in which any of the companies in the Gas Natural Group is involved and which are relevant for the said Group. Whatever the case, the transactions involving companies with shareholders external to the Gas Natural Group shall be understood as transactions of relevance.
- 7.- Transfer of shares in the capital of companies or other fixed assets by any Company in the Gas Natural Group which, owing to their quantum or nature, are relevant for the said Group. Whatever the case, the transactions involving quanta of more than ten million euros shall be understood as relevant.
- 8.- Adoption of investment projects to be carried out by any Company in the Gas Natural Group which, owing to their quantum or nature, are relevant for the said Group. Whatever the case, the transactions involving quanta of more than fifteen million euros shall be understood as relevant.
- 9.- Adoption of programmes for the issue and renewal of serial commercial papers, debentures or similar securities by Gas Natural, S.A. or its major investee or controlled holdings.
- 10.- Adoption of financial transactions to be carried out by any Company in the Gas Natural Group which, owing to their quantum or nature, are of relevance for the said Group and are not included in the Annual Financial Plan. Whatever the case, whatsoever positioning of surpluses for a term of more than one year or financing at any term for quanta of over ten million euros shall be considered relevant.

- 11.- Awarding of guarantees by companies belonging to the Gas Natural Group to guarantee the obligations of entities that do not belong to the said Group or which, belonging to the said Group, have external shareholders.
- 12.- Transfer of rights over the trade name and brands as well as patents, technology and any other type of industrial property belonging to Gas Natural SDG, S.A. or Group companies, and which have financial relevance.
- 13.- Adoption or ratification of the appointment and dismissal of members of senior management and the administrators of the various companies in the Gas Natural Group.
- 14.- Adoption of the appointment and dismissal of the patrons and posts held in the Gas natural Foundation, of the individual representatives of Gas Natural SDG, S.A. in the cases in which the said Company holds the post of administrator in another company, and administrators of part-owned companies that do not belong to the Gas Natural Group when the Company has the power for proposing the said appointment.
- 15.- Creation, investment and supervision of the management of personnel pension plans and any other undertakings involving personnel which imply long-term financial liabilities for the Company.
- 16.- The signing of commercial, industrial or financial agreements of relevant or strategic importance for the Gas Natural Group that represent a modification, change or review of the current strategic Plan or Annual Budget.
- 17.- Approval of any Company transaction with a significant shareholder pursuant to the terms of Article 19.
- 18.- Adoption of the financial information that corresponds according to legislation.
- 19.- Adoption of the risk management and control policy and regular monitoring of the indicators and internal control systems.
- 20.- Adoption of the policy on dividends and treasury stocks.

The agreements laid down in paragraphs five to eight, ten to thirteen and sixteen can be adopted without distinction by the Board of Directors or the Executive Committee.

The Chairman, the Chief Executive Officer(s) or the Secretary shall execute the decisions taken by the Board of Directors pursuant to this Article and shall notify the authorisation or approval in the appropriate manner, or shall issue instructions to act as required”.

Consequently, there are certain competencies which, owing to urgency, effectiveness and operability, have been awarded without distinction to the Board of Directors and to the Executive Committee.

9. The Board should have the necessary size for effective, participatory operation, which means that it should not have fewer than five or more than 15 members.

See epigraph: B.1.1.

Explain

At present, the Board of Directors of Gas Natural SDG, S.A., within the minimum number of ten members and a maximum of 20 members laid down in Article 41 of the Articles of Association, by virtue of the agreement adopted by the General Meeting of Shareholders held on 23 June 2003, comprises 17 members. The said number exceeds by two that of Recommendation 9 of the Unified Code of Good Governance; however, the Company understands that the current size of the Board is appropriate and necessary for the correct management and supervision of the Company, where the said number does not prevent, limit or restrict in whatsoever way the effective and participatory operation of the said governing body.

10. The External Proprietary and Independent Directors should represent a broad majority of the Board and the number of Executive Directors should be the required minimum, taking into account the complexity of the corporate group and the percentage of participation of the Executive Directors in the Company's capital.

See epigraphs: A.2 , A.3, B.1.3 and B.1.14.

Complies

11. If there is an External Director who cannot be considered as either a Proprietary or Independent, the Company should explain the said circumstance and his/her association either with the Company or its executives, as well as with its shareholders.

See epigraphs: B.1.3.

Not applicable

12. Among the external Directors, the ratio between the number of Proprietary Directors and the Independent Directors should reflect the proportion between the Company's share capital represented by the Proprietary Directors and the rest of the share capital.

This criterion of strict proportionality could be reduced as the weight of the Proprietary Directors is greater than that which would correspond to the total percentage of the share capital they represent:

- 1° In companies with high capitalisation in which the shareholdings legally considered as majority are very few or non-existent, but there are shareholders with stock that has an absolute high value.
- 2° When these are companies that do not have a plurality of shareholders represented on the Board, and there are no related-parties between the shareholders.

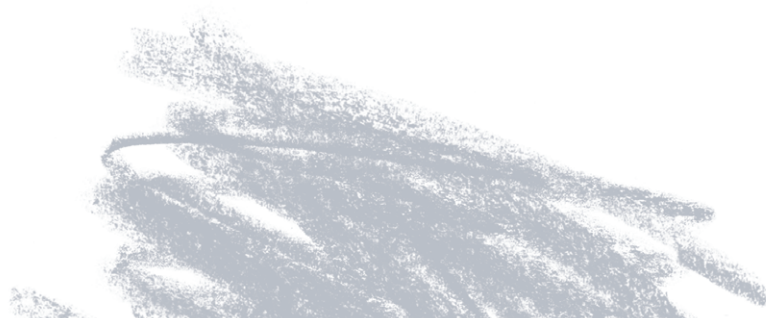
See epigraphs: B.1.3, A.2 and A.3.

Complies

13. The number of Independent Directors should represent at least one third of the total number of Directors.

See epigraphs: B.1.3.

Complies



14. The character of each Director must be declared by the Board before the General Meeting of Shareholders, which shall effect or ratify their appointment, an appointment that shall be confirmed or reviewed annually, as appropriate, in the Annual Corporate Governance Report, with prior confirmation by the Appointments Committee. The said report should also explain the reasons why Proprietary Directors have been appointed at the request of shareholders whose holding is less than 5% of the share capital; and reasons should be given for the rejection, where applicable, of formal requests for presence on the Board from shareholders whose holding is equal to or higher than that of others at whose request Proprietary Directors have been appointed.

See epigraphs: B.1.3 and B.1.4.

Complies

15. That when the number of female Directors is very low or non-existent, the Board explains the reasons and the initiatives adopted to correct this situation; and that, more specifically, the Appointments Committee ensures that when new seats on the Board are available:

- a) The selection procedures are not affected by an implicit bias that prevents female Directors from being selected;
- b) The company purposefully seeks women that satisfy the professional profile, including among potential candidates.

See epigraphs: B.1.2, B.1.27 and B.2.3.

Complies partially

Article 31 of the regulations for the organisation and operation of the Board of Directors and its Committees lays down that the Appointments and Remuneration Committee shall review the necessary aptitudes in the candidates that are to cover each vacancy, the fulfilment of the requirements for each category of Director and the process for incorporating new members, raising the corresponding reports to the Board as required. For covering new vacancies, selection processes shall be guaranteed that are not subject to implicit bias that prevents the selection of female Directors, including, under the same conditions and among potential candidates, women who meet the professional profile being sought.

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.

16. That the Chairman, as the person responsible for the effective performance of the Board, ensures that the Directors receive sufficient information beforehand; stimulates the debate and active participation of Directors during the Board sessions, safeguarding their right to take their own position and express their own opinion; and organises and coordinates the periodic assessment of the Board together with the chairmen of the relevant Committees as well as, if appropriate, that of the Managing Director or chief executive.

See epigraph: B.1 42.

Complies

17. When the Chairman of the Board is also the Company's chief executive, one of the Independent Directors should be empowered to request the call to meeting of the Board or the inclusion of new matters on the agenda; coordinate and echo the concerns of the External Directors; and direct the Board's assessment of its Chairman.

See epigraph: B.1.21.

Not applicable

18. The Secretary of the Board should make particularly sure that the Board's actions:

- a) Comply with the content and spirit of the laws and their regulations, including those approved by the regulating bodies;
- b) Are in accordance with the Articles of Association of the company and with the Meeting Rules and Regulations, those of the Board and any others that the Company has;
- c) Take into consideration recommendations concerning good governance set forth in this Unified Code which the Company has accepted.

And, in order to safeguard the Secretary's independence, impartiality and professionalism, his/her appointment and dismissal must be reported by the Appointments Committee and approved by the Board in its plenary session; and the said appointment and dismissal procedure must be laid down in the Board Regulations.

See epigraph: B.1.34.

Complies

19. The Board should meet as regularly as necessary to carry out its functions effectively, following the schedule of dates and business laid down at the beginning of the year, where each Director may propose other business for the agenda not considered initially.

See epigraph: B.1.29.

Complies

20. The non-attendance of the Directors should be reduced to essential cases and quantified in the Annual Corporate Governance Report. And if representation is essential, it must be designated with instructions.

See epigraphs: B.1.28 and B.1.30.

Complies

21. When the Directors or the Secretary express concern for any proposal or, in the case of the Directors, for the Company's progress and the said concern is not resolved by the Board, it should be recorded in the minutes of the meeting at the request of the person expressing the said concern.

Complies

22. In its plenary session, the Board should assess the following once a year:

- a) The quality and effectiveness of the Board's performance;
- b) Based on the report prepared by the Appointments Committee, the performance of the Chairman of the Board and the chief executive of the Company;
- c) The operation of its Committees, based on the report prepared by these.

See epigraph: B.1.19.

Complies

23. All the Directors should be able to exercise the right to gather the additional information they consider necessary on business that falls within the competency of the Board. And, unless the Articles of Association or the Regulations of the Board lay down otherwise, they should address their requirement to the Chairman or Secretary of the Board.

See epigraph: B.1.42.

Complies

24. All the Directors have the right to obtain the advice they need for the fulfilment of their functions from the Company. The Company should lay down the appropriate ways of exercising this right, which, under special circumstances, could include external advisory services on the Company's account.

See epigraph: B.1.41.

Complies

25. The Company should establish a guidance programme to provide new Directors with rapid and sufficient knowledge of the Company, as well as its rules on corporate governance. And that they also offer Directors updated awareness programmes whenever circumstances deem such action advisable.

Complies

26. The Company should require the Directors to devote the time and effort necessary for carrying out their function effectively and, consequently:

- a) That the Directors notify the Appointments Committee of the other professional obligations in case these could interfere with the dedication required;

b) That the companies establish rules on the number of Boards of which their Directors can form part.

See epigraphs: B.1.8, B.1.9 and B.1.17.

Complies partially

Owing to the high level of participation and attendance at the sessions of the governing bodies by the members of the Board, to date the Company has not established any rules on the number of Boards on which the said Directors can sit; however, Article 18 of the Regulations of the Board expressly lays down the duty to non-competition.

Article 18 of the Regulations of the Board states:

“The Directors may not hold, themselves or by means of a representative, posts of whatsoever kind in companies or enterprises that compete with Gas Natural SDG, S.A. or any company in its Group, or provide the same services of representation or consultancy in favour thereof. A company shall be considered as a competitor of Gas Natural SDG, S.A. when, directly or indirectly, or through companies in its Group, it is devoted to any of the activities included in the corporate purpose of Gas Natural SDG, S.A.

The Board of Directors, on the basis of report from the Appointments and Remuneration Committee, may excuse the fulfilment of this obligation when there is justified cause and it does not have a negative effect on the Company’s interests”.

27. The proposal for the appointment or re-election of Directors raised by the Board to the General Meeting of Shareholders, as well as their provisional appointment by co-optation, should be approved by the Board:

- a) At the proposal of the Appointments Committee, in the event of Independent Directors.**
- b) Following a report from the Appointments Committee, in the event of remaining Directors.**

See epigraph: B.1.2.

Complies

28. The companies should publish the following information about their Directors on their website and keep the said information up-to-date:

- a) Professional and biographical profile;**
- b) Other Boards of Directors to which they belong, whether or not these are listed companies;**
- c) An indication of the classification of Director to which they belong, specifying, in the event of Proprietary Directors, the shareholder they represent or with whom they are linked.**
- d) Date of the first appointment as Director of the Company, as well as subsequent appointments; and**
- e) Company shares and stock options of which they are the holder.**

Complies

29. The Independent Directors should not remain as such for a continued term of more than 12 years.

See epigraph: B.1.2.

Complies

30. The Proprietary Directors should present their resignation when the shareholder they represent sells all his/her shares in the Company. They should also present their resignation, in the corresponding number, when the said shareholder lowers his/her shares in the Company to a level that requires a reduction in the number of his /her Proprietary Directors.

See epigraph: A.2, A.3 and B.1.2.

Complies

31. That the Board of Directors does not propose the standing down of any Independent Director prior to compliance with the statutory period for which they were appointed, unless there are good reasons observed by the Board following a report from the Appointments Committee. More specifically, justified reason shall be understood to exist when the Director has breached the duties that are inherent to their post or incurs any of the circumstances described in heading 5 of section 3 of definitions of this Code.

The dismissal of Independent Directors resulting from takeover bids, mergers or other similar corporate transactions that represent a change to the Company's share capital structure could be proposed when the said changes to the structure of the Board are brought about by the criterion of proportionality indicated in Recommendation 12.

See epigraphs: B.1.2, B.1.5 and B.1.26 .

Complies

32. The Company should establish rules that oblige the Directors to report and, where applicable, resign in cases that can damage the Company's reputation and credit and, in particular, oblige them to inform the Board of the criminal cases in which they appear as an accused party, as well as their subsequent procedural events.

If the Director is tried or a sentence is issued against him/her for the commencement of a hearing for any of the crimes laid down in Article 124 of the Spanish Companies Act, the Board should examine the case as soon as possible and, in view of the specific circumstances, decide whether or not it is fitting for the Director to continue in his/her post. The Board should give a reasoned account of all the events in the Annual Corporate Governance Report.

See epigraphs: B.1.43 and B.1.44.

Complies



33. All the Directors should clearly express their opposition when they consider that any proposed decision submitted to the Board may be contrary to the Company's interests. And this should apply especially to the Independent Directors and other Directors not affected by the potential conflict of interest in the case of decisions that may damage the shareholders not represented on the Board.

When the Board adopts significant or reiterated decisions on which the Director has formulated serious reservations, the said Director should draw the corresponding conclusions and, if he/she decides to resign, explain the reasons in the letter referred to in the following Recommendation.

The scope of this Recommendation also includes the Secretary of the Board, even though he/she does not have the status of Director.

Complies

34. When, either due to resignation or any other reason, a Director abandons his/her post before the end of his/her mandate, he/she should explain the reasons in a letter sent to all the members of the Board. And, without prejudice to the said resignation being notified as a relevant event, the reason for the resignation should be accounted for in the Annual Corporate Governance Report.

See epigraph: B.1.5.

Complies partially

The Recommendation does not apply to the Proprietary Directors or Executive Directors insofar as they access the Board in a different manner from the Independent Directors. The former are appointed by means of a proposal put forward by a holder of significant stable shares in the Company's share capital; the latter access the Board of Directors by virtue of their executive skills or senior management functions and the Independent Directors are appointed by virtue of their personal and professional conditions, since they exercise their functions without being conditioned by relations with the Company, its majority shareholders or executives. Accordingly, only these Directors are asked to explain the reasons for their resignation to the other Directors when, for whatsoever reason, they leave their post before the completion of their mandate.

35. The remuneration policy approved by the Board should indicate at least the following:

- a) **Amount of the fixed elements, with a breakdown if applicable of the allowances for participation on the Board and its Committees and an estimate of the annual fixed remuneration to which they are entitled;**
- b) **Variable payment, specifically including:**
 - I) **Classification of Directors that apply, as well as an explanation of the relative importance of the variable items with regard to the fixed items.**
 - II) **Criteria for assessing results on which any rights to payment through shares, stock options or any variable component are based;**
 - III) **Fundamental parameters and basis of any annual premium system (bonus) or other benefits not paid in cash; and**
 - IV) **An estimate of the total amount of variable payments to which the proposed remuneration plan shall lead, in accordance with the degree of compliance with the targets or hypotheses on which it is based.**

c) **Key features of the complementary pensions, life-assurance policies and similar, with an estimate of the annual equivalent amount or cost.**

d) **Conditions that must be included in the contracts of senior management such as Executive Directors:**

I) **Duration;**

II) **Periods of notice; and**

III) **Any other clauses concerning joining bonuses, as well as compensation or golden parachute clauses through early termination or termination of the contractual relationship between the company and the executive Director.**

See epigraph: B.1.15.

Complies

36. The remuneration made through shares in the company or companies in the Group, options over shares or instruments referenced to the value of the share, variable remuneration associated with the Company's performance or social security systems should be limited to the Executive Directors.

This Recommendation will not cover the provision of shares when it is conditioned to the Directors maintaining them until their resignation as a Director.

See epigraphs: A.3 and B.1.3.

Complies

37. The remuneration of the External Directors must be the amount necessary for compensating the devotion, qualification and responsibility required by the post; but not so high as to compromise their independence.

Complies

38. The remuneration related to the Company's results should take into account the possible exceptions included in the external auditor's report, which may reduce the said results.

Not applicable

39. In the case of variable remuneration, the remuneration policies should incorporate the necessary technical precautionary measures to ensure that the said remuneration is related to the professional devotion of the beneficiaries and do not result simply from the general evolution of the markets or the Company's activity sector or other similar circumstances.

Complies

40. The Board should submit a report on the Directors' remuneration policy to vote at the General Meeting of Shareholders, as a separate, consultative matter on the agenda. The said report should be made available to the shareholders either separately or in any other way the Company considers appropriate.

The said report should focus particularly on the remuneration policy approved by the Board for the present year, as well as, where applicable, the policies anticipated for future years. It shall include all the matters referred to in Recommendation 35, except for circumstances that may suppose the revelation of sensitive commercial information. It shall underline the most significant changes in the said policies with regard to that applied during the past year to which the General Meeting refers. It shall also include an overall summary of how the remuneration policy was applied during the past year.

The Board should also report on the role played by the salaries committee in the preparation of the remuneration policy and, if external consultancy services are used, on the identity of the external consultants providing the service.

See epigraph: B.1.16.

Explain

Article 44 of the Articles of Association of Gas Natural sdb, s.a. lays down a limit to Directors' remuneration. The aforementioned Article points out that "the remuneration of the Board of Directors shall consist of a maximum of 10% of annual net profit, the sum within this limit being determined in proportion with the number of active Directors.

The said remuneration can be subtracted from net profit only after the legal and statutory reserves have been covered and having paid ordinary shares a dividend of no less than 4% of their face value".

Furthermore, the Report gives details of the individual remuneration of the Directors, including all the information necessary for the shareholders to be fully aware of the Directors' remuneration.

41. The Report should give details of the individual remuneration paid to Directors during the year, and include:

- a) **The individualised breakdown of payment to each Director, which shall include, if appropriate:**
 - I) **The attendance allowances and other fixed remuneration as Director;**
 - II) **Additional payments as chairman or member of any of the Board's Committees;**
 - III) **Any payment as profit share or bonuses, and the reason why these were given;**
 - IV) **Defined contributions to pension schemes in favour of the Director; for the increase of the Director's consolidated rights, when these are contributions to defined payment plans;**
 - V) **Any agreed or paid compensation in the event of termination of their duties;**
 - VI) **Remuneration received as Director of other group companies;**
 - VII) **Payments for the performance of senior management duties carried out by Executive Directors;**
 - VIII) **Any other payment item other than the foregoing, regardless of their nature or the group company that pays them, especially when it is considered as a related-party operation or leaving it out would distort the true image of total payments received by the Director.**

- b) **The individualised breakdown of any shares of stock options given to Directors, or any other instrument pegged to the share value, with a breakdown of:**
 - I) **Number of shares or options granted over the year and the conditions for the exercise of these;**

- II) Number of options exercised over the year with an indication of the number of shares affected and the price;
- III) Number of options pending exercise at the year-end, an indication of their price, date and other requirements to exercise these;
- IV) Any modification over the year of the terms for exercising the options already granted.

c) Information on the ratio, the previous year, between the remuneration obtained by executive Directors and the profits or other performance indicators of the company.

Complies

42. When there is an Executive or Delegated Committee (hereinafter called "Executive Committee"), the participation structure of the various categories of Directors should be similar to that of the Board itself and its Secretary should be the Secretary of the Board.

See epigraphs: B.2.1 and B.2.6.

Complies

43. The Board should always be aware of the matters dealt with and the decisions adopted by the Executive Committee and all the members of the Board should receive a copy of the minutes of the sessions of the Executive Committee.

Explain

The Chairman of the Board, also Chairman of the Executive Committee of the Company, informs the members of the Board of Directors of the matters dealt with in the Committee that are not recurrent, ordinary or usual. In addition, when the Executive Committee, in the full exercise of its competencies, considers that a certain matter submitted to its consideration as a result of its strategic, quantitative or qualitative importance must be reported to the Board of Directors or known thereby, it raises the said matter to the Board for the corresponding decision to be taken.

44. The Board of Directors should constitute not only the Audit Committee required by the Securities Market Act, but also one or two separate committees: the Appointments Committee and the Remuneration Committee.

The rules governing the make-up and operation of the Audit Committee and the Appointments and Remuneration Committee or Committees should be given in the Regulations of the Board and include the following:

- a) That the Board designates the members of these Committees, in accordance with the knowledge, skills and experience of the Directors and the duties of each Committee; deliberate on the proposals and reports; and report on the activity and the work carried out at the first plenary Board meeting following the Committee meetings;
- b) That these Committees are made up exclusively of External Directors, with a minimum of three. The above is understood as without prejudice to the attendance of Executive Directors or senior executives when so agreed expressly by the members of the Committee.
- c) Their Chairmen should be Independent Directors.

- d) That outsourced consultancy can be used whenever deemed necessary for the performance of their duties.**
e) That minutes of their meetings be taken, with a copy sent to all Board members.

See epigraphs: B.2.1 and B.2.3.

Complies partially

The Chairmen and members of the various Committees form part of the Board of Directors and, in turn and in the exercise of their competencies, they make various proposals and submit reports which are then submitted to the Board, which, together with the aim of avoiding the sending of duplicated documentation, is why the minutes of the Committees are not sent.

- 45. That the supervision of compliance with the internal codes of conduct and the rules of corporate governance are attributed to the Audit Committee, to the Appointments Committee or, if these are separate, to the Compliance or Corporate Governance Committee.**

Complies

- 46. The members of the Audit Committee and, in particular, its Chairman should be appointed on the basis of their know-how and experience in bookkeeping, audits and risk management.**

Complies

- 47. The listed companies should have an internal audit function which, under the supervision of the Audit Committee, should monitor the correct functioning of the internal control and information systems.**

Complies

- 48. The person responsible for the internal audit function should present his/her annual work plan to the Audit Committee; he/she should inform it directly of the incidents occurring during its development; and, at the end of each year, submit an activities report.**

Complies

- 49. The risk control and management policies should identify at least:**

- a) The different kinds of risk (operational, technological, financial, legal, those affecting the corporate reputation, etc.) which are faced by the company and which include - as part of the financial or economic risks - contingent liabilities and other off-balance sheet risks;**
b) The setting of the risk level that the company believes is acceptable;
c) The mechanisms to mitigate the impact of the risks identified, in the event that they materialise;

d) Internal control and information systems which shall be used to control and manage the foregoing risks, including the contingent liabilities or off-balance sheet risks.

See epigraph: D.

Complies

50. The Audit Committee should be responsible for the following:

1. In relation to the internal control and information systems:

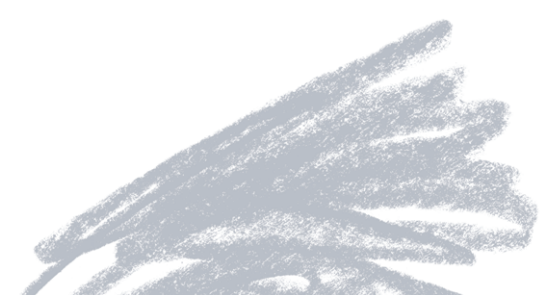
- a) Supervising the preparation and completeness of the financial information concerning the company and, if appropriate, the Group, checking due compliance with the governing regulations, the proper delimitation of the consolidation criteria and the correct application of accounting criteria.
- b) Periodically checking the internal control systems and risk management, to identify, manage and notify the key risks properly.
- c) Ensuring the independence and effectiveness of the internal audit function; proposing the selection, appointment, re-election and dismissal of the person in charge of the internal audit service; forwarding the budget for this service; receiving periodic information on its activities, and verifying that senior management considers the conclusions and recommendations in its reports.
- d) Setting up and supervising a mechanism that enables employees to communicate any irregularities of importance, especially those of a financial and bookkeeping nature, and to do so in a confidential manner.

2. In relation to the external auditor:

- a) Presenting the Board with proposals for selection, appointment, re-election and replacement of the external auditor, as well as their contractual terms.
- b) Receiving regular information from the external auditor on the audit plan and the results of carrying it out, and checking that senior management take its recommendations into account.
- c) Ensuring the independence of the external auditor and, to this end:
 - I) That the company notifies the change of auditor to the CNMV as a relevant event and attaches a declaration on the possible existence of disagreements with the outgoing auditor and, if there are any disagreement, the content thereof.
 - II) That the company and the auditor be seen to respect the current rules governing the provision of services other than audit services, the limits on business concentration of the auditor and, in general, the other norms established to ensure independence of auditors;
 - III) In the case of the resignation of the external auditor, it should examine the circumstances leading to the said resignation.
- d) In the event of groups, to see that the group auditor accepts liability for the audits of the companies that make up the group.

See epigraphs: B.1.35, B.2.2, B.2.3 and D.3.

Complies



51. The Audit Committee should be able to call any of the Company's employee or manager, and also have them appear without the presence of any other executive.

Complies

52. The Audit Committee should report to the Board before the Board adopts the corresponding decisions on the following matters indicated in Recommendation 8:

- a) The financial information that must be published periodically, given its status as a listed company. The Committee should ensure that the intermediate accounts are prepared under the same bookkeeping criteria as the annual accounts and, accordingly, consider the appropriateness of a limited review by the external auditor.
- b) The creation or acquisition of shareholdings in special purpose enterprises or enterprises with registered offices in countries or territories considered as tax havens, as well as any other transactions or operations of a similar nature which, due to their complexity, could hamper the Group's transparency.
- c) The related-party transactions, unless that preliminary report function has been attributed to another of the supervision and control committees.

See epigraphs: B.2.2 and B.2.3.

Complies

53. 53. The Board of Directors should seek to present the accounts to the General Meeting without reservation or exception in the auditors' report and, in whatsoever exceptional case, both the Chairman of the Audit Committee and the auditors should clearly explain to shareholders the content and scope of the said reservations or exceptions.

See epigraph: B.1.38.

Complies

54. Most of the members of the Appointments Committee (or the Appointments and Remuneration Committee, if there is only one Committee) should be Independent Directors.

See epigraph: B.2.1.

Complies

55. Besides the functions indicated in the above recommendations, the following responsibilities should correspond to the Appointments Committee:

- a) Assessing the skills, knowledge and experience required on the Board, subsequently defining the duties and aptitudes required by the candidates to cover each vacancy, and assessing the time and dedication required to correctly perform their duties.
- b) Properly examining and organising the succession of the Chairman and chief executive and, if appropriate, making proposals to the Board to enable the foregoing succession to occur in an organised and well planned manner.

- c) Reporting the appointments and resignations of senior executives proposed to the Board by the chief executive.**
d) Notifying the Board on the gender diversity issues shown in Recommendation 14 of this Code.

See epigraph: B.2.3.

Complies partially

The only matter to be considered under this epigraph would be gender diversity, for which the Appointments and Remuneration Committee is responsible for reviewing the necessary aptitudes in the candidates that are to cover each vacancy, the fulfilment of the requirements for each category of Director and the process for incorporating new members, raising the corresponding reports to the Board as required. For covering new vacancies, selection processes shall be guaranteed that are not subject to implicit bias that prevents the selection of female Directors, including, under the same conditions and among potential candidates, women who meet the professional profile being sought. The said obligation is laid down in Article 31.2 of the Regulations of the Board of Directors.

56. The Appointments Committee should consult the Company's Chairman and chief executive, especially with regard to business concerning the Executive Directors.

And that any Director may request the Appointments Committee to consider potential candidates they consider ideal to cover vacancies.

Complies

57. Besides the functions indicated in the above Recommendations, the following responsibilities should correspond to the Remuneration Committee:

a) Proposing to the Board of Directors:

- I) The remuneration policy for Directors and senior executives;**
- II) Individual remuneration of Executive Directors and the other conditions of their contracts.**
- III) The basic contractual conditions of senior executives.**

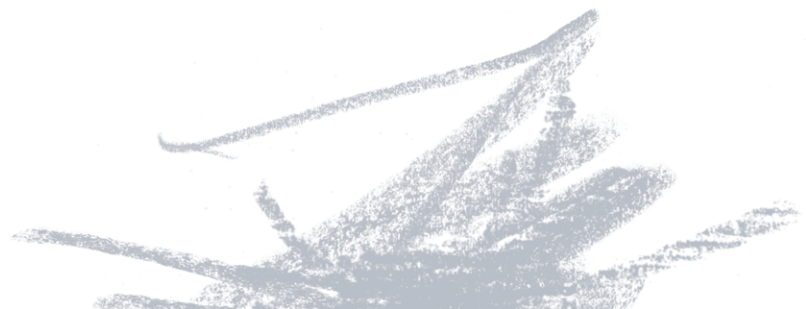
b) To ensure that the remuneration policy established by the Company is duly observed.

See epigraphs: B.1.14 and B.2.3.

Complies

58. The Remuneration Committee should consult the Company's Chairman and chief executive, especially with regard to business concerning the Executive Directors and senior executives.

Complies



G. Other Information of Interest

If you consider that there is any important principle or aspect regarding the corporate governance practices applied by your company, which have not been covered in this report, please explain below.

Clarification of section B.1.10

The Appointments and Remuneration Committee is competent, by virtue of Article 31.2 of the Regulations of the Board of Directors, for proposing the general policy for senior executives of the Gas Natural Group, where the specific execution corresponds to the Chairman and Chief Executive Officer of the Company.

Clarification of section B.1.30

Number 10 in the above table indicates the number of Board meetings not attended by all the members thereof in accordance with the definition given in the final paragraph of this section.

Clarification of section C.2

In 2008 Gas Natural SDG, S.A. paid Holding de Infraestructuras y Servicios Urbanos, S.A. (part-owned by Criteria CaixaCorp, S.A. and Suez Environnement España, S.L.U.) for dividends and other shared-out profits, the amount of €25,677 thousand.

Clarification of sections B.1.15 and F.35

According to Article 22.2 of the Regulations of the Board of Directors, the Board shall define the payment policy for its Directors, determining (i) the amounts corresponding to the fixed components, with a breakdown of those that correspond to the participation in the Board and its Committees and (ii) the variable concepts, where applicable, specifying their relative importance with regard to the fixed components. Except for just cause, remuneration through the delivery of shares, stock options or instruments referenced to the share value shall be limited to Executive Directors.

With regard to section d) of F.35, see B.1.14 and B.1.15.

In this section, you may include any information or clarification with regard to the previous sections of this report to the extent that they are relevant and non-repetitive.

More specifically, indicate whether your company is subject to any corporate governance legislation other than Spanish law, and if so, include any information that is mandatory and different from that requested herein.

Binding definition of Independent Director:

Indicate whether or not any of the Independent Directors has or has had any relationship with the Company, its significant shareholders or executives which, if sufficiently significant or important, would have meant that the Director could not be considered as independent in accordance with the definition laid down in section 5 of the Unified Code of Good Governance;

No

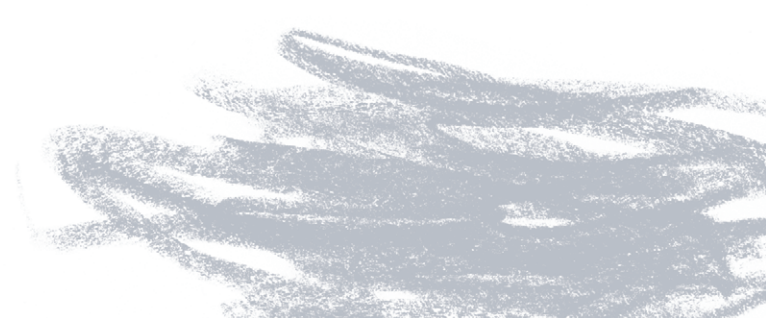
Date and signature:

This Annual Corporate Governance Report has been adopted by the Board of Directors of the Company in its session held on 30 January 2009.

30/01/2009

Indicate whether or not there have been Directors who voted against or abstained from voting on the adoption of this report.

No





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