

2015
Annual Audit
Committee
Report



gasNatural 
fenosa

Done and said

2015
Annual Audit
Committee
Report

In accordance with the Principles of Good Corporate Governance for Listed Companies, the Board of Directors of Gas Natural SDG, S.A., in its meeting of 23 June 2000, approved the regulations for the formation and operation of the Audit and Control Committee of Gas Natural SDG S.A. These were subsequently included in the Articles of Association by agreement of the General Meeting of Shareholders of 23 June 2003, pursuant to the provisions of the Financial System Reform Act, Law 44/2002 of 22 November.

The Board of Directors of the company, in its meeting of 24 March 2004, approved the Organisation and Operation Regulations of the Board of Directors and of its Committees, which provided a complement to the tasks, operation and competence of the Audit and Control Committee as established in the aforementioned Articles of Association. These Regulations were modified and updated by the Board of Directors at its meetings held on 23 February 2007, 18 December 2007, 25 February 2011, 30 September 2011, 30 November 2012 and 27 February 2015. The last change was for the purpose of adapting the Articles of the Regulations to the content of Law 31/2014 of 3 December, amending the Corporate Enterprises Act to improve corporate governance. We should point out that since February 2015 the Audit and Control Committee has been known as the Audit Committee.

In accordance with the foregoing Articles of Association and regulations, the Audit Committee shall comprise a minimum of three and a maximum of five Directors appointed by the Board of Directors from among the Non-executive 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 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. At least one of the committee members will be an Independent Director.

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 (Art. 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 the Board of Directors.

The Committee shall hold meetings whenever necessary in order to issue its reports, and will be convened by its Chairman on his own initiative or upon request of two of its members. At least four meetings per year must be held. The Committee may invite to its meetings any executive or employee it deems appropriate.

On 31 December 2015 the Audit Committee comprised the following Directors appointed by the Board of Directors:

- > Chairman: Mr Ramón Adell Ramón (Independent Director).
- > Board member: Mr Francisco Belill Creixell¹ (Independent Director).
- > Board member: Mr Luis Suárez de Lezo Mantilla (Proprietary Director).

The post of Secretary of the committee is held by Mr Manuel García Cobaleda, Secretary of the Board of Directors of Gas Natural SDG, S.A.

The Audit Committee authorised the internal appointment of the committee spokesperson, Mr Carlos Ayuso Salinas (Director of Internal Audit, Compliance and Internal Control of Gas Natural Fenosa), entrusted with the general tasks of coordination and information.

Pursuant to Article 51 bis of the Articles of Association and Article 32 of the Board Regulations, the Audit Committee has the competences set out in legislation and those that are commissioned by the Board of Directors, whether of a general or specific nature.

¹ Mr Francisco Belill Creixell was appointed Board member of the Audit Committee in the Board Meeting of 14 May 2015.

Article 529 quaterdecies of the Corporate Enterprises Act specifies that the Audit Committee shall have at least the following duties:

- a) **Informing the General Meeting of Shareholders on issues that arise with regard to those matters within the competence of the Committee** and, in particular, with regard to the results of the audit, explaining how this has contributed to the integrity of financial reporting and the function that the committee has carried out in that process.
- b) **Supervising the efficacy of the company's internal control, internal audit and risk management systems, as well as discussing with the external auditor any significant weaknesses of the internal control system detected during the audit. All this must be performed without jeopardising the auditor's independence.** To this end, and where appropriate, recommendations or proposals may be forwarded to the governing body along with the corresponding deadline for follow-up.
- c) **Supervising the process of compiling and submitting the compulsory financial information** and presenting recommendations or proposals to the board of director targeted at safeguarding its integrity.
- d) **Forwarding proposals for selection, appointment, re-election and replacement of the external auditors to the Board of Directors,** taking responsibility for the screening process, pursuant to the provisions set out in Articles 16, sections 2, 3 and 5, and 17.5 of Regulation (EU) 537/2014 of 16 April. Furthermore, setting the contractual conditions for the external auditor and receiving regular information from the external auditor with regard to performance of the audit plan, and guaranteeing the external auditor's independence in the performance of its duties.
- e) **Establishing the appropriate relationships with the external auditor to receive information on those issues that could jeopardise their independence,** to be scrutinised by the Committee, and any others related to the accounts auditing procedure. Furthermore, its functions include the authorisation of services other than those that are banned, under the terms set out in Article 5, section 4, and 6.2.b) of Regulation (EU) 537/2014 of 16 April, and the provisions set out in section 3, chapter IV, heading I, Law 22/2015 of 20 July, on Accounts Auditing, concerning the independence rules, as well as those other communications set out in accounts auditing legislation and audit standards. Under all circumstances, every year the Committee must receive the declaration of the external auditor's independence with regard to the entity or entities directly or indirectly related to the company, as well as detailed and individualised information on additional services of any kind provided and the corresponding fees received by the external auditor or by the persons or entities related to this party, pursuant to the provisions set down in accounts auditing regulations.
- f) **Every year, before issuing the Audit Report, providing a report that gives an opinion on the independence of the external auditors** or audit firm. In any case, this report must contain a reasoned assessment of the provision of each and every one of the additional services referred to above, considered on an individual basis and as a whole, separate from the legal audit and with regard to the independence rules or with regard to accounts auditing regulations.
- g) **Informing the Board of Directors beforehand** with regard to all issues provided for under Law, the Articles of Association and the Board Regulations, and in particular concerning:
 1. **The financial reporting that the company must regularly disclose;**
 2. **The creation or acquisition of shares in entities with special purposes or domiciled in countries or territories that are considered tax havens and**
 3. **Related party transactions.**

Through a resolution of the Board of Directors of 27 November 2015, and pursuant to the 2015 Good Corporate Governance Recommendations from the National Securities Market Commission, the Audit Committee was commissioned with the following duties:

- > **Drawing up the report on the auditor's independence.**
- > **Drawing up the report on performance of the Audit Committee.**
- > **Drawing up the report on related-party transactions.**
- > **Drawing up the report on corporate responsibility policy.**

The four reports referred to above shall be published on the company's website sufficiently prior to the General Meeting of Shareholders.

- > **Ensuring that the Board of Directors seeks to present the annual accounts to the General Meeting of Shareholders without reservation or qualification in the Audit Report** and, in whatsoever exceptional case, both the Chairman of the Audit Committee and the external auditors should clearly explain to shareholders the content and scope of such reservations or qualifications.

> **In relation to the control and reporting systems:**

- **Monitoring the preparation and the integrity of the financial information prepared on the company** and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- **Ensuring independence of the Internal Audit Unit;** approving the work plans and guidelines, making sure that its activities are mainly focused on relevant risks for the company; receiving periodic information on its activities; and verifying that senior management take into consideration the conclusions and recommendations of its reports. **Making proposals to the Chairman of the Board of Directors with regard to the selection, appointment, re-election and removal of the head of internal audit, and proposing the budget for that service. The final decision lies with the Chairman of the Board of Directors.**
- **Establishing and supervising a mechanism that enables employees to communicate any potentially significant irregularities, especially financial or accounting irregularities detected within the company and to do so in a confidential manner and, if considered suitable, anonymous.**

> **In relation to the external auditor:**

- **Examine the circumstances leading to the resignation of the external auditor, if this should happen.**
- **Ensure that the remuneration of the external auditor does not compromise its quality or its independence.**
- **Supervise that the company reports, as a relevant event, any change in the external auditor to the National Securities Market Commission, accompanied by a statement on the possible existence of discrepancies that may have arisen with the outgoing external auditor and, if so, the reasons thereof.**
- **Ensure that the external auditor holds an annual meeting with the full Board of Directors to report on the work carried out and the evolution of the accounting situation and of the company's risks.**
- **Ensure that the company and the external auditor respect current standards regarding non-auditing services, limits on the concentration of the external auditor's business and, in general, the other standards established to guarantee the external auditor's independence.**

- > **Calling any of the company's employees or managers, and also have them appear without the presence of any other executive.**
- > **Analysing and reporting to the Board of Directors with regard to the economic conditions and the accounting impact and, more particularly, where appropriate, on the exchange ratio, with regard to structural and corporate modification operations which, because of their nature or amount, are of particular relevance. Transactions shall be considered to have such relevance when the net value exceeds 25% of the assets shown on the last approved balance sheet of the company.**
- > **With regard to supervision of compliance with the corporate governance rules, the codes of conduct and the corporate responsibility policy:**
 - **The supervision of compliance with the internal codes of conduct and the corporate governance rules of the company.**
 - **The supervision of the communication strategy and relations with shareholders and investors, including the small and medium shareholders.**
 - **Regular assessment of the appropriateness of the company's corporate governance system, to ensure that it complies with its mission of fostering social interest and takes into consideration, as appropriate, the legitimate interests of remaining stakeholders.**

- **The review of the company's corporate responsibility policy, ensuring this is focused on the creation of value.**
- **The monitoring of the corporate responsibility strategy and practices, and assessment of its level of compliance.**
- **The supervision and assessment of relationship processes with different stakeholders.**
- **The assessment of everything concerning non-financial risks of the company, including operational, technological, legal, social, environmental, political and reputational risks.**
- **The coordination of the reporting process on non-financial information and diversity, pursuant to the applicable regulations and the international benchmark standards.**

In addition, the Internal Code of Conduct in issues concerning the Securities Market sets out in Article 7.7 that it is the responsibility of the Internal Audit, Compliance and Internal Control Department to verify compliance by the Economic-Financial Department of the provisions set out in the Code as well as the General Treasury Stock Policy introduced by the Board of Directors. The Internal Audit, Compliance and Internal Control Department reports on this issue to the Committee every year. The General Treasury Stock Policy sets out the recommendations issued by the National Securities Market Commission in July 2013 with regard to the criteria to be followed by listed companies in discretionary operations with treasury stock.

We should also point out that, due to the amendment of the Articles of Association agreed by the General Meeting of Shareholders on 14 May 2015, the Audit Committee became responsible for the analysis and report of related party transactions. This had previously been carried out by the Appointments and Remuneration Committee.

The functions and activities performed by the Audit Committee of Gas Natural SDG, S.A., duly comply with the legal requirements introduced through Law 31/2014 of 3 December, which amends the Corporate Enterprises Act to improve corporate governance.

By the same token, the functions and activities of the Committee duly comply with the Good Corporate Governance recommendations published by the National Securities Market Commission, included in the Unified Code on Good Corporate Governance of listed companies of 19 May 2006, approved on 22 May 2006 (Conthe Code), updated in 2013 and 2015 (Rodriguez Code) and the document published in June 2010 on Internal Control over Financial Reporting (SCIIF) at listed companies.

Law 31/2014 of 3 December, amending the Corporate Enterprises Act to improve corporate governance, was published in the Official State Gazette of 4 December 2014, no. 293. According to the Preliminary Recitals of the aforesaid law, Good Corporate Governance is an essential factor for generating value for companies, improving economic efficiency and enhancing investor confidence. During 2015, to adapt to the new laws, the company has proceeded, in all matters considered to be necessary, to amend its internal rules and regulations (Articles of Association, General Meeting Regulations and the Organisation and Operation Regulations of the Board of Directors and of its Committees).

The sphere of activity of the Audit Committee extends to:

- > Gas Natural SDG, S.A.
- > Companies in which Gas Natural SDG, S.A. holds a majority interest.
- > Other entities and companies for which Gas Natural SDG, S.A. has in some form the effective control or responsibility for management or operation.

During 2015, the activities of the Audit Committee included the study, reporting, support and proposals to the Board of Directors in respect of its monitoring tasks, by means of a periodic supervision of compliance with the procedure for drafting economic and financial information (SCIIF), the Crime Prevention Internal Control Model, the effectiveness of the Internal Control System and Regulations of the company in the other areas (regulations, laws, policies, codes, internal control procedures, etc.), the process of risk identification and assessment, the accounts auditing procedure and independence of the external auditor, compliance with the Code of Ethics, the Regulations of the Board of Directors and of its Committees, the established policies in matters of corporate governance and corporate responsibility, the health, safety and environment policies, the related party transactions and compliance with the General Treasury Stock Policy of the company.

These activities were carried out within the framework of their competence and by means of the information and documentation provided through the Internal Audit, Compliance and Internal Control Area, the external auditor (PricewaterhouseCoopers), the Economic-Financial Area, the Legal Services Area and the Secretary of the Board of Directors. Furthermore, different members of the company's management team attended the committee's meetings over the year.

During the period between 1 January 2015 and 28 January 2016 (the date on which the Audit Committee proposed to the Board of Directors of Gas Natural SDG, S.A. the drawing up of the 2015 Consolidated and Individual Annual Accounts), ten meetings of the Audit Committee were held with the following attendance:

Director's name	Number of meetings
Ramón Adell Ramón	10
Francisco Belill Creixell ¹	6
Luis Suárez de Lezo Montilla	9

The meetings of the Audit Committee held during that period and the matters addressed therein are summarised below:

29 January 2015

Agenda

- > Presentation by the Chief Financial Officer of the financial information as at 31 December 2014.
- > Presentation by the Chief Financial Officer of the 2014 Annual Financial Report that covers the Consolidated and Individual Annual Accounts, the Management Report and the selected financial information, prior to the approval and declaration of responsibility for the content thereof by the Board of Directors, together with the draft version of the External Audit Report.

¹ Mr Francisco Belill Creixell became a member of the Audit Committee on 14 May 2015.

- > Presentation by the external auditor (PricewaterhouseCoopers) of:
 - Final conclusions of the external audit of the 2014 Consolidated and Individual Annual Accounts of the companies of Gas Natural Fenosa.
 - Memorandum sent to the external auditors of Criteria CaixaHolding, S.A.U. and Repsol, S.A. about the final conclusions of the external audit works on the Consolidated Annual Accounts of Gas Natural Fenosa.
 - Limited Review Report on the Internal Control over Financial Reporting 2014 (SCIIF).
- > Proposal to the Board of Directors for disclosure at the General Meeting of Shareholders on the appointment of the external auditors of Gas Natural S.D.G. S.A., subsidiary companies and the consolidated group for the 2015 financial year (Art. 32.2 paragraph 2 of the Regulations of the Board of Directors).
- > Information on contracts undertaken with companies using the PricewaterhouseCoopers name (external auditor).
- > Presentation by the Chief Financial Officer of the group's Tax Situation Report.
- > Presentation by the Director of Internal Audit, Compliance and Internal Control of the 2015 Internal Audit Plan for approval by the Audit Committee.
- > Presentation by the Director of Internal Audit, Compliance and Internal Control of the 2014 Annual Report on the Functions and Activities of the Audit and Control Committee.
- > Committee reports:
 - Report on quality and performance of the Audit and Control Committee in 2014.
 - 2014 Annual Report on the independence of the external auditors (Law 12/2010 of 30 July).
- > Presentation by the Secretary of the Board of:
 - Report on compliance with the Internal Code of Conduct in matters relating to the Securities Market in 2014.
 - Report on compliance of the Regulations of the Board and of its Committees in 2014.
 - 2014 Annual Corporate Governance Report.
- > Miscellaneous:
 - Monitoring of legislation on corporate governance.
 - Others.
- > Approval of the minutes of the meeting.

27 March 2015

Agenda

- > Presentation by the Head of Legal Services of the litigious and contentious principles updates.
- > Presentation by the Director of Internal Audit, Compliance and Internal Control of the key milestones for introduction of the Internal Audit and Compliance model at CGE (Chile).
- > Presentation by the Director of Internal Audit, Compliance and Internal Control of the main activities of the Code of Ethics Committee and of the communications received through the established channels to query or report breaches of the Code of Ethics.
- > Miscellaneous:
 - Monitoring of legislation on corporate governance.
 - Others.
- > Approval of the minutes of the meeting.

24 April 2015

Agenda

- > Presentation by the Chief Financial Officer of the financial information as at 31 March 2015.
- > Intermediate management declaration – First Quarter 2015.
- > Presentation by the Chief Financial Officer of the Quarterly Report on contracts undertaken with companies using the PricewaterhouseCoopers name (external auditor).
- > Introduction at Gas Natural SDG, S.A. of the new Good Governance Code of Listed Companies, published by the CNMV in February 2015.
- > Presentation by the Director of Internal Audit, Compliance and Internal Control of compliance with the General Treasury Stock Policy approved by the Board of Directors of Gas Natural SDG, S.A.
- > Miscellaneous:
 - Monitoring of legislation on corporate governance.
 - Others.
- > Approval of the minutes of the meeting.

29 May 2015

Agenda

- > Related party transactions.
- > Miscellaneous:
 - Monitoring of legislation on corporate governance.
 - Others.
- > Approval of the minutes of the meeting.

26 June 2015

Agenda

- > Presentation by the Chief Financial Officer of the Gas Natural Fenosa 2015 Corporate Risk Map.
- > Presentation by the external auditor (PricewaterhouseCoopers) and the Director of Internal Audit, Compliance and Internal Control on assessment of the Internal Control over Financial Reporting (SCIFF).
- > Presentation by the Director of Internal Audit, Compliance and Internal Control of the evolution of the 2015 Internal Audit Plan.
- > Presentation by the Director of Internal Audit, Compliance and Internal Control of the evolution of the key milestones in introducing the Internal Audit and Compliance model at CGE (Chile).

- > Information on the treasury stock operations for Second Quarter 2015, in compliance with the General Treasury Stock Policy approved by the Board of Directors of Gas Natural SDG, S.A.
- > Related party transactions.
- > Miscellaneous:
 - Monitoring of legislation on corporate governance.
 - Others.
- > Approval of the minutes of the meeting.

23 July 2015

Agenda

- > Presentation by the Chief Financial Officer of the Financial Information as at 30 June 2015 and the provision of the Half Yearly Financial Report with the interim consolidated financial statements, the Interim Management Report and the selected financial information, prior to the approval and declaration of responsibility for the content thereof by the Board of Directors, together with the draft version of the External Audit Report.
- > Presentation by PricewaterhouseCoopers of the conclusions of the external audit of the Half Yearly Financial Report of Gas Natural Fenosa as at 30 June 2015.

- > Presentation by PricewaterhouseCoopers of the planning and schedule of the External Audit of the 2015 Annual Accounts.
- > Presentation by the Chief Financial Officer of considerations regarding the award of external auditing services for the forthcoming years.
- > Presentation by the Chief Financial Officer of the quarterly report at 30 June 2015 on contracts undertaken with the external auditor.
- > Presentation by the Head of Legal Services and the Director of Internal Audit, Compliance and Internal Control on adaptation of the Crime Prevention Model to the new requirements of the Organic Law of 31 March, through which the Penal Code has been modified.
- > Related party transactions.
- > Miscellaneous:
 - Monitoring of legislation on corporate governance.
 - Others.
- > Approval of the minutes of the meeting.

25 September 2015

Agenda

- > Related party transactions.
- > Miscellaneous:
 - Monitoring of legislation on corporate governance.
 - Others.
- > Approval of the minutes of the meeting.

30 October 2015

Agenda

- > Presentation by the Chief Financial Officer of the Financial Information as at 30 September 2015.
- > Intermediate management declaration – Third Quarter 2015.
- > Presentation by the Chief Financial Officer of the quarterly report at 30 September 2015 on contracts undertaken with the external auditor.
- > Presentation by the Chief Corporate Officer of Gas Natural Fenosa's Health, Safety and Environmental policies, along with the key performance indicators of 2015.
- > Presentation by the Director of Internal Audit, Compliance and Internal Control of the evolution of the Third Quarter 2015 Internal Audit Plan.

- > Presentation by the Director of Internal Audit, Compliance and Internal Control of the Third Quarter 2015 main activities of the Code of Ethics Committee and of the notification of enquiries or breaches received through the established channels to query or report breaches of the Code of Ethics.
- > Information on the treasury stock operations for Third Quarter 2015, in compliance with the General Treasury Stock Policy approved by the Board of Directors of Gas Natural SDG, S.A.
- > Related party transactions.
- > Miscellaneous:
 - Monitoring of legislation on corporate governance.
 - Others.
- > Approval of the minutes of the meeting.

17 December 2015

Agenda

- > Presentation by the external auditor (PricewaterhouseCoopers) of the external audit preliminary conclusions of the 2015 Consolidated Annual Accounts of the companies in Gas Natural Fenosa.
- > Presentation by the Director of Internal Audit, Compliance and Internal Control of the adaptation by the Audit Committee of certain recommendations of the Good Governance Code, approved by the Board of Directors of Gas Natural SDG, S.A.
- > Presentation by the Director of Internal Audit, Compliance and Internal Control of the main activities of the Compliance Assessment Committee.
- > Presentation by the Director of Internal Audit, Compliance and Internal Control of the supervision conclusions of the 2015 Crime Prevention Model.
- > Presentation by the Director of Internal Audit, Compliance and Internal Control of the Internal Audit Opinion on the Internal Control System and the main operational risks of the processes identified in the 2015 Internal Audit Plan.

- > Presentation by the Director of Internal Audit, Compliance and Internal Control of the proposal of the schedule of activities of the Audit Committee in 2016.
- > Miscellaneous:
 - Monitoring of legislation on corporate governance.
 - Others.
- > Approval of the minutes of the meeting.

28 January 2016

Agenda

- > Presentation by the Chief Financial Officer of the financial information as at 31 December 2015.
- > Presentation by the Chief Financial Officer of the 2015 Annual Financial Report that covers the Consolidated and Individual Annual Accounts, the Management Report and the selected financial information, prior to the approval and declaration of responsibility for the content thereof by the Board of Directors, together with the draft version of the External Audit Report.

- > Presentation by PricewaterhouseCoopers of:

- Final conclusions of the external audit of the 2015 Consolidated and Individual Annual Accounts of the companies in Gas Natural Fenosa.
- Memorandum sent to the external auditors of Criteria Caixa, S.A.U. and Repsol, S.A. on the final conclusions of the external audit works on the Consolidated Annual Accounts of Gas Natural Fenosa.
- Limited Review Report on the Internal Control over Financial Reporting 2015 (SCIIF).

- > Proposal to the Board of Directors to be disclosed at the General Meeting of Shareholders on the appointment of the external auditors of Gas Natural SDG S.A., subsidiary companies and the consolidated group for the 2016 financial year (Art. 32.2 of the Regulations of the Board of Directors).
- > Presentation by the Chief Financial Officer of the Quarterly Report on contracts undertaken with companies using the PricewaterhouseCoopers name (external audit).
- > Presentation by the Chief Financial Officer of the group's Tax Situation Report.
- > Information on the treasury stock operations for Fourth Quarter 2015, in compliance with the General Treasury Stock Policy approved by the Board of Directors of Gas Natural SDG, S.A.

> Reports from the Audit Committee (Recommendation No. 6 of the CNMV Good Governance Code):

- 2015 Annual Report on the independence of the external auditor (Article 529 of the Corporate Enterprises Act).
- 2015 Annual Report on the Functions and Activities of the Audit Committee.
- 2015 Annual Report on related-party transactions.

> Presentation by the Secretary of the Committee:

- 2015 Annual Report on compliance of the Internal Code of Conduct in matters relating to the Securities Market.
- 2015 Annual Report on compliance of the Board Regulations and of its Committees.
- 2015 Annual Corporate Governance Report.

> Related party transactions.

> Miscellaneous:

- Monitoring of legislation on corporate governance.
- Others.

> Approval of the minutes of the meeting.

The main aspects addressed in the committee meetings were as follows:

Secretary of the Board: Legislation on Corporate Governance in listed companies

One of the Committee's activities was the monitoring of the legislation published during recent financial years relating to listed companies, more specifically:

- > Financial System Reform Act, Law 44/2002 of 22 November.
- > Law 26/03 of 17 July, amending the Securities Market Act, Law 24/1988 of 28 July, and the consolidated text of the Public Limited Companies Act, approved by Royal Legislative Decree 1564/1989 of 22 December, with a view to increasing transparency in listed companies.
- > Order ECO/3722/2003 of 26 December, on the annual corporate governance report and other reporting instruments of listed companies and other entities.
- > Circular 1/2004 of 17 March, from the National Securities Market Commission, on the annual corporate governance report of listed companies and other entities that issue securities accepted for trading on secondary stock markets and other reporting instruments of listed companies.

> Unified Good Governance Code of listed companies of 19 May 2006, approved on 22 May 2006 and published by the National Securities Market Commission.

> Law 47/2007 of 19 December, which amends Law 24/1988 of 28 July, governing the Securities Market.

> Royal Decree 1362/2007 of 19 October, which implements Law 24/1988 of 28 July, governing the Securities Market, with regard to the transparency requirements concerning information on issuers whose securities are accepted for trading on an official secondary market or on another regulated market of the European Union.

> Royal Decree 1066/2007 of 27 July, governing takeover bids.

> Law 16/2007 of 4 July, governing reform and adaptation of commercial legislation in accountancy for international harmonisation based on the regulations of the European Union.

> Law 11/2007 of 22 June, governing citizens' electronic access to public services.

> Law 6/2007 of 12 April, governing reform of Law 24/1988 of 28 July, governing the Securities Market, for modification of takeover bids and transparency of issuers.

- > Royal Decree 364/2007 of 16 March, amending Royal Decree 685/1982 of 17 March, which implements certain aspects of Law 2/1981 of 25 March, governing regulation of the Mortgage Market; Royal Decree 1343/1992 of 6 November, which implements Law 13/1992 of 1 June, governing shareholders' equity and consolidated supervision of financial enterprises; Royal Decree 867/2001 of 20 July, governing the legal system of investment service companies; and Royal Decree 1333/2005 of 11 November, which implements Law 24/1988 of 28 July, governing the Securities Market in issues of market abuse.
- > Royal Decree 363/2007 of 16 March, which amends Royal Decree 726/1989 of 23 June, on Stock Exchange Governing Entities, Stock Exchange Members, and the collective; Royal Decree 1814/1991 of 20 December, which regulates the official futures and options markets, and Royal Decree 116/1992 of 14 February, governing securities represented through book entries and clearance and settlement of stock market trades.
- > Royal Decree 361/2007 of 16 March, which implements Law 24/1988 of 28 July, governing the Securities Market in issues of shareholding in capital of companies that are managed by secondary markets of securities and companies that administer systems for the recording, clearance and settlement of trades.
- > Circular 2/2007 of 19 December of the National Securities Market Commission, which approves the notification forms of significant shareholdings held by directors and executives, operations carried out by the issuer with its own shares, and other forms.
- > Circular 4/2007 of 27 December of the National Securities Market Commission, which modifies the form for the annual corporate governance report of listed companies.
- > Circular 1/2008 of 30 January of the National Securities Market Commission, on periodic information from issuers with securities admitted for trading on regulated markets concerning the half yearly financial reports, intermediate management statements and, if applicable, the quarterly financial reports.
- > Circular 8/2008 of 10 December of the National Securities Market Commission, which approves the models for the announcements and applications for authorisation of takeover bids.
- > Order EHA/1421/2009 of 1 June has led to development of Article 82 of Law 24/1988 of 28 July of the National Securities Market on relevant information.
- > Circular 4/2009 of 4 November of the National Securities Market Commission on the communication of relevant information.
- > Directive 2009/109/EC of the European Parliament and Council of 16 September 2009, for which the Directives 77/91/EEC, 78/855/EC and 82/891/EEC and the Directive 2005/56/EC have been modified with regards to the obligation of information and documentation in the event of mergers and spin-offs.
- > Order Jus/206/2009 of 28 January, for which new models have been approved for the presentation in the Mercantile Register of the annual accounts for the parties under obligation for the publication thereof.
- > Law 3/2009 of 3 April on structural modification of trading companies.
- > Law 12/2010 of 30 June, amending Law 19/1988 of 12 June, governing Accounts Auditing, Law 24/1988 of 28 July, governing the Securities Market, and the consolidated text of the Public Limited Companies Act, approved through Royal Legislative Decree 1564/1989 of 22 December, to adjust it to the European regulations.
- > Royal Legislative Decree 1/2010 of 2 July, which adopts the consolidated text of the Corporate Enterprises Act. Error correction of 30 August 2010.
- > Royal Decree-Law 13/2010 of 3 December on actions in fiscal, labour and deregulation issues to foster investment and the creation of employment.

- > Law 2/2011 of 4 March, governing Sustainable Economy.
 - > The Instruction of 18 May 2011, from the Directorate General of Registers and Notary Affairs, on the incorporation of mercantile companies and the call to the General Meeting, in application of Royal Decree-Law 13/2010 of 3 December.
 - > The Instruction of 27 May 2011, from the Directorate General of Registers and Notary Affairs, which amends the one of 18 May 2011, on the incorporation of mercantile companies and the call to the General Meeting, in application of Royal Decree-Law 13/2010 of 3 December.
 - > Law 25/2011 of 1 August, governing partial reform of Corporate Enterprises Act.
 - > Law 32/2011 of 4 October, which amends Law 24/1988 of 28 July, governing the Securities Market.
 - > Royal Decree-Law 9/2012 of 16 March, which simplifies the information and documentation on mergers and spin-offs of corporate enterprises.
 - > Law 1/2012 of 22 June, which simplifies the obligations on information and documentation on mergers and spin-offs of corporate enterprises.
 - > Order ECC/461/2013, of 20 March, which sets out the content and structure of the annual corporate governance report, the annual report on remuneration and other reporting instruments of listed companies, savings banks and other enterprises that issue securities accepted for trading on official securities markets.
 - > Circular 4/2013 of 12 June, from the National Securities Market Commission, which sets out the models for the annual report on remuneration of directors of listed companies and members of the Board of Directors and of the control committee of savings banks that issue securities accepted for trading on official securities markets.
 - > Circular 5/2013 of 12 June, from the National Securities Market Commission, which sets out the models for the annual corporate governance report of listed companies, savings banks and other institutions that issue securities accepted for trading on official securities markets.
 - > Law 31/2014 of 3 December, amending the Corporate Enterprises Act for the improvement of corporate governance.
 - > Law 22/2015 of 20 July, on Accounts Auditing.
 - > Good Governance Code of listed companies approved in February 2015.
 - > Circular 7/2015 of 22 December, from the National Securities Market Commission, amending Circular 5/2013 of 12 June, which sets out the models of the annual corporate governance report of listed companies, savings banks and other enterprises that issue securities accepted for trading on official securities markets, and Circular 4/2013 of 12 June, which sets out the models of the annual report on remuneration of directors of listed companies and members of the Board of Directors and of the control committee of savings banks that issue securities accepted for trading on official securities markets.
- Likewise, the Committee Secretary submitted the status of the main solved and in-progress lawsuits and litigation in the group and the 2014 and 2015 Corporate Governance Reports and several favourable reports on compliance with the Regulations of the Board of Directors and of its Committees, and its Internal Code of Conduct in issues concerning the Securities Market. It duly confirmed that, in the case of the Audit Committee, this operated with expected normality during 2015, fully exercising its terms of reference without any interference and with complete respect with regard to both current legislation as well as to the organisational and performance rules of the Board Regulations.

Internal Audit: supervision of operational risks and internal control effectiveness

The internal audit function was established in Gas Natural Fenosa as a means of independent and objective assessment and for this reason Internal Audit reports to the Audit Committee and to the Chairman of Gas Natural SDG, S.A.

Its main purpose is to ensure the supervision and continuous assessment of the effectiveness of the Internal Control System, including the Internal Control over Financial Reporting (SCIIF) and the Crime Prevention Model, in all fields of Gas Natural Fenosa, providing a methodical and stringent approach for process monitoring and improvement, and for the assessment of operational risks and controls relating thereto. All of the foregoing is designed to achieve compliance with the Strategic Objectives of Gas Natural Fenosa and to assist the Audit Committee and the top-tier management of the group in the fields of management, control and corporate governance.

In accordance with the terms recommended in the COSO Report (Committee of Sponsoring Organisations of the Treadway Commission), the Internal Control System in Gas Natural Fenosa was established as a process, effected by an entity's Board of Directors, management and other personnel, designated to provide a reasonable assurance regarding the achievement of objectives in the following sectors or categories:

- > Effectiveness and efficiency of operations.
- > Reliability of financial and non-financial reporting.
- > Compliance with applicable laws and regulations.

The objectives, operating standards, powers and responsibilities of Internal Audit, as well as the methodology for drawing up the Annual Internal Audit Plans, are set out in the Internal Auditing Standards.

The Strategic Audit Plan (with broader time frame of five years) and the Annual Internal Audit Plans are drawn up principally on the basis of the group's Strategic Plan, the risk areas included in the group's Corporate Risk Map, the SCIIF scope matrix, the main risks of the Crime Prevention Model, the assessment of the operational risks in each process (operational risk maps), the results of previous years' audits and the proposals from the Audit Committee and from top-tier management.

Internal Audit has established a methodology for assessment of the operational risks based on the conceptual framework of the COSO Report, taking as a point of departure the type of risks defined in the Corporate Risk Map of Gas Natural Fenosa.

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 will mitigate residual risks identified as having greater potential impact than the established tolerable or accepted risks. The 2015 Annual Corporate Governance Report sets out the methodology for the identification and control of the group's risks.

In the performance of its activity, Internal Audit constantly verifies compliance with all those policies, regulations and controls of processes (including those laid down in the SCIIF and in the Crime Prevention Model) to ensure they are working properly and for the purpose of preventing and identifying cases of fraud, corruption or bribery. To this end, all of the work review programmes of each of Gas Natural Fenosa procedures include a specific section targeted at verifying the correct design and operation of the foregoing policies, regulations and controls. In accordance with the Strategic Audit Plan, the Internal Control System of Gas Natural Fenosa is fully supervised by Internal Audit for five years.

More specifically and with regard to the SCIIF, Internal Audit is in charge of:

- > Validating the proper design of the SCIIF, based on the basic principles of the model approved by the Audit Committee.
- > Supervising the efficacy and adaptation of control policies and procedures put in place (in full over five years).
- > Revising and assessing of conclusions on compliance and effectiveness of the SCIIF resulting from the internal certifications of the business and corporate units in charge of the controls (in full over five years).
- > Assessing and communicating the results obtained in the process of supervising the SCIIF and the controls of the SCIIF processes.

As a consequence of the coming into force on 23 December 2010 of Organic Law 5/2010, which amends Organic Law 10/1995 of 23 November, governing the Penal Code, the criminal responsibility of legal entities in cases in which they do not exercise due control over the systems and individuals subject to their authority was introduced in Spain.

In previous years, the Crime Prevention Model was designed and implemented. This policy addresses internal control systems established in the group for eliminating or mitigating criminal risks. The design and supervision of the Model were overseen by the Audit Committee, and spearheaded by the Legal Services Area, the Secretary of the Board and the Internal Audit, Compliance and Internal Control Area. Once it is operational, the Compliance Unit, supported by the Legal Services Area, is responsible for the management and maintenance of the Model.

On 1 July 2015, Organic Law 1/2015 of 30 March, came into force. This modified the foregoing Organic Law 10/1995 of 23 November, of the Penal Code, incorporating new items with regard to the internal organisation and control procedure of companies, with regard to the prevention and detection of criminal conduct as a requirement to make it possible for full or partial exemption of the criminal responsibility of the legal entity.

The model introduced at Gas Natural Fenosa already incorporated the foregoing control procedures, and no major changes to these have therefore been necessary. From an organisational standpoint and as a legal requirement, the Board of Directors of Gas Natural SDG, S.A., formally adopted the model at its session held on 30 October 2015. At another session held on 25 September 2015, it appointed the Compliance Assessment Committee as the autonomous body responsible for supervising the model.

The Compliance Assessment Committee, made up of the Chief Financial Officer (in turn Committee Chairman), the Head of Legal Services and the Director of Internal Audit, Compliance and Internal Control, regularly reports its activities to the Audit Committee.

Internal Audit is in charge of the annual audit of the Crime Prevention Model to be reasonably sure that the model is efficient and effective at preventing, identifying or mitigating the occurrence of legislation-typified crimes. In 2015 and previous reporting periods, this audit was carried out through an independent expert.

The 2015 Corporate Governance Report of Gas Natural SDG, S.A. provides greater detail on the Internal Control over Financial Reporting and of the Crime Prevention Model, with the model of supervision set up at Gas Natural Fenosa.

Internal Audit projects have been developed via the Internal Audit corporate Intranet. The aim of this IT application is to improve the effectiveness and efficiency of the development of the internal audit function in all geographic and business spheres of Gas Natural Fenosa. Furthermore, it should be pointed out that the function has been developed pursuant to International Standards for the Professional Practice of Internal Auditing, and that a number of the internal auditors are or are in the process of obtaining certification as Certified Internal Auditor (CIA), the only qualification recognised worldwide attesting to the excellence of the internal auditing services.

The development of the Internal Audit function within the group is designed to contribute to continuous improvement in the provision of auditing services, by applying policies based on the management and measurement of its quality, encouraging the creation of a qualified team of human resources, and promoting internal rotation, training, continuous assessment and professional development within the group.

Gas Natural Fenosa Director of Internal Audit, Compliance and Internal Control attended the meetings of the Audit Committee for the purpose of:

- > Presenting the Annual Internal Audit Plan for the Committee's approval.

The 2015 Audit Plan was presented in a meeting held on 29 January 2015.

- > Reporting the degree of execution of the Internal Audit Plan and the main conclusions and recommendations included in the Internal Audit Reports.
- > Presenting the level of implementation by the audited units of the corrective measures arising from the Auditor's Reports, in particular those proposed by the Audit Committee.
- > Presenting the Internal Audit Opinion on the Internal Control System and the main operational risks of the processes identified in 2015.

- > Assessing the effectiveness of the Control System and Assessment of Operational Risks and Internal Control of Gas Natural Fenosa (including the SCIIF and the Crime Prevention Model).
- > Presenting the proposed Reports on the functions and activities of the Audit Committee 2014 and 2015.
- > Presenting the conclusions on the annual review of compliance with the General Treasury Stock Policy approved by the company's Board of Directors.
- > Monitoring, in his role as spokesperson, the aspects addressed in each of the Committee meetings and supporting the Committee members in carrying out their duties.

The main processes revised by Internal Audit in 2015 were those concerning:

> Business processes:

- Gas distribution: reading and calculation of consumption, recruitment and start-up, network construction, warehouse gas distribution management and household operations.
- Electricity distribution: warehouse electricity distribution management, household operations, high-medium- and low-voltage development, irregularities and fraud management.
- Generation: operation and maintenance of generation assets, development, and launch of new projects, warehouse management.
- Retail commercialisation: management of energy customers and products, recruitment and procurement of energy and products.

- Wholesale commercialisation and global accounts: recruitment and procurement of industrial customers.
- Supplies and transportation: purchases of gas and purchases of LNG.
- Exploration and production: exploration/production.
- Energy management: electricity sales.
- > Support processes:
 - Customer service: payment, billing, arrears management and customer service.
 - Physical resources management: purchases within and outside of the perimeter, general services and counterparty due diligence.
 - Information systems Management: economic-administrative management of integral services.
 - Human resources Management: human resources administration and services.
 - Financial and economic resources Management: economic-administrative management of operations.

- Communication Management and external relations: sponsorship.
- Monitoring undertakings to improvements in process auditing.
- Management of the regulatory framework.
- Review of the group's regulatory system.
- Review of the 2015 Corporate Responsibility Report.
- Review of the assessment and achievement of the 2014 efficiency projects.
- Review of the Internal Control over Financial Reporting Model (SCIIF).
- Review of the Crime Prevention Model.
- Updating of 2015 Operational Risk Map.
- Review of the compliance with the General Treasury Stock Policy.

46% of the review processes correspond to Spain and the remaining 54% to the international sphere.

Likewise, given the organisational position of independence and the transverse scope of operations of the Internal Audit function, its management has led or taken part in other projects of collaboration, research or consultancy.

Auditing Area (External Audit)

The external auditor (PricewaterhouseCoopers) of the Consolidated and Individual Annual Accounts of Gas Natural Fenosa attended the meetings of the Audit Committee in order to ensure his/her autonomy and be informed of the conclusions reached on his/her work in the appropriate manner and with sufficient time (prior to the Board of Directors' formulation of the Half Yearly Financial Report and the Annual Financial Report that covers the Annual Accounts, the Management Report and the selected financial information by the Board of Directors). The external auditor specifically presented:

- > Planning of his/her external audit work, indicating the areas of greatest risk where the external auditor will focus his/her work and compliance with Technical Auditing Standards.
- > The Consolidated and Individual Annual Accounts Audit Report of Gas Natural Fenosa.
- > Limited review report on the review of the Internal Control over Financial Reporting (SCIIF).
- > The main conclusions of his/her auditing work on the half yearly and annual financial statements, including recommendations to improve the SCIIF, have specifically provided information on:
 - Internal control weaknesses identified in the audit.
 - Conclusions drawn on the main opinions and estimates made by the Management and which have an impact on accounts.

- Conclusions on the companies included within the group's consolidation perimeter.
- Conclusions on the appropriate nature of the accounting principles applied and the sufficiency of the breakdowns given in the Annual Accounts.

- > The report and conclusions on the audit or accounting review tasks concerning the Financial Statements belonging to Gas Natural Fenosa, carried out in compliance with the regulatory and consolidation requirements of "la Caixa" and Repsol Groups.
- > The main aspects of the Amendment of the Corporate Enterprises Act to improve Corporate Governance, emphasising the responsibilities of the administrators and the Audit Committee.
- > Impact of the new Accounts Auditing Act.

In 2015, the Audit Committee established the appropriate relations with PricewaterhouseCoopers (external auditor) to receive information on those issues that could jeopardise its independence.

More specifically, the Audit Committee has analysed all of the service procurement proposals with the external auditor that took place in 2015, other than the accounts auditing service. The purpose of this is to make sure that these are not incompatible with its audit tasks, and do not therefore jeopardise its independence, pursuant to the limitations set out in Royal Legislative Decree 1/2011 of 1 July, which approves the Consolidated Text of the Accounts Auditing Act.

Furthermore, PricewaterhouseCoopers has sent written confirmation of its independence through a letter in which it declares that in 2015 it was not involved in any of the grounds for incompatibility set out in the Accounts Auditing Act.

The additional services provided by the auditors have corresponded to matters related mainly to tax, regulatory and business issues, and have been required as a result of their uniqueness and complexity.

The fees charged in 2015 by the audit service and related fees have totalled 4,730,505 euros and those corresponding to additional services have totalled 22,500 euros. The latter include services contracted in previous years for which the same assessments were conducted as those remarked on in this report, and with the same conclusions drawn.

In accordance with the provisions set out under legislation and the Regulations of the Board of Directors and of its Committees, at its meeting on 28 January 2016 the Committee issued the report on the independence of the external auditor for 2015. In this report it declared that, in its opinion, the external auditors had acted with complete independence in the provision of its services, both with regard to its work as the external auditor as well as the services provided over and above those legally required. The foregoing report has been published on the company's website.

Moreover, in its meetings of 29 January 2015 and 28 January 2016, the Audit Committee made a proposal to the Board of Directors (for subsequent submission to the General Meeting of Shareholders) for the selection and appointment of the external auditors for 2015 and 2016, respectively, pursuant to Article 264 of the Corporate Enterprises Act. Those proposals for the selection and appointment were made on the basis of the results of the open procedure for the selection of the external auditor carried out in the year 2011, which included four accounts auditing firms of international prestige and recognition. The Ordinary General Meeting of Shareholders, held on 14 May 2015, at the request of the Board of Directors, designated the external auditors for the 2015 financial year. The designation of external auditors for 2016 rests with the Ordinary General Meeting of Shareholders that will be held in 2016.

Economic-Financial Area

The Chief Financial Officer attended the meetings of the Audit Committee for the purpose of:

- > Presenting the Financial Information, the Annual Accounts and the monthly, quarterly and half yearly Financial Statements, as well as accounting or financial information required by the National Securities Market Commission or any other regulatory body, ensuring transparency and accuracy of the information provided and stating the internal control systems and, where appropriate, the accounting principles applied.
- > Reporting on the main accounting procedures, estimates and judgements and processes employed in compiling the economic and financial information and the financial statements.

- > Reporting on the companies that form part of the group's consolidation perimeter.
- > Reporting on the main risks and contingencies and their cover by means of provisions.
- > Reporting on the group's fiscal policy and the main fiscal policies applied in the Corporate Tax returns of 2014 and 2015.
- > Reporting on the procedure for selecting the external auditor for 2015 and 2016.
- > Reporting on whether the External Audit Programme has been carried out in accordance with the contracted conditions and legal requirements.
- > Reporting on the efficiency and efficacy of the Internal Control over Financial Reporting (SCIIF).

For the purpose of having a tool that guarantees proper management control of SCIIF, in previous years the SAP GRC Process Control application was introduced in Spain and those countries in the international arena with greater materiality. The purpose of this was the automated integral management of the documentation, assessment and supervision of internal control. In 2015 this tool continues to be rolled out in certain Latin American countries.

We should point out that, during 2015, the scope of the SCIIF corporate model has spread to those countries where the group is new, such as Chile, as a consequence of the acquisition in November 2014 of the Chilean group Compañía General de Electricidad, S.A. (CGE), and to those countries where we already have existing businesses that have undergone significant development and growth, such as France. These incorporations strengthen and secure the Internal Control at Gas Natural Fenosa.

The 2015 Corporate Governance Report of Gas Natural SDG, S.A. provides greater detail on the Internal Control over Financial Reporting and the model of supervision set up at Gas Natural Fenosa.

- > Reporting on how the key controls of the SCIIF are certified by the business and corporate units responsible for these, as well as the improvement action plans as a result of the certification procedure.
- > Reporting on the contracts signed with companies using the PricewaterhouseCoopers name (external auditor), in order to ensure their independence from the perspective of national regulations (Accounts Auditing Act).
- > Regular reporting on treasury stock operations.

Corporate Risk Map of Gas Natural Fenosa

The Chief Financial Officer provided information on the Risk Control Policies and Systems at Gas Natural Fenosa, as well as relevant aspects concerning the drafting, definition and conclusions of the Corporate Risk Map of Gas Natural Fenosa, emphasising the following aspects:

- > Definition and characteristics of the main risk factors.
- > New features in the 2015 Corporate Risk Map.
- > Impact variables.
- > Main measurement methodologies used for each kind of risk.
- > Qualitative, quantitative and probable severity of the risk occurring.
- > Defined controls and their effectiveness.

All of which is intended to establish basic guidelines for action in questions of risk and to reduce exposure in those activities with a greater likelihood of residual risk for the group.

The 2015 Annual Corporate Governance Report of Gas Natural SDG, S.A. details the Risk Management System of Gas Natural Fenosa.

Related party transactions

Due to the amendment of the Articles of Association agreed by the General Meeting of Shareholders on 14 May 2015, the Audit Committee became responsible for or the analysis and report of related-party transactions. This had previously been carried out by the Appointments and Remuneration Committee.

The preliminary examination by the competent Committee to be carried out transactions with related parties is for the purpose of reporting to the Board of Directors that the transaction in question is performed under market conditions and in line with other similar transactions.

Those transactions with related parties that form part of the company's normal trading practice, which have been carried out under market conditions and which are of scant relevance, have not been subject to the preliminary information from the committee. This is on the understanding that the information on these transactions is not necessary to provide the true and fair view of company's equity, financial situation and profits (losses).

The Corporate Enterprises Act refers to related party transactions and to conflicts of interest that could affect Directors, and warns of the duty to notify situations of conflict of interest and to refrain from taking part in any deliberations or votes concerning these. In related party transactions that have been submitted for approval by the Board, following a favourable report from the relevant Committee, those Directors representing the involved related party have abstained from deliberating and voting.

The list of related party transactions assessed by the competent Committee and reported to the Board of Directors are included in the 2015 Annual Corporate Governance Report and in the report issued by the Audit Committee on "Transactions with Related Parties in 2015", published on the company's website.

Code of Ethics Committee of employees of Gas Natural Fenosa

The Code of Conduct¹ of Gas Natural Fenosa was approved on 31 March 2005 by the Board of Directors of Gas Natural SDG, S.A. and subsequently presented at the General Meeting of Shareholders on 20 April 2005.

The Code of Ethics Committee of Gas Natural Fenosa was set up in July 2005 with the main duties of:

- > Promoting the distribution and content of the Code of Ethics.
- > Provide a communication channel to all employees for the purpose of gathering consultations and notifications of Code breaches.
- > Facilitating the solution of disputes concerning the application of the Code of Ethics.

To enable the Code of Ethics Committee to carry out its functions in an objective and independent manner, it is chaired by the Director of Internal Audit, Compliance and Internal Control and is made up of the representatives of different Areas in monitoring compliance with the Code of Ethics.

¹ From February 2009 referred to as the Code of Ethics.

The Code of Ethics Committee reports its activities on a quarterly basis to the Audit Committee through the Director of Internal Audit, Compliance and Internal Control.

Code of Ethics Local Committees have also been set up, subordinated to the Code of Ethics Committee, in some of the countries where Gas Natural Fenosa operates (Argentina, Brazil, Chile, Colombia, Italy, Mexico, Moldova and Panama), for the purpose of facilitating distribution of the content of the Code within these spheres. The other areas are managed by the Code of Ethics Committee itself.

The Code of Ethics is available in nine different languages. Gas Natural Fenosa has reserved a specific space for the Code in the corporate Intranet, in which practical information is offered on different issues thereof.

The most important tasks carried out by the Code of Ethics Committee include the activities for disseminating the contents of the Code of Ethics and the Anticorruption Policy, directed to all the group's employees and the supervision of the Code of Ethics consultation and notification procedure.

This procedure corresponds to an open channel of communication between the Code of Ethics Committee and all employees of Gas Natural Fenosa to deal with the issues concerning the Code. This channel enables all group employees, suppliers and collaborating companies to obtain or provide information on any issue concerning the Code of Ethics. The aforementioned Gas Natural Fenosa collectives can therefore address the Code of Ethics Committee to resolve any doubts they may have with regard to the Code. They may also get in contact with the Code of Ethics Committee to provide information on conduct that is contrary to the principles of the Code of Ethics and do so in good faith, confidentially and without the fear of reprisals.

All communications between the Code of Ethics Committee and Gas Natural Fenosa employees are confidential, pursuant to the restrictions set forth in Organic Law 15/1999 of 13 December, governing the Protection of Personal Data. To this end, the Chairman of the Code of Ethics Committee is the sole member, at the initial stage, authorised to be aware of all the information from all the enquiries and notifications received from the group through the consultation and notification procedures. Notifications concerning fraud, auditing or faults in accounting processes or internal control are likewise sent directly to the Audit Committee. In 2015, 42% of the notifications received were related to alleged fraud, none of which had any significant impact.

Special mention must be made of the fact that the Code of Ethics Committee has proposed several updates to the contents of the Code, which were finally approved by the Audit Committee and confirmed by the Board of Directors.

As a result of the foregoing, the Code of Ethics was amended by agreement of the Board of Directors, dated 25 January 2008, 27 February and 19 May 2009, and 27 June 2014 in order to update it and incorporate the commitments acquired by Gas Natural Fenosa regarding the Good Governance and Corporate Responsibility from 2005 (date the Code of Ethics was approved) and likewise to incorporate the best international practices in ethical and social issues and to comply with the regulatory demands derived from the integration of Gas Natural Group and Unión Fenosa. Specifically, the update carried out in the 2014 year included improvements in the areas of corruption, bribery and safety in the workplace, with the aim of adapting it to the new laws enacted (*inter alia*, the Reform of the Penal Code) and the implementation of the Health and Safety Model in the group.

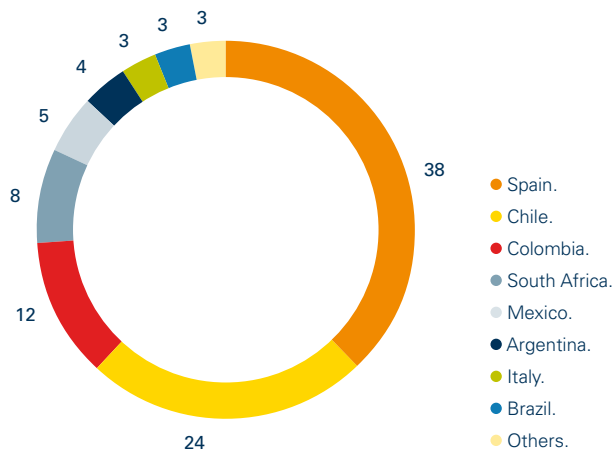
Lastly, in previous years, the Declaration of Compliance with the Code of Ethics of Gas Natural Fenosa process was implemented, according to which all group employees must declare recurrently that they are aware of, understand and comply with each of the guidelines for conduct provided in the Code of Ethics. The response percentage was higher than 95%. This declaration process is conducted periodically.

A list of the main activity indicators of the Code of Ethics Committee is given hereunder:

Main activity indicators of the Code of Ethics Committee

Correspondence received	135
-------------------------	-----

Geographical origin of correspondence (%)



Code of Ethics chapter to which notifications refers (%)

	2015
Loyalty to the company and conflicts of interest	22
Customer relations	21
Respect for the individual	15
Corruption and bribery	10
Respect for law, human rights and ethical values	9
Professional development and equal opportunities	7
Use and protection of assets	5
Relations with collaborators and suppliers	5
Others	6
General total	100

Registered Office:

Plaça del Gas, 1
08003 Barcelona
Tel.: 902 199 199

Madrid Head Office:

Avenida de San Luis, 77
28033 Madrid
Tel.: 902 199 199

Published by:

Communications Department
and the Chairman's Office
www.gasnaturalfenosa.com

Graphic Design:

Addicta Diseño Corporativo
www.addicta.es

Pdf Accessibility:

Addicta Diseño Corporativo



www.gasnaturalfenosa.com