

2009 Corporate Responsibility Report



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Letter from the Chairman



For the eighth year running, I am pleased to present you with the Corporate Responsibility Report of Gas Natural. It focuses on our activities in economic, social and environmental issues and gives details of the strategies that have been implemented, the targets set, the actions taken and the most significant successes we have achieved.

The year 2009 has been one of the most important of our more than 165 years in business. Despite the uncertainties of the situation, we have successfully completed our merger with Unión Fenosa and have become one of the top three utilities companies on the Iberian market and one of the most important energy groups in Latin America. The new group is present in 23 countries, with more than 20 million customers and close to 18 GW of installed electricity generating capacity. Our leadership on liquefied natural gas markets, as international third-party operators through our subsidiaries Stream and Unión Fenosa Gas, and on downstream allows us to operate on energy markets that are particularly globalised and highly competitive.

Throughout the entire process, clear and truthful information was given to the regulatory bodies, financial markets, the media and sectors of the general public, as well as to the employees of both companies, in order to give a fair and accurate view of the real situation of the transaction at all times.

The integration is moving forward satisfactorily. The creation of one common culture, which comprises the best practices and procedures of both companies, has had the best possible start: the mutual conviction of the idea that the business function must focus on the wellbeing of individuals and communities through the marketing of energy products and services that help improve life quality. Accordingly, we are convinced that our activities help build a more sustainable society and that they must be reported with rigour, objectiveness and transparency to all our stakeholders.

For the drafting of this 2009 Corporate Responsibility Report, we have followed the recommendations and principles provided in the third version of the *Sustainability Reporting Guidelines* issued by the Global Reporting Initiative. This document also includes the information required by the supplement on "electricity companies" published by the aforementioned institution. Accordingly, we believe that this report gives a fair view of our performance in corporate responsibility. The qualitative and quantitative information contained in this report has been reviewed by PricewaterhouseCoopers, the Group's financial auditor.

The report includes the focus and results of Gas Natural Group in the various areas of corporate responsibility. In environmental matters, the demanding procedures and tasks that have been carried out have helped avoid atmospheric emissions of around eight million tonnes of CO₂, mainly as a result of the benefits in terms of electricity generation efficiency using combined cycles.



In R&D and innovation, we are also committed to efficiency through the development of new energy vectors and the search for new applications for natural gas, which has been consolidated as the cleanest fossil fuel on the basis of its notable contribution to reducing the effects of the climate change.

In 2009, our efforts in sustainability were again recognised by the capitals markets. Accordingly, we were designated as leaders of our sector by the Dow Jones Sustainability Index, a selective index of companies that are required to accredit advanced practices in corporate responsibility.

Our presence on the FTSE4Good was also strengthened and we obtained the highest score among the Spanish utilities companies in the Carbon Disclosure Project, an initiative brought forward by the world's main institutional investors to reward companies that stand out thanks to their commitment to the climate change. Within this framework, I would like to make special mention of our firm commitment to the ten principles of the United Nations Global Compact.

The commitment to results is one of the distinctive features of our business model, which is focused on providing our shareholders with a growing and sustained level of profitability. The Company's net profits for 2009 were up 13.1% on the previous year, reaching the figure of 1,195 million euros. We also reached a consolidated Ebitda of 3,937 million euros, 53.5% up on 2008. This was mainly due to the incorporation of Unión Fenosa as from 30 April 2009. All this was achieved in a context of a reduction of the demand for energy and significant levels of volatility regarding energy prices and financial and exchange markets.

I would also like to point out that, in 2009, the Board of Directors approved various amendments to the Company's Code of Ethics to continue to improve its content in social and ethical terms according to the best international practices and to meet the regulatory requirements of the merger with Unión Fenosa.

The milestones we have reached stand as the sound base on which we propose to overcome the new challenges facing our Group. Success will be the result of the devotion and effectiveness of all the individuals in the Group. Accordingly, I would like to give my special thanks to all our employees for the work they have carried out during a year as demanding as 2009. At the same time, I would like to encourage them to continue their progress, with renewed enthusiasm, in the exciting business project we have begun.

I invite you to read this 2009 Corporate Responsibility Report. These pages contain the efforts of almost twenty thousand people who, on a daily basis and with all the energy in the world, help our Group to be more efficient, responsible and useful for society.

Salvador Gabarró

Chairman of the Board of Directors



Process for Drafting this Report

Scope and focus of report

This is the first Corporate Responsibility Report drafted by the Gas Natural Group since its merger with Unión Fenosa in 2009. As in previous years, its purpose is to provide truthful, reliable and balanced information about the Company's performance in the main challenges of corporate responsibility and sustainable development.

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

The Gas Natural Group activities (at 31 December 2009)

	Electricity		Gas						Energy		
	Generation	Distribution	Exploration	Production	Liquefaction	Transport	Distribution	Storage	Regasification	commercialisation	Mining
Angola			●								
Argentina											●
Australia	●										
Brazil											●
Chile	●										
Colombia			●								●
Costa Rica	●										
Egypt					●						
Spain	●	●	●	●			●	●	●	●	●
France											●
Guatemala			●								●
Italy										●(*)	●
Kenya	●										
Morocco			●				●				
Mexico	●						●	●			●
Nicaragua			●								
Oman					●						
Panama	●	●									
Portugal											●
Puerto Rico	●									●	
Dominican Republic	●										
Republic of Moldova			●								
South Africa											●

(*) In progress.

Note: Besides these 23 countries, the Gas Natural Group has professional services, portfolio or holding companies in Holland, Ireland and Madagascar.

The drafting of this report has followed the criteria provided by the AccountAbility AA1000 standard (2008) and the third edition of the *Sustainability Reporting Guidelines* by the Global Reporting Initiative. This document also includes the information required by the GRI supplement corresponding to the utilities sector, which is of mandatory application as from 1 January 2010 for the companies in the sector that wish to obtain the highest qualification of A+ by the Global Reporting Initiative.

The content of this report refers mainly to the year 2009. Depending on its relevance and availability, it also includes information on previous years so that readers can form an opinion on the Company's performance. The quantitative indicators show the Group's performance in the previous three years, except for those that were included for the first time in 2009 or 2008.

This year, the merger with Unión Fenosa has meant significant efforts when compiling and presenting the information in a consistent and comparable way.

Given the conditioning factors involved in the merger of both companies, which was completed in 2009, and in order to enable the understanding of the information by readers, this Corporate Responsibility Report occasionally presents the data in two different ways.

In general, the 2009 information contains the information about the Group including Unión Fenosa as from 1 May 2009, the date that coincides with the consolidation of the financial magnitudes. In other cases, when the nature of the indicator so requires, the information is presented at 31 December. The past figures correspond to the data published in the previous reports of the Gas Natural Group.

There are cases in which importance has been placed on the information being presented in a "pro forma" way so that readers can gain a better understanding of the evolution of the figures after the merger. The "pro forma" option offers the figure for 2009 as if both companies had been merged together since 1 January of said year. As far as possible, when this format is used, the past figure includes the global figure as if both companies had been merged together in 2008 and 2007.

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

With regard to environmental issues, at least the following activities are specified: management and support; exploration and extraction of hydrocarbons; liquefaction, transport and distribution of gas; transport and distribution of electricity and generation of commercial electricity in 2009, inherent to the Group's companies with global consolidation.

The merger with Unión Fenosa has meant significant efforts when compiling and presenting the information in a consistent and comparable way.

In human resources, figures on staff and personnel expenses are reported, the latter being under consolidation criteria, for the countries in which the Group operates. The exception to the foregoing rule includes Angola, Oman and Portugal, countries in which the Group carries out its activities but has no employees or, if there are any employees, they belong to Spanish companies. Special mention must also be made of the fact that Holland had no staff at 31 December 2009. Information is provided for the other indicators in most cases and as far as possible for the countries in which the Group's management is centralised, which is why no information is provided about Kenya or South Africa.



Application of the AA1000 APS standard when drafting this report

The purpose of the AA1000 APS standard is to provide organisations with a set of internationally recognised principles that can be freely accessed to situate and structure the way in which they assess, implement, administrate, govern and surrender their accounts in sustainability performance. The principles that govern this standard are as follows:

- **Inclusivity.** This is defined as stakeholders' participation in the development and achievement of a strategic and responsible response from the Company in sustainable development. In relation to this principle, particular importance is placed on the information presented by the Gas Natural Group in this report on actions that lead to dialogue with its stakeholders.
- **Materiality.** This refers to the need for determining the importance of matters related to corporate responsibility and sustainability for the Company and its stakeholders. One relevant issue is that which influences the decisions, actions and performance of an organisation or its stakeholders. The relevant issues for the Gas Natural Group are included in its Corporate Responsibility Policy that was put in place in 2008. This
- **Materiality.** Materiality is the threshold beyond which an issue or indicator becomes sufficiently important for it to be included in the report. In 2007, the Gas Natural Group performed a materiality study to identify the issues considered relevant. Said study applied the AccountAbility AA1000 standard to categorise and identify issues related to corporate responsibility and sustainable developments that are of particular relevance for the Gas Natural Group. In addition and for the drafting of this year's report, consideration has been given to the issues examined in the corporate responsibility reports of the Gas Natural Group and Unión Fenosa in 2008, the information required by the Dow Jones Sustainability Index and the FTSE4Good, and the issues included in the Global Reporting Initiative utilities supplement and the RepTrak analysis, a methodology used by the Gas Natural Group to gauge its reputation. The

Corporate Responsibility Report is structured according to the relevant issues included in said policy.

- **Responsiveness.** This principle refers to the Company's response to relevant issues related to corporate responsibility or sustainability. The capacity for response can be seen in the decision-taking processes, actions taken and performance, as well as in communications with stakeholders. Accordingly, this 2009 Corporate Responsibility Report includes the Group's main performance indicators. Throughout the report, the Company publishes its focus, response and performance in relevant issues.

Principles for drafting this report

In order to guarantee a balanced and reasonable presentation of the organisation's record, the content to be included in the report should be determined. According to the Global Reporting Initiative's recommendations, this should take into account both the organisation's experience and intentions and the interests of its stakeholders.

Company believes that, in this way, all the issues that are of relevance in view of its characteristics and those of the sectors in which it operates have been included in this 2009 Corporate Responsibility Report.

- **Participation of stakeholders.**

The establishment of active dialogue with stakeholders is a fundamental principle of the Group's strategy. The Company has defined its stakeholders, identified its expectations and set actions to establish a two-way dialogue. This process is explained in the section "Dialogue with Interest Groups" and "Corporate Responsibility Governance".

- **Sustainability context.** The report offers a detailed analysis of the Company's performance in the context of the social, environmental and economic requirements of its social and market environments. The sections on strategy and contribution to development focus specifically on this area.

- **Exhaustiveness.** The definition of the contents scheme with the participation of the persons responsible for the Company's main management areas guarantees consideration of the essential impacts and issues of the Gas Natural Group activity.

Material issues for the Gas Natural Group





The drafting of this report has followed the Global Reporting Initiative recommendations to ensure the quality of the information that is being disclosed.

Quality of the information given

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

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

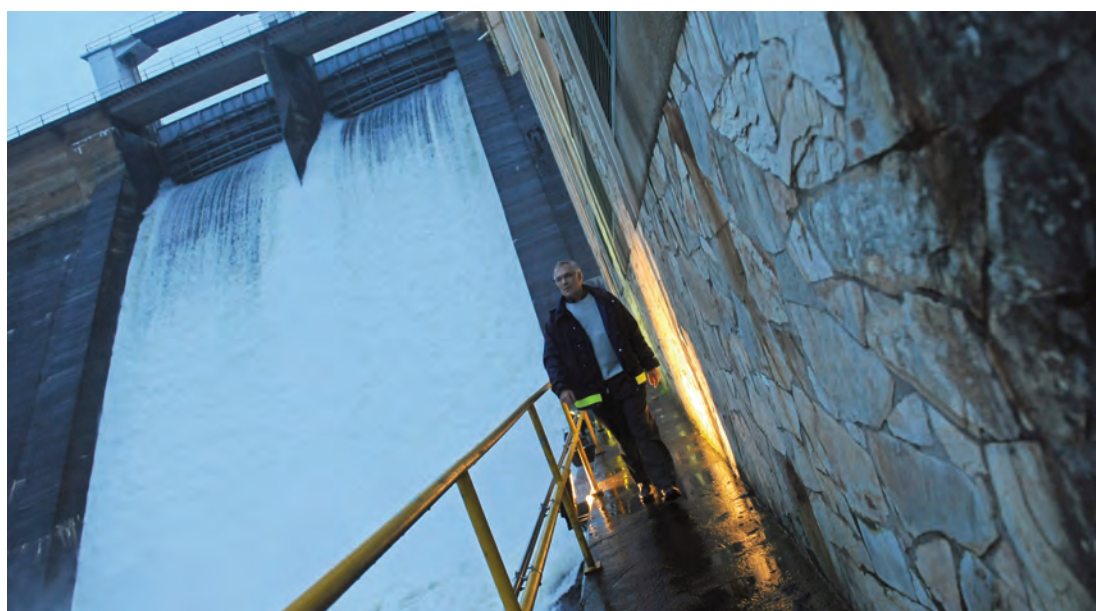
- **Comparativeness:** the information given in this report makes it possible to analyse the changes that have taken place in the organisation over time. Accordingly, as far as possible and bearing in mind the particularities that result from a merger such as that which involved the Group in 2009, the report includes information from previous years.
- **Accuracy:** all the information in the report is accurate and given in sufficient detail for the Company's stakeholders to be able to value the Company's performance in an appropriate manner.
- **Frequency:** the Gas Natural Group publishes its corporate responsibility reports annually, as soon as the information is available, so that the Company's stakeholders can take decisions based on the most recent information.
- **Clarity:** the information is presented in a way that is understandable, accessible and useful. To enable its correct understanding, the use of technical terms is avoided. In addition, it uses graphs, diagrams, tables and indicators to describe the Company's most relevant impacts and make it easier to read the document.
- **Reliability:** the figures given in this Corporate Responsibility Report have been checked by PricewaterhouseCoopers. The drafting of the report has taken into account the three principles required by the AccountAbility AA1000 standard in relation to relevance and materiality, accuracy and whether or not the information given responds to the stakeholders' concerns and requirements.

Verification

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

In the said policies and in accordance with the Global Reporting Initiative recommendations, the Gas Natural Group committees an annual external verification of the contents of the Corporate Responsibility Report. This review is made by an independent expert, PricewaterhouseCoopers, which reviews the adaptation of the contents of the Corporate Responsibility Report to the provisions laid down in the Global Reporting Initiative Guidelines and the AA1000 standard (2008).

As a result of the said process, an independent review report is drawn up to include the goals and scope of the process, as well as the verification procedures used and the corresponding conclusions. After the assessment of the information included in the 2009 report, the independent expert has applied the level of assurance specified in the Independent Review Report.



Queries and additional information

In addition to this 2009 Corporate Responsibility Report, the Gas Natural Group has published the Annual Report, the Corporate Governance Report and the Audit and Control Committee Report, all pertaining to 2009. The Company also has a website (www.gasnatural.com) where anyone interested can consult up-to-date information about the Company. Furthermore, special mention must be made of the fact that the Company publishes corporate responsibility reports in Argentina, Colombia and Mexico.



Readers can send their doubts, queries or requests for information to:
reputacioncorporativa@gasnatural.com

■ The Gas Natural Group

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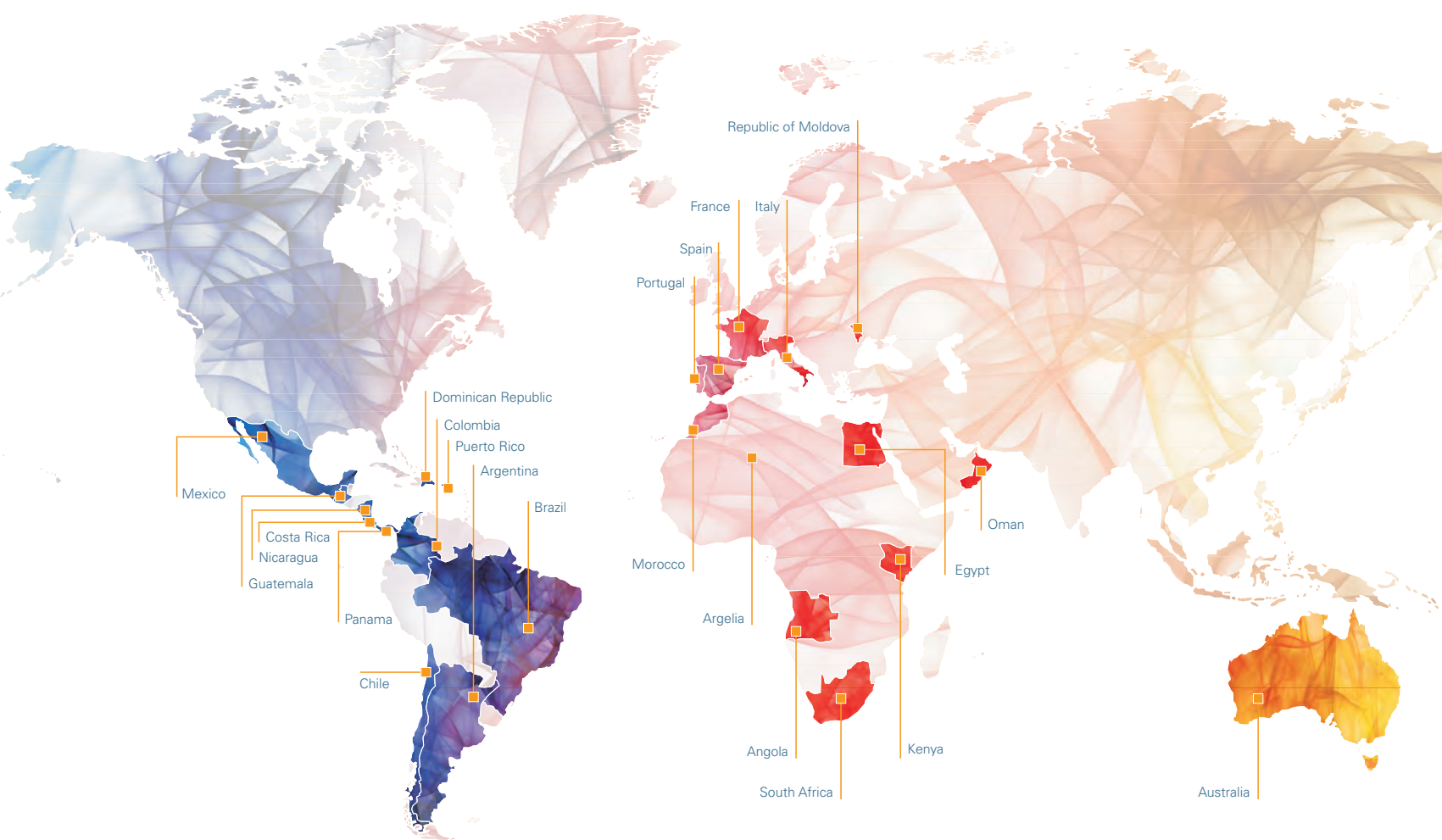
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Organisation Profile

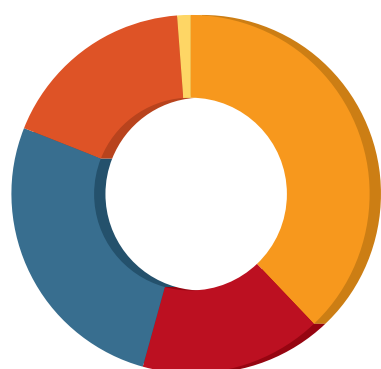
The Gas Natural Group in the world



The Gas Natural Group operates in more than 23 countries and has more than 20 million customers and around 18,000 MW of installed power.

The Gas Natural Group is one of the leading multinationals in the gas and electricity sector. It operates in more than 23 countries and has more than 20 million customers and around 18,000 MW of installed power. It is the largest gas and electricity company in Spain and Latin America and leads the natural gas commercialisation market in the Iberian Peninsula. It is the third-largest liquefied natural gas operator in the world and has a fleet of thirteen methane tankers. It is also the main liquefied natural gas supply in the Mediterranean basin and the Atlantic.

The Company is leader in the distribution business and operates along the entire gas value chain by taking part in exploration, production, liquefaction and transport projects. After the takeover of the electricity company Unión Fenosa, the third-largest on the Spanish market, the Gas Natural Group has attained its objective of integrating the gas and electricity businesses into one company with a wealth of experience in the energy sector and capable of competing efficiently on markets that are subjected to an increased integration, globalisation and competition.

**Contribution to Ebitda by activity (%)**


37.9	Gas distribution.
16.4	Electricity distribution.
26.7	Electricity.
17.8	Gas.
1.2	Others.

The Company's generation mix is plentiful and diverse and includes combined cycles, hydraulic power, nuclear power, coal fuel and renewable energies. In Spain, the Gas Natural Group is leader of the natural gas distribution market and the third-largest operator in the electricity sector.

At the end of 2009, the Company had 19,803 employees, half of them working in the international energy business.

The Group's main shareholders at 31 December 2009 were as follows:

- Criteria CaixaCorp: 36%.
- Repsol YPF, S.A.: 30%.
- International institutional investors: 14%.
- Minority shareholders: 9%.
- Suez: 6%.
- Spanish institutional investors: 3%.
- Caixa d'Estalvis de Catalunya: 2%.

 For detailed information on the Gas Natural Group activities and the 2009 results, please see the Annual Report and the corporate website at www.gasnatural.com.

The Gas Natural Group: main figures

	2009	2008	2007
Operations			
Gas distribution sales (GWh)	402,651	481,381	453,172
Gas transportation/EMPL (GWh)	109,230	133,497	124,150
Gas distribution supply points (in thousands)	11,534	11,492	11,115
Electricity distribution supply points (in thousands)	8,663	–	–
Gas distribution network (km)	118,658	115,295	109,759
Electricity generated (GWh)	54,125	31,453 ⁽¹⁾	18,700
Contracts per customer in Spain	1.39 ⁽²⁾	1.39	1.37
Personnel			
Number of employees	19,803	6,842	6,699
Financial (in millions of euros)			
Net turnover	14,879	13,544	10,093
Gross operating profit (Ebitda)	3,937	2,564	2,277
Operating profit	2,448	1,794	1,567
Total investments	15,696	3,697	2,323
Profit attributable to the Group	1,195	1,057	959
Stock information (euros/share)			
Share prices as at 31 December	15.085	19.29	40.02
Profit	1.48 ⁽³⁾	2.36	2.14

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

(2) Figure available for gas customers only.

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





Installed capacity by energy source and regulation system

	Close 2009 (MW)	Close 2008 (MW)	Variation 09/08 (%)
Power installed in ordinary system. Spain	12,436	3,703	-
Hydraulic	1,860	-	-
Nuclear	589	-	-
Coal	2,048	-	-
Fuel oil-gas	617	-	-
Combined cycle	7,322	3,703	97.7
Power installed in special system. Spain	974	391	-
Renewables	974	391	-
Total installed power. Spain	13,410	4,094	
Power installed in ordinary system. International	4,451	2,487	79.0
Hydraulic	73	-	-
Fuel	321	-	-
Combined cycle	4,057	2,487	63.1
Total power	17,861	6,581	-

Energy production by energy source and regulation system

	Close 2009 (GWh)	Close 2008 (GWh)	Variation 09/08 (%)
Production in ordinary system. Spain	26,694	17,344	-
Hydraulic	1,849	-	-
Nuclear	2,908	-	-
Coal	741	-	-
Fuel oil-gas	4	-	-
Combined cycle	21,192	17,344	22.2
Production in special system. Spain	2,034	905	-
Renewables	2,034	905	-
Total production. Spain	28,728	18,249	57.4
Production in ordinary system. International	25,397	13,294	91.0
Hydraulic	1,633	-	-
Fuel	1,126	-	-
Combined cycle	22,638	13,294	70.3
Total production	54,125	31,543	71.6

Average efficiency by technology and regulation system

System	Technology	Efficiency (*) (%)
Ordinary. Spain	Coal thermal	34.2
	Fuel thermal	30.1
	Combined cycle	55.0
International	Combined cycle	52.4
	Fuel	39.7
Total production		52.6

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



Average availability factor by technology and regulation system

System	Technology	Availability 2009 (%)
Ordinary. Spain	Hydraulic	94.8
	Coal thermal	84.6
	Fuel thermal	76.1
	Nuclear	84.0
	Combined cycle	94.0
Special. Spain	Wind power	95.4
	Mini-hydro	99.0
	Cogeneration	97.1
International	Hydraulic	95.5
	Diesel engines	85.7
	Combined cycle	91.8



Gas Natural Group electrical distribution facilities by country

Countries	Step-down transformers		Length of power lines (Km)
	Number	Capacity (MVA)	
Spain	36,506	12,361	107,016
Panama	39,554	2,840	19,042
Guatemala	74,921	1,559	62,767
Nicaragua	45,402	1,787	14,258
Moldova	8,737	2,509	33,458
Colombia	87,669	8,502	67,222
Total low voltage and medium voltage	292,789	29,558	303,763
Spain	803	25,966	8,608
Panama	26	770	153
Moldova	56	1,142	507
Colombia	85	4,194	2,905
Total high voltage	970	32,072	12,173
Total	293,759	61,630	315,936

Note: In 2008, Moldova reported a preliminary figure, which was corrected in the Directors' report after the audit of the official close.

Electrical energy losses in transport and distribution (%)

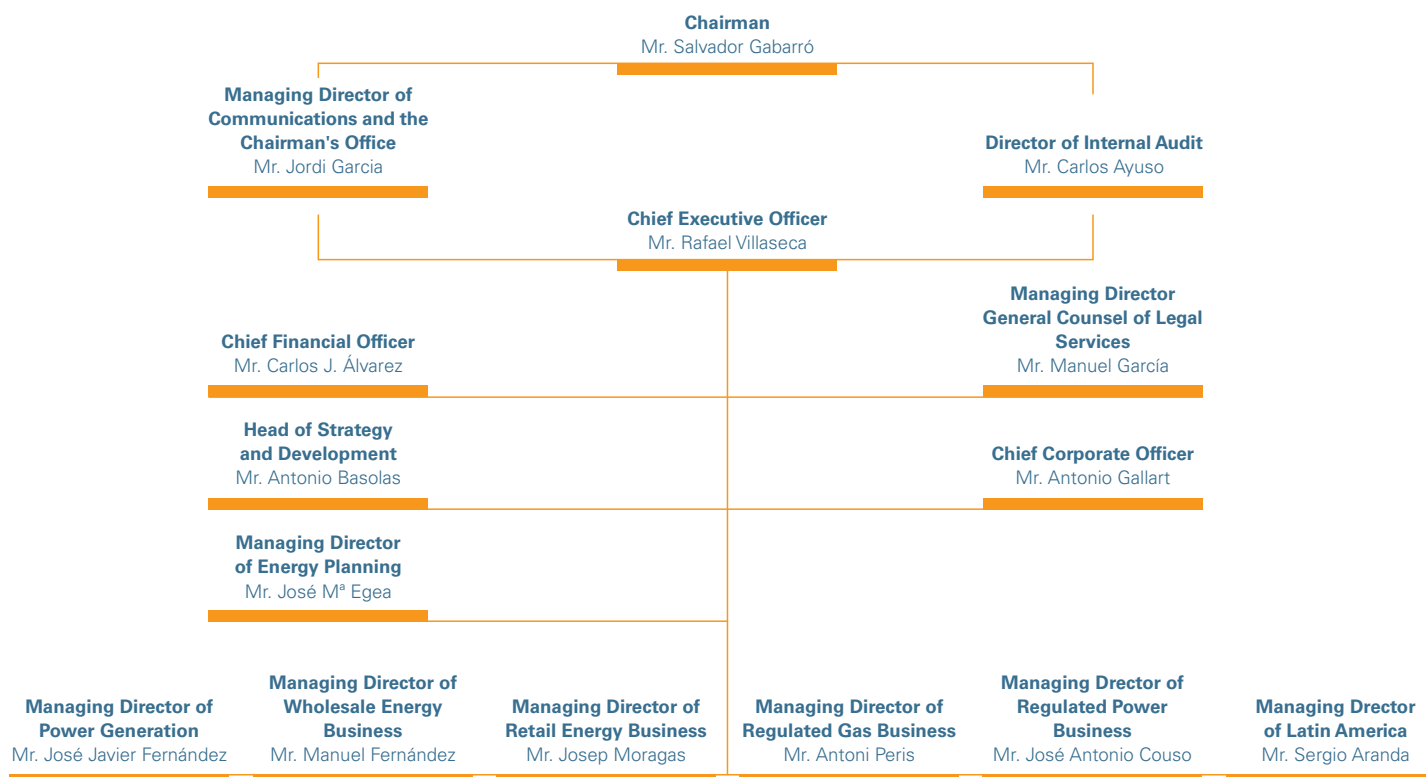
	2009	2008	2007
Energy losses in transport and distribution (%)	6.43	6.22	6.53





The Gas Natural Group has an efficient organisational structure, adapted to the strategic challenges of a growing company.

Gas Natural Group management structure



Strategy of the Gas Natural Group

As a result of the merger with Unión Fenosa, the Gas Natural Group is working hard to define a new strategic plan.

The new plan will be subject to the complexity and uncertainty that currently affect the economic environment and by possible fluctuations in energy prices over the coming years. In this context and in view of the forecasts for the coming years, the Group is working on the definition of a robust, ambitious strategic plan to respond to the unknown entities that may arise on the economic, legislative and energy scenarios.

The Group's new strategic plan is based on the targets set in the previous plan and on the strategic targets set by Unión Fenosa before it merged with the Group. It is based on the following concepts:

- Promotion of the vertical integration of the Company's business, based on the establishment of new long-term supply agreements and participation in new upstream projects for primary supplies.
- Promotion of the internationalisation process in the geographical and business areas that offer opportunities and in which the Group has a competitive edge.
- Investment in R&D/i to foster the development of new electricity generation technologies or improve existing technologies.

- Development of the Group's electricity and gas distribution activities in accordance with the energy policy defined in the geographical areas in which it operates with a permanent view to improving the energy efficiency of its operations.

The deregulation of the electricity and gas markets requires the companies in the energy sector to increase their efficiency, meet the demands of their customers with an appropriate supply and develop a culture of innovation. The integration of Unión Fenosa in the Gas Natural Group will involve a significant increase in quality in said three areas.

In order to meet the targets set in its Strategic Plan, the Company has various fundamental means of support:

- The Gas Natural Group is a best-in-class operator in downstream, distribution and sale of energy. The long-standing experience of both companies in this area will make it possible for the Group to meet the targets it has set.
- The high level of diversification and efficiency of the Company's generation facilities, which allows it to manage the natural resources of gas and coal it has available in a competitive way.
- The Company's strong position in the liquefied natural gas business (LNG), which will be a key factor for accessing new markets and obtaining new supply sources.

The Gas Natural Group is a best-in-class operator in downstream, distribution and sale of energy.

- The human resources of both companies, strengthened after the merger.

In the coming years, Spain and Latin America will continue to be the Gas Natural Group main markets. However, their relative weight will be reduced since the greatest business opportunities and increases in demand will come from Asia from now on.

In the future, the Group will continue to develop a competitive, diverse and environment-friendly energy mix that places great importance on renewable energies, which will be complemented with other sources of generation, such as the hydraulic projects that are currently being developed by the Group in line with the national energy policy, which also provide a safe supply. The Group will continue its search for more efficient, environment-friendly solutions.

Contribution to Development

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

The companies in the energy sector are facing a challenge on two levels. On the one hand, they must be capable of satisfying the societies' growing demand for energy; on the other, they must do so more efficiently and in a more environment-friendly way. For both reasons, the search for safe, clean and reliable sources of energy is essential for the companies in the energy sector and, in particular, for the Gas Natural Group.

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

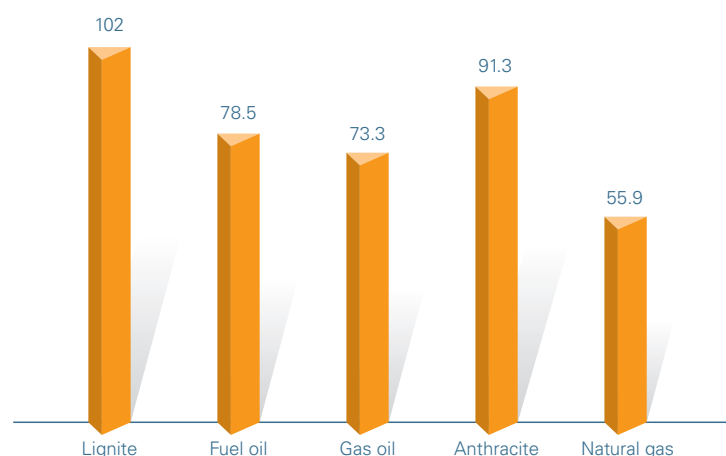
The Gas Natural Group assumes these challenges in its awareness of the fact that its main contribution to development and well-being lies in supplying energy in a sustainable, efficient and safe way.

A company that supplies clean energy

Society applies growing environment-related pressure on energy companies. Although the gas and electricity distribution, generation and transport activities cannot be designed without a certain level of environmental impact, they can be minimised through the efficiency of processes and the installation of high-performance equipment. Accordingly, renewable energies are assuming an increasingly notable relevance in the energy mix. However, the generation of energy from fossil sources will remain predominant in the coming years. In this context, the advantages of natural gas in terms of efficiency give it an advantage over other fossil fuels.

Owing to its chemical composition and properties, natural gas is the cleanest fossil fuel. During combustion, it emits between 40 and 45% less CO₂ than coal and between 20 and 30% less than oil. Furthermore, the NO_x emissions caused by its combustion are very low in comparison with those of coal and oil, and the emissions of SO_x and solid particles are almost zero.

CO₂ produced in the combustion of fossil fuels (kg/GJ)



Source: IPCC-Eurogas.

The above characteristics make natural gas one of the best solutions as far as the climate change and other environmental problems are concerned, such as the acidification of atmospheres and acid rain and the particle or photochemical contamination of urban atmospheres.

An efficient energy with a growing number of uses

Natural gas offers a better energy balance than other fossil fuels. The efficiency of the combined-cycle power plants that work with gas exceeds that of conventional thermal power stations by 20%. The advantages of natural gas as far as efficiency is concerned produce positive environmental effects in terms of the reduction of emissions, since in order to achieve the same amount of energy, a lower quantity of natural gas has to be burned than other fossil fuels.

Natural gas is one of the primary energies with the highest growth potential owing to its increased use in every sector, the progressive extension of the gas pipeline network and its use in processes for generating energy through combined cycles and co-generation, as well as its use as a fuel for transport.

A company committed to efficiency and R&D/i

In terms of efficiency, the Gas Natural Group has fostered the development of combined-cycle plants that use natural gas as a fuel. Its high efficiency makes natural gas the fossil fuel with the best energy performance. However, the need for a reliable supply means that other generation technologies must be made available. Accordingly, the Gas Natural Group has a complete R&D/i programme that includes investigations aimed at improving levels of performance and minimising the environmental impact of carbon- and fueloil-based generation.

Demand for natural gas in the EU by sector (Mtep)



The Gas Natural Group also has a large electricity generation portfolio based on renewable energies. Although they are undergoing rapid growth, renewable energies do not offer the reliability required to satisfy all the energy demand at the present time. Nevertheless, the Gas Natural Group is committed to the generation of electricity using this type of source and to R&D and innovation in the development of cleaner technologies and the search for new solutions to integrate renewable energies with natural gas.

In 2009, the Gas Natural Group spent 15.39 million euros on R&D/i projects and activities.



In 2009, the Gas Natural Group allocated 15.39 million euros to R&D/i activities and projects focused on achieving a more reliable energy supply compatible with sustainable development.

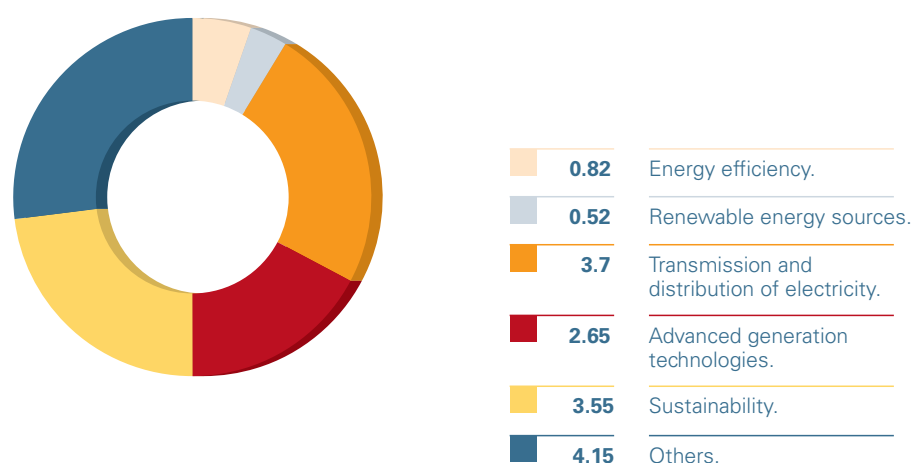
In terms of energy efficiency, the activities were related to the creation of businesses devoted to energy services and related products. With regard to renewable energies, the projects focused on geothermal heat pumps and the combination of wind farms with the generation, storage and use of hydrogen.

In the transmission and distribution of electricity, the projects focused mainly on the development of mobile substations and equipment and on the advanced management of electrical grids and the demand for electricity.

In advanced generation technologies, the Company allocated resources to the research and development of technologies and equipment for capturing and storing CO₂, as well as the area of ultra-supercritical coal power plants.

In sustainability-related services, the most outstanding efforts were made in the development of advanced electrical equipment and technologies or improvements in combustion at coal power plants.

Investment in R&D/i (millions of euros)



A company committed to communities

The Company generates wealth and employment in the countries in which it operates, which can be seen through the payment of salaries, taxes, investments and the creation of value along the energy chain. In addition, the Group takes part in social projects in line with its business whose purpose is to contribute to the development of the societies in which it is present.

Energy is crucial for community development. The Group operates in countries in which the energy infrastructure is occasionally poor. For said reason, there are certain geographical areas in which the energy cover does not reach all the population. The Company works actively to serve the individuals, families and organisations located in areas for which it has been awarded a distribution or service licence.

With regard to new investments and projects, the Gas Natural Group minimises the need for travel and the social and environmental impact that may be caused.

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

Population without an electricity service (%)

Colombia (Electricaribe)	9.79 ⁽¹⁾
Guatemala	24.83 ⁽²⁾
Nicaragua	39.00 ⁽³⁾
Panama	18.60 ⁽⁴⁾

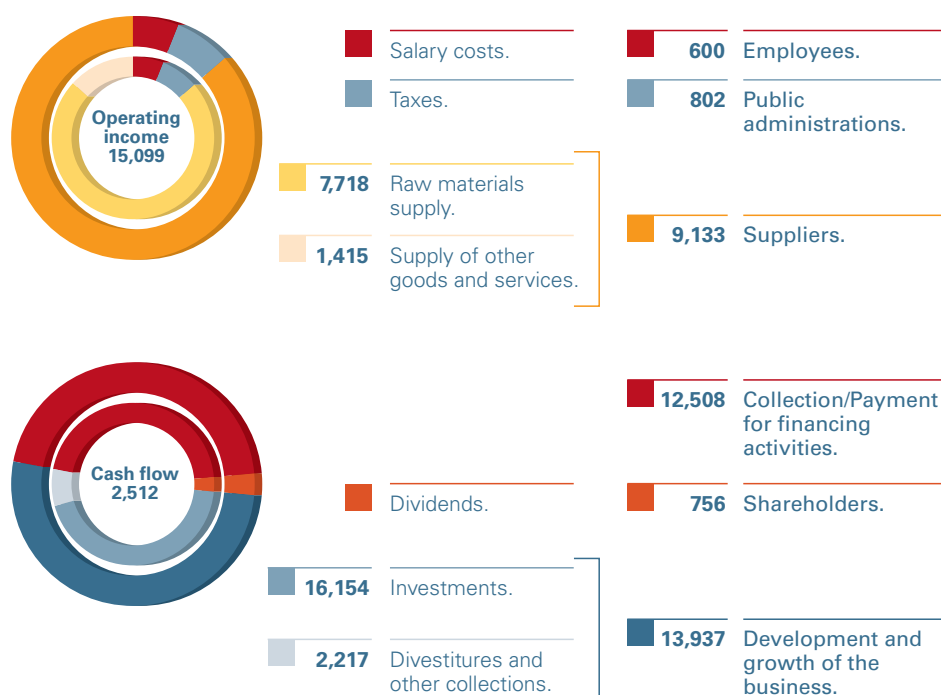
(1) Source: Energy Mining Planning Department of the Government of Colombia. Figures for December 2008.

(2) Figure calculated on the basis of the information provided by the Ministry of Energy and Mines of Guatemala.

(3) Source: Ministry of Energy and Mines of Nicaragua.

(4) Source: Office of the Comptroller General of the Republic of Panama.

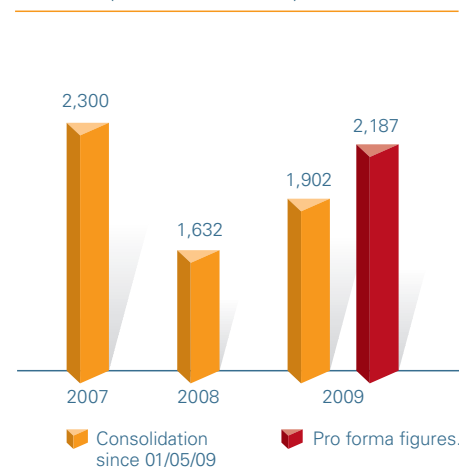
Investment in R&D/i (millions of euros)



In order to avoid possible negative impacts caused by its activities on local populations, the Gas Natural Group uses the best technologies that are available, analysing all the technically viable options, establishing work meetings with representatives from public institutions and businesses and jointly studying the best options for the common interest.

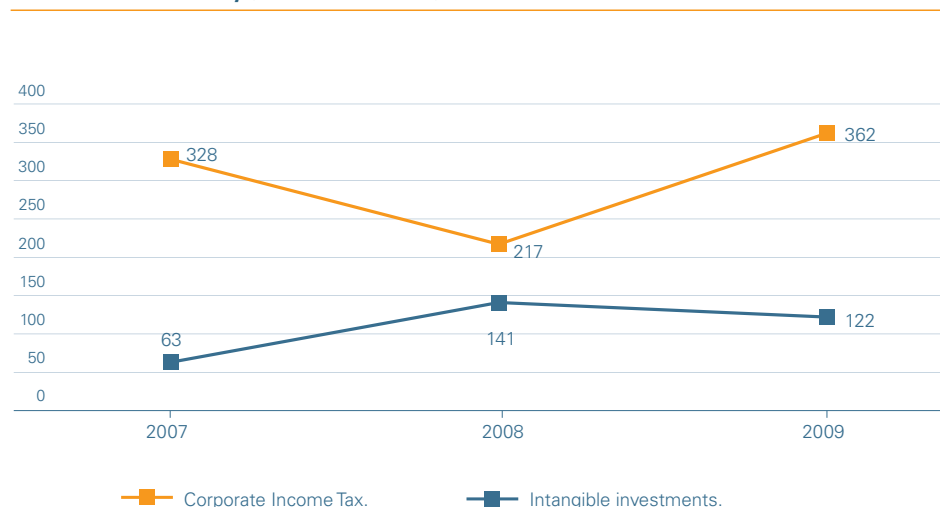
In this regard, special mention must be made of the fact that all individual travel was avoided in 2009 as a result of the Company's infrastructures development projects.

Total purchase volume awarded (in millions of euros)

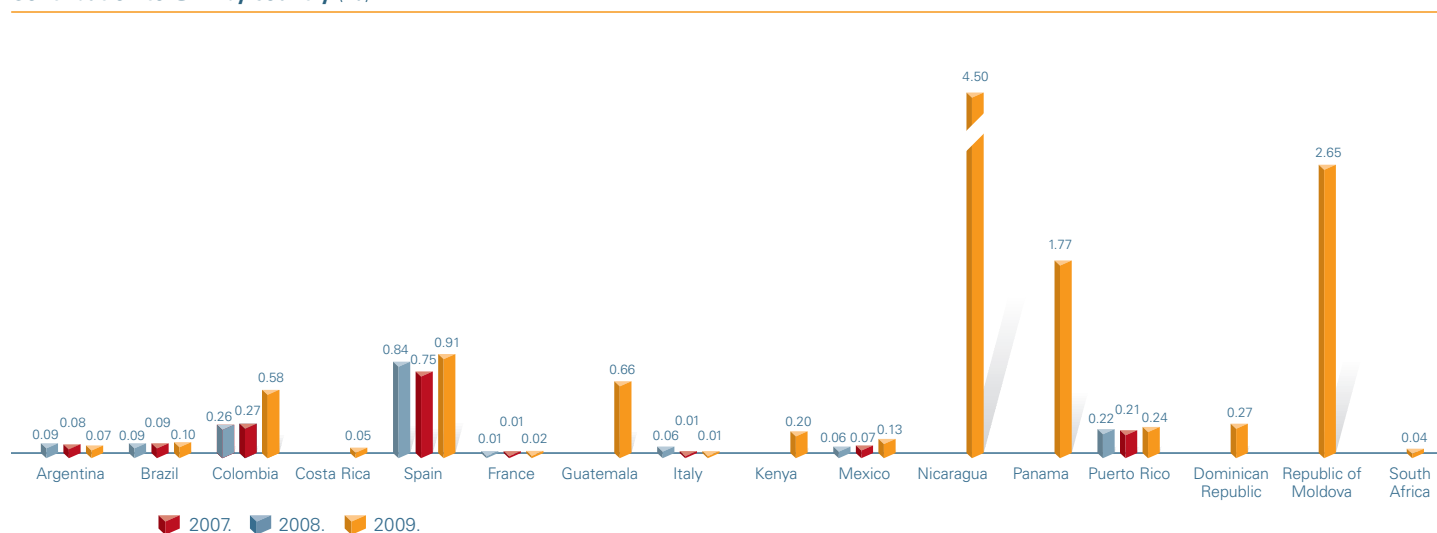


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Contribution to society (in millions of euros)



Contribution to GDP by country (%)



Energía Social

Energía Social is the only electricity commercialisation business in Colombia and was created exclusively to provide its services in low-income areas, where electricity grids are not standardised. This initiative of the Gas Natural Group was launched in 2004 and aims to create a sustainable management model for the sale of energy to communities with rudimentary electricity grids.

Energía Social applies a business model that is innovative and adapted to the populations it serves through the standardisation of the grids, the modification of the metering processes and the adaptation of the charges to its customers' needs through the creation of SMEs that attend underprivileged quarters. It is the result of working closely with the Colombian public administration to offer access to underprivileged collectives.

Energía Social objectives focus on various strategic areas: the promotion of projects through the standardisation of electricity, increasing payment collection and bringing the company closer to the community. Energía Social has successfully reached a high level of proximity as far as customers are concerned through social action and advertising. This has meant that many areas of Colombia have a safe and reliable supply of electricity that is in line with their requirements. At the present time, more than 40,000 Colombian families have electricity thanks to this initiative.

As reward for its work, Energía Social has received many acknowledgements, such as the European Marketplace for CSR in the category of Innovation, awarded by CSR Europe, and it is among the eight most successful examples of corporate responsibility in Latin America. Both awards were received in 2006.



Corporate Responsibility and the Gas Natural Group

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Key Corporate Responsibility Indicators

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

As a result of the merger completed by the Group in 2009, new key indicators have been defined in environmental issues.

Customer orientation	2009	2008	2007
Percentage of satisfied customers ⁽¹⁾			
Spain (%)	85.6	87.5	88.7
Italy (%)	78.5	87.4	84.0
Latin America (%)	86.0	87.8	87.0
Suppliers with contracts currently in effect	11,249	4,608	4,274
Total purchase volume awarded (in millions of euros)	1,902	1,632	2,300
Commitment to results	2009	2008	2007
Net turnover (in millions of euros)	14,879	13,544	10,093
Gross operating profit. Ebitda (in millions of euros)	3,937	2,564	2,277
Total investments (in millions of euros)	15,696	3,697	2,323
Net profit (in millions of euros)	1,195	1,057	959.4
Dividend (in millions of euros)	730	663 ⁽²⁾	521
Evolution of the Gas Natural Group classification on the DJSI	83	76	73
The environment⁽³⁾	2009⁽⁴⁾	2008	2007
Greenhouse gas emissions (GHG) (t CO ₂ eq)	20,988,306	12,604,880	8,201,152
Emissions of GHG/Electricity generation (t CO ₂ eq/GWh)	342	347	353
Methane emissions in transportation and distribution (t CO ₂ eq/km grid)	11.50	12.18	11.92
SO ₂ emissions/electricity generated (g/kWh)	0.12	-	-
NO _x emissions/electricity generated (g/kWh)	0.42	-	-
Emissions of particles/electricity generated (g/kWh)	0.02	-	-
Generation of hazardous waste (t)	7,348	2,364	9,644
Recycling of ashes (%)	82	-	-
Interest in people	2009	2008	2007
Staff rate. No. of employees	19,803	6,842	6,699
Men/Women (%)	74/26	69/31	68/32
Women in management posts (%)	19.7	18.9	17.7
Personnel costs (in millions of euros)	600	338	308
Training hours per employee	42.20	44.52	40.62
Annual investment in training (euros)	8,505,000	3,480,300	3,397,500

Health and safety	2009	2008	2007
Accidents requiring medical leave	244	85	77
Days lost	5,932	1,668	1,644
Mortalities	1	0	0
Frequency rate	8.89	6.26	5.85
Seriousness index	0.22	0.12	0.12
Incident rate	17.38	12.25	11.53
Absenteeism rate	2.56	1.94	2.23
Social responsibility	2009	2008	2007
Evolution of the contribution from the Gas Natural Group (in millions of euros)	15.4 ⁽⁵⁾	16.8	16.1
Breakdown by type of action (%)			
Social	40.7	57.6	57.7
Environmental	23.8	25.6	24.9
Cultural	35.4	16.8	17.4
Others	0.1	-	-
No. of sponsorship and social action activities	325	274	308
Integrity	2009	2008	2007
Correspondence received by the Code of Ethics Committee	25	22	22
Number of messages received per 200 employees	0.75 ⁽⁶⁾	0.64	0.66
Geographical origin of correspondence			
Argentina (%)	8	5	5
Brazil (%)	0	0	5
Colombia (%)	4	0	23
Spain (%)	56	40	44
Italy (%)	4	5	0
Mexico (%)	28	50	23
Average time for resolving correspondence (days)	48	46	42
Audit projects analysed on the basis of the risk of fraud	26	35	28

(1) Measured for gas customers only.

(2) Includes 90 million euros in extraordinary dividends.

(3) As a result of the merger completed by the Group in 2009, new key indicators have been defined in environmental issues.

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

(5) In 2009, the criteria for calculating the "contribution to the Company" figures have been changed. Said figure does not include the international provision from Unión Fenosa.

(6) Calculated using Gas Natural Group figures without Unión Fenosa.

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Corporate Responsibility Policy Management

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

Customer orientation

We strive to know and satisfy our customers' needs. Our aim is to provide customers with an excellent service, responding immediately and efficiently.

Our principles:

- Building relationships based on trust through a friendly and accessible manner.
- Listening to their opinions so as to be able to anticipate their needs.
- Working all along the value chain to continuously improve the quality and safety of our products and services.

Commitment to results

We draw up plans, set collective and individual objectives and make decisions in accordance with their impact on the achievement of our Vision's objectives, ensuring that all required commitments are fulfilled and that the minimum levels of uncertainty needed to achieve those objectives are assumed.

Our principles:

- Working to consistently obtain profitability levels that are in keeping with market expectations.
- Applying the best practices of transparency of information at all times, establishing channels of communication, both with the markets and with other stakeholders, in order to strengthen our credibility and reputation.

The environment

The strategic horizon for our activities goes beyond immediate economic interests, contributing to short- and long-term economic, environmental and social development. In the area of respect for the environment, our activities go beyond continuous adaptation to current legislation. In areas not subject to the applicable legislation, we take into account international standards and trends in legislation when planning activities that may have a significant environmental impact.

Our principles:

- Countering the effects of climate change by minimising the impact of our activities.
- Incorporating environmental criteria into business management to achieve maximum efficiency.
- Ensuring that the applicable procedures are known and complied with all along the value chain.
- Preserving natural biodiversity in the locations in which we operate.
- Promoting continuous improvement by assessing the Environmental Management System and reporting internally and externally on its performance.

Interest in people

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

Our principles:

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

Health and safety

We promote policies for the development of a prevention culture that guarantees health and safety along the entire value chain.

Our principles:

- Ensuring that safety is everyone's responsibility.
- Proper training and information are key elements of prevention.
- Integrating preventive actions into all activities and decisions to ensure continuous improvement.
- Rejecting any conduct that may create an unsafe, intimidating or offensive working environment.

Social responsibility

We accept our corporate social responsibility, contributing our know-how, management capacity and creative ability to society. We channel part of our profits into social initiatives, maintaining an ongoing dialogue with society with the aim of identifying and satisfying its needs, thereby enhancing the credibility and prestige of our Group.

Our principles:

- Positive integration in the society of the countries in which we carry out our activities, respecting the culture, legislation and environment.
- Generating value by developing our own activities and by forging alliances with local communities in all of the countries in which we operate.
- Fostering the education, training, cultural wealth and inclusion of the most disadvantaged groups through social investment.

Integrity

We insist that all members of the Gas Natural Group behave ethically, with honesty and integrity, respecting the Group's values, principles and professional codes of conduct, thus helping to increase society's trust in our Company.

Our principles:

- Rejecting corruption and bribery in our business dealings and establishing measures to prevent and combat them.
- Providing support for the principles of the UN Global Compact, as well as the principles of the OECD for corporate governance.
- Respecting all aspects of the UN Universal Declaration of Human Rights and the Declaration of the ILO regarding basic rights in the workplace.

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At the Gas Natural Group, corporate responsibility comprises the actions taken to establish relationships of trust with stakeholders.

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

Historically, the commitment to society, sustainability and corporate responsibility has been one of the Company's signs of identity. This was also the case of Unión Fenosa, the company with which the Gas Natural Group completed a merger in 2009.

The resulting new Group assumes the Corporate Responsibility Policy passed by the Board of Directors of Gas Natural SDG in 2008. The policy formalises the Company's standpoint and commitments to its stakeholders, taking the Company's Mission, Vision and Values as its base and in keeping with its strategic priorities.

The Corporate Responsibility Policy is the expression of a management system that includes the entire Group and contains the seven commitments assumed by the Company in said area. These commitments are:

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

The contents of this 2009 Corporate Responsibility Report have been structured in accordance with the above commitments.

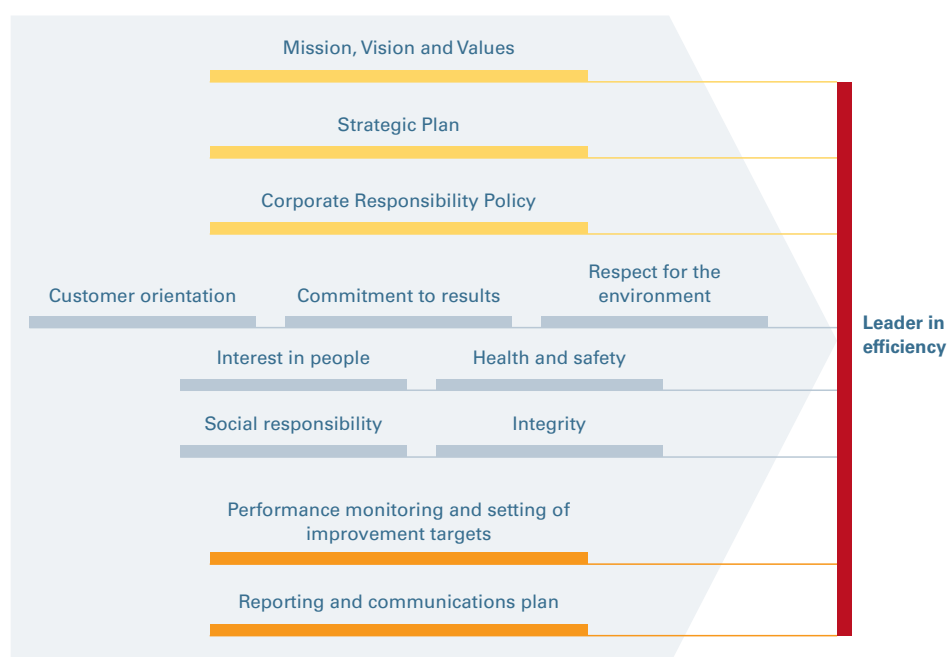
The Group has developed a control panel for monitoring the Corporate Responsibility Policy, reporting on its level of fulfilment and setting the corresponding targets. Reports on selected indicators are given in the various chapters of this Corporate Responsibility Report.

The indicators refer to all the corporate responsibility matters the Company considers to be of material importance. They go back three years and make it possible to inform the various bodies of government and management about the results of the actions that are carried out, detect areas for improvement and set new targets.

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

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

Strategic management of corporate responsibility in the Gas Natural Group



Management of Corporate Responsibility

Milestones 2009

Analysis of the new Group's strengths in corporate responsibility after the merger to design the new model of the Company in said area.

Approval of the 2010 Corporate Responsibility and Reputation Plan.

Definition of an indicator system to strengthen corporate responsibility as a management system.

Challenges 2010

Adaptation of the Corporate Responsibility Policy to the new situation of the Group.

Definition of the framework of action of the Gas Natural Group in human rights.

Transfer to the different countries of the indicator management model to move forward consistently in the management of corporate responsibility in accordance with the new model.

Governing bodies

The commitment to society, sustainability and corporate responsibility form part of the Gas Natural Group strategy. The supervision of the Company's performance in this area falls ultimately to the Board of Directors, as provided in the recommendations of the Unified Code of Good Governance and the Board Regulations.

In addition, the Company has a Corporate Reputation Committee and a Code of Ethics Committee that carry out important work in the Group in relation to the promotion and implementation of initiatives related to corporate responsibility.

The Corporate Reputation Committee is responsible for developing corporate responsibility policies and procedures, coordinating the Company's reports in the area and supervising the external audit of the corresponding public information. It reports to the Management Committee, which, in turn, reports to the Board of Directors.

Corporate Reputation Committee

Made up of representatives of some of the departments involved in the development of corporate reputation and responsibility initiatives. It is chaired by the Communications Department and Chairman's Office.

Functions of the Corporate Reputation Committee

Implement corporate responsibility and reputation management throughout the organisation, by means of responsible actions which create value for stakeholders.

Analyse the risks and reputational opportunities in each business division and geographical area, exchanging information which is used to direct the Company's management.

Ensure the construction of a corporate culture that is committed to protecting reputation and promoting corporate responsibility.

Functions of the Code of Ethics Committee

Promoting the distribution and knowledge of the Code of Ethics.

Providing a communication channel to all employees who wish to send queries or notify breaches of the Code.

Facilitating the solution of disputes concerning the application of the Code of Ethics.

Composition of local committees⁽¹⁾

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

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

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

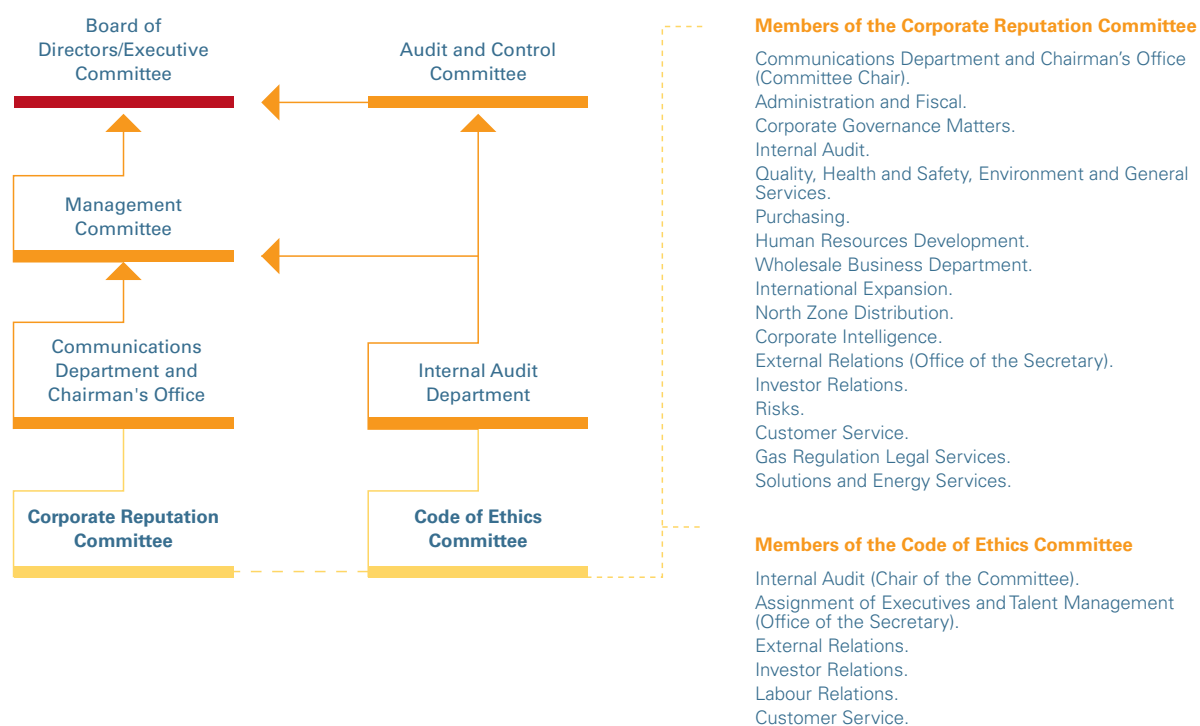
Code of Ethics Committee

Its mission is to contribute to the knowledge, understanding and fulfilment of the Code of Ethics across the entire Group.

The Committee is chaired by the Internal Audit Department and involves representatives from the departments that are directly involved in monitoring the Code of Ethics. It reports to the Management Committee and to the Audit and Control Committee.

The Group has also set up Code of Ethics local committees in some of its action areas. With a make-up similar to the Code of Ethics Committee, its main function is to ensure the dissemination of the Code of Ethics across its various action areas. In 2009 and as a result of the merger between Unión Fenosa and the Gas Natural Group, local committees were set up in Guatemala, Moldova, Nicaragua and Panama.

Corporate responsibility governing structure of the Gas Natural Group



RepTrak

Developed by the Corporate Reputation Forum and the Reputation Institute, the RepTrak model provides systematic information on the Company's reputation.

RepTrak carries out a measurement of the emotional reputation (RepTrak Pulse) according to the esteem, admiration, trust and impressions generated by the Gas Natural Group in society. It also assesses several attributes grouped together in seven dimensions: government, work, innovation, supply, finance, leadership and citizenship, which constitute the rational analysis of the Company's reputation (RepTrak Index).

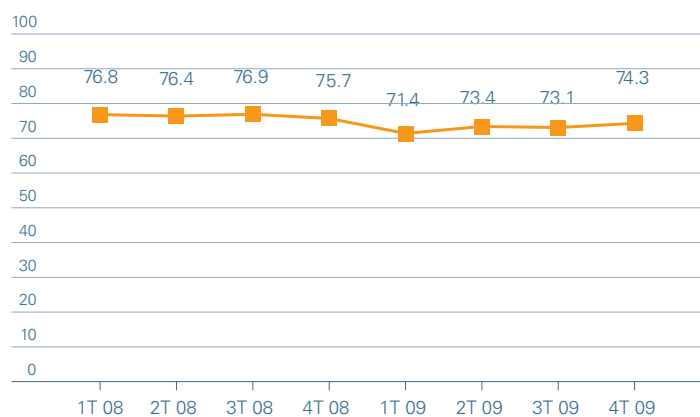
The model enables continuous assessment and, as a result, the implementation of specific measures aimed at improving the Company in the key areas of reputation.

The Group started to use this tool in 2007. Since 2008, the RepTrak results are presented to the Board of Directors on a regular basis.

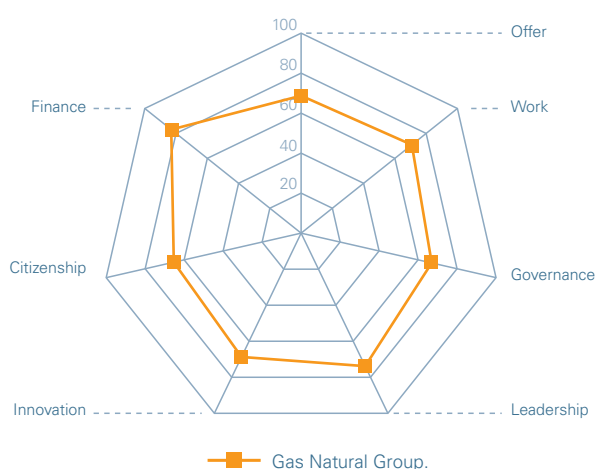
RepTrak Methodology



RepTrak Pulse:
the perception of the Gas Natural Group in society



RepTrak Pulse:
the reputation of the Gas Natural Group by dimensions^(*)



(*) Average results 2009.

Dialogue with Interest Groups

The Gas Natural Group is aware that the trust of its stakeholders is crucial for the Company's acceptance by society and the success of its business plans. The Group seeks to create stable relationships on the main markets on which it operates. Accordingly, it carries out actions that enable it to discover the concerns and expectations of its stakeholders in advance so that it can evaluate some of the main risks and opportunities associated with the business.

The Gas Natural Group actions as far as dialogue is concerned are divided into the following:

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

The main dialogue actions developed by the Gas Natural Group in 2009 were as follows:

Consultancy actions

Customers

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

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

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

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

In Mexico, the development of the "Letters to the Chairman" channel of communication to allow customers to make their comments and suggestions.

Improvements to the Group's website in Colombia to emphasise the virtual office.

Communication actions with Italian consumer associations to present the Company, respond to requirements and explain new issues, especially regarding the calculation of prices.

Shareholders/Investors

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

One-on-one meetings with investors.

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

Employees

Creation and launch of the Internal Communication Committees: Corporate, Operative and International, as crossover working parties.

Employee listening barometers: 30 focus groups, three surveys and interviews with executives

Launch in "Our Energy", the "Participate" and "We ask Ourselves" spaces. Maintenance of usual opinion channels.

Development of "Breakfasts with the Directors" as upward communication.

Launch of three "Communications in Cascade" on a Group scale to collect and analyse doubts and suggestions.

Third and fourth surveys for studying factors of psychosocial risks.

Workgroups to assess risk awareness.

Performance of the pilot test titled "Self-Assessment Questionnaire on Risks".

Suppliers

Implementation of the Suppliers Quality Model in Argentina, Brazil, Colombia, Italy and Mexico, which specifies as the starting point the conditions and standards to be met by the products and services under contract, pointing suppliers towards the improvement of quality and its measurement.

Supplier audits in Mexico to focus them on the improved management of their processes and service quality.

Meetings with collaborating companies that provide services in Mexico to hear their concerns and find solutions to speed up processes.

Meetings with various suppliers to study the possibility of implementing a seal of quality in Brazil for collaborator suppliers.

Society

Continuous monitoring of corporate reputation among public opinion using RepTrak.

Reception and analysis of 380 proposals for collaboration and services for organisations and institutions to learn more about their projects.

Informative actions

Customers

Swap market. Action for the dissemination of a rational use of energy developed across the national territory in 2009.

Participation in events associated with the dissemination of energy efficiency (one-day sustainability event in Madrid and Seville, alternative fuels and vehicle fair in Valladolid).

One-day technical events aimed at professions in the construction market to disseminate the advantages of the solar-gas binomial in buildings.

Information campaigns in Electricaribe (Colombia) on the current regulations in special areas and the rational and safe use of energy.

Institutional awareness campaigns in Colombia for the prevention of accidents, the rational use of natural gas and the importance of allowing the Regulatory Technical Inspection.

One-day awareness events in the use of energy and the improvement of service quality.

Dissemination campaign in Brazil on the safe use of gas over the Internet, in the press and on invoices.

Information sent to customers with their invoices on the Company's news, advice, prices, services and campaigns in Italy.

Dissemination in Moldova, in the press and on the Internet, on the implementation of environmental and quality assurance systems, as well as on electrical safety, which is also sent in the envelopes with the invoices.

Shareholders/Investors

Retransmission over the Internet of quarterly presentations of results.

Specific presentations by the Group's senior management.

Response to the requests for information from minority shareholders concerning the Gas Natural Group during the increase in capital and the shareholders of Unión Fenosa in the takeover bid and the exchange of shares as a result of the merger by absorption.

Employees

Permanent publication of information on the new integration platform titled "Our Energy".

Launch of the new Group's Internal Corporate Newsletter.

Advance of commercial campaigns and advertising to employees in Spain before their publication in the media.

Sending of SMS messages during the merger process to report the key milestones.

Publication of high-impact videos: information about the head offices, "The Year of the Change" and presentation of the internal communication campaign, among others.

Publication and sending to the operative centres of the files describing the risks involved in technical service activities.

Distribution of the guides: *Gestión de la prevención en obras de construcción* (Prevention Management in Building Sites) and *Accidentes graves* (Serious Accidents).

Sending to the various centres of *Consignas de actuación en caso de emergencia* (Action Guidelines in Emergencies).

Production of video for training emergency brigades at the offices in Madrid.

Suppliers

Meetings with representatives of the main stakeholders in Mexico to hear their perception of the activities carried out by the collaborating companies.

Inclusion of clauses for contracting suppliers in Argentina with references to the Group's Code of Ethics and environmental procedures for their knowledge and application.

Presentation to suppliers in Colombia of the supplier approval and product acceptance process through the fulfilment of the specifications for each material and the procedures for implementing the different services.

Society

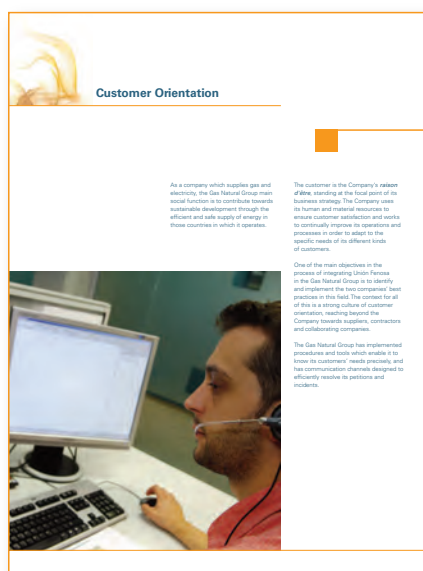
Promotion of dialogue between businesses, NGOs, universities and business schools in matters related to corporate responsibility.



How to Read the Corporate Responsibility Report

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

The contents have been structured around the commitments laid down in the Gas Natural Group Corporate Responsibility Policy, adopted in 2008. The chapters have the same structure to enable easy reading and so that information can be found more quickly and easily. Although the information may be organised in slightly different ways depending on the subject, the chapters have certain elements in common.



Introduction

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

Corporate Responsibility Commitments 2009 Corporate Responsibility Report 43

Principles of responsible action with customers

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

- Building relationships based on trust, employing a friendly and accessible manner.
- Listening to their opinions to anticipate their needs.
- Working to bring the service down to continuously improve the quality and safety of its products and services.

Main indicators

	2008	2009	2007
Percentage of satisfied customers*			
Spain (%)	85.9	87.6	85.0
Spain (%)	78.5	87.4	85.0
Spain America (%)	86.0	87.6	85.0
Satisfaction with services provided in Spain	13,145	4,000	4,376
Total customer volume awarded (in millions of euros)	1,802	1,802	2,200

* Only gas customers.

Relevant actions

Proposed actions for 2009	Actions taken 2009	Actions planned 2010
Identification of the main factors for satisfaction among Spanish energy companies in order to foster service quality.	Carrying out energy audits to ascertain the service quality of the main processes offered by some of the Group's companies.	Inclusion of all the Group's customers in the corporate satisfaction measurement model. Incorporation of perception of quality of services offered by retail companies. Development of the Last Six Sigma methodology as a continuous improvement tool.
Inclusion of the concept of energy efficiency in communications and actions taken with customers.	Development and implementation of a campaign on energy efficiency and energy conservation. Campaigns on energy efficiency and energy conservation in the framework of the Energy Efficiency project.	Development of personalised energy advice for the home, and work for calculating energy efficiency by sector, for SMEs.
Personalised communication plan based on advice and offers in marketing in accordance with customers' requirements.	Integration of the commercial management of the Group's wholesale customers, offering the personalised sales network.	Thematic of active advice as a customer communication and management platform.
Consolidation of the Reserve developed in 2008 and incorporation of new suppliers in the use of those that have been implemented.	Inclusion of suppliers in the Supplier Portal and the functionality of offers management, publication of offers and availability of documents. Development of functionality for publication of delivery notes and electrical distribution notes.	Global extension of Supplier Portal to countries in which the Gas Natural Group operates.

Level of compliance: High ● Medium ● Low ●

Principals, main indicators and relevant actions

This section deals with the indicators chosen by the Company to report on the putting into practice of the commitments in question, together with the actions carried out and targets set for the following financial year.

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In 2009, with the aim of improving the quality of customer care, and as a result of the merger process, the Company carried out an in-depth analysis of the geographical structure and location of the Customer Service Centres.

Effective communication with customers

It is essential to communicate effectively with customers in order to detect and anticipate their requirements.

The communication channels set up by the Gas Natural Group focus on attending customers, finding out their requirements, listening to and attending their claims. Basically, their object is to create relations of trust between the Company and its customers.

In 2009, the Group began a process for the integration of practices and procedures, using the basis of the best practice in the two companies prior to the merger.

The following are some of the main actions carried out in the field of communication in 2009:

- Communication, according to its role or market, of new developments which could affect customers due to legislative or regulatory changes.
- Communication and understanding to safety in gas use. Customers were sent two notifications in this regard, together with bills. In the Gas Centres, DVDs were handed out with advice in this field.
- Notifying customers about matters relating to energy efficiency, saving, and the best use of gas and electricity installations.

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

- Signing of agreements with consumer associations to cooperate in user training, information and awareness campaigns in the fields of saving and energy efficiency.
- Launch of "Gas Natural" instant general, based on the Company's website displaying energy efficiency initiatives, and which also includes simulators helping to achieve greater energy saving at home.
- Incorporation of new guides and channels for the home and SMEs in the Energy Efficiency Channel.
- Launch of Equipat, an online space for exchanging and disseminating information on energy saving. With the customers who took part in the initiative, the Company managed to raise around 60,000 euros, which were donated to AEGE for an environmental recovery scheme.

In 2009, with the aim of improving the quality of customer care, and as a result of the merger process, the Company carried out an in-depth analysis of the geographical structure and location of the Customer Service Centres. As a result of this initiative, there will be substantial improvements in customer care in the years to come.

Furthermore, the Gas Natural Group has implemented additional initiatives: barriers of language, culture and attitudes so as to be able to satisfy access and use energy and attend customers. For example, the Group offers some of its customers in Argentina, Spain and Mexico the possibility of receiving bills in Spanish in countries such as Spain. It is also common to use other languages other than Spanish when communicating with customers.

Chapter

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

Highlights

Relevant aspects which draw the attention of readers.

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By the same token, and also with regard to 2009, emissions of solid particles were down 77% as a result of installing new control systems for the electrostatic precipitators, the SO₂ injection systems at the power plants in Bellanca and Narcea and the desulphurization systems installed.

The substantial improvement of environmental figures has been helped by installing new combined-cycle power plants to the production mix of the Group, which already accounts for 58% of the total. In this regard, we must remember that gas combustion does not produce emissions of sulphur oxide and particles and that nitrogen oxide emissions are extremely low. This, tied to improvements at the coal power plants, has led to a reduction of specific emissions of SO₂, NO_x and particles, by 24%, 50% and 62% respectively, compared with 2007.

No substances that damage the ozone layer are emitted at the Gas Natural Group installations.

Narcea desulphurization project

The Narcea desulphurization plant came into operation in 2008, adding to the desulphurization plant in La Ribera, one of the previous ones. The purpose of the plant is to reduce sulphur dioxide emissions, among performance levels in excess of 95%. This project has involved an investment of 42 million euros.

It works as follows: flue-gas desulfurization is an open-circuit cleaning process in which a risk of frost is eliminated using the same water, retaining the sulphur dioxide and producing the gypsum. The water used has already been washed and sent to a water treatment plant through a 50% bypass that returns the humidity created by the plant.

The air required for oxidation is injected through the desulfurization circuit that uses the same water. The amount of water that feeds the desulfurization circuit is controlled depending on the quantity of sulphur dioxide in the combustion gases. This value is calculated using the flow and the content of sulphur dioxide in the combustion gas, and is adjusted to the level of the risk inside the desulfurization circuit.

The gypsum in suspension formed in the desulfurization process is sent to a full drying system, comprising sand and sulphur dioxide. The gypsum in suspension obtained is deposited in the tank where it is sent on a moving belt to the storage building.

Atmospheric emissions (thousands of tonnes)

Year	SO ₂	NO _x	Particulates
2007	10.0	100.0	10.0
2008	7.6	75.0	7.6
2009	7.4	74.0	7.4

Specific atmospheric emissions (g/kWh)

Year	SO ₂	NO _x	Particulates
2007	1.0	10.0	1.0
2008	0.76	7.5	0.76
2009	0.74	7.4	0.74

Note: The total and specific emissions of the plants have been calculated using gas flow figures to reflect the net benefit of the reduction over the last three years.

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Corporate Governance

One of Gas Natural Group's priorities is to guarantee the efficiency and transparency of the governing bodies. Accordingly, the Company has adopted its procedures in this field to the good corporate governance recommendations of listed companies.

The Gas Natural Group practices in corporate governance are described in detail in various annual reports, which are sent to the General Meeting of Shareholders for its knowledge or approval.

The documentation prepared by the Gas Natural Group in relation to its corporate governance practices has the most relevant rules and procedures implemented in the field, and to disclose the criteria used as a basis for decision taking.

The General Meeting of Shareholders, the highest decision-making body in the Company, takes part in the development of corporate governance practices, as does the Board of Directors and its Committees, the Executive Committee, the Appointments and Remuneration Committee and the Audit and Control Committee. The Management Committee also plays a relevant role from the viewpoint of management.

In 2009, the approved governing bodies met 47 times:

- Board of Directors: twelve meetings.
- Executive Committee: seven meetings.
- Appointments and Remuneration Committee: sixteen meetings.
- Audit and Control Committee: five meetings.
- Management Committee: monthly meetings.

The Board of Directors, the Committee, and the Management Committee, alongside an executive during 2009, following their responsibilities without prejudice to the full compliance of current legislation and the applicable standards, such as the Regulations for the Organization and Operation of the Board of Directors and its Committees.

The corporate information of the Gas Natural Group can be found on the Company website, or www.gasnatural.com.

One of Gas Natural's priorities is to guarantee the efficiency and transparency of the governing bodies.

Information supports

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

Tables and graphs

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

Composition of the Board of Directors (%)

Age Group	Percentage
Less than 40 years	10%
Between 40 and 50 years	40%
More than 50 years	50%

Case study

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



**Corporate
Responsibility
Commitments**

- 42 Customer Orientation.
- 60 Commitment to Results.
- 68 The Environment.
- 92 Interest in People.
- 110 Health and Safety.
- 120 Social Responsibility.
- 130 Integrity.



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Customer Orientation

As a company which supplies gas and electricity, the Gas Natural Group main social function is to contribute towards sustainable development through the efficient and safe supply of energy in those countries in which it operates.

The customer is the Company's *raison d'être*, standing at the focal point of its business strategy. The Company uses its human and material resources to ensure customer satisfaction and works to continually improve its operations and processes in order to adapt to the specific needs of its different kinds of customers.

One of the main objectives in the process of integrating Unión Fenosa in the Gas Natural Group is to identify and implement the two companies' best practices in this field. The context for all of this is a strong culture of customer orientation, reaching beyond the Company towards suppliers, contractors and collaborating companies.

The Gas Natural Group has implemented procedures and tools which enable it to know its customers' needs precisely, and has communication channels designed to efficiently resolve its petitions and incidents.



□ Principles of responsible action with customers

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

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

□ Main indicators

	2009	2008	2007
Percentage of satisfied customers ^(*)			
Spain (%)	85.6	87.5	88.7
Italy (%)	78.5	87.4	84.0
Latin America (%)	86.0	87.8	87.0
Suppliers with contracts currently in force	11,249	4,608	4,274
Total purchase volume awarded (in millions of euros)	1,902	1,632	2,300

(*) Only gas customers.

□ Relevant actions

Proposed actions for 2009

Identification of the main factors for satisfaction among Spanish energy companies in order to foster service quality.

Actions taken 2009

Carrying out energy study to ascertain the service quality of the main processes offered by some of the Group's competitors.

Actions planned 2010

Inclusion of all the Group's customers in the continuous satisfaction measurement model. Incorporation of perception of quality of service offered by main competitors. Development of the Lean Six Sigma methodology as a continuous improvement tool.

Inclusion of the concept of energy efficiency in communications and actions taken with customers.

Development and implementation of a calculator for analysing household energy consumption. Campaign to raise awareness about efficient energy consumption in the framework of the Energy Efficiency project.

Development of personalised energy advisor for the home, and tools for calculating energy efficiency, by sectors, for SMEs.

Personalised communication plan based on online and offline marketing in accordance with customers' requirements.

Integration of the commercial management of the Group's wholesale customers, unifying the personalised sales networks.

Promotion of online channel as a customer communication and management platform.

Consolidation of the features developed in 2008 and incorporation of new suppliers in the use of those that have been implemented.

Inclusion of suppliers in the Supplier Portal and the functionalities of offers management, publication of orders and exchange of documentation. Development of functionality for publication of delivery notes and electrical distribution works.

Gradual extension of Supplier Portal to countries in which the Gas Natural Group operates.

Level of compliance: High ● Medium ● Low ●



Customer satisfaction through service quality

For the Gas Natural Group, the customer is the focal point of its business. Accordingly, in 2009, as in previous years, the Company carried out numerous actions and projects designed to improve the satisfaction of its customers and their perception of the Company.

The main objective in 2009 was for the integration of Unión Fenosa in the Gas Natural Group to take place without any significant incidents in the service given to customers and the quality of processes. The global satisfaction index with the Gas Natural Group, measured for gas customers, amounted to 85.5% in 2009, an increase of 1.2 points which widens the gap against its competitors.

Before the integration, the two companies had different mechanisms for measuring the satisfaction of their customers. For this reason, with the objective of offering homogenous, comparable satisfaction indices, the Company is making an effort to include its electricity customers in the model which the Gas Natural Group used prior to the integration.

In the wholesale segment, counting both gas and electricity customers, 62% of customers were satisfied or very satisfied, according to the results of a satisfaction survey carried out in 2009

Of the many initiatives to improve service quality to the customer carried out in 2009, we may highlight the project developed in Servigas to improve emergency resolution times, which has helped to raise the customer satisfaction index by over two points.

In Italy, improvements were implemented to reduce new service contracting times and make bills easier to read. The virtual office was set up on the Group's website, allowing customers to consult important questions regarding their contracts.

In Latin America, actions were carried out to improve customer care, applying new technologies to improve the service given and to simplify tasks. In Colombia, this enabled several improvements to be made, including the bill design and the complaint resolution process.

In Mexico, measures were implemented, such as Internet bill printing, installation of prepayment meters and remote reading for industrial customers. Furthermore, payment methods were improved and extended (as they were in Guatemala) to create greater convenience for customers.

In Brazil, working groups were created to analyse the main reasons for claims, to improve their resolution and prevent further incidents.

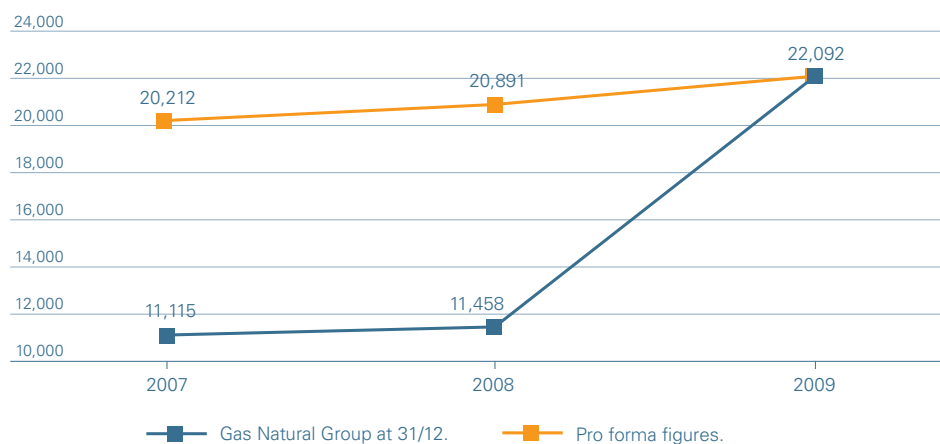
In Argentina, two diagnosis projects were carried out focused on improving processes such as reading, billing or measurement control.

Lastly, in Guatemala projects were developed to improve, *inter alia*, fraud control, while remote metering was implemented for a certain customer segment in order to improve service quality.

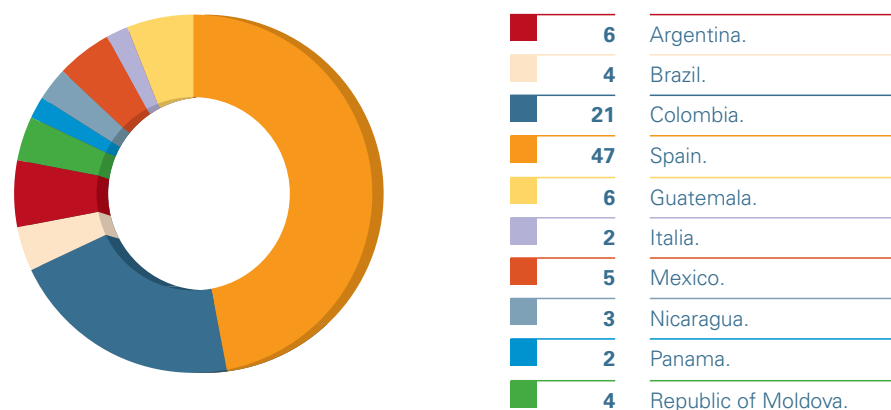
In terms of the quality of electrical service, the Gas Natural Group considerably improved its TIEPI (Equivalent Time Interruption of Installed Power) in Spain, bringing it down from 1.30 hours in 2008 to 0.98 in 2009.

The 2009 figure gives an electrical supply reliability of 99.988%.

Club Unión Fenosa, the customer loyalty programme, celebrated 11 years of existence in 2009. The main object of the Club is to improve relations with customers through strengthening bonds and making exclusive offers.

Number of customers (in thousands)

The main objective in 2009 was for the integration of Unión Fenosa in the Gas Natural Group to take place without any significant incidents in the service given to customers and the quality of processes.

Percentage of customers by country(*)

(*) Number of customers (in thousands): 22,092.

Gas and electricity customers (thousands)(*)**Gas customers**

Industrial	7
Last resort tariff	3,098
Deregulated market (consumption >50,000 kWh/year to 500 MWh/year in high pressure and up to 1,000 MWh/year in low pressure)	25
Deregulated market (rest consumption)	1,960

Total 5,090

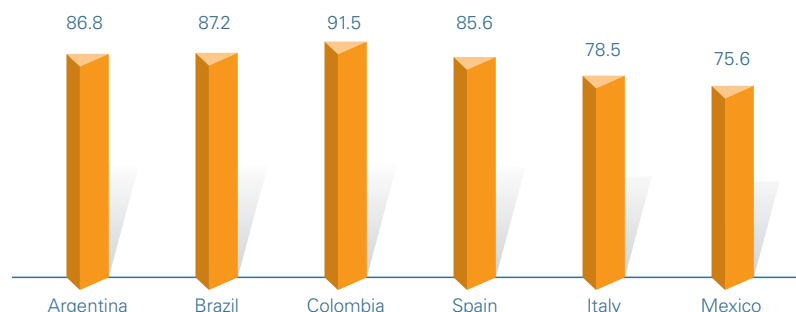
Electricity customers

Industrial	7
Last resort tariff	3,353
Deregulated market (power <10kW)	335
Deregulated market (power >10kW and sales to 0.75 GWh) (SMEs and others)	145

Total 3,840

(*) Data from Spain.

Overall satisfaction with service quality (%)^(*)



(*) Only gas customers.

Equivalent Time Interruption of Installed Power (TIEPI) and Interruptions per Installed Transformer MVA (NIEPI) by country

	Colombia (Electricaribe)	Guatemala (Deocsa/Deorsa)	Moldova (Red Unión Fenosa)	Nicaragua (Disnorte/Dissur)	Panamá (Edemet/Edechi)
TIEPI (hours)	93.22	101.48	7.07	124.23	18.65
NIEPI (No. of interruptions)	53.30	36.52	4.76	46.41	10.88

Note: To make the comparison more comprehensible, the local indices have been converted to Spanish NIEPI and TIEPI. In Guatemala and Nicaragua, the indicators used are FMIK and TTIK, equivalent to Spanish NIEPI and TIEPI, respectively. In Moldova and Panama, the indicators used are SAIFI and SAIDI, weighted by customer and not by power, as is the case with NIEPI and TIEPI. In Colombia, indicators refer to duration and frequency of interruptions by Transformer Centre.

Residential sector disconnections for non-payment

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

	Gas business				Electrical business ^(*)			
	Argentina	Brazil	Colombia	Mexico	Colombia	Guatemala	Nicaragua	Panama
Fewer than 48 hours	8,889	20,794	185,872	104,601		81,982	17,403	10,101
Between 48 hours and a week	2,239	9,733	61,748	31,982		23,276	13,017	4,446
Between a week and a month	1,534	9,291	45,014	33,871	597,257 ⁽²⁾	21,686	16,610	3,911
Between a month and a year	912	4,421	6,276	36,346		13,453	21,094	11,183
Over one year	0 ⁽¹⁾	0	–	0 ⁽¹⁾		ND	–	6,151

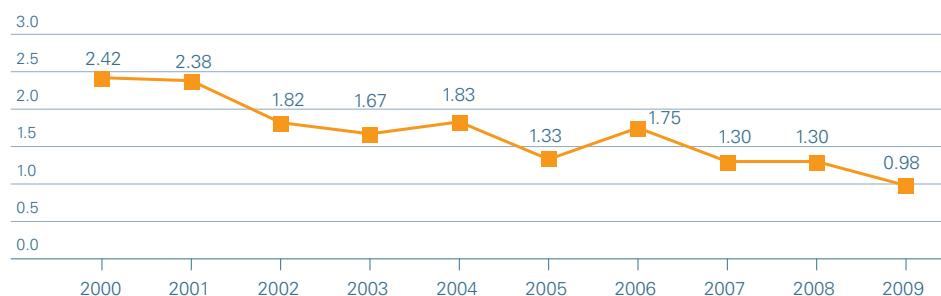
Number of customers disconnected due to non-payment classified by the total duration between debt payment and reconnection.

	Gas business				Electrical business ^(*)			
	Argentina	Brazil	Colombia	Mexico	Colombia	Guatemala	Nicaragua	Panama
Fewer than 24 hours	219	0	254,419	193,645		7,375	20,147	32,865
Between 24 hours and a week	13,289	44,242	44,426	11,555	597,257 ⁽²⁾	127,626	37,944	3,004
Over one year	66 ⁽¹⁾	0	65	1,600 ⁽¹⁾		5,396	10,032	15

(*) Electrical business figures refer to values starting from 1 May 2009.

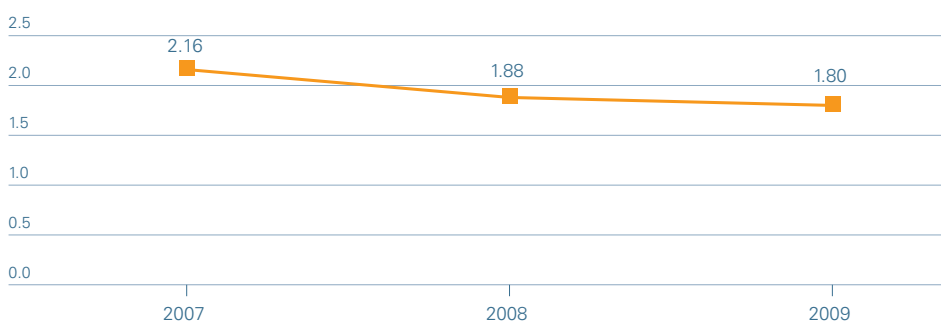
(1) AArgentina had 8,661 customers in arrears disconnected for over a year and Mexico 63,462. As they are pending payment, they are not included in the tables.

(2) In Colombia's electricity data include the customers of Electricaribe and Empresa de Energía del Pacífico S.A. (EPSA), with values of 569,158 and 28,093 respectively.

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

(*) Electrical business figures for Spain.

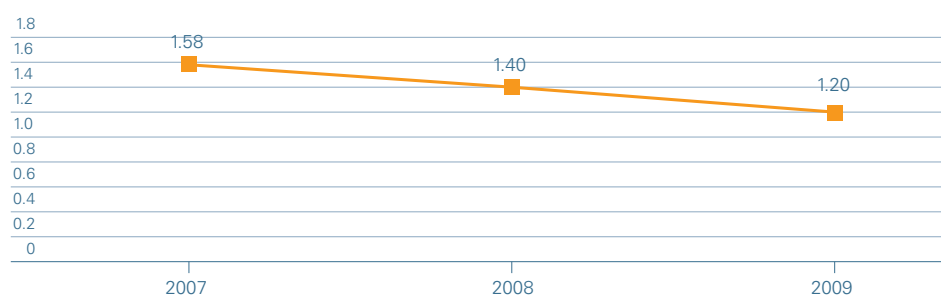
TIEPI considered in accordance with Order ITC/3519/2009 of 28 December, which in its additional provision four determines that incidents caused by exceptional events shall not be considered to be quality breaches, for the purpose of calculating the quality incentive set out in Annexe I of Royal Decree 222/2008 of 15 February, modified by the fourth final provision of Order ITC/3801/2008 of 26 December, considering Hurricane Klaus in Galicia (January 2009).

Frequency of electrical power cuts (No. of interruptions by customer)(*)

(*) Data for Spain.

Defined as the average number of interruptions which a customer experiences or SAIFI (System Average Interruption Frequency Index): Total number of interruptions to customers/Total number of customer supplied.

Note: Customers have been assimilated to supply points.

Average duration of electrical power cuts (hours)(*)

(*) Data for Spain.

Defined as the average time without service by customer supplied or SAIFI (System Average Interruption Frequency Index): Sum of all the customer interruption times (total time)/Total number of customer supplied.

Note: Customers have been assimilated to supply points and the time has been given in hours.

Strengthening customer orientation in Servigas

One of the Gas Natural Group main priorities is to offer customers quality services which can meet their expectations. Servigas is a service for the maintenance of gas natural installations and equipment, with over 1.4 million customers in Spain.

In May and June 2009, as part of the "Servigas Customer Satisfaction" project, a series of quality workshops were carried out for over 1,400 dispatchers and technicians who manage and perform the maintenance corresponding to this type of contract in customers' homes.

For that purpose, a prior study was carried out in which over 2,000 customers took part, with the aim of identifying which service attributes were considered to be most relevant.

In this context, 39 meetings were performed in which the main objective was to reinforce technicians' comprehension of the attitudinal factors which were most of a priority for customers. These workshops were also used to strengthen other aspects relating to safety and applicable laws.

The final result was that in the second half of 2009, customers' perception of Servigas has improved, to satisfaction levels of over 90%.



The organisation's commitment to its quality objectives

During 2009, the Group continued with its commitment towards training, consolidating continuous improvement and customer satisfaction as part of the Company's quality culture. In addition to continuous training to raise employees' awareness about quality, 12 training initiatives were carried out design to reinforce the skills of the persons responsible for the processes for the identification and selection of Lean Six Sigma initiatives, and specific training programmes for experts. More than 40 projects were carried out as part of the training, helping to increase the efficiency and effectiveness of the Company's different processes.

In December 2009, the Quality Network met for the first time since the integration of Unión Fenosa in the Gas Natural Group. The network is made up of quality coordinators in the different business and is a critical element for disseminating the quality model and working towards meeting the targets set.

Within the Energy Industries Committee of the Spanish Quality Association (AEC), Gas Natural took part in a benchmarking study of leading Spanish companies to ascertain the level of maturity in implementing improvement programmes and to be able to know the best practices in this field.

It also played an active role in the Six Sigma Committee of the Spanish Quality Association, and in the CERPER Certification Committee. Representatives of the Gas Natural Group also form part of the Governing Board of AENOR, of the Governing Committee of Club Excelencia en Gestión and the Executive Committee of Fundibeq: Latin American Quality Foundation.

Progress in quality management

In 2009, significant progress was made in the integration of the quality management of the Group's business model. The object of the systems developed is to assist the process management, based on indicators, customer orientation and continuous improvement.

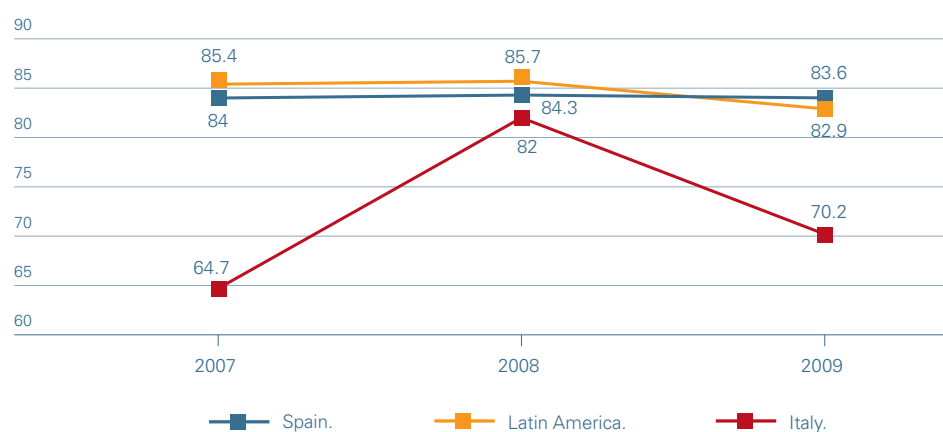
All certifications for quality and environmental systems certified in accordance with the ISO 9001 and ISO 140001 standards in previous years were renewed after the pertinent audits were performed by authorised certification agencies. Furthermore, new installations and services, such as the Besós and San Roque power plants and the Gas Natural Soluciones energy services sale process, obtained the aforesaid certifications during 2009. The quality certification for the regulated electrical business was also completed with the incorporation of the MV/LV Network and Energy Control processes.

As far as the integration of the quality, environmental and prevention of occupational risk management systems is concerned, in 2009 works began for the preparation of a new documentary framework to support the three systems and enable management to be optimised, costs to be minimised and efficiency to be increased.

In Spain, the Group renewed the "Madrid Excelente" brand, having exceeded the standards of management excellence required.

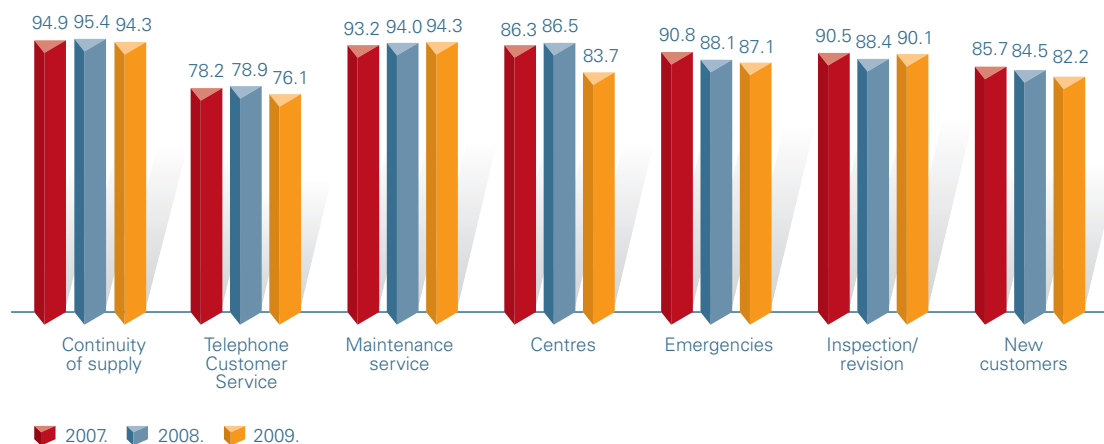
In the international arena, Electricaribe (Colombia) and Red Unión Fenosa (Moldova) certified their quality management system for commercial processes. In Brazil and Argentina, the certifications of its respective laboratories were maintained according to the ISO 17025 standard, and in 2009 temperature tests were included. The laboratory in Panama was certified in accordance with this standard.

Corporate image (%)



% Total responses good or very good image.
Note: Measured only for gas customers.

Satisfaction rate with main processes. Spain (%)



% Total responses from highly satisfied and satisfied.

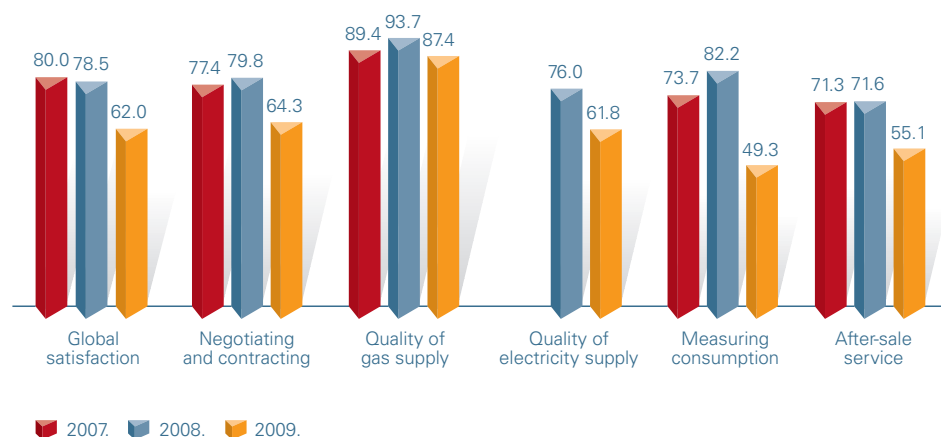
Note: Measured only for gas customers.

Satisfaction rate with main processes. International (%)

	Argentina	Brasil	Colombia	Italy	Mexico
Continuity of supply	92.5	95.9	91.7	92.8	86.5
Billing and payment	81.9	88.9	86.3	62.0	75.9
Telephone Customer Service	71.4	80.5	75.4	79.9	60.8
Centres	73.8	89.3	75.8	79.0	65.7
Emergencies	88.2	83.6	88.0	95.8	85.8

Note: Measured only for gas customers.

Satisfaction index. Industrial customers. Spain (%)



Note: In 2009, Unión Fenosa customers were included in the study for the first time, and the index was integrated for gas and electricity customers. The values of the study for 2008 and 2007 differ from those published in the two previous years, given that a change of scale has been performed to homogenise with the domestic customer satisfaction studies. In 2007 and 2008 the scale was: highly satisfied-satisfied-somewhat satisfied-dissatisfied-very dissatisfied, and the satisfaction index was calculated by adding together the first three categories. In the 2009, the scale replaced the "somewhat satisfied" category with "neutral", and the satisfaction index was calculated by adding together highly satisfied and satisfied customers, without including neutral positions.

Implication of the value chain in the commitment to quality

During 2009, the implementation of the Q-Model continued in Spain, allowing the management of the quality of the services provided by suppliers and the reduction of the no-quality costs resulting from suppliers' actions. This system has its own control panel to help with the diagnosis and direct monitoring of the costs and targets that are set.

In short, the Q-model allows for greater efficiency in supplier management and an increase in the service quality provided to customers. Information on no-quality is used as a decision-taking parameter in assigning workloads. This all makes it possible to know which suppliers are more efficient, to provide incentives for them and to provide a better service.

In addition to measuring suppliers' performance, it is also important to anticipate and establish preventive measures. This was one of the areas for improvement in the international sphere in 2009. A plan for the implementation and consolidation of the authorisation model for suppliers and products was established in Argentina, Brazil, Colombia, Mexico and Italy, the object of which was to help to select the best suppliers and the most appropriate products for the most critical activities in this business. After an initial authorisation process, suppliers must overcome a series of periodical assessments.

The first quality meeting took place in Brazil; a team of internal auditors in this field was established. Meetings were held regularly with subcontracted companies in order to discuss results and opportunities for improvement. Thanks to these steps taken to improve customer service, non-conformities detected fell by over 90%.

Supply of range of products and services adapted to customers' requirements

After the integration process, the Gas Natural Group stands by its objective of being the market leader in terms of the range of offers, offering its customers a sufficiently broad spectrum so that they can contract that which best suits their needs. In this regard, 2009 saw the launch of Dual Plan, a joint gas and electricity plan added to the existing prices:

- Mini Gas, for low-consumption users.
- Basic Gas, for consumers without heating.
- Optimum Gas, for customers with heating.
- Family Gas, for homes with high gas consumption.
- Business Gas, for small businesses with high consumption.

General customer indicators

	Argentina	Brazil	Colombia	Spain	Italy	Mexico	Total	Variation % 08-09
Gas activity sales (GWh)	68,046	42,661	16,076	229,545	3,494	42,829	402,651	(16.36)
Network renewal (km)	4.76	49.83	2.90	21	–	35.65	114	(16.56)
Distribution network (km)	22,736	5,932	17,451	50,697	5,645	16,196	118,658	2.92
Increase with regard to 31/12/2008 (km)	376	51	399	2,119	124	293	3,362	(39.23)
Regulatory inspections	–	–	475,163	1,390,086	–	–	1,865,249	7.00
Network overhauled (km)	12,668	5,067	4,819	25,240	3,380	15,864	67,038	11.69
Renewal of connections (km)	13,215	1,833	106	3,507	258	4,504	23,423	(8.11)

Note: Measured only for gas customers.

In 2009, special attention was paid to the Online Saving Plan rate, which enables customers to enjoy discounts in their bills if they receive all their notifications from the Company electronically. This plan helps to reduce the consumption of paper; the environmental impact is minimised and it is more convenient for customers.

In 2009, the Gas Natural Group also promoted the installation of natural gas in homes which were without this service, offering six months free of charge or 100 euros of consumption free of charge in certain installations.

In this context of promotion and development of natural gas, the Company gave over 1,500 customers and integrated energy management service. In 2009, Gas Natural Soluciones, which carries out these types of services, secured the ISO 9001 and ISO 14001 quality and environmental certifications, respectively.

In 2009, significant progress was also made in the implementation of natural gas as vehicle fuel. Particularly noteworthy in this regard is the awarding of the Municipal Transport Company (EMT) of Madrid contract for the supply of vehicular natural gas to 500 Madrid buses during 2010.



Customer indicators. Spain

	2009	2008	2007
New municipalities supplied	32	55	69
No. of preventive maintenance inspections	1,322,538	1,222,216	1,081,056

Note: Measured only for gas customers.

Length of electrical transmission and distribution lines (aerial and underground) by regulatory regime (km)^(*)

	Medium and low voltage	High voltage
Aerial	81,198	8,027
Underground	25,818	581
Total	107,016	8,608

(*) Data from Spain.

Following the integration process, the Gas Natural Group stands by its objective of being the market leader in terms of the range of offers.

In 2009, with the aim of improving the quality of customer care, and as a result of the merger process, the Company carried out an in-depth analysis of the geographical structure and location of the Customer Service Centres.

Effective communication with customers

It is essential to communicate effectively with customers in order to detect and anticipate their requirements.

The communication channels set up by the Gas Natural Group focus on attending customers, finding out their requirements, listening to and attending their claims. Basically, their object is to create relations of trust between the Company and its customers.

In 2009, the Group began a process for the integration of practices and procedures, using the basis of the best practices in the two companies prior to the merger.

The following are some of the main actions carried out in the field of communication in 2009:

- Communication, according to its rate or market, of new developments which could affect customers due to legislative or regulatory changes.
- Communication on matters relating to safety in gas use. Customers were sent two notifications in this regard, together with bills. In the Gas Centres, DVDs were handed out with advice in this field.
- Notifying customers about matters relating to energy efficiency, saving, and the best use of gas and electricity installations.

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

- Signing of agreements with consumer associations to cooperate in user training, information and awareness campaigns in the fields of saving and energy efficiency.
- Launch of "Gesto Natural" (natural gesture), a space on the Company's website displaying energy efficiency initiatives, and which also includes simulators helping to achieve greater energy saving at home.
- Incorporation of new guides and channels for the home and SMEs in the Energy Efficiency Channel.
- Launch of Efiquest, an online space for exchanging and disseminating information on energy saving. With the customers who took part in the initiative, the Company managed to raise around 60,000 euros, which were donated to an NGO for an environmental recovery scheme.

In 2009, with the aim of improving the quality of customer care, and as a result of the merger process, the Company carried out an in-depth analysis of the geographical structure and location of the Customer Service Centres. As a result of this initiative, there will be substantial improvements in customer care in the years to come.

Furthermore, the Gas Natural Group carries out initiatives to address the barriers of language, culture and handicaps so as to be able to safely access and use energy and attend customers. For example, the Group offers some of its customers in Argentina, Spain and Mexico the possibility of receiving bills in Braille. In countries such as Spain, it is also common to use other languages other than Spanish when communicating with customers.

Self-regulation in communication practices

The Gas Natural Group is a member of Autocontrol, a non-profit association that manages the Spanish advertising self-regulation system. The Autocontrol controversy resolution system has been recognised by the European Commission owing to the fact that it observes and fulfils the principles of independence, transparency, contradiction, effectiveness, legality, freedom of choice and right to representation by the consumer, as laid down in Recommendation 98/257/EC.

Last year, the Company became a member of the Advertising Self-Regulation Code for Environmental Arguments. This code, which was drawn up by the Ministry of the Environment and Rural and Marine Affairs and Autocontrol (the Association for the self-regulation of commercial communication), has the object of establishing a set of rules for the development, execution and dissemination of advertising messages including environmental arguments or references. The companies which have subscribed to this code undertake to use advertising messages including environmental arguments responsibly and truthfully.



Code of good practices with consumer associations

As a result of the full liberalisation in the low voltage sector (domestics and SMEs), whereby users are allowed to choose the electrical commercialisation company, the Gas Natural Group and five state consumer associations agreed to draw up a code of good working practices for the commercial network guaranteeing respect for users' rights.

The code defines the behaviour which is to be expected of the sales network, and develops a flexible system for resolving claims.

The Gas Natural Group believes that this initiative generates confidence among consumers because it develops an innovative cooperation system with the consumer associations which represent them.

The Group also signed other agreements on a regional scale in different autonomous regions, all of which with the ultimate objective of improving the service given to customers.

Number of calls received in the customer service centre

	Consolidation since 1 May 2009	Pro forma figures	
	2009	2009	2008
Argentina	1,684,506	1,684,506	1,353,053
Brazil	725,898	725,898	874,306
Colombia	5,334,920	6,674,813	6,865,264
Spain ⁽¹⁾	13,344,473	15,257,763	–
Guatemala	1,013,031	1,450,561	1,561,524
Italy	426,916	426,916	432,559
Mexico	1,405,935	1,364,957	1,105,245
Nicaragua	1,957,624	3,258,197	6,281,635
Panama	464,090	720,681	885,902
Total	26,357,393	31,564,292	19,359,488⁽¹⁾

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

Customer Service ratios. Spain

	2009	2008	2007
Customer requests solved immediately (%) ⁽¹⁾	96.1	95.5	95.0
Level of customer satisfaction with the Telephone Customer Service (%) ⁽¹⁾	76.1	78.9	78.2
Average time for solving requests (days) ⁽¹⁾	11.4	7.0	7.9
Calls answered within 15 seconds (%) ⁽²⁾	83.9	–	–

(1) These measurements are not available for Unión Fenosa, so that the figures correspond only to those of the gas business.

(2) Data for this measurement are not available for years 2007 and 2008, as the measurement carried out in those years was 20 seconds for Unión Fenosa and 10 in the Gas Natural Group. The 2009 figure does not include Unión Fenosa, as this company continued to have times of below 20 seconds.

The Gas Natural Group website indicators (in thousands)^(*)

	2009	2008	2007
No. of customers registered at the end of the year	706	587.8	490
No. of online transactions at the Virtual Office	6,150	6,431	2,650
No. of customers registered with the online billing service	41	60.5	N/A

(*) Does not include Unión Fenosa figures. Figures for Gas Natural Group in Spain.

Long-term relations of trust with suppliers

It is vital to establish commercial relationships which are lasting, stable and trustworthy with suppliers in order to guarantee quality in the service offered by the Gas Natural Group to its customers. Consequently, the Company promotes a policy for contracting suppliers which wish to work with the Company on a long-term basis, providing the requirements established are satisfied.

In Spain, the Company called a tender for contracting piping activities, for Community Receiver Installation (IRC) and for the maintenance of polyethylene and steel networks in order to ensure the carrying out of services over a maximum of five years.

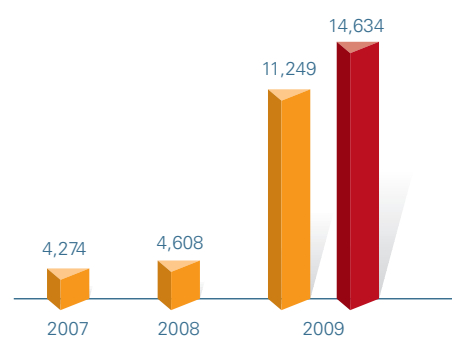
In Moldova, contracts were made for the supply of electrical distribution materials, and for the piping of new electrical networks and maintenance thereof.

A tender process was also opened for contracting electrical line wiring and maintenance services in Spain, Panama and Guatemala, which will allow new stable contracts to be established with the companies awarded the tender.

In 2009, a clause was added to the Code of Ethics of the Gas Natural Group in the general conditions for contracting works and services. In the general conditions, the Group emphasises the need to comply with environmental standards regarding noises, spillages, electromagnetic fields and any other element which could disturb environmental conditions.

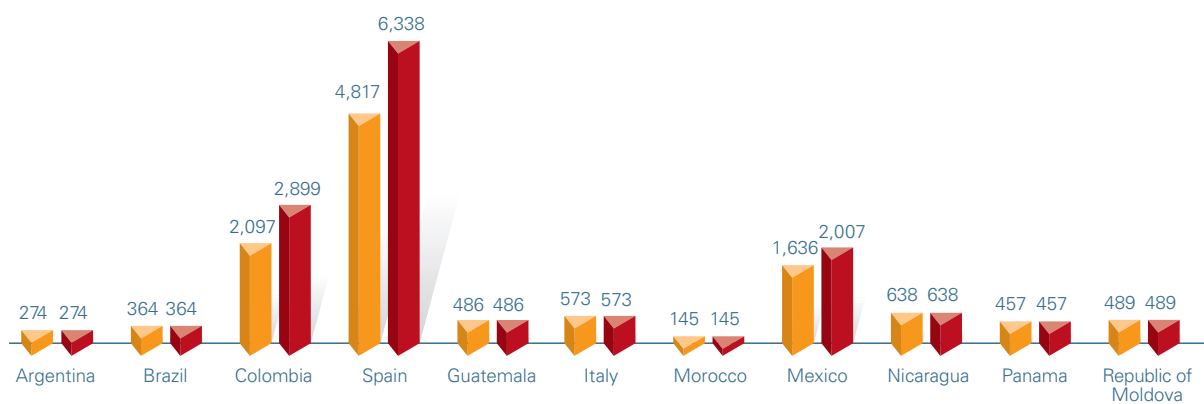


Suppliers with contracts currently in force



■ Gas Natural Group at 31/12. ■ Pro forma figures

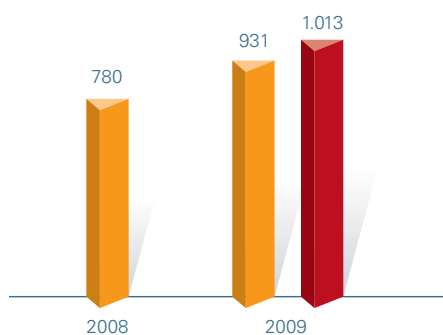
Suppliers with contracts currently in force by country



■ Gas Natural Group at 31/12. ■ Pro forma figures.

Mercantile contracts

(current at the end of the year)(*)



■ Gas Natural Group at 31/12. ■ Pro forma figures.

(*) Data from Spain.

Supplier indicators(*)

	2009	2008	2007
No. of total agreements with installers	598	667	712
Installers with customer service centre	209	212	198
Installers without customer service centre	389	455	514

(*) Only gas customers.



Natural commitment, personal commitment



Bearing in mind the current deregulated market, with virtually identical prices and products, Gas Natural Comercializadora aimed to set itself apart with the “Natural Commitment” programme, which has the object of interacting with customers more efficiently, putting an emphasis on the quality of care and service, and offering value added implying considerable differences with regard to services offered by other companies in the sector.

As well as keeping in permanent and personal contact with customers through the sales managers, the programme seeks to share with these customers its concern about environmental problems, such as the loss of forest masses in Galicia caused by forest fires in the summer of 2006. Gas Natural Comercializadora presented a website in which videos are used to give information on certain aspects of forests in general, and about Galician forests in particular. In return for the time taken by users in finding out about these matters, the Gas Natural Group, in partnership with the Accionatura Foundation, undertook to plant trees of an autochthonous Galician species. As a result of this initiative, around 5,000 trees were planted, making up an equivalent surface area of 10 hectares.

The object of this initiative was not simply to plant trees, but to make an effective contribution towards environmental protection. After the project was completed, each collaborator was sent a certificate stamped by the Xunta de Galicia Regional Government and the Accionatura Foundation, indicating the tree species planted and their exact location. Over the next few years, regular monitoring will be carried out to ensure that the trees planted have properly rooted.

Training on the value chain

The Gas Natural Group believes that training suppliers helps to improve their performance, increases the quality of products and services and reduces costs.

In Spain in 2009, 14 training programmes were carried out through the Energy Training Centre of the Gas Natural Foundation designed for employees of suppliers, contractors and collaborating companies. 301 courses and 52,297 hours of training were given overall, with the participation of 4,610 individuals.

Also in Spain in 2009, the Gas Natural Group collaborated with the certification company CONAIF-SEDIGAS Certificación S.L. to examine agents specialising in apparatus maintenance and repair.

Establishment of objective selection mechanisms

The process for selecting the Gas Natural Group suppliers is governed by the following principles:

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

The Group's Awarding and Contracting General Standards are based on the above-mentioned five principles and, together with the General Standards for the Quality of Suppliers, are designed to select the most appropriate suppliers for each type of activity, with the ultimate aim of maximising the quality offered to the final customer.

Before contracting a supplier, the Gas Natural Group has a preliminary step consisting of three compulsory requirements:

- Observance of the quality and environmental standards established by the Company.
- Compliance with the Occupational Risk Prevention Act.
- Preparation of an Occupational Health and Safety Plan in all the work and services envisaged in the laws in force.



In order to ensure that the selection process is carried out with the best guarantees, and that the requirements demanded of suppliers are strictly satisfied, the Gas Natural Group takes part in the RePro Platform, a system for publishing, classifying and authorising suppliers.

In 2009, the application for assigning gas network and connection construction works in the Group began to operate, completing the development of the Asigna Project. This application optimises the compliance with the awarded works volumes by controlling suppliers' workloads, taking into account the suppliers' performance and capacity, *inter alia*.

In Spain, the use of the Q-Model was consolidated, which is designed to manage and assess the quality of the services provided by gas distribution suppliers, thereby reducing possible no-quality costs resulting from suppliers' actions. This system was implemented in 2009 in Argentina, Brazil, Colombia, Mexico and Italy, in order to assure quality in important activities and help to improve suppliers' quality management systems.

As a result of the integration with Unión Fenosa, 240 new suppliers began to use the Supplier Portal communication channel in 2009, which offers the following functionalities:

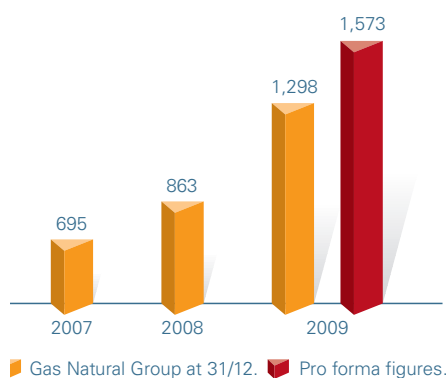
- Bid management.
- Publication and acceptance of orders.
- Exchange of documentation associated with orders.
- Acceptance of technical standards associated with contracts.

In accordance with the commitments that have been established and in order to contribute to the development of the local communities and countries in which it operates, the Gas Natural Group encourages the contracting of local suppliers.

Purchases from local suppliers

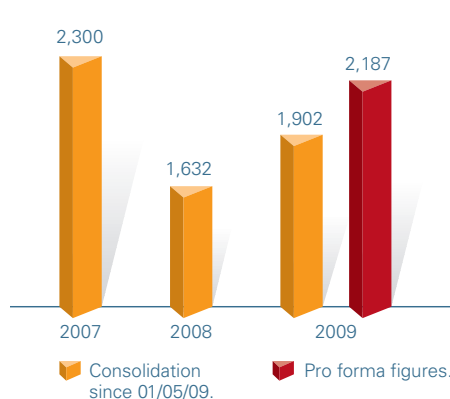
	Orders issued		% Purchase local suppliers	
	Consolidation since 1 May 2009	Pro forma figures	Consolidation since 1 May 2009	Pro forma figures
Argentina	414	414	75.0	75.0
Brazil	911	911	70.0	70.0
Colombia	12,239	17,490	85.0	85.3
Spain	24,580	33,554	85.5	86.7
Guatemala	3,871	3,871	85.9	85.9
Italy	1,187	1,187	70.0	70.0
Morocco	163	163	60.0	60.0
Mexico	4,906	6,001	63.9	68.1
Nicaragua	4,081	4,081	77.6	77.6
Panama	5,244	5,244	90.9	90.9
Moldova	2,181	2,181	88.6	88.6
Total	59,789	75,098	82.3	83.3

Companies registered on the Supplier Portal



Total purchase volume awarded

(in millions of euros)



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

Supply safety and diversity

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

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

The natural gas can be supplied either in gaseous state, via gas pipelines, or through liquefied natural gas (LNG) tankers. During 2009, gas was procured at approximately the same proportion from both sources thereby achieving an optimised supply mix from the standpoint of sensitivity to interruption risks, with the object of ensuring continuous supply.

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

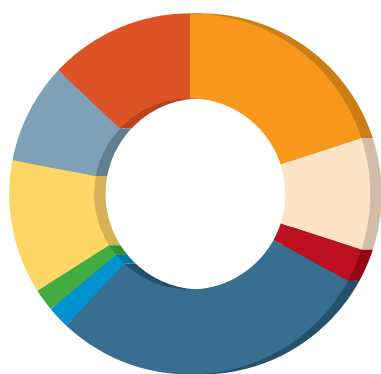
The Gas Natural Group is aware that a good relationship with its suppliers has a direct impact on the quality of the service offered to customers, and therefore keeps in regular contact with its suppliers with the aim of establishing improvement measures.

All the contracts signed by the Gas Natural Group adapt to the provisions laid down in the System Technical Management Rules. These rules are published by the Ministry of Industry and Energy and constitute a mandatory framework for all the players on the Spanish gas market.

The Gas Natural Group has its own resources for generating electricity using various sources: combined cycles, hydraulic power plants, nuclear power plants, wind farms and other renewable and thermal sources. Because of this variety of production sources, the Group is able to ensure the reliability of the electrical supply it offers its customers.

In developing its portfolio of new generation projects, the Group works in conjunction with national, autonomous and local authorities in Spain to keep the pool of installed power within the established limits, thus assuring efficient coverage of electrical demand, and collaborates in the development of social initiatives and demands through agreements with local authorities in the areas in which

Diversification in the sources of the supply (%)



20	Trinidad and Tobago.
10	Nigeria.
3	Libya.
29	Algeria.
2	Others (LNG).
2	Others (LNG) ⁽¹⁾
12	Oman/Egypt/Others ⁽²⁾
9	Norway.
13	Qatar.

(1) Including net purchases in France.

(2) Gas deriving from Unión Fenosa Gas.



it promotes its projects. In this regard, particularly noteworthy is the work carried out by the Company in collaboration with the Ministry of Industry, Tourism and Trade in order to define and draw up the document which is currently in force on the Planning of Electricity and Gas Sectors.

Furthermore, the Company cooperates closely and coordinates with the responsible authorities in markets where it develops new capacity projects through tender calls or public-private partnerships. All with the object of ensuring that installed capacity complies with long-term demand requirements. In certain countries in which the Gas Natural Group operates, electricity access programmes are also included, such as those promoted by Electricaribe for the normalisation of electrical installations in urban areas with deficiencies.

In the predicted short- and mid-term energy scenario, the increase in power shall depend on environmental awareness, and this should trigger strong development of clean energies. Renewable development will mean it is necessary to complement the generation mix with other sources. The Group thus has a broad portfolio of generation projects in different phases of development and in different technologies: the Malaga and Barcelona combined cycles are in the final start-up phase, and will begin to operate commercially during 2010; while a number of hydraulic projects (extensions of existing power plants, pumping sets, etc.) and renewable projects, *inter alia*, are in the licenses phase.

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



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



Commitment to Results



The Gas Natural Group is committed to the creation of value for all its stakeholders. It believes that their participation in tenders, collaboration and cooperation are essential for attaining the business targets set in the Company's strategy.

Pursuing the terms of the agreement signed on 30 July 2008, on 26 February 2009 the Gas Natural Group acquired the rest of its stake in Unión Fenosa from ACS, reaching 50% ownership in that company. As a consequence, it prepared the corresponding takeover bid, reaching 95.2% of the share capital.

The General Meetings of Shareholders of Gas Natural and Unión Fenosa held on 26 and 29 June 2009, respectively, approved the merger by absorption of Unión Fenosa, S.A. and Unión Fenosa Generación, S.A. by Gas Natural SDG, S.A., by means of the dissolution without liquidation of the companies absorbed and the block transfer of all its assets to Gas Natural SDG S.A.

The merger finalised in September 2009 and is the culmination of a takeover process that commenced in July 2008. It represents securing the goal to integrate the gas and electricity business lines into a single company with in-depth experience in the energy sector, able to compete efficiently in markets subject to a process of growing integration, globalisation and increased competition.

The integration procedure continues to progress as planned. Throughout the Company, the Group has put in place the organisational structure that responds to the strategic priority of achieving successful integration of the companies, ensuring: the transfer of best practices between business and geographical areas; maximisation of the energy management margin overall; active management of the financial structure and driving the risk management and management control processes; maximising the ROA of regulated gas and electricity business lines, and the comprehensive management of gas and electricity customers, in line with the commitment to create value for its shareholders.

The Group seeks to reach growing, sustained profitability, taking the principles of responsibility, efficiency and transparency as its initial starting point. This commitment has led it to assume outstanding practices in information transparency, establishing advanced communication channels so that the markets can form a complete, objective and truthful image of the Company's perspectives and performance at all times.

The Group's business model is based on guaranteeing sustained growth from strict social and environmental criteria and has been recognised by the main socially responsible investment indices. In 2009, the Gas Natural Group was elected leader in its sector - gas distribution - by the Dow Jones Sustainability Index. Accordingly, the Company has successfully gained the trust of investors who understand that advanced practices in corporate responsibility constitute a good indicator of a company's governance and management quality.

□ Principles of responsible action with shareholders and investors

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

- Working to consistently obtain profitability levels that are in keeping with market expectations.
- Applying best practices in terms of informational transparency at all times, establishing channels of communication with the markets and with other stakeholders in order to strengthen its credibility and reputation.

□ Main indicators

	2009	2008	2007
Net turnover (in millions of euros)	14,879	13,544	10,093
Gross operating profit. Ebitda (in millions of euros)	3,937	2,564	2,277
Total investments (in millions of euros)	15,696	3,697	2,323
Net profit (in millions of euros)	1,195	1,057	959
Dividend (in millions of euros)	730	663 ^(*)	521
Evolution of the Gas Natural Group classification on the DJSI	83	76	73

(*) Includes 90 million euros in extraordinary dividends.

□ Relevant actions

Proposed actions for 2009

Hold roadshows for the communication/publication for the investment community of the Group's new size after taking over Unión Fenosa, as well as the new objectives and challenges for the future.



Actions taken 2009

Communication/publication for the investment community of the Group's new size after taking over Unión Fenosa, as well as the new objectives and challenges for the future.

Actions planned 2010

Submission of the Group's Strategic Plan and dissemination of this to the financial community.

Hold meetings with stock market analysts to review the Group's assessment models after the takeover of Unión Fenosa.



Meetings with stock market analysts to review the Group's assessment models after the takeover of Unión Fenosa.

Hold meetings with stock market analysts to review the Group's assessment models after the takeover of Unión Fenosa.

Continue the consultancy services for improving management and reducing the number of areas that are more distant from the higher sectoral scores.



Renewal of inclusion on the relevant socially responsible investment indices for the Group.

Inclusion of the best practices of each of the merged companies to ensure we remain leaders on the sustainability indices.

Preparation of a new Strategic Plan to lay down the bases for the Company's positioning and the challenges it faces in the future.



Support to the Financial-Economic Department in issue of bonds (EMTN programme), which has led to the active presence of the Gas Natural Group in the Eurobonds market and access to the fixed income investors, whose information needs differ from those of equity investors.

Include those aspects that respond to the new requests for information from fixed income investors in economic-financial information.

Level of compliance: High ● Medium ● Low ●

Focus on growing and sustained profitability

Providing growing and sustained profitability is one of the Company's main objectives. In 2009, the Gas Natural Group continued its consolidation and expansion process in Spain and abroad. Growth was mainly driven through the merger with Unión Fenosa, which enabled the electricity generation and distribution business lines to be developed.

Net profit of 2009 was up 13.1% year-on-year, at 1,195 million euros. And this in the context of reduced energy demand and high levels of volatility, both concerning energy prices as well as the currency and financial markets.

Since 30 April 2009, Unión Fenosa has been consolidated using the global integration method. As a consequence, the consolidated statement of income includes operations by the foregoing company since that date. Elsewhere, the consolidated balance sheet at 31 December 2009 contains assets and liabilities of Unión Fenosa that are not included on the consolidated balance sheet at 31 December 2008.

The merger with Unión Fenosa finalised on 7 September 2009, after the shares for Unión Fenosa shareholders that were swapped were accepted for trading. This company then ceased to be listed on the Madrid Continuous Market.

Consolidated Ebitda for the year totalled 3,937 million euros, up 53.5% year-on-year. Growth is largely due to the incorporation of Unión Fenosa since 30 April 2009. In pro forma terms, viz., if we consider the contribution from Unión Fenosa since 1 January and harmonising the contribution in the event of divestitures, Ebitda would have been 4,816 million euros, as against 4,800 for the previous year.

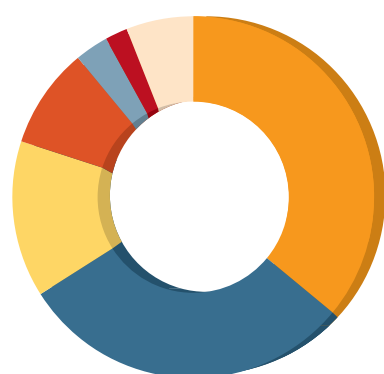
Despite the drop in energy demand and the drastic decrease of electricity prices in Spain, growth of the regulated activities as well as levels of efficiency achieved in management of the global portfolio has enabled us to maintain operating profits in line with those of the previous year. Within the foregoing context, the profits achieved reflect the Group's underlying business model, based on a proper balance between the regulated and deregulated businesses in the gas and electricity markets.

Investments totalled 15,696 million euros and included the financial investment in the purchase of 80.5% in Unión Fenosa. The material investments for the year total 1,767 million euros, up 65.4% year-on-year, as a result of including Unión Fenosa's investments, mainly in generation and distribution of electricity.

On the stock market, the Gas Natural Group closed the year with a share price of 15,085 euros. This is an 8.2% fall with regard to the close of the previous year, in terms adapted through the share capital increase with preferential subscription rights that took place in March 2009.

The Company allocated 730 million euros to the payout of dividends in 2009, 10% up on the previous year. These figures imply a payout of 61% and a profitability of 5%, taking the close at 31 December 2009 as a reference. For its part, capitalisation totalled 13,905 million euros, which makes the Gas Natural Group one of the largest Spanish companies in terms of capitalisation and one of the safest, soundest and most attractive securities of the financial markets of Spain and Latin America.

Shareholders and investors (%)^(*)



(*) At 31 December 2009.

**Stock market indicators**

	2009	2008	2007
No. of shareholders (in thousands)	67	27	32
Share prices at 31/12 (euros)	15.085	19.29/16.727 ^(*)	40.02/34.703 ^(*)
Profit per share (euros)	1.48 ^(*)	2.36/2.05 ^(*)	2.14/1.86 ^(*)
Share price-profit ratio	11.6/10.2 ^(*)	8.2	18.7
Share capital (no. of shares)	921,756,951	447,776,028	447,776,028
Stock market capitalisation (in millions of euros)	13,905	8,638	17,920

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

Financial ratios

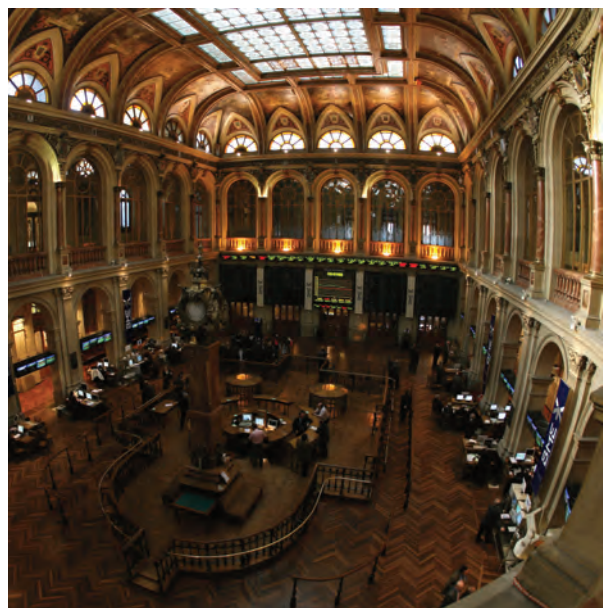
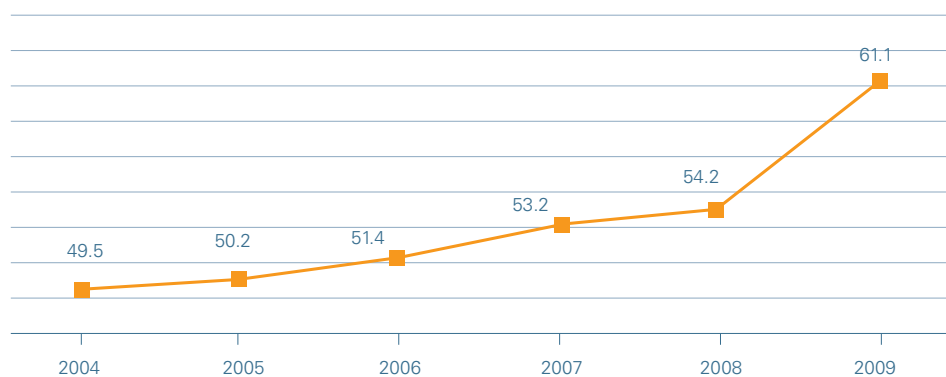
	2009	2008	2007
Borrowing ⁽¹⁾	63.2	42.2	36.5
Ebitda/Net financial results	4.8x	9.7x	10.1x
Net debt/Ebitda ⁽²⁾	4.3x	1.9x	1.6x
P/E	10.2x	8.2x	18.7x

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

(2) Pro forma Ebitda.

Profit index (in millions of euros)

	2009	% 2009/2008
Net profit Gas Natural Group	1,195	13.05

Evolution of payout (%)



Share capital increase

Gas Natural increased its share capital with a preferential subscription right from 14-28 March 2009, by issuing 447,776,028 new shares of the same class and series and with the same voting and economic rights as outstanding shares. The new shares were issued at a par value of 1 euro plus an issue premium of 6.82 euros, totalling an issue rate of 7.82 euros per share and a total cash amount of 3,502 million euros. The share capital increase doubled the number of outstanding shares, totalling 895,552,056.

To successfully support the placing of shares, the Company carried out intensive dissemination during the share subscription period. Two teams took part, one headed by the CEO and the other by the CFO, meeting a total of 118 investors in the main financial markets of Europe (London, Paris, Frankfurt, Zurich, Geneva, Amsterdam, Madrid and Barcelona) and the USA (New York and Boston).

According to the Platts agency, the Gas Natural Group is the leading worldwide company in the gas sector

According to the Top 250 ranking of the biggest energy companies in the world, drawn up by the Platts agency, the Gas Natural Group is now the biggest worldwide company in the gas sector. The ranking highlights the financial results of the biggest energy companies around the globe based on the value of their assets, revenue, profit and return on invested capital, according to figures given by Capital IQ Compustat from Standard & Poor's.

In the 2009 publication, the Gas Natural Group was ranked 54th, up 16 places over 2008. With regard to companies in Europe, Africa and Asia, the Group is in 26th position. However, in the gas utilities sector, the Company is number one as a result of excellent financial results.

The Gas Natural Group is currently the leader in gas and electricity vertical integration in Spain and Latin America, as well as the biggest global operator of LNG in the Atlantic basin. Following the merger with Unión Fenosa, the Company is present in 23 countries, where it has over 20 million customers and installed electricity power in excess of 17 GW. These figures, together with those provided by indices such as Platts, give an idea of Gas Natural Group robustness as a company and of its commitment to create value.

Communication channels adapted to the needs of shareholders and investors

The commitment that Gas Natural Group has with the market, shareholders and investors is based on informational transparency.

Accordingly, with a view to offering its shareholders and investors the best service, the Company has laid down specific communication procedures. The following are worthy of special mention:

- **Investor relations.** The Group provides the same information to institutional and minority investors, guaranteeing the principles of equality and the simultaneous publication of information. The Shareholder Assistance Office provides continuous service to minority shareholders. It was particularly busy in 2009 as a result of the merger with Unión Fenosa.
- **Communication programme with institutional investors and financial analysts.** The purpose of this programme is to generate relations of trust between the Company and the aforementioned collectives, providing rigorous and transparent information on the Group's situation and outlook.
- **Corporate website.** It contains the documentation required by the Transparency Act and the corresponding consolidating legislation.

The Company also makes important efforts to strengthen other communication channels with its investors and shareholders:

- Meetings all over the world to provide information on company forecasts or on relevant events that could affect the Company or its sector.

- Participation in conferences and seminars of interest.
- Regular sending of information of interest to the analysts and investors that monitor the Group more closely.

Two shareholder identification studies were also carried out in 2009 to discover the typical investor in the Group and focus actions on attracting investors that were more appropriate as a result of their characteristics or their investment criteria.

The commitment that Gas Natural Group has with the markets, shareholders and investors is based on informational transparency.

Communication channel indicators

	2009	2008	2007
Meetings with shareholders and investors	320	320	140
Meetings with analysts	21	10	35



Inclusion in the socially responsible investment indices

Socially responsible investors are those that add other social, environmental or ethical criteria to the traditional financial parameters. This is a trend in the markets that is becoming stronger with every passing day. Investors demand that listed companies have attributes related to integrity, responsibility or transparency, because they understand that these represent indicators of good quality in corporate governance and management practices.

These investors understand that investing in companies that take these values seriously can provide an additional premium of sustained profitability over time.

In 2009, the Gas Natural Group maintained its presence on the socially responsible investment indices with the best reputation on the international scenario: Dow Jones Sustainability Index and FTSE4Good. The Company's presence on these indices represents external recognition that has been validated by the market concerning corporate good practices in social, environmental and ethical issues.

On the Dow Jones Sustainability Index, in 2009 the Gas Natural Group led the gas distribution sector with a score of 83 points, up 9% on 2008. Of particular note is the fact that the Company is not only leader in terms of its outright score, but also in economic and environmental aspects. We must also highlight the outstanding qualification received in the areas of risk and crisis management, management of price risks, operating eco-efficiency and corporate reporting, among others. The Company was also included in the selective DJSI STOXX European index, the only company in its sector to receive this recognition.

For the eighth year running, the Gas Natural Group was included in the FTSE4Good Index, which represents further recognition of its advanced management practices in social, environmental and ethical issues.

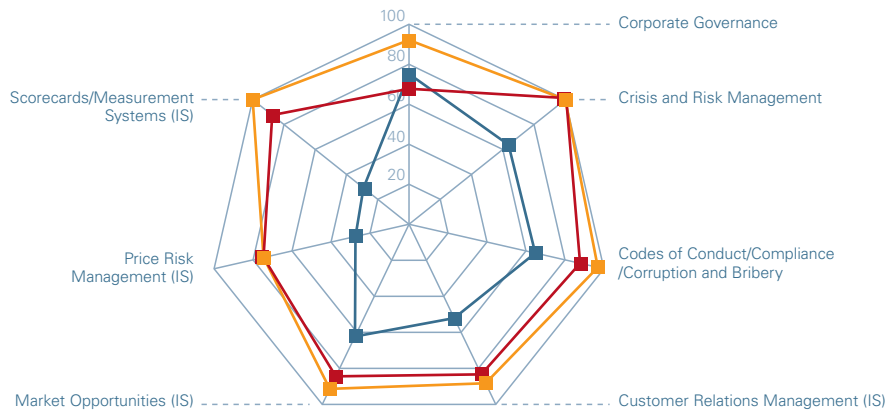
By the same token, for the second year running the Company was included on the selective FTSE4Good Ibx, which recognises those Spanish listed companies that perform best in issues concerning corporate responsibility.

It is worth underlining the Company's presence on the KLD Climate Change 100 Index, which comprises the 100 companies which, in the founders' opinion, show greater potential for contributing to the short-term and long-term reduction of the causes behind the climate change. Here, we should mention that the Gas Natural Group was the highest ranked Spanish company from the utilities sector in the Carbon Disclosure Project Global 500 report for 2009.

The presence of Gas Natural Group on the selective investment indices regarding corporate responsibility is proof of the Company's efforts in area of sustainability and informational transparency. It also represents additional outside recognition that confirms the excellent progress of the Company's activities in this field.

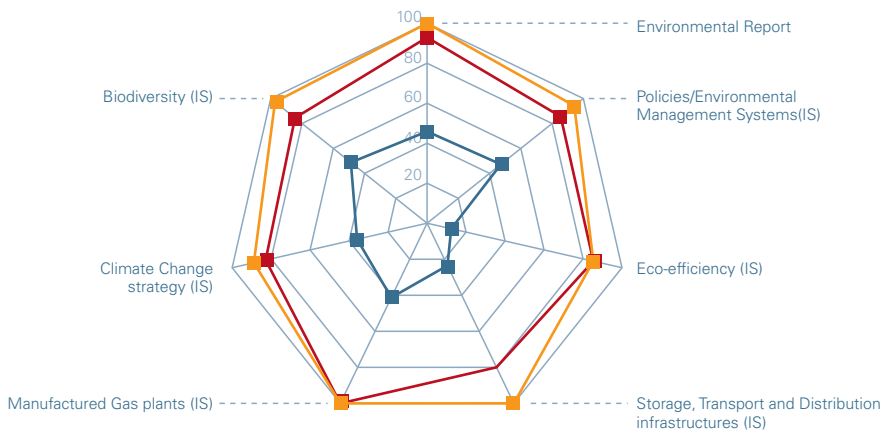
Assessment of the Gas Natural Group on DJSI

Economics

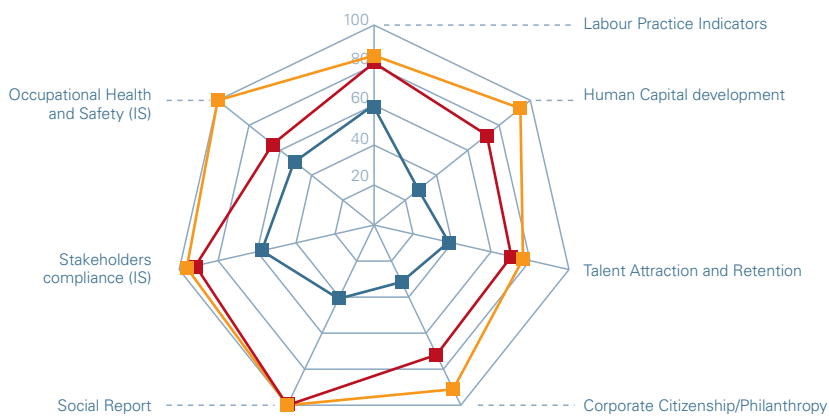


In 2009, the Gas Natural Group led the gas distribution sector on the Dow Jones Sustainability Index.

Environmental



Social



Legend: Gas Natural (red line), Sector average (blue line), Sector top score (orange line)



The Environment

The Gas Natural Group combines its business goals with protecting the environment and the proper management of stakeholders' expectations in this issue. The Group's environmental policy is adapted to its businesses, activities and processes, and is based on the Company's commitment to sustainable development.

The Company's environmental management is continually improved through raising awareness coupled with the efforts of employees. Of particular distinction in 2009 was the integration of environmental criteria in the value chain, improving eco-efficiency in processes, driving innovation, using the best technologies and contributing to the mitigation of climate change. All of this has taken place within a context marked by the integration of Unión Fenosa assets into the Gas Natural Group.

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



□ Principles of responsible environmental action

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

- Combating climate change by minimising the impact of its activities.
- Incorporating environmental criteria into its business management to achieve maximum efficiency.
- Ensuring that the applicable procedures are known and complied with all along the value chain.
- Preserving biodiversity in the locations where it operates.
- Promoting continuous improvement by assessing the Environmental Management System and reporting internally and externally on its efforts.

□ Main indicators^(*)

	2009 ⁽¹⁾	2008	2007
Direct greenhouse gas emissions (GHG) (t CO ₂ eq)	20,988,306	12,604,880	8,201,152
Emissions of GHG/Electricity generation (t CO ₂ eq/GWh)	342	347	353
Methane emissions in transportation and distribution (t CO ₂ eq/km grid).	11.50	12.18	11.92
Emissions of SO ₂ /electricity produced (g/kWh)	0.12	-	-
Emissions of NO _x /electricity produced (g/kWh)	0.42	-	-
Emissions of particles/electricity produced (g/kWh)	0.02	-	-
Generation of hazardous waste (t)	7,348	2,364	9,644
Recycling of ashes (%)	82	-	-

(*)As a result of the merger process completed by the Group in 2009, new key indicators in environmental issues have been defined.

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

□ Relevant actions

Proposed actions for 2009

Actions taken 2009

Actions planned 2010

Progress in the execution of the CDM projects registered by the Group in Colombia, Mexico and Brazil to achieve the United Nations certification of new emission rights in 2009.



Registration of eight CDM projects. Obtaining of certified emission reductions of Sombrilla (Colombia) and Quimvale (Brazil) projects.

Avoid the emission of over 8 million tonnes of CO₂ through promotion of clean and renewable energies, eco-efficiency, reduction of methane and CDM emissions.

Control and reduction of the hazardous waste generated in the offline washing processes for the gas turbines of the combined-cycle power plants.



The action has been reduced to a recommendation as a good practice.

Establish mechanisms to control waste management, in order to prioritise reuse, recycling and recovery.

Development of the Neutral Carbon Programme, quantifying GHG emissions at work centres with a view to providing voluntary compensations. Initial implementation in Colombia.



Quantification of GHG emissions from consumption at work centres. In Colombia the initiative was replaced by a scheme for internal saving of administrative resources.

Develop the PIEDRA project. Comprehensive Plan of Assessment and Decrease of Environmental Risks.

The voluntary adhesion to the *Buenas prácticas de actuación medioambiental en obras para construcción de redes de distribución* (Good Environmental Practices in Distribution Network Construction) document was extended to new contractors, together with the monitoring of the activities carried out by those that were included in 2008.



Adhesion of 84% of gas distribution works and infrastructures contractors, and 100% of works inspection service providers. Monitoring of actions adopted by the adherents.

Extend voluntary adhesion to the *Buenas prácticas de actuación ambiental en obras* (Good Environmental Practices) document and assess environmental impact of supplies.

Level of compliance: High ● Medium ● Low ●

Environmental management

Environmental planning

Environmental planning is carried out within the framework of the Company's policy and strategy. Every year, plans and schemes are put in place that include the aims and goals quantified by the Group's units and companies.

Set-up of environmental management systems

The environmental management model of the Gas Natural Group is based on the UNE-EN ISO 14001 standard. The processes and activities at installations are governed by manuals and procedures that lay down guidelines concerning the organisation, planning, responsibilities and control of environmental issues.

Environmental certification pursuant to the UNE-EN ISO 14001 standard encompasses Gas Natural SDG S.A., the Group's parent company, eleven gas distribution companies in Spain and three commercialisation companies: Metragaz, Gas Natural México and Gas Natural Soluciones.

At the close of 2009, a total of 17,017 MW of electricity generation was certified, equivalent to 95% of the Group's total installed power.

With regard to electricity distribution, the Group was able to certify environmental aspects of the management of projects, works and maintenance in the transportation and distribution of electricity in Spain and distribution and commercialisation of electricity in Panama.

Moreover, the installations of Unión Fenosa Gas, the production of liquefied natural gas at the Damietta plant (Egypt), the regasification plant at Sagunto, the professional services company O&M Energy, the engineering services of Socoin and the main work centres of the Company have all been certified.

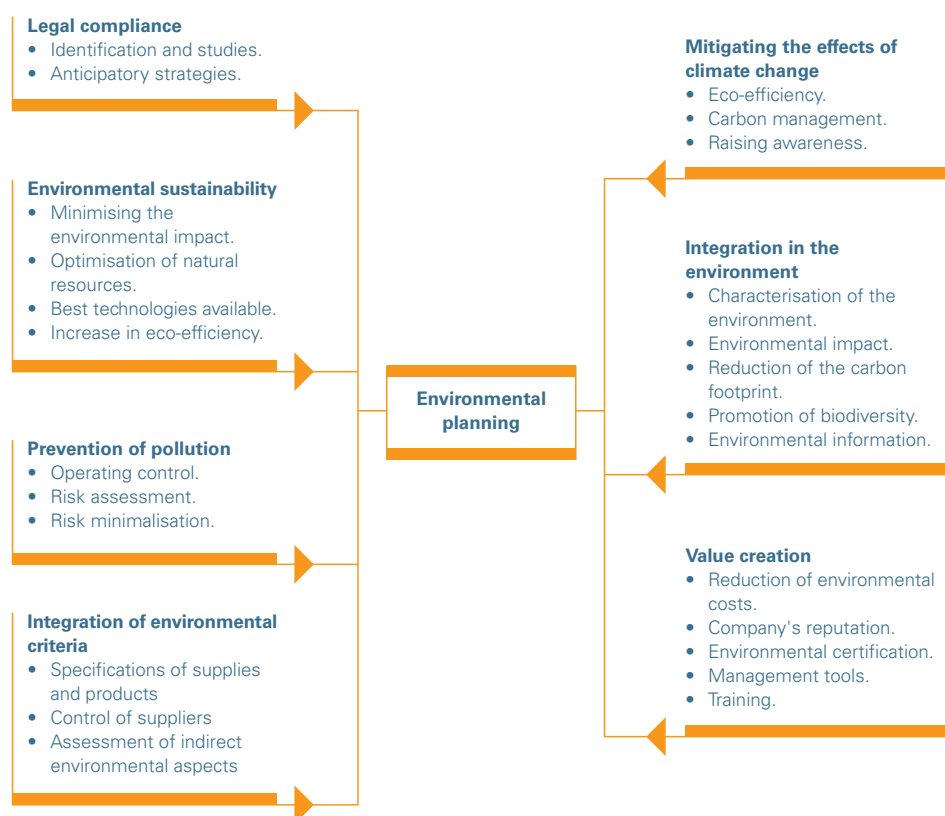
The Company has set up an environmental management system at the combined-cycle plant in Puerto Rico and in electricity distribution in Guatemala. Electricity distribution in Colombia, Nicaragua and Moldova are also at an advanced stage of set-up.

Furthermore, the coal power plants, the Sabón power station, the combined-cycles plants of Palos de la Frontera and Nueva Generadora del Sur and the Hydroelectric Sector of Tambre-Ulla in Galicia are still registered with the EMAS European system, making the Gas Natural Group a leading company in the energy sector in terms of the number of centres verified in accordance with this demanding environmental standard.

Tools to optimise environmental management

The Group has developed management tools to help operational control of environmental issues, management of activities and integration of businesses.

In 2009, the NorMA application was set up in Spain, the Dominican Republic, Nicaragua, Panama, Guatemala, Moldova, Kenya, Egypt, Costa Rica, Mexico and Colombia. This enables identification and assessment of compliance with the legal requirements that affect activities. The system enables those in charge of businesses and units to be aware of the environmental requirements within the scope of their powers. This will be set up in the remaining countries in 2010.



Also in 2009, for the purpose of collecting environmental information, a new system of indicators was set up that will allow all environmental data and data on the Group's corporate responsibility to be integrated.

The methodology developed by the Gas Natural Group to assess environmental issues, called environmental units (UMAS), characterises the environmental aspect in accordance with certain categories of impact and turns this into a dimensionless value.

Both the UMAS tool as well as the environmental information system were developed for all of the Group's processes and countries.

Elsewhere, the OCEN-MA tool enables optimisation of environmental variables in the generation processes, enabling compliance with the legal regulations and centralising information. All this helps optimise operation of the power stations.

The Group also makes use of the Environmental Distribution System (SMD). This is a geographic information system on the environment where the electricity distribution installations are located. It enables, *inter alia*, analysis of the impact in designing lines and positioning new electricity substations and to apply corrective measures. The SMD information was updated in 2009 for the purpose of adding new protected zones and incorporating new mapping and environmental monitoring at the works and operation stage.

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

A new system of indicators

In 2009, the Gas Natural Group began to develop a new system of indicators. This is a tool that enables the Group to monitor its corporate social responsibility, therefore including those criteria related to the Company's environmental performance. Also in 2009, development of environmental indicators was completed for all of the Group's businesses, processes and activities, using the operating criteria and environmental relations as the baseline. The tool measures the Group's environmental conduct and any departures from the environmental indicators. These are measured, analysed and followed up in order to see how they evolve over time.

The indicators are presented in both absolute terms as well as by units of production.

Given the growing volume of environmental information, the coming-into-operation of the indicators system enables compliance with some relevant goals concerning the management of information in this sphere:

- Enter, store and calculate environmental information and evolution of the Group.
- Set up a chain of authorisations that enables control of entry, validation and consolidation of data.
- Decentralise the management process of environmental information.
- Integrate previously scattered information into a single system.





Assessment of environmental risks

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

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

The Environmental Risks Assessment System (SERA) allows environmental risks of distribution facilities to be assessed (substations, power transformation centres and storage facilities) and to propose preventive and corrective measures appropriate for each risk.

Similarly, the Group has an Aviary Fauna Risks Control System (CRA) which in 2009 added seasonal monitoring to nine major electricity lines. The system allows the Company to record environmental information close to the overhead cables, including a full description of the aviary and fauna species in each area. It also keeps a log of any incidents that have occurred and been documented over each section of lines.

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

There were two emergency situations in 2009: a fire at a power transformer at the hydraulic power plant in Velle and a minor oil spill at the hydraulic power plant in Puente Nuevo. There was no significant environmental impact in either case.

Environmental awareness and training

Environmental training is vital as it enables the Group to comply with its commitment to preventing pollution and to ongoing improvement.

In 2009, 8,116 employees received a total of 33,732 hours of environmental training, which focused on general aspects of the environment, environmental legislation, contamination of soils and groundwater, as well as knowledge of environmental auditing and other management tools.

The Group also carries out efforts to increase environmental sensitivity of the society overall. It has set up different agreements with environmental and educational associations and institutions. Elsewhere, the Gas Natural Foundation organises seminars and other activities to raise environmental awareness.

Assessment of compliance with legal requirements

In 2009, three fines were applied in Spain totalling the amount of 28,110 euros. The Group has another three disciplinary proceedings against which it has appealed and which are pending decision. On an international scale, no fines or disciplinary proceedings were registered.

In 2009, sound emissions were measured and controlled to check the legal compliance of operational installations and to answer complaints and claims. The most relevant step taken to reduce noise levels was to redesign

and homogenise the constructive elements of each type of the natural gas regulation and measurement stations.

Measurements of electromagnetic fields were also taken to respond to requests submitted by individuals and public organisations. All of the results show values below those recommended by the European Union.

We must also point out that Spain continued the certification process of non-conducting oil of high and medium voltage transformers for the "Authorised Control Organisation," to comply with Royal Decree 228/2006 which establishes measures for removal or management of PCBs and devices that contain these.

Environmental costs

Environmental actions carried out by the Gas Natural Group cost 133.80 million euros in 2009. Of this, 109.43 million corresponds to investments, while the remaining 24.37 million was spent on environmental management costs. The significant increase of investments and expenditure over 2008 was a consequence of incorporating the Unión Fenosa assets into the Gas Natural Group.

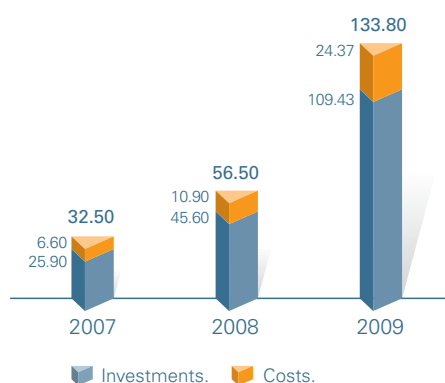
The key environmental investments were:

- Environmental adaptation of the Meirama boiler for the use of low-sulphur content fuel (Fausto project).
- The desulphuration plant for combustion gases, improved performance of the electrostatic precipitator and the changeover of low-NO_x burners at transformer III of the Narcea power plant and installation of an induced-draught cooling tower for transformer II;
- The wet desulphuration plant and the changeover of low-NO_x burners in transformer II of the power plant in La Robla;

- Repowering of the hydraulic power plants in Albarellos and Tambre and replacement of the turbine blades of transformers I, II and III of the power plant in Belesar;
- Environmental improvements to the combined-cycle power plant in Sabón;
- Adaptation of the waste tip at the power plant in Anllares;
- Improvements to the cooling systems and water treatment systems;
- Optimisation of performance of thermal power plants, and
- Redesign and uniforming of the construction elements of each kind of regulation and measurement station (ERMs) to decrease noise levels at source and renew pipes and connections at the national and international gas distribution companies of the Group to avoid methane emissions.

Environmental actions carried out by the Gas Natural Group cost 133.80 million euros in 2009.

Investments and spending on environmental protection (millions of euros)



With regard to environmental expenditure, we must make special mention of the allocations required to dismantle nuclear power stations. In this regard, the Gas Natural Group assumes the legal and economic undertakings to dismantle these installations in the event it ceases its activities.

Every year the Group reviews the costs to be assumed during the period between definitive stoppage of the power station and its transfer to Enresa for dismantling and abandonment of the programmed activity. These costs are estimated on the basis of the existing contract between Enresa and the electricity companies.

In order to pay the dismantling costs of nuclear power stations, at 31 December 2009 the Gas Natural Group had an allocation totalling 57.4 million euros.

Environmental parameters

In 2009, most of the environmental indicators of the Gas Natural Group increased in absolute value terms, as a consequence of incorporating the Unión Fenosa assets. However, improvements have taken place at all of the Group's installations to significantly reduce the environmental criteria.

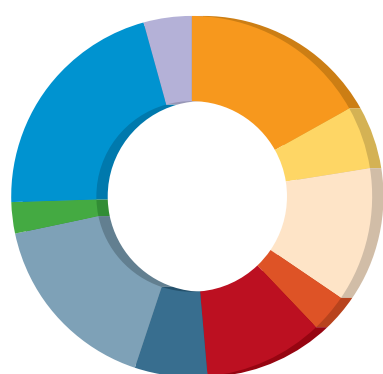
To enable the reader to compare figures, as far as possible this report provides the pro forma figures as a result of integrating the information from the Gas Natural Group and from Unión Fenosa into a single figure for the years reported. These are the values that really show the environmental status of the different business lines and reveal the efforts made by the Gas Natural Group to reduce its environmental impact and without any distortions through the integration process.

Reduction of emissions

In 2009, total emissions of SO₂ were down 94% compared with 2007. This was due to the low generation of coal power plants, to using coal with a lower content of sulphur and to the performance of the wet desulphuration plants at La Robla and Narcea power stations.

Elsewhere, total emissions of NO_x were down 48% compared with 2007, through lower generation with coal, using low-NO_x burners and to optimisation of combustion processes.

Breakdown of environmental expenditure (%)



16.9	Protection of the atmosphere.
5.6	Water management.
12	Waste management.
3.4	Soils and dumping.
10.7	Climate change.
6.5	Environmental management system.
16.6	Energy saving and efficiency.
2.8	Visual impact.
21.2	Environmental taxes.
4.3	Others.

Atmospheric emissions (thousands of tonnes)

	Consolidation since 1 May			Pro forma figures		
	2009	2008	2007	2009	2008	2007
SO ₂	6.82	0.00	0.00	10.13	24.49	171.20
NO _x	23.62	7.61	3.50	32.40	42.18	62.30
Particles	1.14	0.00	0.00	1.56	2.99	6.74

By the same token, and also with regard to 2007, emissions of solid particles were down 77% as a result of installing new control systems for the electrostatic precipitators, the SO₃ injection systems at the power plants in Anllares and Narcea and the desulphuration systems installed.

The substantial improvement of environmental figures has been helped by including new combined-cycle power plants to the production mix of the Group, which already accounts for 58%

of the total. In this regard, we must remember that gas combustion does not produce emissions of sulphur oxide and particles and that nitrogen oxide emissions are extremely low. This, tied to improvements at the coal power plants, has led to a reduction of specific emissions of SO₂, NO_x and particles by 94%, 50% and 80% respectively, compared with 2007.

No substances that damage the ozone layer are emitted at the Gas Natural Group installations.

Narcea desulphuration project

The Narcea desulphuration plant came into operation in 2009, adding to the desulphuration plant in La Robla, set up the previous year. The purpose of this plant is to reduce sulphur dioxide emissions, attaining performance levels in excess of 95%. This project has involved an investment of 67 million euros.

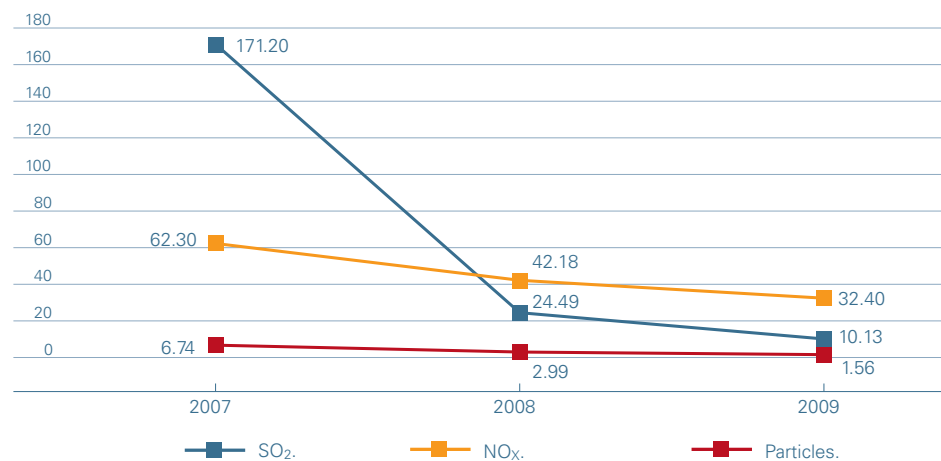
It works as follows: the combustion gases from the electrostatic precipitator enter an open crushing tower in which a milk of lime is recirculated using recirculation pumps, retaining the sulphur dioxide and particles of the gases. The gases that have already been washed are sent to a heat exchanger, passing through a drip remover that retains the humidity carried by the gas.

The air required for oxidation is injected through the absorber, using blowers that inject small bubbles. The contact surface between the air in the milk is increased using agitators.

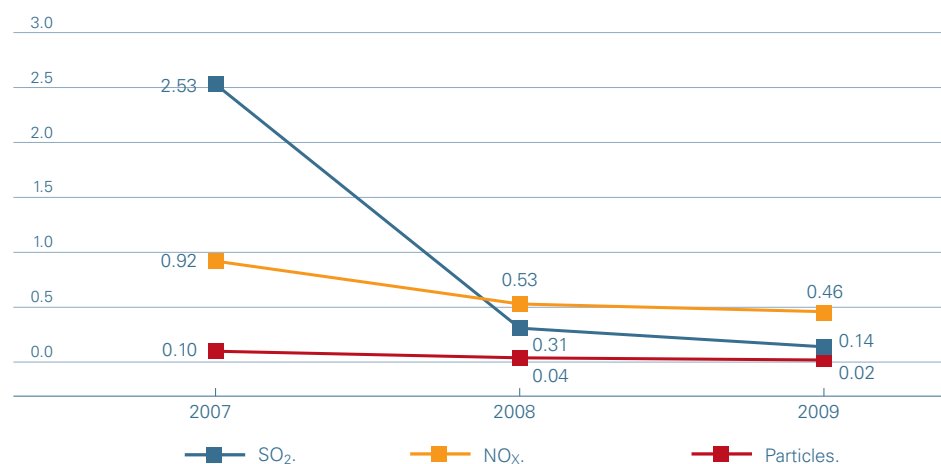
The amount of milk that feeds the absorber is controlled depending on the quantity of sulphur dioxide in the combustion gases. This value is calculated using the flow and the content of sulphur dioxide of the combustion gas, and is adjusted by the pH of the milk inside the absorber.

The gypsum in suspension formed in the absorber is extracted directly to a full drying system, comprising band and hydrocyclone filters. The gypsum in suspension obtained as a by-product of the band filters is sent on a moving belt to the storage building.

Atmospheric emissions (thousands of tonnes)



Specific atmospheric emissions (g/kWh)



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

Management and reduction of waste

The Gas Natural Group appropriately segregates stores and manages its waste. Management is always geared at minimisation of waste generated, both the amount as well as the hazardous nature, prioritising recycling and reuse over other management options and energy recovery as a preference over dumping.

Waste is managed in accordance with the current regulations in each country. All installations have the corresponding authorisations for producers of hazardous waste, which enable registration, stocktaking, storage and management.

The waste as a result of the Group's activities can be classified as urban, non-hazardous and hazardous.

Urban waste, such as paper, cardboard, organic and glassware, is mainly generated at work centres. Most installations recycle paper and the remaining waste is managed through the municipal refuse collection services.

Ashes and cinders generated at those plants that use coal as fuel along with the gypsum in suspension produced at the desulphuration plants account for most non-hazardous waste. Rubble from the work is also relevant, and this is produced during earth movements linked to works for the gas distribution network and maintenance tasks.

The production of ashes was down 71% in 2009 compared with 2008, due to lower electricity generation using coal and also to the coals used. The amount of recycled ashes also increased significantly, reaching 82% of the total generated.

Most hazardous waste generated in the processes comes from transformer insulation oils and lubricants from rotating machines, muds from the treatment of waters and fuels and hydrocarbons with water.

In 2009, a total of 10,813 tonnes of hazardous waste was managed, with a notable increase over the previous year. The increase was mainly due to the chemical washing of the boiler at the power station in Meirama and to management of hydrocarbon-contaminated terrain.

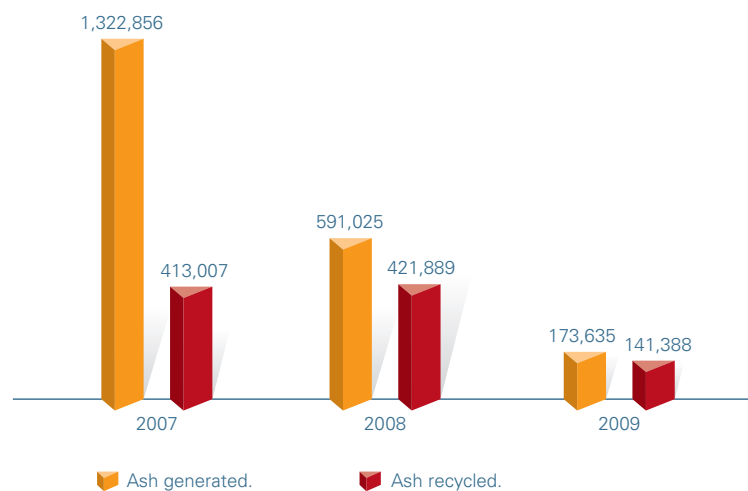
As part of the Polychlorinated Biphenyls (PCBs) Elimination Plan, 279 tonnes were managed, inventories were taken, and PCBs were withdrawn and properly stored in the international area, thus considerably reducing the risk of pollution in installations due to spillages of this waste.

Furthermore, 34 hazardous waste minimisation programmes were carried out in thermal and hydraulic power plants, wind farms and electrical distribution.

Non-hazardous waste managed (tonnes)

Type	Consolidation since 1 May 2009	Pro forma figures	Treatment method
Rubble	895,314	895,663	Landfill
Ashes	115,757	173,635	Recycled
Gypsum in suspension	27,269	40,904	Landfill and recycled
Cinders	22,761	34,141	Landfill
Muds from treatment plant and sewage	8,811	12,843	Landfill and recycled
Scrap	4,036	5,969	Recycled
Vegetable waste	1,456	2,184	Landfill
Urban-attributable waste	733	990	Landfill
Paper and cardboard	682	720	Recycled
Deposits	373	560	Landfill
Wood	399	527	Recycled and energy recovery
Porcelain, glassware and ceramics	264	396	Energy recovery
Computers	128	179	Recycled
Plastics	157	172	Recycled
Rockwool	67	88	Landfill
Toner, cartridges and CDs	11	16	Recycled
Glass	2	2	Recycled
Others	1,922	2,673	Recycled and landfill
Total	1,080,130	1,171,662	

Generation and recycling of ashes (tonnes)



Generation of waste (tonnes)

	Consolidation since 1 May 2009			Pro forma figures		
	2009	2008	2007	2009	2008	2007
Group total	7,348	2,364	9,644	10,813	6,673	14,385

Hazardous waste managed (tonnes)

Tipo	Consolidation since 1 May 2009	Pro forma figures	Treatment method
Hydrocarbon-contaminated terrains	2,296	3,441	Landfill
Chemical washing waters	1,810	2,715	Recycled and landfill
Hydrocarbons plus water	1,550	2,292	Recycled
Used oil	646	893	Recycled and energy recovery
PCB and transformers with PCB	186	279	Incineration
Asbestos	72	108	Landfill
Electric and electronic waste	64	92	Recycled
Solid waste contaminated with hydrocarbons	57	81	Incineration
Absorbent, isolating and filtering materials	61	78	Energy recovery and landfill
Empty contaminated packaging	39	51	Landfill
Batteries and accumulators	30	40	Recycled
Muds from treatment of water/wastewater	19	29	Landfill
Muds from oil and fuels	19	25	Incineration
Aqueous solutions	15	16	Recycled
THT filters	8	8	Recycled
Non-halogenated solvents	5	7	Recycled
Fluorescent lights	4	6	Recycled
Laboratory waste	3	4	Incineración
Paint and varnish	3	3	Recycled
Bio sanitary waste	2	2	Recycled
Others	459	643	Energy recovery
Total	7,348	10,813	

Water capture by source (Hm³)

	Consolidation since 1 May 2009	Pro forma figures
Surface water captured (sea)	969.79	1,315.08
Surface water captured (rest)	25.10	33.62
Groundwater captured	3.70	4.98
Wastewater used, from another organisation	2.76	4.15
Water captured from the supply network	1.87	2.72
Rainwater collected and stored	0.63	0.94
Total volume of water captured from the environment	1,003.86	1,361.49

Water consumption (Hm³)

	Consolidation since 1 May 2009	Pro forma figures
Consumption of cooling water	43.31	48.98
Consumption of water in water/steam cycle	3.86	4.77
Consumption of water in other processes	2.60	3.48
Consumption of water in ancillary services	1.54	2.27
Consumption of water in buildings	0.36	0.46
Total water consumption	51.67	59.96

Water dumping (Hm³)

	Consolidation since 1 May 2009	Pro forma figures
Water dumped into the sea ^(*)	721.97	1,064.81
Water dumped into rivers	9.38	13.03
Water dumped in the public network	0.42	0.50
Water dumped in septic tanks 0,02	0.02	
Total volume dumped	731.78	1,078.35

(*) Part of the sea water captured and used for cooling in the open cycle was not considered as dumped.

Control of spillages and reduction of water consumption

There are two types of liquid effluents produced at the electricity generation plants: thermal discharges and spillages from the treatment plants. The excellent performance of the treatment plant equipment and systems in 2009 has enabled the installations to comply with the spillage authorisations.

The capture of water from Gas Natural Group installations in 2009 reached 1,361 Hm³. 97% of water captured comes from the sea. Consumption of water was 4.4% of the volume captured. Based on studies performed, the capture of water has not caused significant impacts on the aquatic ecosystems.

82% of water consumption at the Gas Natural Group is due to evaporation of the cooling towers at the thermal power plants, while the remainder is divided between consumption during the water-steam cycle and ancillary services.

Of particular note is the recovery of water from urban waste water in cities close to the power plants of Hermosillo and Naco-Nogales in Mexico and Ecoeléctrica in Puerto Rico, as well as the recovery of wastewaters with slurry at the cogeneration plants.

Streamlining consumption of energy and material resources

The major consumption of resources refers to fuels and, to a lesser extent, chemical products.

A total of 1.78 million tonnes of coal and 0.44 million tonnes of fuel-oil were consumed in 2009. 59% of this is from imported coal, with a low sulphur content and very environmentally friendly. Coal consumption, both national and imports, dropped 49% for domestic coal and 39% for imported coal in 2009.



With regard to natural gas, consumption in 2009 was 9,832 million m³, a decrease of 8% year-on-year, mainly down to reduced gas production at combined-cycle power plants.

Direct consumption of energy from the use of fossil fuels was 462,973 TJ, while indirect consumption of electricity, both for ancillary equipment at the installations as well as for tertiary consumption in offices and lighting, totalled 18,945 TJ.

The rationalisation of energy consumption is one of the Gas Natural Group priorities. The Company supervises and submits its procedures to strict controls in the quest for maximum energy efficiency. In this regard, during 2009 global yields of around 100% were achieved in exploration and gas transportation and distribution activities.

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Energy consumption (TJ)

Fuentes no renovables	Consolidation since 1 May			Pro forma figures		
	2009	2008	2007	2009	2008	2007
Supply of natural gas	346,297	235,610	136,560	414,735	407,359	283,412
Coal consumption	20,402	–	–	30,603	71,675	129,566
Consumption of oil derivatives	11,931	294	197	17,635	15,337	12,396
Direct consumption of energy from fossil fuels	378,631	235,904	136,757	462,973	494,371	425,374

Indirect consumption of energy in generation of electricity using primary sources (TJ)^(*)

	Consolidation since 1 May 2009	Pro forma figures
Coal	4,899	6,269
Natural gas	1,129	1,340
Oil derivatives	3,422	4,146
Biomass	66	87
Wind power	54	71
Geothermal	551	641
Hydraulic	1,007	1,267
Nuclear	3,964	5,124
Total	15,091	18,945

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



In 2009, consumption of materials reached 40,898 tonnes. Different chemical additives are used in water treatment at the electricity generation installations. Other significant consumption is through the odorisers used in transportation and distribution of natural gas, the insulating oils from the transformers and the lubricant used in the rotating machines and pumps, and the lime added to the absorbers of the desulphuration plants.

Paper consumption at Company work centres totalled 403 tonnes, 34 tonnes of which was recycled paper. The initiative to reduce paper consumption include the use of digital media, sending electronic information to customers and suppliers, as well as recommendations to employees to lower the amount of documents and emails that are printed.

Climate change

The Gas Natural Group shares social concerns for the climate change and has an active policy to reduce greenhouse gas emissions. The Company seeks sustainable development in the short-, medium- and long-term, and rational use of energy is essential for this. The Company also believes that decisions taken in this regard by the competent institutions must be assessed using a balanced equilibrium between the social, environmental and economic aspects.

The Group's strategy and policy as far as energy is concerned is in line with objectives for the security of supply, competitiveness and environmental sustainability. Future energy scenarios will be shaped by energy efficiency and reduction of greenhouse gas emissions. The Company also believes it is necessary to design a post-Kyoto framework, dispelling uncertainties and focusing on investment on clean and sustainable energies and towards technologies for the capture and storage of CO₂, within a balanced mix of energy, providing us with a sufficient guarantee of supply to meet the expected demand.

In this context, natural gas will play a critical role, both in the transition towards an economy which is less coal-intensive, and because of the role it will have in the global energy balance in the future. Natural gas is the fossil fuel with the lowest emissions into the atmosphere, both greenhouse gases as well as other polluting substances. With natural gas, electricity generation, industry, the tertiary sector, housing and also the transport sector are able to use a fuel with higher environmental quality,

Materials used (tonnes)

	Consolidation since 1 May 2009	Pro forma figures
Calcium carbonate	13,705	20,555
Oils	1,975	2,876
Sulphuric acid	2,325	2,739
Calcium hydroxide	1,263	1,894
Lime	831	1,247
Sodium hydroxide	1,022	1,155
Sodium hypochlorite	893	1,122
Coagulant	618	740
Sodium bisulphate	320	474
Paper	339	369
Chlorohydric acid	130	194
Odoriser	180	193
Scale preventer	130	158
Ammonia	67	94
Anti rust	63	77
Iron sulphate	48	72
Hydracine	36	52
Biodispersant	39	46
Recycled paper	31	34
Detergent	21	30
Flocculent	14	21
Paints and solvents	9	13
Toner and ink cartridges	3	4
Other materials	5,656	6,739
Total materials	29,718	40,898



which can also be easily combined with the different types of renewable energies.

Reductions of greenhouse gases of the Group will be carried out through the three core focal points: improving eco-efficiency, carbon management and raising society's awareness. The Company's specific aims in this area are as follows:

- Reduce specific emissions of CO₂ from electricity generation.
- Reduce overall emissions of CO₂ from coal power plants.
- Minimise emissions of GHG in developing countries using CDM projects.
- Avoid GHG emission through saving and efficiency in the end use of energy.
- Reduce CH₄ at transportation and distribution installations of natural gas.

In order to comply with its undertakings, the Group's strategy is based on proper management of fossil fuels, on renewable resources, on energy saving and efficiency, on sustainable mobility, on management of coal markets and, finally, on schemes to manage demand.

Evidence of the commitment of the Gas Natural Group in this area is shown through its presence on the programme titled "Caring for Climate: the Business Leadership Platform," a platform of companies taking part in the UN Global Compact, whose goal is to fight against the effects of climate change by improving efficiency and reducing greenhouse gas emissions.

In 2009, the Gas Natural Group was also the highest ranked Spanish utility company in the Carbon Disclosure Project, an initiative backed by institutional investors from around the world to distinguish the best performing companies in areas of mitigating climate change. Similarly, prior to being integrated in the Gas Natural Group, Unión Fenosa was the only Spanish company included on the Carbon Disclosure Leadership Index, which distinguishes the top 50 companies in the Carbon Disclosure Project.

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

The use of less carbon-intensive energy sources and the best technologies in combustion of fossil fuels are two basic ways to reduce emissions of CO₂.

The combined cycles of gas currently represent the most efficient technology to produce electricity from fossil fuels. Performance is up to 20% better than the rest of alternative technologies. The Gas Natural Group is one of the major combined-cycle operators in the world. It has 11,379 MW of installed power, with new cycles under construction in Spain and Mexico.



Gas Natural Group shares social concerns for the climate change and has an active policy to reduce greenhouse gas emissions.



With regard to eco-efficiency of the Gas Natural Group, of particular note is the use of coal with higher calorific power, improved performance of the thermal power plants, the set-up of a performance supervision system at the coal power plants and development of a project to optimise combustion. Similarly, the Company is studying the inclusion of biomass at the coal power plants to replace up to 15% of the coal burned in the so-called co-combustion process. This initiative could avoid the emission of up to one million tonnes of CO₂.

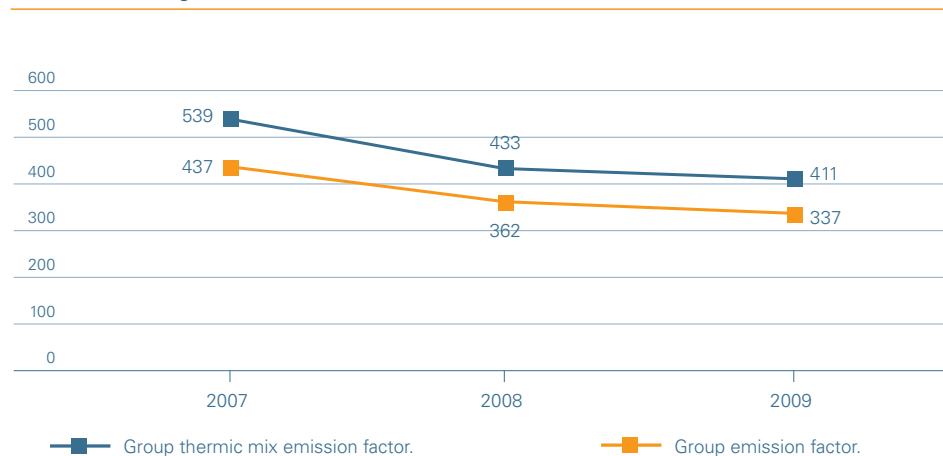
The Gas Natural Group calculates its CO₂ footprint through an inventory, control and check of greenhouse gas emissions from its activities in all countries where it has a presence. Total emissions of the Group in 2009 reached 25.76 million tonnes of CO₂ eq, with an energy mix emission factor of 337 gCO₂/kWh, down 7% on the previous year.

Emissions from the Group's coal power plants fell 77% in 2009 compared with 2007, falling from 13.49 million tonnes of CO₂ in 2007 to 3.06 in 2009. Specific emissions from the thermal power plants dropped 24%, from 539 tCO₂/GWh in 2007 to 411 in 2009.

Emissions of CO₂ from electricity generation (tCO₂)

	Consolidation since 1 May			Pro forma figures		
	2009	2008	2007	2009	2008	2007
Cogeneration	165,561	74,231	56,121	170,504	74,231	56,121
Specific emissions (gCO ₂ /kWh)	429	558	561	394	558	561
Combined-cycle power plants	16,086,789	10,824,683	6,553,228	19,294,115	20,643,134	14,987,529
Specific emissions (gCO ₂ /kWh)	371	354	368	369	357	365
Coal power plants	2,042,867	0	0	3,064,301	6,999,585	13,492,002
Specific emissions (gCO ₂ /kWh)	981	–	–	981	1,011	1,110
Fuel-oil power plants	714,840	0	0	1,072,260	1,156,120	968,965
Specific emissions (gCO ₂ /kWh)	669	–	–	669	684	681
Total electricity-thermal generation	19,010,057	10,898,914	6,609,349	23,601,181	28,873,070	29,504,617
Group thermal mix emission factor (gCO ₂ /kWh)	406	355	369	411	433	539
Group emission factor (gCO ₂ /kWh)	342	347	353	337	362	437

Emission factor (g/kWh)





In 2009, total emissions of CO₂ from the coal power plants, fuel-oil power plants and gas power plant in Spain totalled 12.226 million tonnes of CO₂, versus an allocation of emission rights for 11.138 million tonnes, in accordance with the 2008-2012 National Plan for Assignment of Greenhouse Gas Emission Rights.

To comply with the obligations stemming from the Spanish National Plan for Assignment, the Gas Natural Group ensures coverage of the deficit of emissions by carrying out projects within the sphere of Clean Development Mechanisms and Joint Applications,

participation in carbon funds and the purchase of emission rights on secondary markets.

In 2009, the Gas Natural Group prevented the emission into the atmosphere of more than 7.5 million tonnes of CO₂. The calculation includes, *inter alia*, activities surrounding energy management, transformation of industrial and residential installations from coal and fuel-oil to natural gas, the development of CDM projects, the use of vehicles that run on natural gas, and video conferences.

Direct emissions of GHG. Group total (tCO_{2eq})

	Consolidation since 1 May			Pro forma figures		
	2009	2008	2007	2009	2008	2007
Fixed sources. Direct emissions of CO ₂	19,563,760	11,228,382	6,910,910	24,316,282	30,047,309	30,453,405
Fixed sources. Direct emissions of CH ₄	1,381,866	1,367,054	1,280,429	1,381,866	1,367,054	1,280,429
Fixed sources. Direct emissions of SF ₆	15,933	0	0	23,900	9,445	16,244
Movable sources. Direct emissions of CO ₂ (own fleet)	26,746	9,444	9,813	36,568	11,665	13,033
Total direct emissions of greenhouse gases	20,988,306	12,604,880	8,201,152	25,758,616	31,435,472	31,763,111

Indirect emissions of GHG. Group total (tCO_{2eq})

	Consolidation since 1 May			Pro forma figures		
	2009	2008	2007	2009	2008	2007
Fixed sources. Indirect emissions of CO ₂	677,468	20,494	19,974	1,008,676	1,057,377	905,816
Movable sources. Indirect emissions of CO ₂ (travel by plane and train)	4,511	4,427	3,025	4,556	7,193	9,558

Initiatives to reduce GHG emissions (tCO_{2eq})

Action lines	Emissions prevented in 2009
Electricity generation: combined-cycle plants	5,062,695
Electricity generation: renewables	943,027
Electricity generation: energy efficiency	690,818
T&D gas and electricity: energy efficiency	7,257
End use of gas and electricity: energy efficiency	680,776
Offsetting Mechanisms	100,935
Total GHG prevented (tCO_{2eq})	7,485,508



Demand management at the Gas Natural Group

The Gas Natural Group channels its demand management programmes through actions to improve energy efficiency developed by its Energy Efficiency Centre.

Since 2004, the Company has worked on developing different actions to promote energy-saving and efficiency geared at corporations, SMEs and domestic customers.

In the residential sector, the Company invests in campaigns to disseminate and raise awareness so that the consumer can build a new culture of energy management. The following actions are of particular note:

- Energy Efficiency Indices. Studies to find out energy conduct in homes and at SMEs.
- Training and dissemination campaigns, including the Efficient Home, the Virtual Forest and the preparation of educational guides.
- An exclusive website for energy efficiency issues.
- Participation at exhibitions, courses and seminars.
- Advertising campaigns on radio and TV.

With regard to campaigns targeted at the consumer in 2009, the main activities were: the Efiquest Internet campaign to raise awareness and training; the training programme at centres for the elderly, together with the City Council of Madrid; the energy efficiency campaign for employees with an electricity agreement; the set-up of geothermal heat pumps in family homes and, finally, the

fifth publication of the *Energy Efficiency Index* in Spanish households.

Elsewhere, the following activities were carried out at the Company:

- Energy advice programmes (pre-diagnosis, diagnosis and energy analysis for corporate users and companies).
- Development of products and management of subsidies for energy saving and efficiency projects.
- Development of online tools for companies to find out the most efficient habits.
- Participation in national and international R&D+i projects.
- Creation of collaboration ties with universities, technological centres, business associations and consumer associations to promote energy efficiency.

In 2009, the main actions carried out at the Company were as follows: the energy efficiency Master Plan at CRTVE; the Master Plan at Prisons, the Master Plan at Telefónica; the energy efficiency campaign in the hotel sector; the fifth publication of the *Energy Efficiency Index* at SMEs; the Street Lighting Renewal Plan, which includes energy audits in municipalities and on university campuses.

The Company also takes part in programmes for the efficiency, capture and storage of CO₂, such as the R&D CENIT programme, at the Spanish CO₂ Association and Technological Platform (AECO₂-PTECO₂) and the European Technological Platform for Zero Emissions Power Plants (ETP-ZEP). Besides, the Group co-leads the CENIT CO₂ Project.

The Group also backs electricity generation using renewable sources. In 2009, 6,509 GWh was generated at the 2,845 MW of conventional hydraulic energy installed, 281.5 GWh at the 90.7 MW of installed power at mini-hydraulic power plants, 1,616 GWh at the 801 MW of installed wind power, and 474 GWh was produced at cogeneration plants.

The mini-hydraulic power plant of Los Molinos de Bolarque, the Ecological Channel of Frieira, the wind farms of San Gil, Loma Gorda, Peña I, Peña II, Coto Codesas, Picazo, Espina, Valdelacasa and the slurry treatment and electricity generation plant in Almazán all came into commercial operation.

Similarly, with regard to the Group's activity in developing cleaner technologies and the search for new solutions to integrate renewable energies with natural gas, we should highlight the following initiatives:

- The first experimental reduction and storage of hydrogen plant in Europe, to study the appropriateness of this vector as a means of storing energy in gas form.
- The first solar cooling plant in Europe with twin-effect technology, which enables better use to be made of solar energy to provide cooling for air-conditioning systems.
- The SPHERA Project to obtain hydrogen from renewable resources or through procedures that do not involve emissions of CO₂ and the use of these in electricity generation.

Reduction of methane emissions on networks

Methane emissions occur in gas exploration, transport and distribution operations. In 2009, these totalled 1,381,866 million tonnes of CO₂ eq, 481,685 million of which occurred in Spain. Overall, the specific emissions of methane reached 0.82 kg CO₂ eq/GJ of gas administered.

The use of better materials and the establishment of a comprehensive pipe monitoring and renewal plan have allowed the Company to reduce its emissions of CH₄ per unit and network length by 36% in comparison with 2003.

Reduction of emissions through clean development mechanism projects

The Gas Natural Group is also committed to reducing greenhouse gas emissions through clean development mechanisms (CDM), one of the most flexible mechanisms established by the Kyoto Protocol. The Company takes part in several carbon funds: Spanish Carbon Fund, Multilateral Carbon Credit Fund, Natsource Carbon Asset Pool and Community Development Carbon Fund, with investment of nearly 60 million euros.

We must also add the bilateral procurement of emission rights from the primary projects of different sectors.

To date, the Gas Natural Group has registered eight CDM projects with the United Nations: the hydraulic plants of Los Algarrobos, Macho de Monte and Dolega in Panama, that of La Joya in Costa Rica and that of Amaime in Colombia; the use of biogas for energy at the Doña Juana Landfill in Bogotá (Colombia); the Sombrilla Project in

Bogotá (Colombia), to replace fuel-oil with natural gas at eight industrial plants, and the Quimvale Project in Rio de Janeiro (Brazil), in which fuel-oil has been replaced with natural gas in a calcium carbonate industry.

Other CDM projects driven by the Company are at different stages of validation. Developed in countries such as Colombia, Guatemala, Brazil, Mexico and Panama, they are based on generation using renewable sources, the set-up of cogeneration systems, the reduction of emissions in gas networks and replacement of fuels.

Energy saving and efficiency

The Gas Natural Group also promotes rational and sustainable consumption of energy among its customers. The Group's web page has a "Gesto Natural" section that offers energy saving and efficiency tips in the home.

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



Sustainability and biodiversity

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

The Gas Natural Group performs a great many actions targeted at knowledge of ecosystems and habitats surrounding its installations.

Study of ecosystems

To characterise the environment and study the environmental impact of the installations, the Group carries out studies of terrestrial and aquatic ecosystems in those areas around the electricity power plants. All studies performed in 2009 were satisfactory.

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

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

In 2009, 43 soil quality studies were carried out in Spain at electricity substations, all of which resulted positive. The land at 12 substations was modified.

Land occupation broken down by electricity distribution lines in protected areas

	Length of lines in SCI (km)	Length of lines in SPA (km)	Length of lines in IBA (km)	Surface area of lines in SCI (Ha)	Surface area in SBPA (Ha)	Surface area of lines in IBA (Ha)
Spain	3,338	2,605	5,511	6,053	5,601	10,033
Colombia	2	–	–	3	–	–
Guatemala	–	2,936	–	–	1,468	–
Total	3,340	5,541	5,511	6,056	7,069	10,033

SPA: Special Protection Areas.

SCI: Sites of Community Importance.

IBA: Important Bird Areas.

Number of species whose habitats are in areas affected by operations

	No. of species in critical danger	No. of species in danger	No. of species almost threatened	No. of species with lesser concern	No. of vulnerable species
Spain	2	32	22	31	63
Colombia	6	21	25	–	27
Guatemala	4	262	102	–	–
México	–	3	–	18	14
Nicaragua	24	16	4	2	3
Puerto Rico	–	4	–	–	6
Total	36	338	153	51	113



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

Location	Status	Position	Type of operation	Size (km ²)	Value of biodiversity
Hinojos (Huelva).	Leased.	Specially regulated area of Doñana Natural Park.	Production/ extraction.	0.01	Area catalogue by the UNESCO as a biosphere reserve and special area for the protection of birdlife. (High-value).
Aznalcázar (Seville).	Leased.	Located on the edge of the ecological corridor of the Guadiamar River. Outside the Natural Park.	Production/ extraction.	0.01	Area of intensive farming and undergrowth animal life, home to the lynx (<i>Linx pardinus</i>), a species in danger of extinction.
Carmona (Seville).	Leased.	Located outside the natural park on land making up the "Altiplanos de Écija" hydrogeological unit.	Production/ extraction.	0.01	The area can be classified as pasture land- brush land with trees. Steppe aviary fauna included in the Andalusia catalogue of Endangered Species, which are also protected by national and EU regulations.
Bollullos de la Mitación (Seville).	Leased.	Located on the aquifer of the Aljarafe, which constitutes the eastern extension to the aquifer system of Almonte-Marismas, outside the Natural Park.	Production/ extraction.	0.003	This area is heavily anthropised with extensive farming and it has no species included in the National Catalogue of Endangered Species.
Carmona (Seville).	Owned/leased.	Outside the Natural Park.	Office/ production/ extraction.	0.02	Cereal farmland, heavily anthropised. The area can be classified as pasture land-brush land with trees. Steppe aviary fauna included in the Regional Catalogue of Endangered Species of Andalusia, which are also protected by national and EU regulations.
Almazán (Soria).	Administrative contract. Private use of publicly owned asset.	Outside a natural protected area. 1.2 km from the left bank of the River Duero and its tributaries.	Power station.	0.009	In a catalogued wetland. It is not a habitat of community interest and the installation has a very low-level impact on animal life (noise, traffic).
Bahía Guayanilla (Puerto Rico).	Owned.	Within area.	Terminal and plant.	0.15	Habitat of two species in danger of extinction.
Los Colorados Flora and Fauna Sanctuary in San Juan de Neopomuceno. District of Bolivar.	Owned.	SSFF Los Colorador en Departamento de Bolivar.	Electricity distribution.	0.0615	High, area of special biodiversity protection, flora and fauna sanctuary declared by the Ministry of the Environment and the Special Unit of National Natural Parks.
Isle of Ometepe, Rivas. Municipality of Altagracia, entrance to San Miguel Port.	Owned.	Located inside the National Park on the Isle of Ometepe.	Electricity distribution.	0.0005	High, given that the installation is inside the buffer zone of the Volcán Maderas Natural Reserve on the Isle of Ometepe.



Integration with the environment and environmental restoration

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

In 2009, the Group also played an active role in various initiatives geared at improving biodiversity, such as reforestation, recovering endangered flora and fauna and archaeological activities.

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

Last year there were six incidents that caused minor spillages. They were all cleaned up and properly managed and there was no environmental impact.

Environmental impact studies

To avoid possible adverse effects, the Gas Natural Group carries out environmental impact studies for its projects. Public participation in the procedures to approve these projects is ensured through national and regional legislation in each country where the Company carries out projects.

Initiatives for reducing the environmental impact of activities, products and services

Initiative

Results

Initiatives relating to the use of materials

Removal of dosage of sulphuric acid at the Sagunto cooling towers.	Consumption reduction of 300 t SO ₄ H ₂ .
Installation of electrochemical treatment of cooling water of the cooling towers that prevents the use of sodium hypochlorite or other biocides at the co-generation plant in La Andaya.	Reduction in the consumption of sodium hypochlorite and biocides.
Replacement of 116 m of the Sabón pipeline.	Reduction in the risk of fuel-oil spillage.
Reduction in the consumption of chemical substances used in motors in the Dominican Republic.	Reduction in the consumption of chemical products.
Reduction in the consumption of coagulant and flocculent at the Aceca power station.	Reduction in the consumption of chemical products.
Construction of oil tanks for transformers and adaptation of storage premises for hazardous waste in Colombia.	Reduction of the risk of spillage.
Avoiding use of chemical products in the hydrostatic test water at the gas distributor in Brazil.	Reduction in the consumption of chemical products.

Initiatives relating to water consumption

Campaign to save water at the work centres in Spain in Colombia.	Reduction of water consumption.
Changeover from drinking water to the desalinated water in the water system that provides services in the combined-cycle power plant of San Roque.	Sustainability of water resources.
Increased concentration cycles of the cooling towers.	Reduction of water consumption by 1 Hm ³ .
Reduction of effluents from cooling towers.	30% reduction in water consumption.
Auto cooling of the basin pumps at the San Roque combined-cycle power plant.	Reduction of water consumption.

Initiative	Results
Initiatives relating to emissions	
Campaign to save energy at work centres and reduce fuel consumption of the vehicle fleet.	Reduction in fuel consumption and emissions.
Modification of fuel injection times into the Wartsila 18V38 motor and replacement of the turbo compressor and reduction of ancillary consumption in the motors in the Dominican Republic.	Reduction of consumption and emissions.
Installation of 144 solar panels at the gas distributor in Spain.	Reduction of fuel consumption and emissions.
Initiatives relating to effluents	
Use of distilled condensate of slurry on arable land adjacent to La Andaya and Hornillos.	Sustainability of water resources.
Reduction in water consumption in the cooling towers by setting up a laboratory in Kenya.	30% reduction in water consumption.
Use of sequential sedimentation tanks following the hydrostatic tests at the distributor in Brazil.	Better dumping quality.
Improved design for the dispatch of muds and oily waters in Palamara (Dominican Republic).	Better dumping quality.
Initiatives relating to noise	
Noise inspections at the construction works of work centres, gas distributors and the installation of acoustic screens at combined-cycle power plants.	Less noise.
Measurement plan at ERMs and the network of GNV stations and underground plan for 16 ERM stations in Colombia.	Less noise.
Positioning of soundproof panels at the entrance to the turbine shaft at La Joya (Costa Rica).	Less noise.
Improve conditions to the powerhouse doors in La Vega (Dominican Republic).	Less noise.
Replacement of silencers on the Niigata motors and reconditioning of the powerhouse doors and separation of the air conduits of turbo generators in Kenya.	Less noise.
Initiatives relating to waste	
Adaptation of the waste tip to landfill for non-hazardous waste in Anllares.	Minimisation of environmental pollution.
To recycle at least 50% of ashes generated.	82% recycled.
Installation of new piezometers at the waste tip in Anllares.	Better operational control.
Comprehensive management plan for solid waste in Colombia.	Reduction of waste generation.
Reduction of concentrated waste from cleaning the hypochlorite tank in SAGGAS.	Reduction of waste generation.
Installation of a tank to collect used oils in Andaya.	Avoid the risk of spillage.
Optimisation of treating waste from ceramics, rubble, silica gel and fluorescent lights in Moldova.	Better waste management.
Recovery of metal from the Nicaragua networks.	Waste recycling.
Reconditioning and roofing of the area used for waste and the correct separation of waste at the motors in Kenya.	Better control of waste.
Installation of a tank to collect used oils in Hornillos.	Avoid the risk of spillage.
Start a programme to unify management of cartridges and toners at the work centre.	Better waste management.
Reuse of containers in Palamara (Dominican Republic).	Reduction of waste.
Campaign to collect electrical and electronic waste, supported by the Ministry of the Environment in Barranquilla (Colombia).	Reduction of waste.
Construction of storage premises for hazardous waste and chemical products and a new scrap yard in Sabón and Mora de Luna.	Minimisation of the risk of spillage.



Environmental impact

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

The Group developed an environmental management tool, called environmental units (UMAS). This tool quantifies the environmental aspects over time using the life-cycle analysis methodology and the different stages given in the

international ISO 14040 standards. This enables the UMAS methodology to quantify the evolution of atmospheric emissions, consumption, resources, waste, water quality, noise and the impact on birdlife, *inter alia*.

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

The environmental impact of the Gas Natural Group installation measured in UMAS has reduced in recent years, due mainly to the coming-into-operation of the low-NOx burners and equipment to remove sulphur, to improved environmental quality of the fuels used, and to improvements in the combustion processes and in the electrostatic precipitators of particles.

Quantification of the environmental impact in UMAS

Impact classification	UMAS
Generation of hazardous waste	3,186
Acidification of the atmosphere	314
Global warming	182
Toxicological impacts: affecting the air	152
Generation of non-hazardous waste	135
Noise pollution	119
Winter smog	59
Water quality	35
Collision with birds	31
Consumption of abiotic resources: water resources	26
Eutrophication: affecting aquatic ecosystems	19
Photochemical smog	9
Consumption of abiotic resources: other resources	2
Consumption of abiotic resources: energy resources	1
Total UMAS	4,270

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



Involvement of suppliers and customers

The environmental commitments of the Gas Natural Group are not restricted to an internal scope, but extend to the value chain. 84% of its main distribution works and infrastructure contractors, and 100% of works inspection services and suppliers have voluntarily joined the *Good Environmental Practices in Distribution Network Construction*.

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

This has led the Company to establish cooperation agreements with many regional and local institutions.



Interest in People

The Gas Natural Group project involves 19,803 individuals in over 20 countries. Roughly half of these carry out their activity outside Spain, clear evidence of the strong international vocation and the richness and diversity of the Company.

The Group's human resource strategy is based on its Mission, Vision and Value statement, more specifically the following:

- Fostering an environment of respect in the workplace, focused on employees' training and professional development.
- Encouraging a plurality of opinions, outlooks, cultures, ages and genders.

The integration procedure has brought with it the need to analyse the previous human resource management of both companies, identifying the practices most suitable to the needs of the new Group and capitalising on the best ones.

The human resources function needs to be flexible, adaptable and with the ability to drive changes. It must also constantly offer the possibility of a rapid response in line with business needs and priorities.

During 2009, a human resources model has been consolidated based on management units which define the human resources policies and models, and on the figure of the business partner as the strategic business advisor in the implementation and adaptation of policies and models in the businesses and countries.

The scope of information reported in this part is described in the "Process for Drafting this Report" section.



□ Principles of responsible action with employees

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

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

□ Main indicators

	2009	2008	2007
Staff rate. No. of employees	19,803	6,842	6,699
Men/Women (%)	74/26	69/31	68/32
Women in management posts (%)	19.7	18.9	17.7
Personnel costs (in millions of euros)	600	338	308
Training hours per employee	42.20	44.52	40.62
Annual investment in training (euros)	8,505,000	3,480,300	3,397,500

□ Relevant actions

Proposed actions for 2009

Actions taken 2009

Actions planned 2010

Implementation of online tools for monitoring the Group's integration plans and analysing the results^(*).



Launch of the "Our Energy" platform as the sole channel of integration prior to the single Intranet.

Set-up of an Equal Opportunities Committee for the companies with a Collective Bargaining Agreement.

Analysis of results and definition of action plans for the entire Group. Commitment monitoring.



Employee listening barometers (focus groups, interviews, surveys).

New internal newsletter: change of image and content adapted to the new Group and in harmony with employees' opinion (survey).

Notification of the results of the Commitment and Work Environment Survey.



Launch of the Group's internal newsletter for employees.

Master Plan and Annual Plan for In-house Communication.

Optimisation of internal communication channels on NaturalNet for strengthening employee participation in the ascending information channels.



In-house communication plan tied to the integration process.

Performance of Environment Survey. Set up of permanent panels of employees. Specific and periodic surveys.

(*) The set-up of online tools stopped in 2009, pending the system integration process of the two companies following the merger. Instead, the integration plans for new staff members of the Gas Natural Group and Unión Fenosa were analysed, to propose a new integrated integration plan.

Level of compliance: High ● Medium ● Low ●

Equal opportunity, diversity and social integration as levers for growth

The commitment that Gas Natural Group has with its employees encompasses equal opportunities, diversity and the offer of an attractive and stimulating professional career.

The Company rejects discrimination on any grounds, specifically those based on age, gender, religion, race, sexual orientation, nationality or disability. This commitment covers the selection and promotion processes, which are based on the assessment of the individual's skills, the analysis of the requirements that apply to the position

and individual performance levels. In 2009, the Company laid the foundations for the creation of an Equal Opportunities Committee, due to be set up in the first quarter of 2010. The Equal Opportunities Committee will draw up the Equality Plan for Group Companies in Spain.

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

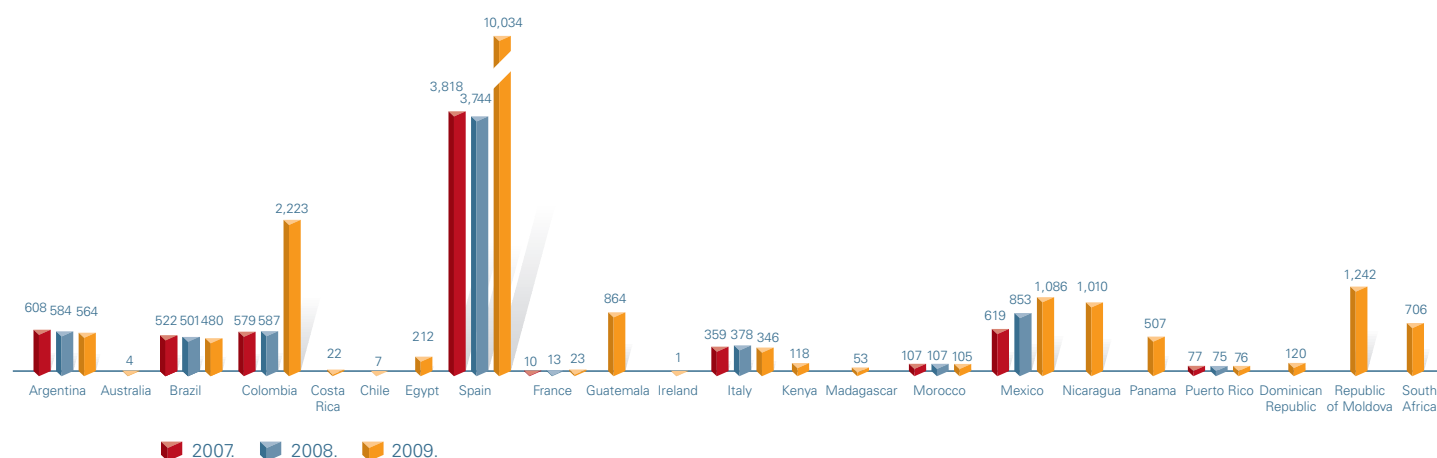
One of operating principles of the Gas Natural Group is to comply strictly with the legal requirements of each country in which Group companies are present. In Spain, the minimum target is for 2% of the workforce to be represented by disabled persons. It resorts to alternative measures with suppliers that employ disabled individuals and directly contracts individuals with some kind of disability. On the international stage, the percentage of disabled persons reaches 3.7% of the workforce, above the minimum legal requirements in Brazil. In Italy this rate is 4.71%.

In other Group subsidiaries, efforts are also being made to promote the integration of disabled individuals. In Spain, cooperation agreements have been established with the Adecco Foundation. Moreover, the Company donated 6,000 euros to the Catalan Downs Syndrome Foundation (FCSD).

In 2009, it signed an agreement with the Generalitat of Catalonia Regional Government to encourage the employment of women affected by gender violence and at the risk of social exclusion. The Company undertook to employ candidates introduced by the ministry, under the agreed conditions and profiles. One person was employed in 2009.

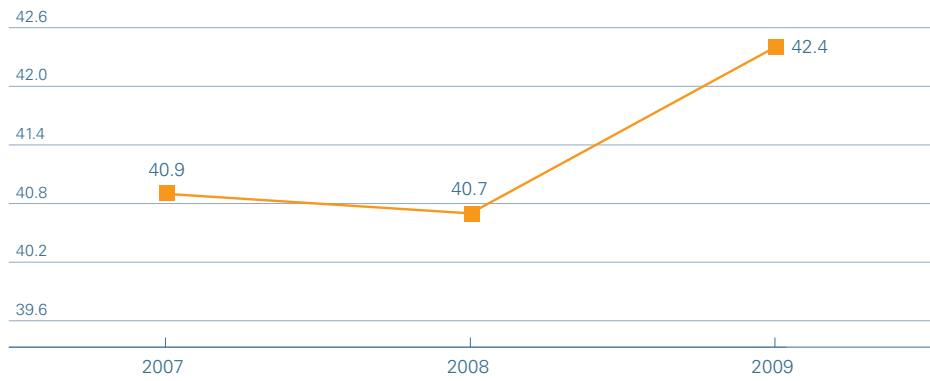
The Gas Natural Group believes that local roots and awareness of the particularities of each territory are critical for the Company's success. That is why it encourages direct recruitment of local employees and managers.

Staff rate. Number of employees

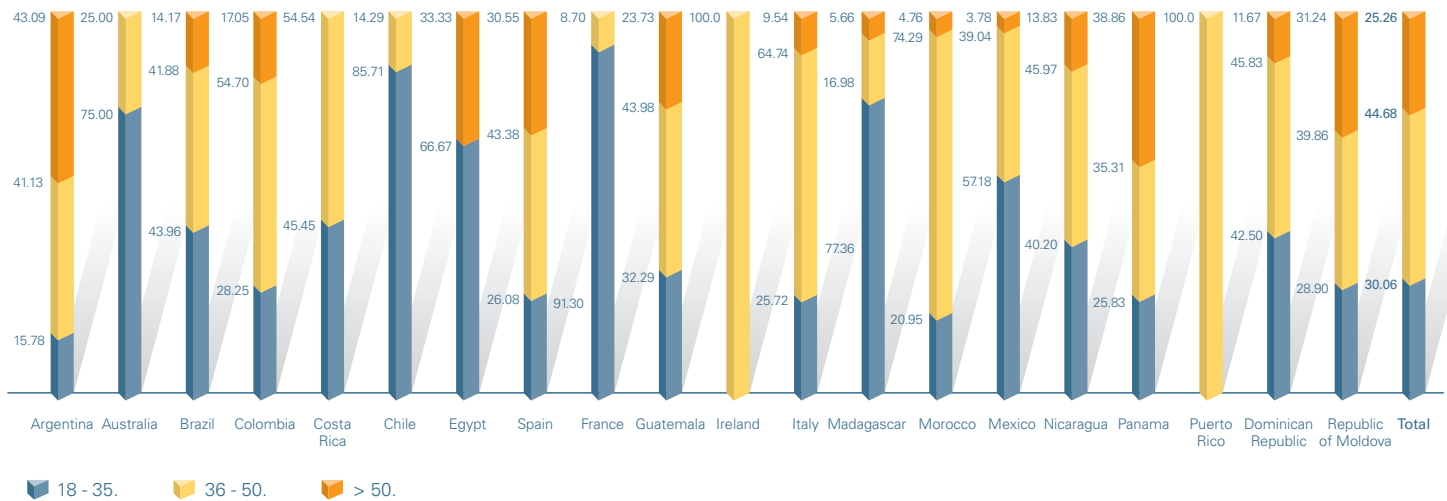




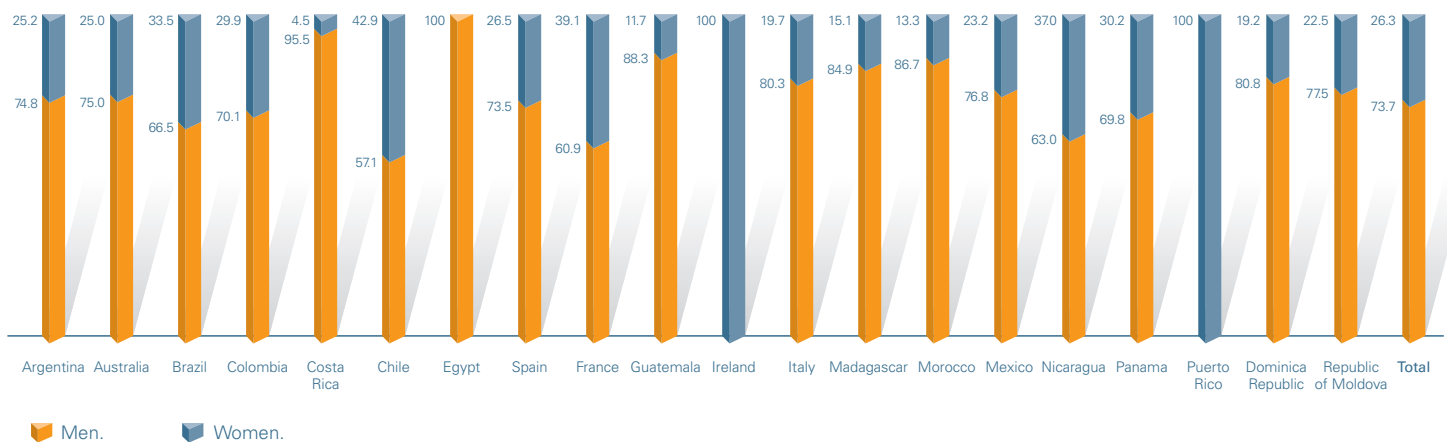
Average employee age (%)



Breakdown of staff by age range (%)

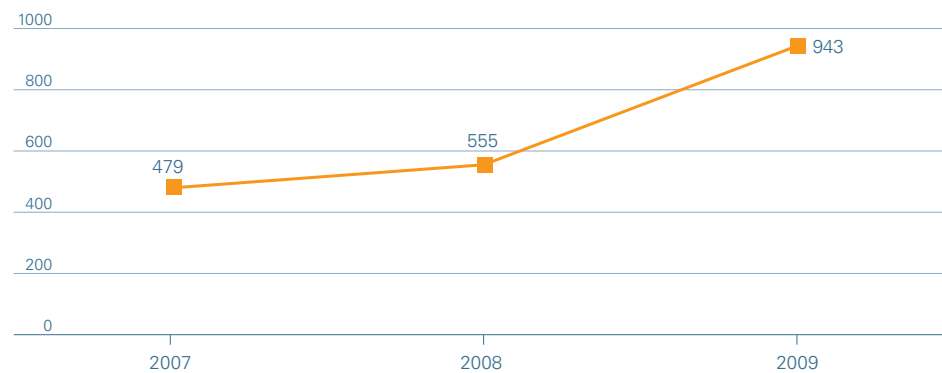


Breakdown of staff by gender (%)

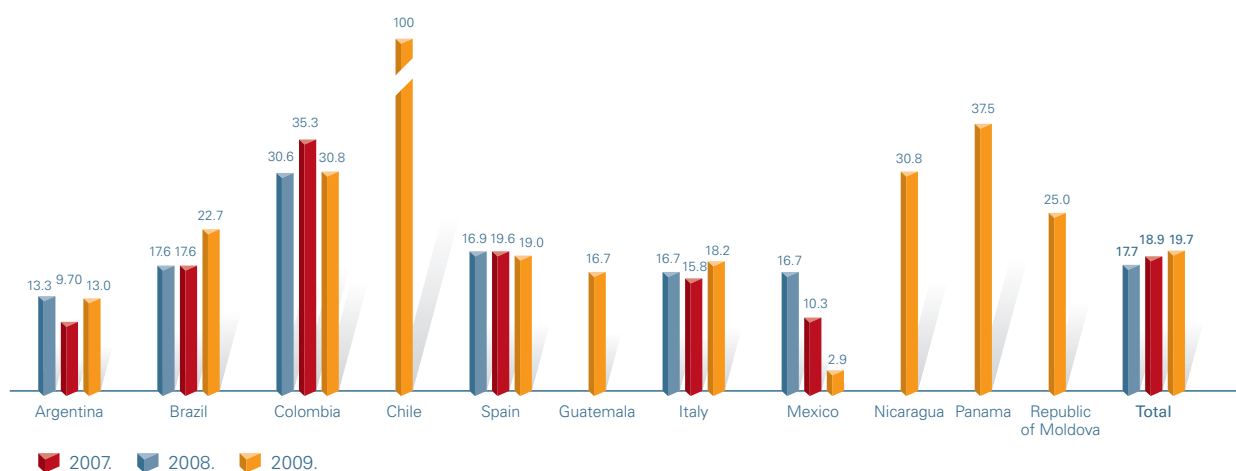


The commitment to equal opportunities and social integration goes beyond compliance with legislation.

Number of executives

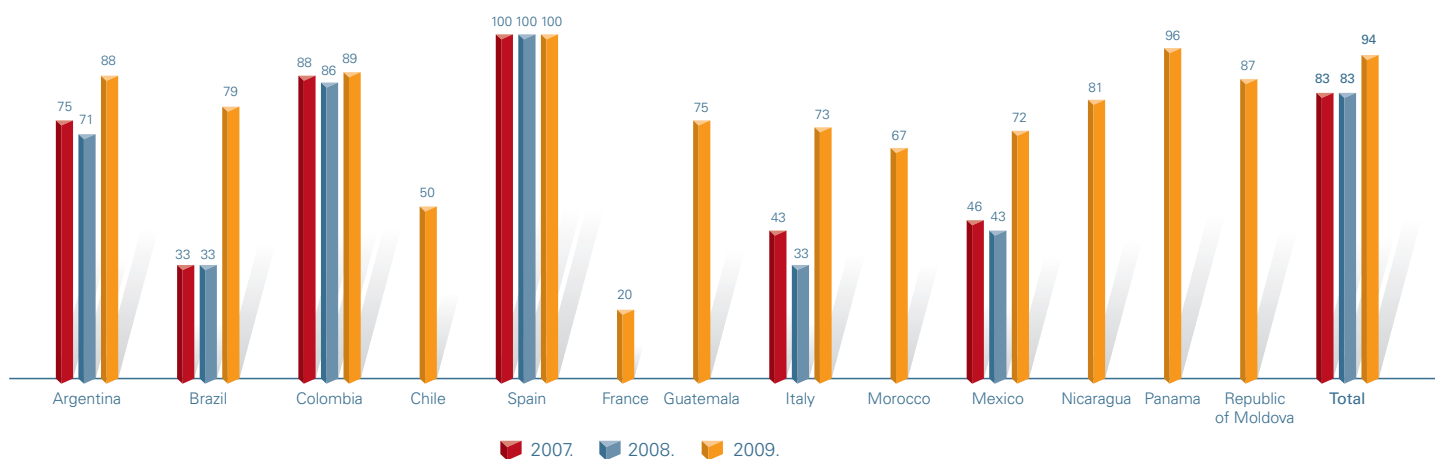


Women in management posts (%)



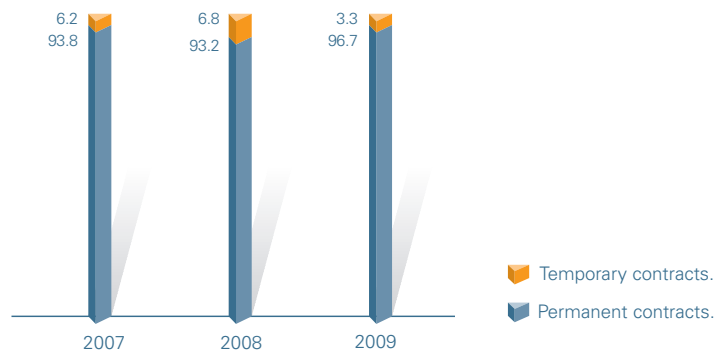
Note: No woman holds an executive post in Australia, Costa Rica, Egypt, France, Ireland, Madagascar, Morocco, Puerto Rico and the Dominican Republic.

Senior managers from the local community (%)



Note: There are no senior managers from the local community in Australia, Costa Rica, Egypt, Ireland, Madagascar, Puerto Rico and the Dominican Republic.

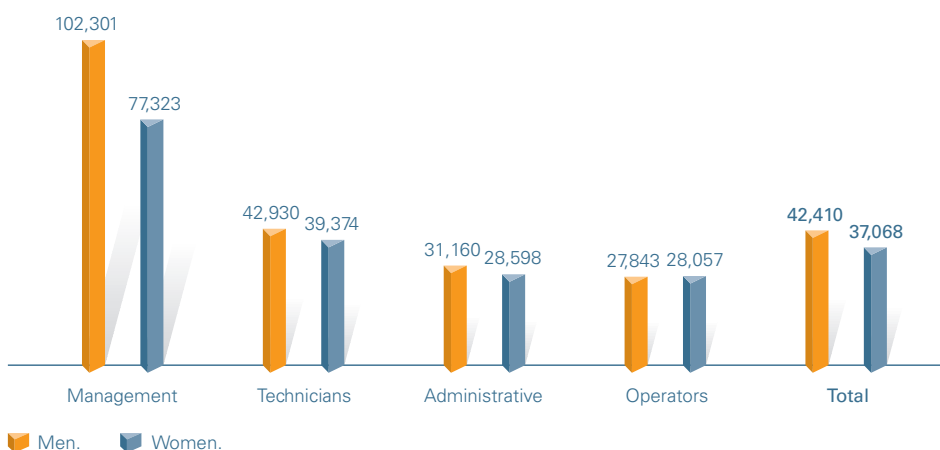
Type of contract (%)



The Gas Natural Group believes that local roots and awareness of the particularities of each territory are critical for the Company's success.

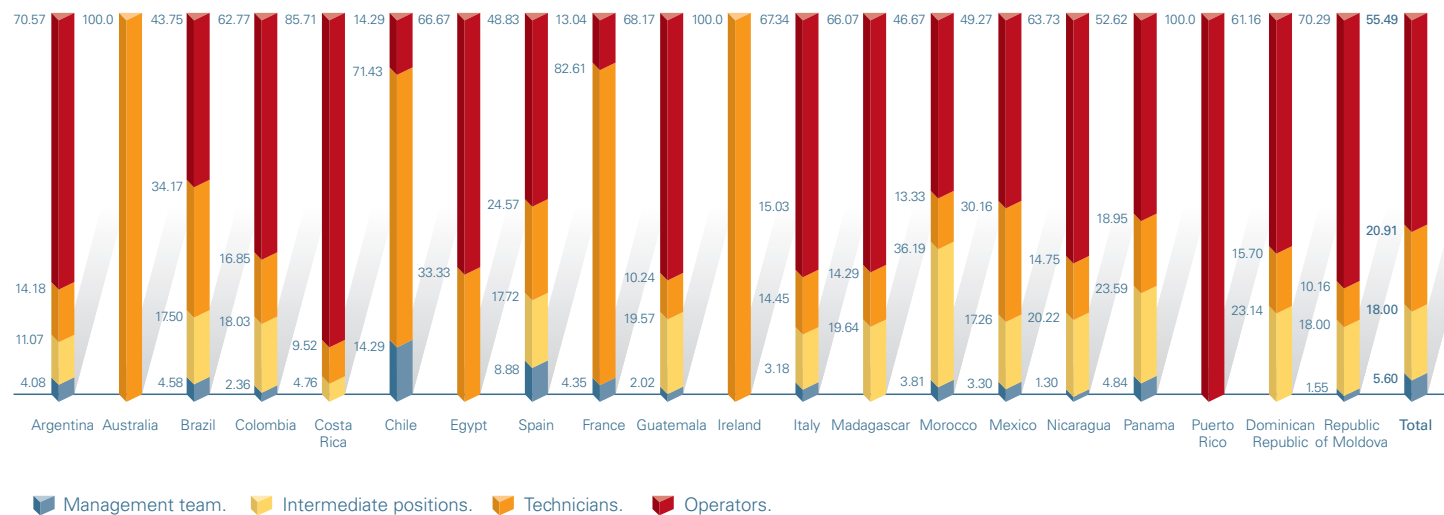
Temporary contracts: Contracts for a specific term.

Average salary of men and women by professional category (euros)



Note: Data for Spain.

Breakdown of staff by professional category (%)



Recognition of trade union representation in the workplace

The Gas Natural Group scrupulously respects the right to freedom of association and trade union representation. All the Company's subsidiaries have union representatives who are freely elected. In this regard, we must highlight the following:

- At the end of 2009, 38 organisations were represented at the Company in all spheres of operation, eight in Spain and 30 in international business.
- In Spain there were 465 union representatives in 2009.

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

Within this framework of communication, cooperation and understanding with union representatives, the so-called Guarantee Agreement was signed on 15 December 2009. This regulates the workers' rights and obligations as a result of the merger of Unión Fenosa with the Gas Natural Group.

The collective bargaining negotiations of Gas Natural Comercial, Gas Natural Informática, Gas Natural Servicios and Gas Natural Soluciones also concluded in 2009, as did the employment agreement for Petroleum Oil & Gas España.

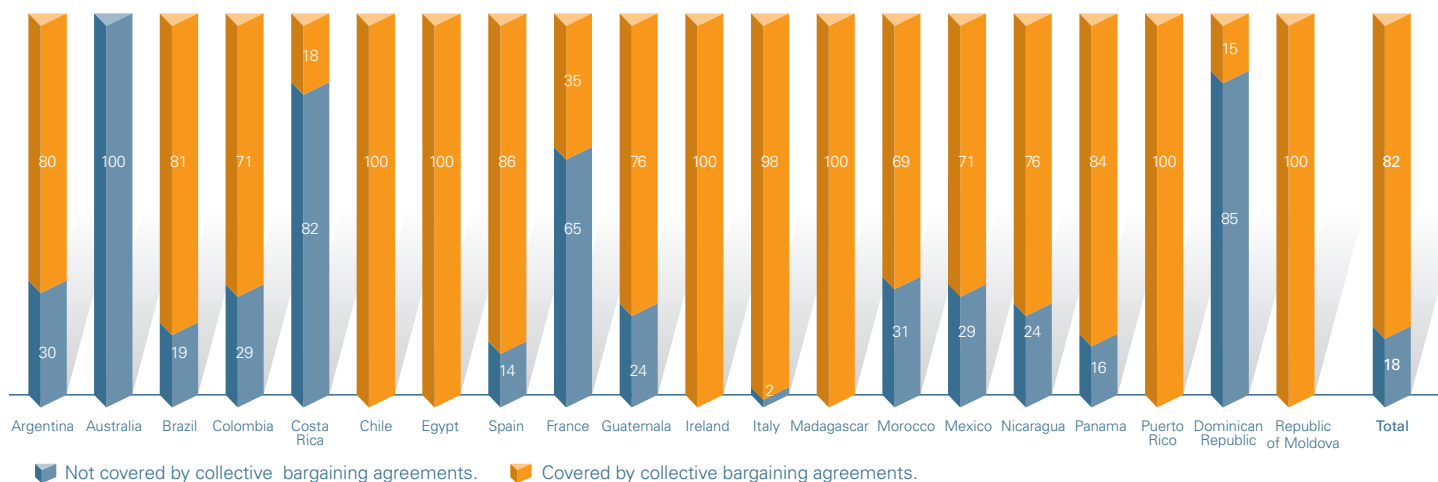
The Company's general policy in this regard is to use the collective negotiation process with the workers' representatives to harmonise and make uniform the working conditions of employees at different Group companies.

Some of the collective bargaining agreements to which Group companies are subject establish periods of notice for possible organisational changes that are longer than required in law. Depending on each company, as well

Trade union presence in Spain

	No. of representatives	%
Comisiones Obreras (CCOO)	146	31.40
Unión General de Trabajadores (UGT)	144	30.97
USO	107	23.01
Confederación General de Trabajadores (CGT)	35	7.53
CIGA	28	6.02
GTIT	2	0.43
CIAA	2	0.43
Independent professionals	1	0.22
Total	465	100

Employee and collective bargaining agreement indicators (%)



as the governing agreement, the notice period ranges from ten to 15 business days. In Spain, companies that have an Intercentres Committee provide preliminary notification within ten business days in order to set up new services on a rotating shift system as well as changes concerning working hours or shift timetables and schedules.

Similarly, within the Group's international sphere there are several peculiarities in the system of providing notice of organisational changes established in the Italy and Guatemala agreements that go beyond the strict legal regulations to which the Company is bound.

Remuneration policy

Proper remuneration is vital in guaranteeing employee satisfaction and to hold on to talent. The Gas Natural Group remuneration policy is governed by equality on an internal scale and competitiveness from the market point of view. The governing criteria are as follows:

- For employees included in the union agreement, the remuneration is established in accordance with the professional group and subgroup, as laid down in the current agreements.

- For managers and employees not included in the agreement, it is established on an individual basis in line with the remuneration policy approved by the Board of Directors Appointments and Remuneration Committee.

Furthermore, in Spain there is a variable remuneration policy that is applied to approximately 53% of Group employees. It is based on the fulfilment of the Company's targets and on the assessment of each employee's individual performance.

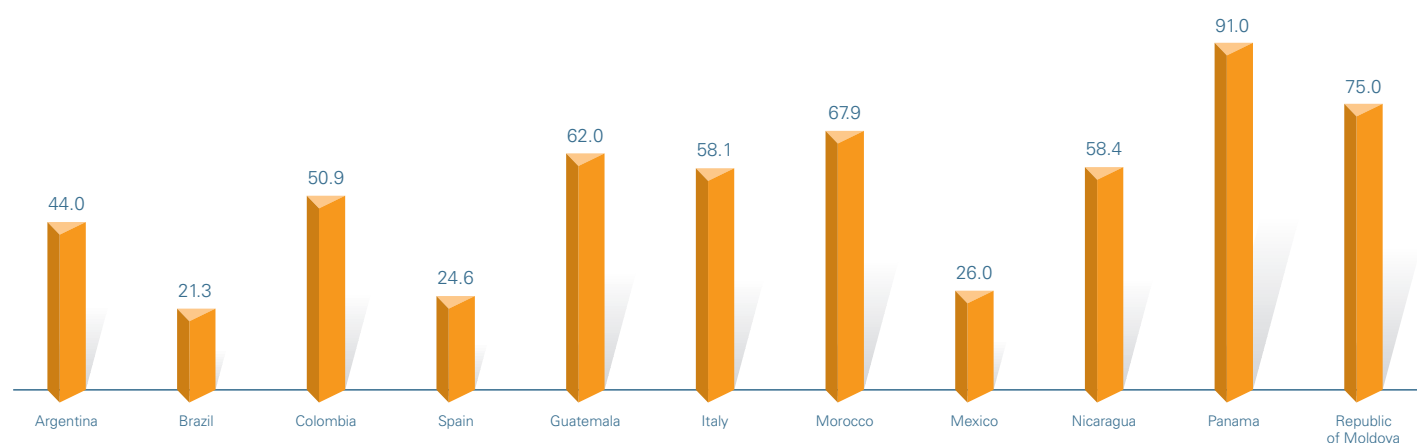
In order to assess the competitive nature of the remuneration policy, the Group carries out frequent comparison studies and applies a policy based on real and forecast CPI increases, on corporate profits and forecast salary increases.

Ratio between standard minimum salary and local minimum salary^(*)

Argentina	2,14
Brazil	2,53
Colombia	1,19
Costa Rica	1,14
Spain	1,92
France	1,50
Guatemala	2,03
Italy	1,32
Madagascar	3,50
Morocco	2,70
Mexico	2,51
Nicaragua	1,38
Panama	1,27
Dominican Republic	2,20
Republic of Moldova	3,60

(*) Equivalent to the number of times the local minimum salary of the country is contained in the Group's standard minimum salary.

Union membership by country (%)



Not covered by collective bargaining agreements.

Note: In accordance with the criteria governing the scope of this report, corporate data are reported on companies with centralised management. There are no members in Australia, Costa Rica, Chile, Egypt, France, Ireland, Madagascar, Puerto Rico and the Dominican Republic.

Promotion of flexibility policies for employees

Employment flexibility is one of the factors that enables proper reconciliation between private and professional life.

Beyond what is established legally, the Company allows employees to enjoy additional benefits in this regard. Depending on each agreement, employees have the possibility of working a continuous timetable on Fridays and in the summertime, while certain other groups of employees can manage their own timetables.

Furthermore, under this system the legal entitlements to reduce the number of daily hours worked and the time limit thereof are extended.

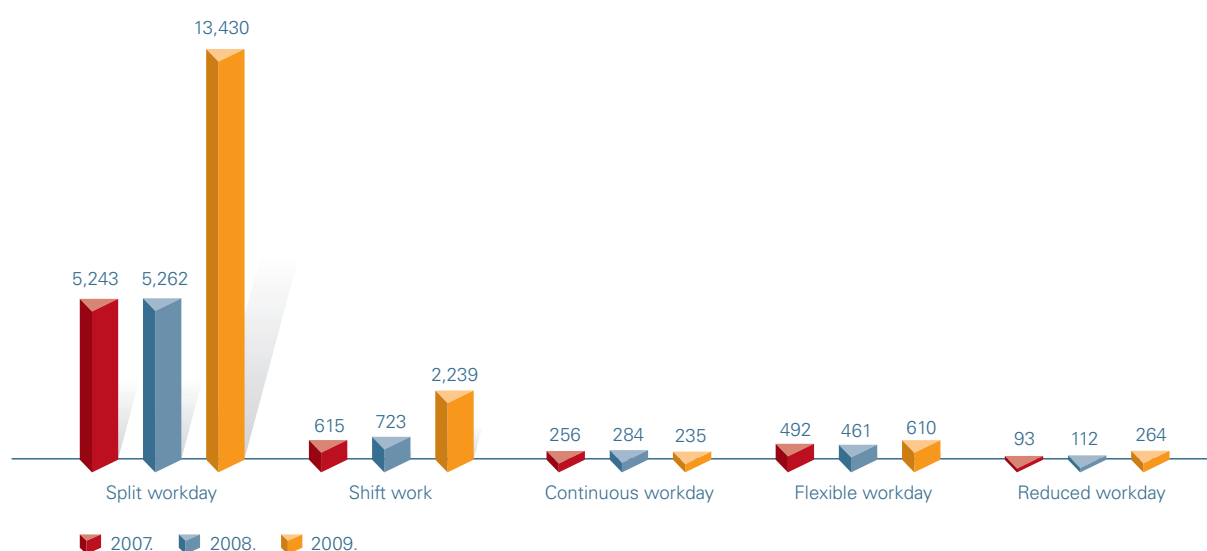
The Gas Natural Group flexibility policy includes breast-feeding permits, and in certain cases the periods counted for accumulating hours are extended. Similarly, women employees can avoid travel that involves moving away from their home during pregnancy or breastfeeding. In addition, employees who are looking after families under special circumstances can apply for the Group policies that enable them to work closer to home.

Services adapted to employee requirements

Among the social benefits for Group employees in some countries where the Company is present, under different names, different contents, in accordance with spheres and agreements, are the following:

- Family allowance for the birth of a child, marriage, aid for nurseries and crèches or for disabled children.
- Medical care policies and services (hospitalisation, care, allowances, ophthalmology assessment and dentistry plan).
- Financial benefits in cases of temporary invalidity.
- Financial assistance for meals (breakfast and lunch vouchers, allowances for meals and expenses, etc.).
- Study aid for employees and scholarship grants for their children, school subsidisation and scholarship fund.

Breakdown of staff by type of workday



- Defined contribution pension plans.
- Loans, advances and credit and insurance facilities to employees and their families.
- Electricity or natural gas consumption allowances.

2009 also saw the integration of all pension plans of Group companies in Spain, under the so-called "Gas Natural Group Joint Promotion Plan".

Generation of employee commitment and involvement

The Management by Objectives (MbO), applied at the Gas Natural Group, and Performance Management (PM), employed at Unión Fenosa, are two management systems used by the Group to involve employees in achieving business targets.

Common criteria were defined in 2009 to apply both models in the assessment of individuals, to favour and speed up the integration process of the Company and involve employees in achieving the targets of the new Group. Communication and training activities were carried out regarding the models and their common application criteria, and new systems were developed enabling both models to be managed in a single system.

A work environment survey took place at the end of 2008, and the results of this were given in 2009. After analysing the results, an action plan was drawn up on the priority areas identified, which included actions that apply to the Group as well as specific actions for different companies.

Breakdown of personnel costs (in millions of euros)

	2009	2008	2007
Wages and salaries	501	258	244
Social Security costs	103	57	55
Definitive contribution plans	28	14	9
Definitive benefit plans	15	1	2
Work carried out for the Group's fixed assets	(102)	(52)	(47)
Others	55	60	45
Total	600	338	308

2009 Action Plan. Study of the work environment

In 2009, the results and the Action Plan were communicated in response to the work environment survey undertaken throughout the Group in October 2008.

The survey results pointed to three key areas for action, on which the Action Plan was based:

- Management (bottom-up and top-down communication).
- Internal relations (cross-sectional cooperation).
- Development and recognition (opportunities for professional training and development).

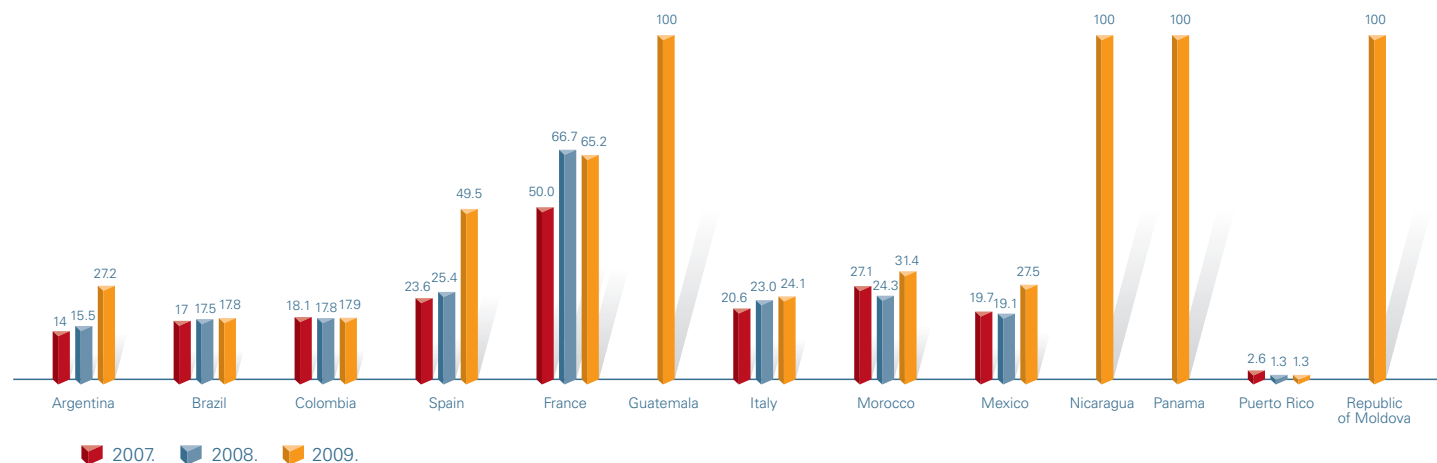
Based on an analysis of the results and defining these three priority areas for

action, employees were notified of the actions to be applied throughout the Gas Natural Group. In addition, the actions were complemented in each country using plans that focused on those issues of particular local relevance.

We should point out that because the implementation of the Action Plan coincided with the integration process, the approved actions were applied to all Group employees, thereby also acting as a mechanism for integration.

Almost 80% of employees took part in the survey and the degree of compliance of the actions included in the plan was close to 100%.

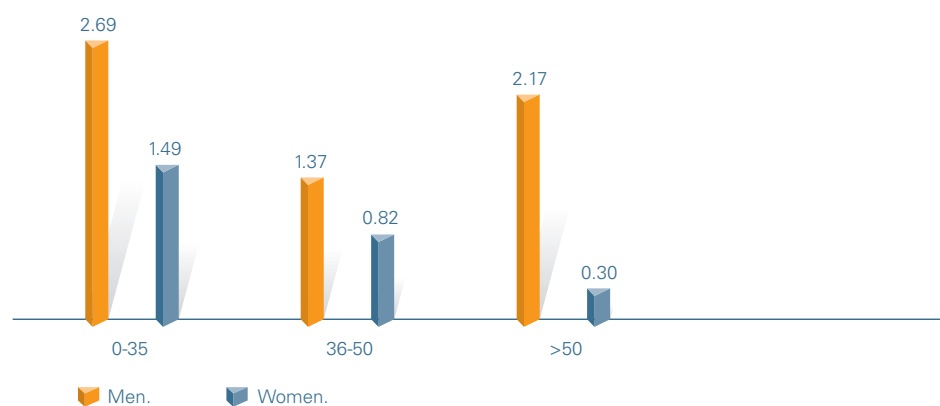
Management by Objectives Evaluation System (OES) Indicators^(*)



(*) Percentage of participants in the MbO and Performance Management systems.

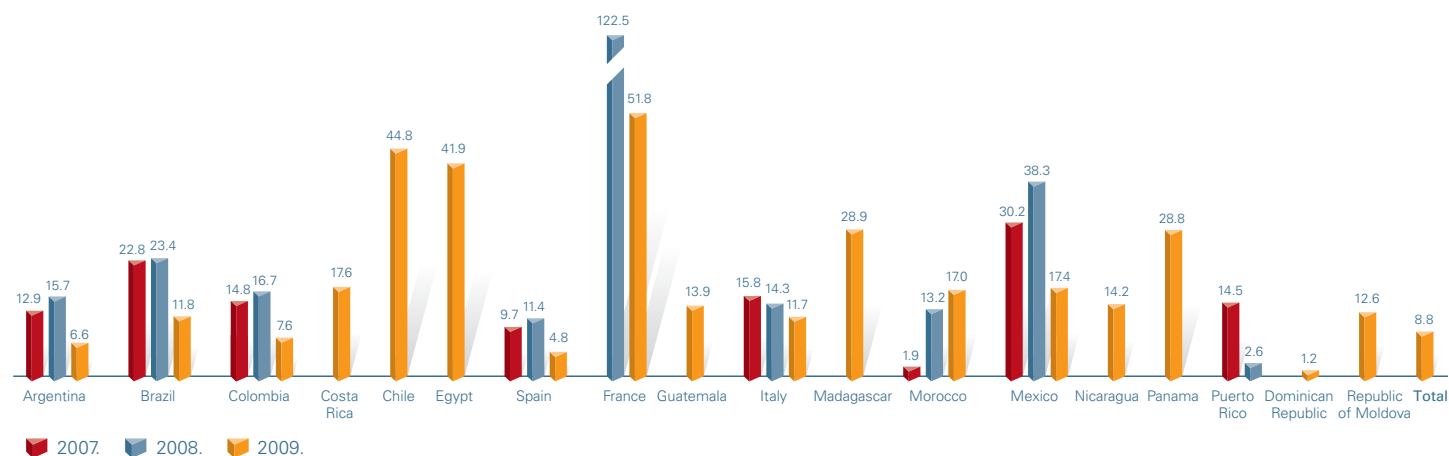
Common criteria were defined in 2009 to assess individuals, to favour and speed up the integration process of the Company and involve employees in achieving the targets of the new Group.

Rotation rate (%)^(*)



(*) Rotation: (external entering employees + external leaving employees)/average staff.

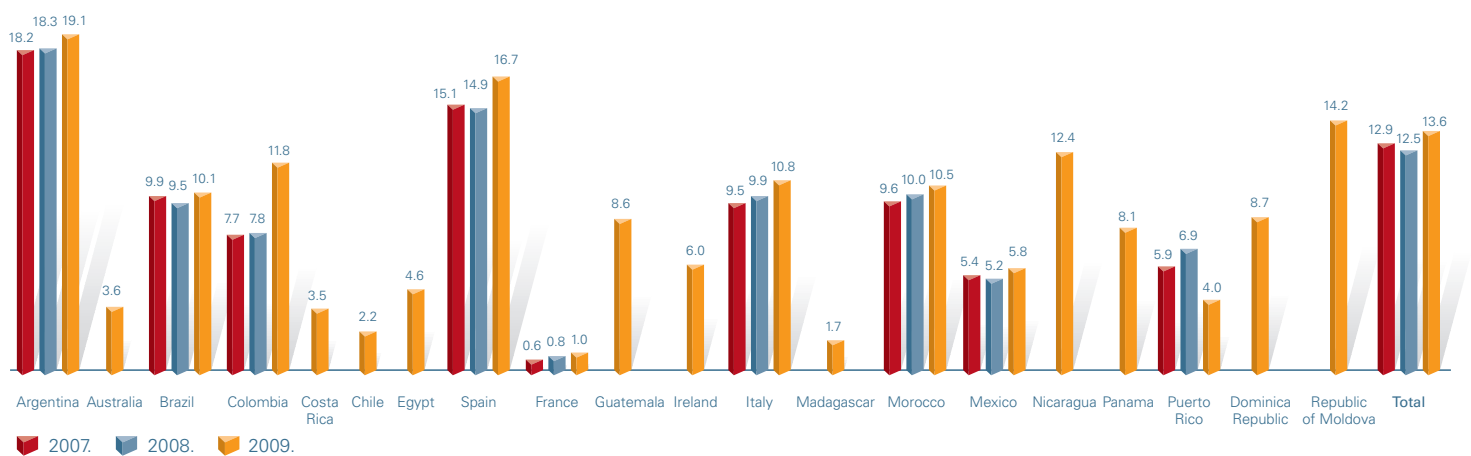
Rotation rate by country (%)^(*)



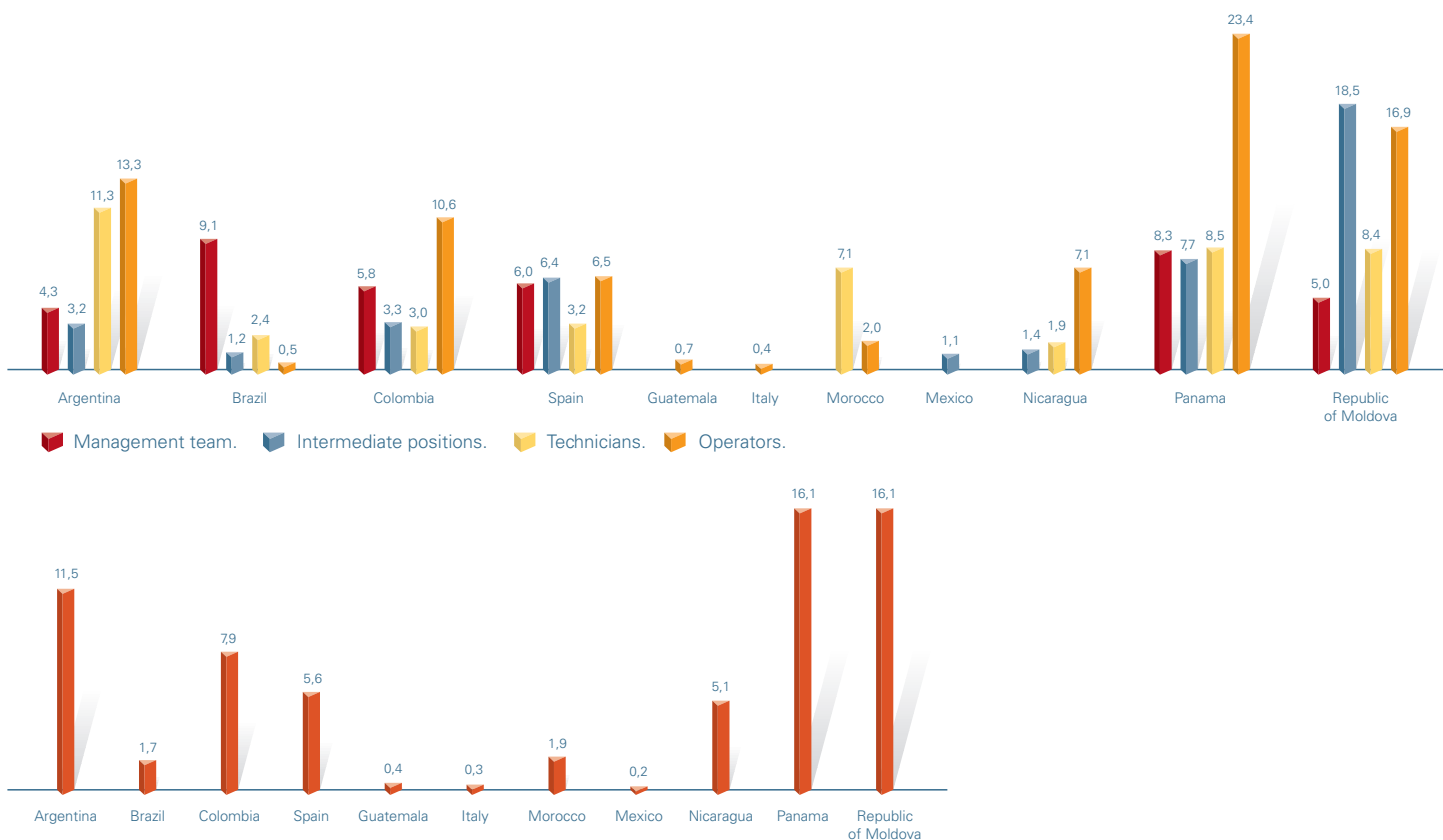
(*) Rotation: (external entering employees + external leaving employees)/average staff.



Seniority rate. Average staff seniority by country (%)



Employees five years from retirement age, by category and country (%)





Employees ten years from retirement age, by category and country (%)



Training for the continuous improvement and development of professional- Corporate University actions

The Gas Natural Group has established continuous training programmes and skills development programmes that help its employees satisfy their training requirements so that they can do their work correctly and continue their professional development.

The Group's training plans are updated regularly to bring them into line with the needs of each business and, just as importantly, each person.

Following a decade of work, in 2009 the Corporate University of the Gas Natural Group commenced a new stage of professional and personal training and growth for all Group employees. This has been consolidated as a basic strategic tool in building the corporate culture, which also enables us to facilitate changes and unify policies, processes and styles.

The main aim of the Corporate University is to cater to the Group's training needs at all levels and spheres of the organisation. The training process is carried out in three different stages: identification of training needs as a consequence of business activities; design of training programmes and management of knowledge, and measurement of results achieved to ensure quality and set up ongoing improvement plans.

The Corporate University forms part of different international networks of business training centres, such as the European Foundation for Management Development or the Global Council of Corporate Universities, organisations with which it shares best practices. In addition, the Corporate University has an alliance network with academic institutions, both in Spain as well as the rest of the world.



**Gas Natural Group training indicators**

	2009	2008	2007
Staff trained ^(*) (%)	85.4	90.1	80.6
Training hours per employee	42.2	44.5	40.6
Total course hours	707,219	304,595	272,130
Annual investment in training (euros)	8,505,000	3,480,300	3,397,500
Investment in training per person (euros)	506.9	508.7	507.2
Attendees	57,632	25,874	19,193
Users of online training schemes over total staff (%)	36.5	42.7	21.2
Participants' degree of satisfaction (out of 10) ^(*)	8.4	–	–

(*) New indicator in 2009.

Training hours by areas of knowledge

Area of knowledge	hours
Business	238,546
Generation	46,147
Wholesale, retail and energy planning	57,517
Gas regulated	53,540
Electricity regulated	69,619
Engineering	11,723
Corporate processes	357,590
Prevention of occupational risks	138,955
Systems and integration office	66,930
Quality, the environment and other services	84,276
Languages	67,429
Leadership School	111,083
Executive development programmes	27,632
Focused programmes	83,451
Total annual plan	707,219



Career opportunities for all employees

The existence of career opportunities for employees represents one of the basic elements in ensuring satisfaction. The Gas Natural Group has the tools, adapted to different profiles, to supervise the development of its employees' professional careers.

The Professional Development Programme (PDP) and the Competence Management Model are tools for employees included in the agreement. The Management by Objectives (MbO) has been designed for those not included. It is important to note that 100% of the Group employees have these applications at their disposal and they are assessed using tools targeted at helping their professional development. These programmes have the same objectives of favouring mobility and allowing vacancies to be covered through internal promotion.

In 2009, the Management Committee approved a new Internal Mobility Procedure for the Gas Natural Group which promotes and facilitates the voluntary movement of employees between units in order to help in the development of their professional careers, talent management and improve

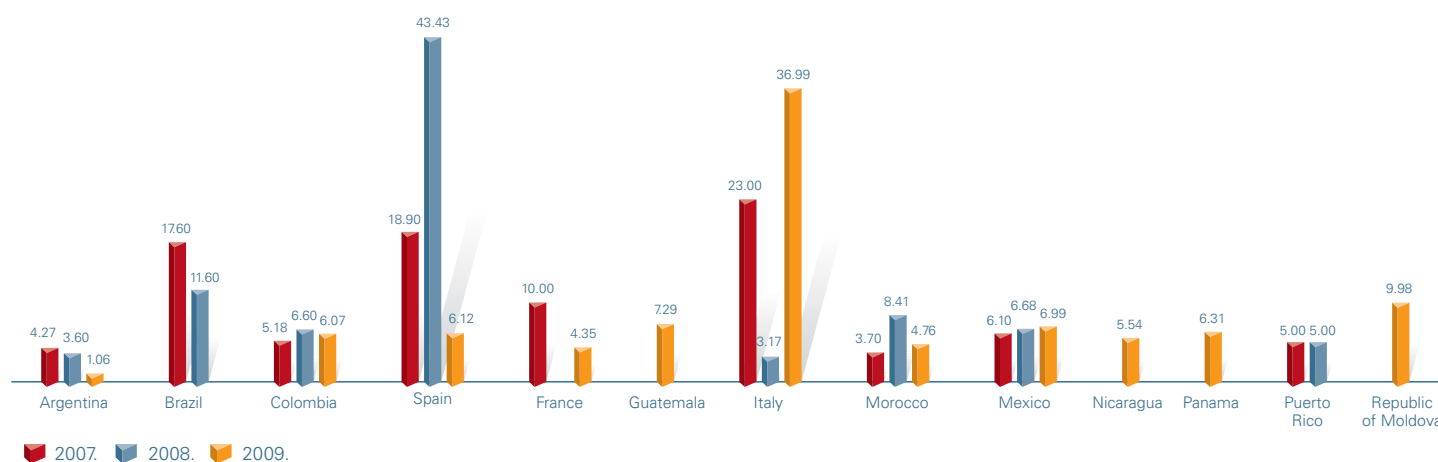
transversality. This new procedure offers information on available vacancies and offers employees the possibility of choosing those that interest them. The procedure guarantees confidentiality, so that employees are free to take those decisions that concern their professional careers.

Talent management

Talent is the basis for the HR Development Model of the Gas Natural Group. The Company has a Talent Management Programme to identify human and intellectual capital and to introduce measures to attract it, retain it and develop it, helping to improve professional performance. There are two talent management systems at the Gas Natural Group:

- Executive Talent, which applies to the Group's executive team and which enables strategic planning of senior posts to be aligned with the Company's strategy and values.
- Professional Talent, applicable to intermediate positions, specialists and operators. Its purpose is to develop talent among those employees not subject to the so-called Executive Talent, looking for suitable profiles to take on greater responsibility.

Staff promoted (%)^(*)



(*) Staff promoted: individuals promoted/total staff.



In 2009, 3,051 individuals took part in the Talent Management Programme through the two systems mentioned.

The Succession Planning tool, created to manage coverage of the executive team by identifying persons to take over vacant positions, was a key component in 2009 for coverage of the organisational structure following the integration of Unión Fenosa into the Gas Natural Group.

Also in 2009, as part of the BEST Programme (Grants for Students with Talent), 32 civil engineering students carried out their end-of-course project as part of their collaboration with the Group. Moreover, through the Young Specialist Programme, the Group has also kept an active presence at 33 professional training centres in Spain. The programme enabled 75 students from 14 regions to carry out their work experience at operating units of the Gas Natural Group.

The STAR programme continued in 2009. The purpose of this programme is to identify, develop and invest in individuals with the ability and potential to take up key posts in the Group's businesses. 195 employees took part in the programme. Individual monitoring took place which enabled the Individual Development Plans to be drawn up.

Establishment of formal channels for the management of knowledge

The Gas Natural Group targets many human and material resources at the management of knowledge. The Company promotes and encourages teamwork. This allows better use of skills, knowledge and resources of the staff.

The training centres are the meeting point and the means used to transfer knowledge and reinforce the Company's corporate culture. In Spain, these include the Puente Nuevo Campus (Ávila), the Puente Princesa Training Centre (Madrid) and the centres in Barcelona and Bens (A Coruña). Outside Spain, the Group has academic centres in nine countries.



The Group also provides an online training platform providing easy, quick and flexible access to training content. The first gas business course was given in 2009 using this platform, and was attended by 2,131 individuals.

The Corporate University's annual plan includes the training programmes identified by each business, the cross-sectional programmes and training in management and administration skills.

As part of the training plans, particular mention should be given to the training in corporate procedures, which received 29,749 attendees and was given over 357,590 course hours. This deals with the cross-sectional knowledge required to achieve business targets. Elsewhere, the integration sessions were attended by over 1,500 company professionals.



“Our Energy”, in-house communication campaign

The “Our Energy” in-house communication campaign was launched for the purpose of promoting a positive image of our Group among employees of the merged companies. It was also aimed at helping to decrease the uncertainty that the merger process could have generated among workers.

To sum up, it was geared at showing the integration as an exciting project, and help employees decide to stay with the Company.

The campaign reinforced the idea that individuals are behind great achievements, and that employees are the real stars in the integration process.

The campaign came out with its own graphic identity, with logos and colours expressly designed and which were adapted to each application and to the different items of communication employed. Employees from both companies were involved in all these.

Two types of actions were set up during the campaign. The former, relational and horizontal, with an open interactive platform for participation by employees, which provided information on the development of integration through

different informative deluges; the latter, direct and top-down, in which information was transmitted through managers and team leaders using cascade communications, with over 1,500 meetings held, and off-site events, which featured over 1,000 attendees.

The campaign started with a launch advert that provided access to the “Our Energy” platform and which evolved with new channels and sections in line with the integration process. By the same token, direct communication continued as another of the fundamental pillars of in-house communication, with the holding of the 1st Executive Meeting of the new Group and of Latin America and the set-up of Breakfasts with the Directors.

On the day of the campaign launch, the platform received 50,000 hits. By the end of 2009, “Our Energy” had already exceeded one and a half million page hits and is currently one of the main channels of in-house communication for the new Gas Natural Group.

Special mention must be made of the Leadership School, with 9,188 participants and a total of 111,083 course hours given in 2009. The aim of this school is to improve the leadership capacity of individuals and teams, and offers the business tools required to develop skills to satisfy the Company's plans and facilitate change and integration. Of particular note was the third edition in Spain – and the second one internationally – of the Executive Development Programme, targeted at individuals with high potential. Mention should also be made of the personnel management programme and the ninth edition of the Management Development Programme.

2009 saw the launch of the “Our Energy” platform as the channel of integration in the merger and a key component for the exchange of information between all individuals of the Group and in every country. The platform shares space with the two intranets of both companies, which provide more local content and enable a gradual transition to the new environment.

Communication mechanisms for immediate, transparent and participatory dialogue

One of the basic communication targets in 2009 was for employees to be aware of the integration process, explaining what was expected of them and getting them involved in this process.

Eight informative bulletins were published on the “Our Energy” platform and more than 600 pages of relevant information. These also included interviews with the CEO and eight general managers. The platform also includes mechanisms that enable employees to take part and openly give their opinion. More than 100 questions were put forward and over 20,000 answers given.

By the same token, other initiatives continued such as the NaturalNet noticeboard or the opinion channel.

Sounding boards were also put in place in order to get an accurate diagnosis of the impact that the merger had on employees, and this helped the Company to understand employees' feelings with regard to the merger. Three opinion studies were carried out, involving over 30 focus groups and three surveys carried out with our employees, as well as interviews with executives.

With regard to the Group's newsletter, two new issues of the single newsletter were launched following the merger, with a print run of 20,000 copies in four languages. Elsewhere, the Sports Club was consolidated as an activity to encourage cohesion between Group employees. There were more than 1,600 sign-ups in 2009.

To ensure that in-house communication is in line with the strategic aims and with the objectives and interests of the different group areas and businesses, three in-house communication committees were set up in 2009 as cross-sectional workgroups: the Corporate Committee, the Operations Committee and the International Committee. These define the global strategy of in-house communication, check coherence with the Group strategy and validate the corporate channels and contents, *inter alia*.

Gas Natural Group training indicators

	2009
No. of NaturalNet hits	1,661,629
No. of hits on the Unión Fenosa Intranet	4,116,072

Indicators of the new "Our Energy" in-house communication platform^(*)

	2009
No. of hits	147,426
No. of page hits	1,507,289

(*) The launch of the "Our Energy" platform took place in April 2009.

Top-down communication channel indicators^(*)

	2009
No. of items published	94
No. of interviews carried out	25
No. of articles published	30
No. of videos	22

(*) Sections included on the "Our Energy" platform.

Health and Safety

Health and safety is one of the strategic pillars for the Gas Natural Group focus in corporate responsibility. The Company is committed towards becoming a reference point in the health and safety protection of its employees, and also of its suppliers, contractors and collaborating companies.

During the integration process of the new Group, the main challenge as far as health and safety is concerned is to design and implement, in all fields, a prevention service which might be able to meet the expectations created and so make the new Group one of the front runners worldwide in terms of health and safety. The merger process also offers another opportunity –to take advantage of the experience and best practices in both companies, to strengthen the Group's commitment towards a culture of prevention and to integrate and optimise resources. The point of departure is two leading companies, which, before the merger process, already had consolidated targets in terms of risk prevention and safeguarding safety.

Thanks to the individual commitment by all its employees and the role played by suppliers, contractors and collaborating companies, the Gas Natural Group is well on its way towards building the desired culture of prevention, and is moving closer towards its ultimate target of achieving a zero accident rate.



□ Principles of responsible action in health and safety

Health and safety is one of the commitments laid down in the Gas Natural Group Corporate Responsibility Policy and is based on the following principles:

- Guaranteeing safety is everyone's responsibility.
- Proper training and information are key elements of prevention.
- Integrating preventive actions into all activities and decisions to ensure continuous improvement.
- Rejecting any conduct that may create an unsafe, intimidating or offensive working environment.

□ Main indicators

	Target for 2010	2009	2008	2007
Accidents requiring medical leave	320	244	85	77
Days lost	8,226	5,932	1,668	1,644
Mortalities	–	1	0	0
Frequency rate	9.00	8.89	6.26	5.85
Seriousness index	0.22	0.22	0.12	0.12
Incident rate	17.95	17.38	12.25	11.53
Absenteeism rate	2.43	2.56	1.94	2.23

□ Relevant actions

Proposed actions for 2009

Actions taken 2009

Actions planned 2010

Launch of the "International Prevention Week", with coordinated activities in all the countries in which the Group operates.



Certification in OHSAS 18000, an international occupational health and safety management system specification.

Unify and implement an integrated risk management system.

Development of an international campaign against accidents.



Development of ProTGT plan (Programme for the Transformation of Work Safety Management) to assess how prevention is perceived in the Company.

Set up specific operating plans for departments with highest accident rates.

Implementation of the investigation of 100% of accidents involving employee absenteeism across the Group.



Implementation of control system for documented inspections of contractors' works.

Development of cooperation agreements with public rescue and emergency bodies.

Creation of an area on health and safety on the corporate website.



Implementation of the first map of operational risk project of the Maghreb gas pipeline.

Carrying out of second and third project of operational risk map in representative installations.

Level of compliance: High ● Medium ● Low ●

One of the Gas Natural Group priorities in its new business scenario is to consolidate results in the field of industrial safety and occupational risk prevention which could make it a point of reference in this field.

Provision of a safe and healthy working environment

One of Gas Natural Group main commitments is towards achieving the most demanding standards in terms of industrial safety and prevention of occupational risks.

Before the merger process, both the Gas Natural Group and Unión Fenosa had consolidated their procedures, practices and targets in this field. Now the main challenge of the new Group is to focus its efforts on designing an integrated occupational risk prevention system covering the good practices previously developed by the two companies. The system will have to be adapted to the needs arising from the new dimension of the Group's businesses, and become an action protocol in the international field.

The design of the integrated risk prevention system has already begun, with the integration of the human teams, the reform of the organisational model required for the merger, the analysis and adaptation of the different basic processes and the detection of possible synergies also associated with the two companies' integration process. According to forecasts, the system will be implemented and operational during 2010. With these actions, the Group aims to construct a differential culture of prevention which can enable it to reach the highest safety standards, with the involvement of the entire organisation and its suppliers, contractors and collaborating companies.

One of the Gas Natural Group priorities in its new business scenario is to consolidate results in the field of industrial safety and occupational risk prevention which could make it a point of reference in this field.

The Group's actions in health and safety are governed by the following principles:

- Strict compliance with the legislation in force in each country.
- Consideration of occupational safety and prevention as a collective responsibility.
- Information and training understood to be basic pillars for continuous improvement.
- Furnishing all the Group's companies with a specific structure for fostering and strengthening a culture in prevention.
- Extension of the Group's principles to suppliers, contractors and collaborating companies
- Commitment to building, operating and maintaining industrial installations under the premise of risk prevention.
- Achieving the target of zero accident rate in all the Company's activities.
- Collaboration, coordination and transparent exchange of information as a basic principle for action.
- Analysing the incidents and accidents that occur in order to draw conclusions and promote action plans.
- Giving out clear messages to customers and users on safety and the correct use of energy.

In 2009, the Group successfully implemented its accident website, through which 100% of accidents can be investigated using the model established by the Company. After the merger process, the information deriving from Unión Fenosa is being added to the system. By this means, a single application can be used to investigate any accidents arising in the entire Group.

Summary of preventive actions carried out. Spain

	Consolidation since 1 May			Pro forma figures		
	2009	2008	2007	2009	2008	2007
General and specific risk assessments	199	160	142	212	234	175
Extraordinary activities risk assessments	122	52	35	154	134	126
Regular control of work conditions	4,386	549	365	6,095	6,119	4,358
Emergency-related actions	259	126	107	320	230	143
Other action	1,260	322	270	1,594	1,242	1,090
Total	6,226	1,209	919	8,375	7,959	4,973

Efforts are constantly being made to integrate prevention in the Group's relations with contractors. This is mainly carried out through the disclosure of information, meetings and the Group's supervisory tasks. In 2009, a guide was published entitled *Gestión de la prevención en las obras de construcción* (Prevention Management in Construction Sites). The aim of this guide is to clarify concepts and responsibilities in works management by the Company's staff and to improve coordination with suppliers, contractors and collaborating companies.

Preventive action

The Group's preventive action is fundamental for ensuring the health and safety of its workers during their activities. It is based on the Occupational Risk Prevention Plans and on the identification and regular assessment of the risks in the various activities, as well as the regular control of working conditions.

Risk assessment in Spain is updated twice a year, and whenever changes are detected which could give rise to modifications in working conditions or jobs, beyond the compulsory updating and review established by laws applicable.

In 2009, a total number of 8,375 preventive actions were carried out in Spain. The Group thus complied with the targets set, particularly with the efforts made in controlling working conditions.

As far as actions carried out internationally are concerned, it is important to note that the internal requirements of the Group's safety regulations go beyond those legally established in countries in which the Company operates. In any event, as a result of the merger the Company is taking steps to homogenise criteria for classifying the different activities associated with risk prevention. The objective is also to consolidate international activity in 2010.

Training and information

Training and information are vital for developing the Gas Natural Group prevention policy, and are the most efficient way for raising employees' awareness about health and safety matters.

The Group provides substantial resources and offers training in this field to all employees (adapted to the different functions). Furthermore, the merger process with Unión Fenosa has given the new Group an important catalogue of courses and cutting-edge installations for corporate training.

The courses are carried out by the Joint Risk Prevention Service and are focused on efficient theoretical and practical training of employees. These are some of the health and safety courses carried out in 2009:

- Basic occupational risk prevention course, developed as set out in Royal Decree 39/1997, improved and adapted with specific contents in accordance with the risks identified for Group employees.
- Training courses for new incorporations in Unión Fenosa Distribución and Unión Fenosa Generación. Contents are didactic; the aim is to establish a solid base of knowledge for new members of staff joining the Company.
- Technical introduction course for prevention and protection techniques in explosive atmospheres, designed to reduce the risks which could arise in handling fuels and other hazardous substances on Company premises.

Furthermore, training modules were prepared suitable for the use of new technologies and for online training methodology (e-learning).

The Gas Natural Group requires that all its contractors certify that its employees have received specific safety and prevention training for the works commissioned.

Employees were also provided with other training courses which are useful for a first approach to health and safety matters, and also as a reminder. Fire prevention and extinguishing, evacuation, occupational risk prevention in the office, safety when working with ladders or accident analysis were some of the training programmes offered.

For each job position, the Group has established a certain type of health and safety training, which is updated when necessary.

In 2009, 68.9% of employees in Spain took part in training activities in this field. As a result of the integration process, 514 training activities were carried out, compared with 830 the previous year. However, the number of training hours per employee was unchanged, at 9.36. The target is to maintain these same rates in 2010.

The Gas Natural Group requests by contract, that all its contractors should certify that its employees have received specific safety and prevention training for the works commissioned. Furthermore, the monitoring of these collaborating companies has shown that 44% of these employees have renewed or updated this training in 2009.

It is also important to highlight the training received by the Group's safety staff in the Company's human rights policies and procedures which are relevant for its activity. In 2009, 67.15% of these employees received this kind of training, making a total of 1,248 hours.

Safety training (gas and electricity). Spain

	Consolidation since 1 May			Pro forma figures		
	2009	2008	2007	2009	2008	2007
% attendees over total staff	51.6	61.91	47.7	68.9	99	86
No. of training actions completed	367	337	243	514	830	655
Training hours per employee	4.21	5.2	3.3	9.36	9.6	7.3

Safety training (gas business). Gas Natural Group

	2009	2008	2007
% attendees over total staff	57.63	61.91	47.7
No. of training actions completed	333	337	243
Training hours per employee	4.4	5.2	3.3

Safety training (gas business). Gas Natural Group. International activities

	2009	2008	2007
% attendees over total staff	80.4	47.46	48.53
No. of training actions completed	185	100	90
Training hours per employee	5.48	2.21	2.68



Continuous monitoring and data recording

These basic prevention are essential for prevention, as they allow us to analyse and assess results and enable areas of improvement to be identified.

Before the merger, the Gas Natural Group and Unión Fenosa had specific programmes for the management and homogenisation of health-monitoring and occupational risk prevention information. They also had internal procedures for unifying criteria for the collection of data and investigating accidents in accordance with the recommendations of the International Labour Organisation and the European occupational risk prevention statistics drawn up by Eurostat. In 2010, one of the Group's tasks will be to unify the two tools within the convergence process initiated through the merger.

The results obtained in this area are included in control reports on a regular basis. In addition, the Company prepares a quarterly health and safety report, which is presented to the Directors.

During 2010, the Group expects to add all the countries where Unión Fenosa operates to the Group's specific occupational accident website. By this means, the Group will be able to build a single repository to record and display the results on investigation of occupational accidents occurring in each country in which the Company operates.

The accident rate at the Gas Natural Group increased slightly in 2009, so the target that was set was not reached. Results were affected by the efforts made by the Company to ensure that any accidents were notified, greater international coordination in managing information and by the improvements in the data registration system.

For 2010, the Gas Natural Group remains committed to offering its employees a safe working environment and thus renews its target of reducing the accident rate by 5% against that recorded in 2009. For that purpose, specific operating plans shall be implemented for departments with the worst accident rates, and an integrated occupational risk system shall be unified and implemented.



Accident indicators

	Consolidation since 1 May				Pro forma figures		
	Target for 2010	2009	2008	2007	2009	2008	2007
Accidents requiring medical leave	320	244	85	77	337	313	294
Days lost	8,226	5,932	1,668	1,644	8,659	7,665	7,666
Mortalities	–	1	0	0	1	0	3
Frequency rate	9.00	8.89	6.26	5.85	9.48	8.59	8.50
Seriousness index	0.22	0.22	0.12	0.12	0.24	0.21	0.22
Incident rate	17.95	17.38	12.25	11.53	18.9	16.98	16.16
Absenteeism rate	2.43	2.56	1.94	2.23	–	–	–



Accident indicators by country

	Accidents requiring medical leave		Days lost		Mortalities		Frequency rate		Seriousness index		Incident rate	
	C	D	C	D	C	D	C	D	C	D	C	D
Argentina	20	20	375	375	0	0	17.73	17.73	0.33	0.33	34.90	34.90
Brazil	2	2	2	2	0	0	1.72	1.72	0.00	0.00	4.14	4.14
Colombia	53	83	327	745	0	0	10.46	11.35	0.06	0.10	27.35	29.97
Spain	84	110	3,375	4,891	0	0	7.08	7.43	0.28	0.33	12.03	12.82
Guatemala	7	8	57	63	1	1	6.40	4.81	0.005	0.04	12.28	9.18
Italy	3	3	69	69	0	0	4.31	4.31	0.10	0.10	8.42	8.42
Kenya	0	1	0	28	0	0	0.00	4.05	0.00	0.11	0.00	10.10
Madagascar	1	3	78	88	0	0	12.69	24.83	0.99	0.73	28.85	57.69
Mexico	19	20	154	172	0	0	10.41	10.32	0.08	0.09	21.34	21.60
Nicaragua	47	74	1,129	1,644	0	0	35.07	36.02	0.84	0.88	68.05	70.48
Panama	1	1	7	7	0	0	1.50	0.88	0.01	0.01	3.32	2.22
Dom. Republic	3	5	126	129	0	0	18.01	20.16	0.76	0.52	41.28	45.87
Republic of Moldova	4	7	76	132	0	0	2.31	2.74	0.04	0.05	4.69	5.47

C: Consolidation since 1 May 2009. D: Pro forma figures.

Note: No information is available on Australia, Chile, Egypt and Portugal. Indicators have zero value in Costa Rica, France, Morocco and Puerto Rico.

The culture of prevention in the value chain

The extension of a culture of prevention among suppliers, contractors and collaborating companies is another of the Gas Natural Group basic lines of action. In 2009, this undertaking was materialised through the following initiatives:

- Development of out two courses within the Occupational Risk Prevention Classroom for collaborating companies. The former addressed the identification of risks in electrical power plants. The latter addressed safe action procedures in carrying out discharges and the general operating regime.

- Preparation and dissemination of a guide entitled *Gestión de la prevención en las obras de construcción* (Prevention Management in Building Sites), providing in-depth explanations of the roles to be carried out by each figure taking part in the process: developer, project management, safety coordinator, contractor and subcontractor.

- Consolidation, in Unión Fenosa, of control of compliance with the risk prevention regulations in contractors and collaborators, in accordance with the procedures of the OHSAS 18001 prevention management system. 472 contracts and subcontracts, employing a total of 4,776 persons, were supervised. These companies notified a total of 59 accidents, with two mortalities.

In 2009, the number of companies registered on the prevention with contractors website rose to 493. Approximately 98% of those which have contracts in force regularly collaborate in exchanging information. 120 accidents were notified in 2009 with a result of

1,619 days of sick leave, which is an improvement against the previous year. This maintains a frequency rate of 26.87, a figure which is below the general index published by the National Institute of Safety and Hygiene at Work (INSHT) for the energy, gas and water production and distribution sector. Without considering data from Unión Fenosa, none of the contractors of the Gas Natural Group registered any mortalities.

In Spain, the Group counted a total of 668,752 days worked by the Company's contractors and subcontractors taking part in construction or maintenance activities.

Participation of workers' representatives

For a culture of prevention to be consolidated in the Gas Natural Group, all employees need to take part, and particularly the employees' representatives, given that they are the communication channel between these employees and the Company management.

The workers' representatives take part through the Health and Safety Committees, which constitute the most important bodies for consultation and participation in the Company's risk prevention policy. After several collective agreements have been signed, one of these committees currently exists in the Group. It is a joint committee and meets every quarter. It represents Gas Natural sbg s.a., the ten companies of the Gas Natural Group that distribute gas in Spain, Gas Natural Comercial S.L. and Gas Natural Informática s.a. The committee represents 92.75% of the employees in Spain. Special mention must also be made of the role played by the 88 prevention representatives in the Group's companies in Spain.

Unión Fenosa has one Central Committee; 41 joint Local Committees, which meet every quarter; and three Technical Committees advising the Central Committee in terms of generation, distribution and health monitoring. They represent 100% of the employees. 83 prevention delegates also carry out their duties.

All the Group's collective agreements expressly regulate health and safety issues.

Occupational health

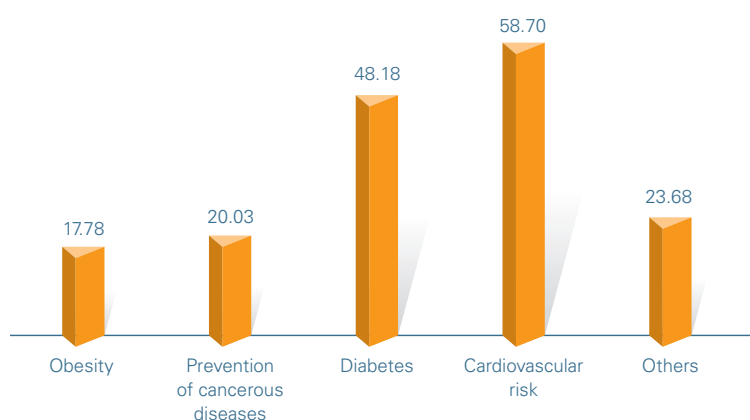
The Health Monitoring Area is responsible for defining and directing the policies to be carried out in the field of integral health, and those designed to prevent ergonomic and psycho-social risks in the persons making up the Company. Its objective is therefore to guarantee the physical, psychological and social well-being in all the working environments of the companies and geographical fields of the Group.

Throughout 2009, with the object of strengthening a culture of prevention, the Group continued with the campaigns and initiatives aimed at fostering employee participation in issues related to health and safety. Particularly noteworthy were the two new consultations made on psycho-social risk and job satisfaction

Participants in occupational health campaigns

	2009	2008	2007
Prevention and/or early detection campaigns	43,461	12,621	10,205
Vaccination campaigns	8,158	2,392	2,006
Checkups	14,277	5,122	5,208
Medical assistance	28,178	14,652	17,290

Staff taking part in prevention campaigns (%)



factors, in which 1,466 employees took part. The results enabled the Company to prevent possible conflicts, to be familiar with the areas which are of most concern to employees, and to propose measures to improve them.

Furthermore, in order to comply with the planning set out in the agreement with the external prevention service, 40 ergonomic studies were performed regarding work centres, corresponding to the four-year plan.

Special mention must also be made of the implementation of the Contingency Plan for the prevention, monitoring and control of risk associated with swine flu. From the outset, the Group took the measures required to minimise the impact of the illness and complied with the protocols established by the public authorities. The Company also set up a committee which in its weekly meetings carried out the executive analysis of the situation and prepared reports which were submitted to the Company management.

Throughout 2009, with the object of strengthening a culture of prevention, the Group continued with the campaigns and initiatives aimed at fostering employee participation in issues related to health and safety.

Staff taking part in prevention campaigns

The Gas Natural Group, in accordance with its objective of safeguarding the health of all its workers, and in order to minimise the drawbacks which could affect its normal rendering of services, developed a Contingency Plan for the prevention, monitoring and control of swine flu. From the outset, the Company thus took all the necessary measures to prevent this illness from spreading, complying with the protocols established by public bodies.

In June, it was predicted that if no preventive measures were taken, swine flu could become pandemic. Consequently, all the Company's medical services began to work to control any employees suffering from symptoms of swine flu. Other Company departments were also involved in the process, and decisions were taken geared towards controlling the situation in the event of worse outlook regarding swine flu. We may summarise these actions as follows:

- Preparing an action procedure to be followed by medical services to attend any infected patients.
- Creation of the Swine Flu Crisis Committee, responsible for providing information on the evolution of the pandemic and the measures adopted at every moment, also assessing the relevant actions which should be implemented.
- Configuration of the Flu Pandemic Business Continuity Plan, defining the actions to be put into practice in the event of the threat of flu pandemic or should the worst predictions come true.
- Drawing up of weekly reports regarding the situation, submitted to the Company management.
- Installation of information panels in common areas of the buildings, soap dispensers and handing out of 1,342 individual prevention kits.

Measures for guaranteeing industrial safety

Gas Natural Group aims to reach the highest standards of safety in its installations and products, preventing any possible risks which could affect persons or the environment. For this reason, it set up an innovative Industrial Technical Safety Unit in 2007.

This unit determines the safety criteria, analyses the incidents and risks and supervises the compliance and execution of its conclusions and recommendations. Therefore, it takes certain steps, of which we may highlight: applying the latest technological developments, adopting the most appropriate safety measures, disseminating the best practices in use of energy and cooperating in training the agents which could be involved in the value chain.

In this context, these are some of the initiatives carried out:

- Carrying out of a specific project for defining a new operational risk mapping model. The first major risks study was carried out in a big Group installation, the Maghreb gas pipeline, in order to prevent impacts on people, goods or the environment.

- Taking part in the Governor Board of BEQUINOR, National Consumer Goods and Industrial Safety Association, which gives information, documentation, support and advisory services to Spanish companies interested in the standardisation and safety of its industrial activities and products.
- Taking part in the working groups of the Technology Platform on Industrial Safety (PESI).
- Carrying out of courses, conferences and cooperation activities on safety for administration and other public service organisations, such as the firemen's service, rescue service and 112.
- Development and implementation of specific technological projects to improve safety in fire protection on the Group's premises.

During 2009, 320 activities were carried out relating to the design and implementation of emergency and self-protection plans. These activities include the review of plans and the carrying out of tests, which are followed by concluding reports.

We may also highlight the specific training received by emergency teams to guarantee that they are properly prepared in the event of occurrences taking place.

Lastly, as a result of the contact with the electrical distribution assets of the Gas Natural Group in Latin America, and in accordance with the records of the companies in Colombia, Guatemala, Nicaragua and Panama, we are sorry to report that 164 accidents unfortunately took place among the public, 41 of which involved deaths. At the date of completion of this report, we are only aware of four legal proceedings against the Company for any of these causes, none of which have had a final ruling. No accidents of this kind took place in the Republic of Moldova.

Cooperation with institutions

Another one of the Group's priorities is its cooperation with other institutions in order to guarantee the safety of people and goods –something which is required to comply with the extremely high expectations deposited in the Company as it is a public service– by its stakeholders.

An important line of action for the Group is the training and information to bodies safeguarding citizens' safety. This contributes towards simplifying the coordination necessary in those cases where different emergency teams take part and helps public bodies to know the most appropriate methodology of action in energy supply installations.

In 2009, cooperation with institutions was carried out through:

- Collaboration agreements for cooperation and coordination with Emergency Services (112) in the autonomous regions of Madrid, Castilla y León, Valencia, Aragon, La Rioja, Cantabria and Catalonia, as well as one with the City Council of Barcelona.
- Specific courses for intervention by members of the public emergency services in accidents in electrical and gas installations. These courses were given by firemen from the different autonomous regions.
- Participation in congresses, forums or seminars for professionals working in emergency and rescue services.
- Cooperation with the Galician Occupational Health and Safety Institute (ISSGA) in two technical seminars. One concerning the prevention of electrical risk and gas piping. The other on training in clearing, cutting and pruning, in which information was given on electrical risk and on preventing forest fires. 200 people and 30 contractor companies took part in the latter seminar.

Maghreb Gas Pipeline Industrial Safety Risks Map

In 2009, the Gas Natural Group, faithful to its commitment to make the concepts "Management of Operating Processes" and "Safety in Installations" one and the same, and developed a pilot project called the Maghreb Gas Pipeline Industrial Safety Risks Map. This application will enable the Company to identify and quantify technical risks in the operating installations and assess their possible impact.

The project was based on the risks associated with operating the installations. These are taken to be those risks which could have an impact on people, on the environment, on goods, or which could have social consequences.

The main objective of this project is to provide the Group with a solid application which could offer quantitative and scalable information with a warning system based on the following premises:

- Generation of strategic indicators to give information which is relevant for management (guidelines and targets)
- Setting up operating indicators for monitoring processes and activities identified.
- Establishing a repetitive process of enrichment in each cycle to provide the appropriate know how for optimum risk management.

The purpose of the application was to measure the level of risk using a regular self-assessment process; facilitating decision-taking for the implementation of improvements geared towards their reduction; guaranteeing a consistent level of control and management of the Group's operating risks; and, lastly, enabling internal and external benchmarking in similar installations.

The model implemented is based on the development of three components enabling risks to be identified and measured: state-of-the-art, general risks and risks for the environment.

After the implementation of the pilot project, the Company has concluded that the application is suitable for measuring technical risks, that its correct development depends on the business units taking part, that the Industrial Safety Risks Map is a unique and innovative product and a fundamental part of the management model for operating risks, and that, lastly, it can easily be adapted to the different operating infrastructures of the Gas Natural Group.

Thanks to initiatives like this, the Gas Natural Group is able to have the most advanced risk management systems, which in the end is beneficial for all its stakeholders. In coming years, the Company intends to implement this new risk management and control system in other significant plants.

- Cooperation with the Ibero-American Social Security Organisation (OISS) and with the University of Alcalá de Henares in a seminar for students of the 9th Master in Prevention of Occupational Risks.

Social Responsibility

One of the basic pillars of the Gas Natural Group actions in social responsibility is its commitment to well-being, generating wealth and developing communities in which to carry out its activities.

The Gas Natural Group helps to satisfy social needs which have not been covered, through its own initiatives and also those developed in partnership with recognised social institutions and organisations. The Group has procedures which enable it to identify the main areas which must be addressed and thus to prioritise its action.

It is becoming increasingly more common for the Company's social actions to seek a strategic and global approach, reinforcing the Group's activity and providing structural improvements in the societies in which it operates.

Furthermore, it should not be overlooked that the Company also exercises its social responsibility when it contributes to supplying the energy required by society in an efficient, sustainable and safe manner. It is important to bear in mind that the Company's capacity to invest and innovate generates positive effects which go beyond the Group's frontiers and which are beneficial for society overall.



□ Principles of responsible action with society

Social responsibility is one of the commitments laid down in the Gas Natural Group Corporate Responsibility Policy and is based on the following principles

- Positive integration in the society of the countries where it carries out its activities, respecting the culture, rules and setting.
- Generation of value by conducting its business and by forging alliances with local communities, particularly in those countries where it has a presence.
- Promotion of the education, training, cultural wealth and inclusion of the most disadvantaged groups through social investment.

□ Main indicators

	2009	2008	2007
Evolution of the contribution from the Gas Natural Group (in millions of euros)	15.4 ^(*)	16.8	16.1
Breakdown by type of action (%)			
Social	40.7	57.6	57.7
Environmental	23.8	25.6	24.9
Cultural	35.4	16.8	17.4
Others	0.1	–	–
No. of sponsorship and social action activities	325	274	308

Note: In 2009, the criteria for calculating the "contribution to the Company" figures have been changed.

(*) Said figure does not include the international provision from Unión Fenosa.

□ Relevant actions

Proposed actions for 2009

Actions taken 2009

Actions planned 2010

Support for the candidature of Madrid 2016 to hold the next 31st Summer Olympic and Paralympic Games.



Contributing 15.4 million euros to social, cultural and environmental activities for the communities in which the Group operates.

Support to the acts celebrating Xacobeo 2010.

Re-launching of the new version of the tool for the online management of social investment in Spain and Latin America.



Assessment and study of the new scope of sponsorship activities after the integration of Unión Fenosa.

Design of the new tool based on the parameters arising from the new Company structure.

Increase in the scope of the independent external reviews of the Group's Corporate Responsibility reports.



Defining a common and uniform structure of the Group's Corporate Responsibility reports.

Defining a social project type based on the successful experiences of the Gas Natural Group and Unión Fenosa.

Improvements in the systems for measuring the social impact of sponsorship actions.



Studying the factors measuring the impact of investments made in communities.

Design, preparation and implementation of a methodology enabling the impact of sponsorship activities to be analysed.

Level of compliance: High ● Medium ● Low ●

Positive integration in society

Gas Natural merger with Unión Fenosa has turned the Group into one of the leading international companies in the energy sector. This position also gives it greater action capacity and impact when contributing to the social development of the places it operates. To put this into practice, within the framework of the Millennium Development Goals and the principles of the UN Global Compact, the Company develops initiatives aimed at improving the living conditions of underprivileged collectives.

In addition, the Company is aware of the importance of education for social cohesion and progress. Universal primary education is one of the fundamental rights enshrined in the Universal Declaration of Human Rights and is of critical importance for progress in issues such as equal opportunities and gender equality. Accordingly, the Gas Natural Group allocates part of its resources and efforts to supporting and fostering educational and cultural initiatives.

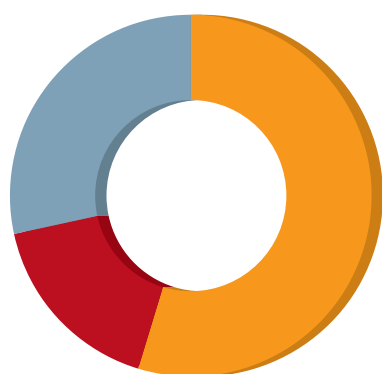
In recent years, issues related to the climate change and sustainable development have been included in the Company's social agenda.

The Group considers its social investment programmes within the framework of its business development strategy. The aim is to generate a higher level of commitment by the Company to the society of which it forms a part. Given its priority, the Group has tools for measuring the reputational impact of the social programmes it develops.

In this regard, as in previous years, in 2009 it continued to use the London Benchmarking Group methodology (LBG), which offers an overall view of social investment and enables a comparison of the results obtained with those of other companies.

In 2009, the Company also carried out a study of the factors measuring the return on social investments in order to improve the management of initiatives developed in the community. As far as sponsorship is concerned, during 2010 the Group plans to develop a methodology to allow it to analyse the impacts of its activities in this field.

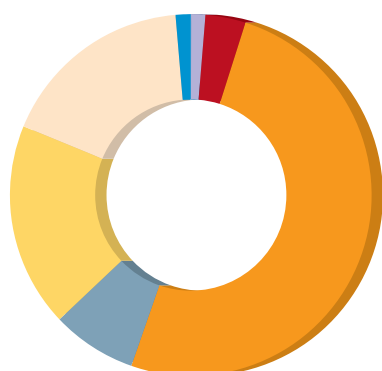
Motivation for initiatives (%)^(*)



54.7	Social investment.
16.9	Specific contribution.
28.4	Business-related initiatives.

(*) LBG methodology.

Area of action (%)^(*)



0.03	Humanitarian aid.
1.26	Health.
3.57	Education and youth.
50.13	Economic development.
7.55	Social welfare.
18.15	Environment.
17.34	Art and culture.
1.34	Sports.

(*) LBG methodology.

Educational initiatives


Rational energy use and sustainable development continued to be two of the main values fostered by the Gas Natural Group in its educational activities for young people. Particularly noteworthy are the initiatives carried out in the framework of the "Natural Gas and the Environment" programme, as well as the "Natural Gas, the 21st Century Energy" online activity. The former provided training for a total number of 72,646 students in Spain, who attended conferences given by specialists in this field. The online activity involved the participation of 977 school groups.

In Spain, the Company became one of the governors of the Princep de Girona Foundation, which promotes the professional, academic and research training of young people.

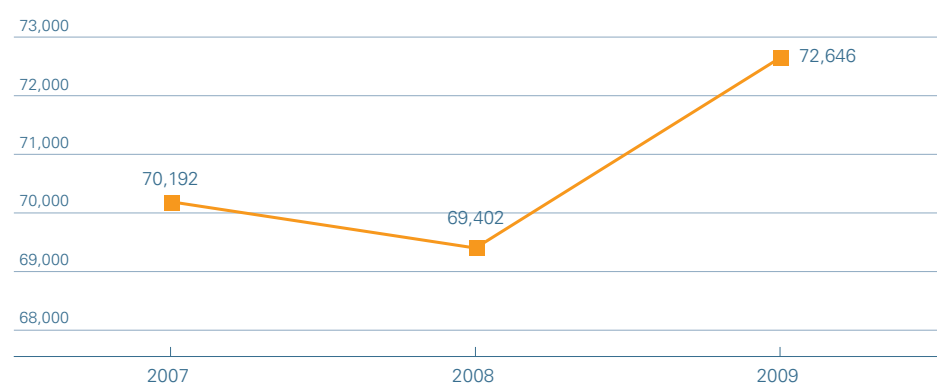
As part of the agreement signed in 2008 by Gas Natural Italia with the City Council of Reggio Calabria, an event was organised in 2009 to promote culture and education. 638 students in a situation of social risk were thus able to take part in a photographic competition on the relationship between individuals, the city and the environment.

In Latin America, programmes geared towards fostering a culture of energy efficiency continued. Various initiatives were carried out. For example, teachers were given educational material highlighting the environmental advantages of natural gas and useful information on how to use it properly. The actions that were taken involved the participation of 164,683 schoolchildren.

In Colombia, the Group supported the Empresarios por la Educación Foundation in Colombia with a grants fund for primary school children at risk from social exclusion.

 For further information, please consult the "Educational Activities and Exhibitions" section of the Gas Natural Group website www.gasnatural.com.

Total participation of students in the "Natural Gas and the Environment" educational programme. Spain



Support for the Carolina Foundation

In 2009, the Gas Natural Group supported the Carolina Foundation Training Programme with the sponsorship of grants for the post-graduate course in Journalism by the EFE Agency and the Specialisation Programme in Management of Electrical Generation and Distribution Businesses. This cooperation was the result of historical agreements which the Foundation had with both the Gas Natural Group and Unión Fenosa.

The Gas Natural Group has cooperated with the Carolina Foundation since 2004 in the sponsorship of six grants for the post-graduate course in Journalism by the EFE Agency. The programme, which is designed for Latin American university graduates, has a classes phase and then a period of work experience in national or international delegations of the EFE Agency.

In turn, Unión Fenosa has cooperated with the Foundation since 2005 by offering six grants specialising in the management of electrical generation and distribution businesses. This programme, which is organised by the Spanish Energy Club and the Corporate University, has a theoretical-practical approach, combining training sessions with an individualised practice session programme supervised by directors and experts in this field.

The Foundation's objectives include helping to extend graduates' studies and the specialisation and updating of knowledge for postgraduates, teachers, researchers, artists and professionals from Latin America.




The Group's commitment to research also focuses on improving the life quality of sick people and their relatives.

Social action focused on underprivileged groups

The Gas Natural Group fosters projects that help reduce social inequality and integrate social collectives that are at risk of exclusion.

In Spain, the Group has established several cooperation agreements with organisations, such as Femarec, for the insertion of disadvantaged collectives in the workplace. It also has a cooperation agreement with the PAX Foundation, an association which provides help to children who have been victims of antipersonnel mines. Furthermore, in 2009 the Group cooperated with the Codespa Foundation in their international cooperation projects.

In Argentina, Gas Natural BAN continued to cooperate with the Musicium College for the integration of disabled children. In Mexico, the Group cooperates with associations such as UNICEF and the Un Kilo de Ayuda Foundation in disseminating its initiatives through an insert placed in customer bills. By this means, the Group provides a direct link between customers and social associations.

 For more details on the social action programmes in the Gas Natural Group's Latin American subsidiaries, please consult the corporate responsibility reports available at www.gasnatural.com.

Promotion of health and research

Since 2007, the Gas Natural Group has cooperated with the Andalusia Technology Corporation (CTA), of which it is a founding member. This institution manages the Advanced Technology Renewable Energies Centre (CTAER).

The Group also supports the Higher Council for Scientific Research (CSIC) in the "Doñana Biological Station" programme, which focuses on research in the area of conservation genetics. The support given to these kinds of projects shows the Group's strong commitment towards keeping ahead of the field in R&D/i.

The Group's commitment to research also focuses on improving the life quality of sick people and their relatives. In 2006, the Group took part in the incorporation of the ProCNIC Foundation, together with the Ministry of Health and other Spanish companies. This organisation, which is directed by Valentín Fuster, investigates the leading cause of deaths worldwide – cardiovascular illness. In 2009, the Company extended its commitment up to 2020, in order to guarantee the development of its projects.

In Latin America, for the ninth year running, the Group took part in the annual activities for collecting funds carried out by the Mexican Red Cross. In Argentina, it continued cooperating with FUNDALAM (Foundation for Nursing and Maternity) to promote mother-baby health. The Company also cooperated with several local institutions and associations geared towards promoting health, of which we may highlight the Hospital de Niños Ricardo Gutiérrez Corporation Association and the Pediatría en la Red paediatric network.

 For further details of programmes in the Group's Latin American subsidiaries geared towards research and conserving health, please see the Corporate Responsibility Reports available at www.gasnatural.com.

Corporate volunteers and employee participation

Employees are a key part of the Gas Natural Group focus on corporate responsibility. Their efforts help to make the Company's commitment to the society and the communities in which it operates a reality. An example of this is Solidarity Day, an initiative created and managed by employees, who give up one day of their yearly salary for the execution of a social project in a certain country. In return, the Company covers the funds donated by employees and also bears the expenses for the management of the programme.

Since it was founded in 1997, the Solidarity Day Association has raised over 2 million euros used for social projects in over 11 countries; through it over 2,000 people make a commitment towards solidarity.

In 2009, an amount of over 290,000 euros was raised, a sum which enabled four educational projects to be set up in Colombia, allowing over 400 youths from an economically disadvantaged environment and high academic ability to go to university.

In Argentina, with the support of the Gas Natural Foundation, the Group continued with its corporate volunteer plan started up in 2002. The programme offers employees the possibility of collaborating with community initiatives and social projects. In 2009, the Foundation financed eight projects, instrumented through cooperation agreements with social organisations and connected with improving living conditions, overcoming poverty and community development.

Since 2005, the Group has also had a Corporate Volunteers Programme in Mexico, supporting disadvantaged collectives.



Solidarity Day

Solidarity Day came about over ten years ago, at the same time as the Group's international expansion, through an initiative taken by employees of Unión Fenosa.

At that time, employees travelling to the new countries in which the company operated saw at first hand the living conditions and social problems in some of these places. What they saw sparked a feeling of solidarity, which in turn led to the creation of an association which could help to improve living conditions in some of the places in which the company acted.

Solidarity Day focuses its projects on aid for child and youth development; the idea is that educational projects, professional training and employment are the best ways to help in a country's development.

One of the essential parts of the project is that the employees do not only promote the "Solidarity Day" initiative, but that they are also responsible for managing and administrating it.

The Group takes part through funding and contributing other resources. In terms of funding, the company doubles the amount collected by the employees. And as for other resources, it assumes the management expenses, so that the amount contributed by donations is used in its entirety for the selected project with the lowest possible management cost.



An important part of the Group's cultural investment is carried out through the Contemporary Art Museum (MACUF).

Promotion of music

Promotion of musical culture is one of the cultural sponsorship initiatives carried out by the Gas Natural Group.

In 2009, the Company participated in a variety of initiatives with the Barcelona Symphony Orchestra and Catalonia National Orchestra in Tarragona, Girona and Lleida, as well as with the Murcia and Galicia Symphony Orchestras.

The Group also sponsored musical cycles and seasons in different Spanish cities. Among others, special mention must be given to the collaboration with the Gran Teatre del Liceu (Barcelona) and the Teatro Real (Madrid). The Company also financed the Granada International Festival of Music and Dance, and the Porta Ferrada International Festival (Girona).

In Latin America, the subsidiaries of the Gas Natural Group also took part in promoting music. Numerous activities were carried out in 2009, of which we may highlight the sponsoring of the 7th Vale do Café festival in Brazil, and the "CEG. Our Voice" programme, which was focused on musical training for Group's employees.



For further information relating to this subject, please consult the "Sponsorship and Social Action" section of the Gas Natural Group corporate website, at www.gasnatural.com.

Fostering cultural enrichment

An important part of the Group's cultural investment is carried out through the Contemporary Art Museum (MACUF). This museum, which was opened in A Coruña ten years ago, reflects the Group's interest in fostering and disseminating artistic creation in any of its forms. The MACUF puts on exhibitions and drama, and carries out educational and leisure activities. In 2009 it received over 33,000 visits, compared with around 9,000 in 2005. And the museum's website received over 140,000 visits in 2009, compared with 38,000 in 2006.

In 2009, MACUF put on several exhibitions, of which we may highlight: "Genocidio, paisaje y memoria" (Genocide, Scenery and Memory) by Simon Norfolk, "La sombra habitada" (The Inhabited Shadow) by José Luis Raimond; the thesis exhibition "Antes de ayer y pasado mañana o lo que es la pintura hoy" (Before Yesterday and After Tomorrow or What Painting is Today), and "Tan cerca, tan lejos" (So Near, so Far), a selection of Galician artists of the 1930s. All these were accompanied by the permanent exhibition from the museum's archive and the works of the three artists selected for the MACUF artistic creation grants, one of the museum's distinguishing features.

In 2009, over 6,400 students from 80 educational centres took part in the activities for dissemination of contemporary art organised by the museum.

MACUF does not only engage in art-related activities; it also takes part in activities to promote healthy leisure and to enhance the social integration of persons with any form of handicap. In 2009, it extended these initiatives to other centres in Galicia through an agreement with the provincial delegation of A Coruña.

As part of its commitment towards culture, the Gas Natural Group continued to publish books on the cultural and natural heritage of the countries in which it operates. In 2009, it published the book *México. Ciudad de Luna* (Mexico. City of the Moon).

In 2009, the Group also cooperated with the Malaga International Film Festival, with the Royal Association of the Queen Sofia National Art Gallery and Museum, and with Casa de América in the "Nubes de un cielo que nunca cambia" (Clouds in a Sky which Never Changes) exhibition.

We can also highlight the support given to the Santiago de Compostela Xacobeo Board, in the programme of cultural activities for the Xacobeo 2010 Holy Year which will take place along the St. James's Way.

Its Latin American subsidiaries also allocated part of their investments to promoting culture. Also worthy of note are the sponsorship of the "Hay Festival" literary award in Colombia and the agreement with the Cidade Viva Cultural Institute in Brazil for the sponsorship of the Rio Socio-cultural Award 2009.

Initiatives in keeping with business

In 2009, the Gas Natural Group continued to develop numerous projects to fight against energy poverty and grant access to basic services by the collectives most in need.

The basic philosophy behind these programmes is to create a new social management model in which residents, local collectives, non-profit organisations and enterprises join forces to build a system to access energy in low-income bracket communities.

One of these projects is Social Energy, a commercialisation company which since 2004 has provided disadvantaged areas on the Caribbean coast of Colombia with secure access to electricity; these areas are formed by human settlements caused by the armed conflict in the country. Since

it was set up, this initiative has carried out 27 electrical normalisation projects, has another 35 under execution, while a further 178 are still to be launched. Together they have provided jobs for 1,000 skilled persons and have allowed 40,000 households to have safe access to electricity.

The Cuartel V and Raquira projects are another two initiatives carried out in this field. The former is designed to supply natural gas to an underprivileged area of the province of Buenos Aires. The latter consists of replacing coal with natural gas as a fuel to be used in the furnaces of the pottery industry in this Colombian town. With this change, the industry has become more productive, thereby making the local business community more competitive.

In Mexico, the Group developed the "Impulse for your Business" programme, focused on the training and certification of installers of natural gas, electricity and water. Over its first year, the project secured qualifications for 128 professionals in accordance with Mexican laws.



In 2009, the Gas Natural Group continued to develop numerous projects to fight against energy poverty and grant access to basic services by the collectives most in need.



Institutional commitment

The Gas Natural Group plays an active role in various energy sector and business prestigious institutions, both nationally and internationally, where it takes part providing its experience and funding.

These include the International Chamber of Commerce, The Conference Board and the business federations for the gas and electricity sectors, UNESA and Sedigas, respectively. It also plays an active role in the Spanish Energy Club, the World Energy Council, Eurogas, the International Gas Union (IGU), the Technical Association of the European Natural Gas Industry, the Observatoire Méditerranéen de l'Énergie and the Florence School of Regulation. The Gas Natural Group is also a member of CEOE and of the Catalan employers' association Foment del Treball.

In 2009, in the field of corporate responsibility, the Company was a member of Forética, an ethical management association, and of the Spanish Association for the UN Global Compact, which promotes ten principles regarding human rights, labour rights, environmental improvement and fighting corruption. The Gas Natural Group forms part of the governing bodies of both associations.

The Company also formed part of the Club de Excelencia en Sostenibilidad and the Global Compact Foundation. Furthermore, from the time the Company was founded, it is one of the members of the Corporate Reputation Forum (fRC), which promotes the measuring and improvement of assessing reputation and corporate social responsibility.

The Gas Natural Foundation

In 2009, the Gas Natural Foundation continued to extend the scope of its activities, launching new lines of action and consolidating those already in existence. In this respect, it has intensified its activities in the environment and strengthened its lines of action in training, and in the protection and diffusion of cultural heritage. In the international arena, the new programmes initiated by the Foundation in Colombia and Mexico have continued.

The Foundation's main action areas in Spain include the following:

- Energy and environmental management seminars.
- Cooperation agreements with the governments of the Autonomous Regions.
- Environmental information publications.
- Training courses in the Energy Training Centre.
- Activities in the Gas Museum and History Centre.

In Colombia, the Foundation continued with the four programmes begun the previous year: the “Young Scientists” programme, a project for converting natural gas vehicles; a training and certification programme for natural gas inspectors and domestic gas repair workers; and, lastly, a programme for promoting the business of contractors and installation firms.

In Mexico, the Foundation continued to support the “Impulse for your Business” programme, started up in 2008. There was also a lot of activity in the Energy Training Centre, where 137 people were given training. A research project is also being developed regarding the potential use and the environmental factors for the use of natural gas as a fuel in the Valle de México and Monterrey.

Furthermore, in partnership with the National Autonomous University of Mexico, the Foundation published a book entitled *Innovación y empresa: Estudios históricos de México, España y América Latina* (Innovation and Enterprise: Historical Studies of Mexico, Spain and Latin America).

In Argentina, the Foundation continued its support for the “First Export” programme. Launched in 2001, it aims to help Argentinian SMEs develop their capacity for exports. Since it was launched, the programme has advised 7,407 companies and offered training to 20,016 professionals.

In Algeria, in partnership with the IDEC/Pompeu Fabra University, the Algerian Chamber of Commerce and Industry (CACI) and the National Youth Employment Agency (ANSEJ), a seminar was carried out on “Creating Businesses: From the Idea to the Project”, designed for the Algerian business community, and in which over one hundred people took part.

In Brazil, the Foundation continued to carry out training courses in partnership with the Viva Rio NGO. These courses are intended for youths and adults living in the communities of Cantagalo, Pavao and Pavãozinho, in southern Rio de Janeiro. Furthermore, the Espaço

Gas Natural Foundation. Activities in Spain

	2009	2008	2007
No. of active agreements with autonomous regions	13	13	12
No. of seminars/courses held	18	18	19
Budget allocation (out of total) (%)	17	17	18
No. of publications	4	4	6
Environmental education fact sheets	0	1	1
Information sheets	11	11	11

Gas Natural Foundation. International activities

	2009	2008	2007
No. of activities	18	17	15
% of the total budget	14	17	16
No. of countries in which it operates	7	7	6

Criança Esperança professional training centre carried out courses which trained 76 people in 2009. The centre was visited by Luiz Ínacio Lula da Silva, the President of Brazil.

In Italy, in partnership with the Università degli Studi de Bari, the Foundation completed the research project on “Forests and Deforestation in Italy. Actions to mitigate Climate Change”.

In Morocco, the Foundation forms part of the Board of the Princesse Lalla Meryem Institute for autistic children in Tangiers. The Foundation also continued with the programme started the previous year of training in natural gas for future engineers of the National School of Applied Sciences (ENSAT).



All actions carried out in 2009 are described in the Activities Report of the Gas Natural Foundation. Up-to-date information on its activities and publications is also available at the Foundation’s website, www.fundaciongasnatural.org

Integrity

The Gas Natural Group defines integrity as the policies, procedures and tools that are in place for ensuring that its activities and those of its employees are carried out in accordance with legislation and the internal and external regulations, standards and procedures applicable in all its areas of operation. In the Gas Natural Group, integrity also refers to the set of instruments which the Company has provided to guide its employees towards behaviour that is in keeping with the stipulations of its Code of Ethics, and with its Mission, Vision and Values.

The Group's actions in the area of integrity are ultimately aimed at establishing a framework for action that encourages all individuals to carry out their professional responsibilities on the basis of integrity, responsibility and transparency.

The ultimate responsibility for conveying and ensuring the Group's commitment towards integrity lies with the governing bodies, which are responsible for fostering the development of rules and procedures and the implementation of good working practices.

The Code of Ethics and the procedures established for disclosing and safeguarding thereof, are basic elements in the framework of the Group's integrity, and play a significant role in ensuring that the integration between the Gas Natural Group and Unión Fenosa is successful. Cultural cohesion is a critical factor to be able to fully harness the synergies and opportunities of the merger. This integration, in which the Code of Ethics plays a critical role, is based on values which are shared and consolidated within the commitment towards integrity, responsibility and transparency.



□ Principles of responsible action governing its behaviour

Integrity is one of the commitments laid down in the Gas Natural Group Corporate Responsibility Policy and is based on the following principles:

- Rejection of corruption and bribery in our business dealings and establishment of measures to prevent and combat them.
- Provision of support for the principles of the UN Global Compact, as well as the principles of the OECD for corporate governance.
- Respect of all aspects of the UN Universal Declaration of Human Rights and the Declaration of the ILO regarding basic rights in the workplace.

□ Main indicators

	2009	2008	2007
Correspondence received by the Code of Ethics Committee	25	22	22
Number of messages received per 200 employees	0.75 ^(*)	0.64	0.66
Geographical origin of correspondence			
Argentina (%)	8	5	5
Brazil (%)	0	0	5
Colombia (%)	4	0	23
Spain (%)	56	40	44
Italy (%)	4	5	0
Mexico (%)	28	50	23
Average time for resolving correspondence (days)	48	46	42
Audit projects analysed on the basis of the risk of fraud	26	35	28

(*) Calculated using Gas Natural Group figures without Unión Fenosa.

□ Relevant actions

Proposed actions for 2009

Actions taken 2009

Actions planned 2010

Update of the Code of Ethics in accordance with new issues in corporate responsibility and its consolidation in the employee training plan. Introduction of an area on the website for access to the code by suppliers and improvement of the corresponding area on the Group's Intranet.



Updating of Code of Ethics. Introduction of case studies on the Group's Intranet. Indicators of the new "Our Energy" in-house communication platform. Design and definition of the contents of the section of the suppliers portal referring to the Code of Ethics.

Improvement of the space given over to the code in the Group's Intranet and establishment of annual self-declaration on compliance of the Code of Ethics by employees. Implementation on website of space to enable suppliers to access relevant information regarding the Code of Ethics.

Homogenisation of the corporate governance regulations for the different companies in the Group.



Integration of Unión Fenosa under the corporate governance regulations of the Gas Natural Group. Analysis of the new corporate governance trends.

Definition of basic corporate governance principles to be implemented in all Group companies. Analysis of the corporate governance regulations applied in international listed companies.

Progress in the quantification of the exposure to credit risk. Determination of unanticipated losses.



Setting up of a structure of powers for the admission/renewal of operations in accordance with customers' exposure and credit ratings. Defining of methodology to quantify unexpected losses.

Progress in quantifying mid and long term price risk, especially on the four-year timeline of the Strategic Plan, which will be defined in 2010.

Regulatory implementation of operational risk susceptible to assurance and integration of exposure thereto in the Risk Measurement System.



Full development of the Operational Risk Management Regulation in the field of businesses of the Gas Natural Group. The regulation is currently under review to incorporate the specifications of the businesses contributed by Unión Fenosa.

Design of optimum retention models in field of insurable operational risk.

Level of compliance: High ● Medium ● Low ●

One of Gas Natural's priorities is to guarantee the efficiency and transparency of the governing bodies.

Corporate Governance

One of Gas Natural Group priorities is to guarantee the efficiency and transparency of the governing bodies. Accordingly, the Company has adapted its procedures in this field to the good corporate governance recommendations of listed companies.

The Gas Natural Group practices in corporate governance are described in detail in various annual reports, which are sent to the General Meeting of Shareholders for its knowledge or approval.

The documentation prepared by the Gas Natural Group in relation to its corporate governance practices has the object of providing information on the most relevant rules and procedures implemented in the field, and to disclose the criteria used as a base for decision-taking.

The General Meeting of Shareholders, the highest decision-taking body in the Company takes part in the development of corporate governance practices, as does the Board of Directors and its Committees: the Executive Committee, the Appointments and Remuneration Committee and the Audit and Control Committee. The Management Committee also plays a relevant role from the viewpoint of management.

In 2009, the aforesaid governing bodies met as follows:

- Board of Directors: twelve meetings.
- Executive Committee: seven meetings.
- Appointments and Remuneration Committee: eleven meetings.
- Audit and Control Committee: five meetings.
- Management Committee: monthly meetings.

The Board of Directors, its Committees, and the Management Committee operated as expected during 2009, fully exercising their competencies without interference and in full observance of current legislation and the applicable standards, such as the Regulations for the Organisation and Operation of the Board of Directors and its Committees.

 All the corporate information of the Gas Natural Group can be read on the Company website, at www.gasnatural.com.

Diversity of the Board of Directors (%)



	22	Less than 55 years.
	33	Between 55 and 60 years.
	45	More than 60 years.

Composition of the Board of Directors and various Committees

(at 31 December 2009)

	Board of Directors	Executive Committee	Audit and Control Committee	Appointments and Remuneration Committee	Type of Director
Chairman	Mr. Salvador Gabarró	Chairman			Executive
Deputy Chairman	Mr. Antonio Brufau	Board Member		Board Member	Proprietary Member
Chief Executive Officer	Mr. Rafael Villaseca	Board Member			Executive
Board Member	Mr. Enrique Alcántara-García			Proprietary Member	
Board Member	Mr. José Arcas			Chairman	Independent
Board Member	Mr. Demetrio Carceller	Board Member			Proprietary Member
Board Member	Mr. Santiago Cobo	Board Member			Independent
Board Member	Mr. Carlos Kinder ⁽¹⁾	Board Member	Board Member		Proprietary Member
Board Member	Mr. Enrique Locutura				Proprietary Member
Board Member	Mr. Emiliano López				Independent
Board Member	Mr. Carlos Losada	Board Member			Independent
Board Member	Mr. Juan María Nin ⁽²⁾	Board Member			Proprietary Member
Board Member	Mr. Fernando Ramírez		Board Member		Proprietary Member
Board Member	Mr. Juan Rosell ⁽³⁾				Proprietary Member
Board Member	Mr. Narcís Serra ⁽⁴⁾				Proprietary Member
Board Member	Mr. Miguel Valls		Chairman	Board Member	Independent
Board Member	Mr. Jaime Vega de Seoane				Independent
Non-Director					
Assistant Secretary	Mr. Felipe Cañellas	Secretary	Secretary	Secretary	

(1) Mr. Carlos Kinder became a member of the Audit and Control Committee on 26 June 2009, replacing Mr. Francisco Reynés.

Mr. Juan María Nin became a member of the Executive Committee on 26 June 2009, replacing Mr. Francisco Reynés.

(2) Mr. Joan Rosell became a member of the Board of Directors on 26 June 2009, replacing the Board Member Mr. Francisco Reynés.

(3) On 30 January 2009, the Board of Directors replaced the representative of Caixa d'Estalvis de Catalunya by Mr. Narcís Serra.

Remuneration of the Board of Directors (in thousands of euros)

	Position	Board	Committee	Audit and Control Committee	Appointments and Remuneration Committee	Total
Mr. Salvador Gabarró	Chairman	550	550	–	–	1,100
Mr. Antonio Brufau	Deputy Chairman	127	126	–	12	265
Mr. Rafael Villaseca	Chief Executive Officer	127	126	–	–	253
Mr. Juan María Nin	Board Member	127	69	–	–	196
Mr. Enrique Alcántara-García	Board Member	127	–	–	–	127
Mr. Francisco Reynés ⁽¹⁾	Board Member	58	57	6	–	121
Mr. Carlos Kinder	Board Member	127	126	6	–	259
Mr. Juan Rosell ⁽²⁾	Board Member	69	–	–	–	69
Mr. Enrique Locutura	Board Member	127	–	–	–	127
Mr. Demetrio Carceller	Board Member	127	126	–	–	253
Mr. Fernando Ramírez	Board Member	127	–	12	–	139
Mr. Narcís Serra	Board Member	127	–	–	–	127
Mr. Carlos Losada	Board Member	127	126	–	–	253
Mr. Santiago Cobo	Board Member	127	126	–	–	253
Mr. Emiliano López	Board Member	127	–	–	–	127
Mr. Miguel Valls	Board Member	127	–	12	12	151
Mr. Jaime Vega de Seoane	Board Member	127	–	–	–	127
Mr. José Arcas	Board Member	127	–	–	12	139
Total		2,582	1,432	36	36	4,086

(1) Resignation accepted in Shareholders' Meeting of 26 June 2009.

(2) Appointment in Shareholders' Meeting of 26 June 2009.



To guarantee compliance with the code, the Company has established local committees in Argentina, Brazil, Colombia, Italy, Mexico, Guatemala, Panama, Nicaragua and Moldova.

Code of Ethics

The Code of Ethics of the Gas Natural Group, and the adherence to external initiatives such as the UN Global Compact, reflect the Company's formal commitment with an integral, responsible and transparent way of acting.

The Code of Ethics lays down the action guidelines for the Group's employees and determines what behaviour is expected in matters relating to corruption and bribery, respect for people, professional development, equal opportunities, occupational health and safety, and caring for the environment, *inter alia*. It also sets out the guidelines for relations between the Group's employees and the collaborating institutions or enterprises.

It is essential to disseminate the Code of Ethics so that it can be complied with. For that purpose, the Code of Ethics Committee was incorporated in 2005. Its main function is to ensure the dissemination, knowledge of and compliance with the code. This Committee is chaired by the Internal Audit Department and has a representative from Labour Relations, Investor Relations, Corporate Reputation and Customer Service. The Secretary of the Committee is part of the HR Department.

Furthermore, to guarantee the compliance with the code, the Company has local committees in Argentina, Brazil, Colombia, Italy, Mexico, Guatemala, Panama, Nicaragua and Moldova, with a similar structure to that of the Code of Ethics Committee and with the specific purpose of reproducing in each country the functions which the Committee has assigned in Spain.

One of the main tasks assigned to the Code of Ethics Committee is to supervise the operation of the query and notification procedure. This channel has been enabled so that the Group's employees can resolve their doubts regarding the application of the code or inform the Committee, in any anonymous and confidential way, of any conducts which are not in keeping with the principles set out therein. All communications received are confidential and are treated in accordance with the stipulations of the Protection of Personal Data Act, Law 15/1999.

Notifications concerning fraud, auditing or faults in accounting or internal control processes are likewise sent directly to the Audit and Control Committee of the Company's Board of Directors. In 2009, 56% of the notifications received were related to alleged fraud, none of which had any significant impact.

The Code of Ethics is available in nine languages, and has a specific area on the corporate Intranet, where practical information is provided on various matters related to it, as well as on the query and notification procedure.

The Code of Ethics Committee issues quarterly reports to the Audit and Control Committee and the Management Committee, and it reviews the reports drawn up by the local committees. In 2009, the Committee held ten working meetings, and the local committees held 15. Communications received from employees were analysed in the aforesaid sessions, among others.



In 2009, the Committee did not receive any notification disclosing incidents taking place in the Group related with labour or child exploitation or in relation to the rights of local communities.

14% of the notifications received by the Code of Ethics Committee were related to the principle of respect for people, and they were all solved appropriately. No notification was related to any form of discrimination.

The Committee has a several-year work plan for developing actions whose main aim is to extend the Code of Ethics. The activities considered in 2009 included the following:

- Update of the Code of Ethics of the Gas Natural Group.
- Dissemination of the Code of Ethics to all employees of the new Group arising from the integration of the Gas Natural Group and Unión Fenosa.
- Training and information activities aimed at Company employees.
- External dissemination actions (participation in events and press releases).
- Activities for extending the code to suppliers in Spain and abroad.
- Review of the security of the processes related to the Gas Natural Group query and notification procedure.

It is important to note that Code of Ethics Committee proposed several updates to the contents of the code, which were finally approved by the Board of Directors. Indeed, the Code of Ethics was modified by agreement of the Board of Directors in the resolutions of 27 February and 19 May 2009, adapting it to the new commitments acquired since 2005 on Good Governance and Corporate Responsibility, also incorporating the best international practices in ethical and social issues and complying with the regulatory demands arising from the integration of Gas Natural Group and Unión Fenosa.

Code of Ethics chapter to which notifications refer (%)

	Queries	Notifications	Total
Respect for the law, human rights and ethical values	–	6	6
Respect for other persons	–	14	14
Professional development and equal opportunities	–	8	8
Corruption and bribery	–	22	22
Use and protection of assets	–	3	3
Loyalty to the Company and conflicts of interest	–	25	25
Treatment of information and knowledge	–	3	3
Relations with external collaborating companies and suppliers	–	19	19
Total	–	100	100

Average time for resolving correspondence (days)

	2009	2008	2007
Queries	–	31	30
Notifications	48	48	49
General	48	46	42

Accesses to Code of Ethics contents (number of visits)

	2009	2008	2007
NaturalNet	7,751	1,417	2,876
Corporate website	3,066	4,838	4,246
Total	10,817	6,255	7,122



In 2009, the process for the distribution of the Code of Ethics among the Group's suppliers and collaborating companies came to an end.

Several new features have been introduced in the Code of Ethics; particularly noteworthy are the inclusion of new sections related to corruption, bribes and money laundering. After being updated, the code gives special attention to questions relating to the prevention of conflicts of interest or with their meaning in the relationship with suppliers, contractors and collaborating companies. Likewise, it underlines the need for all the Company employees to cooperate in order to prevent bad practices from arising.

The Code of Ethics is included among the information distributed to new members of staff joining the Company, and is included in the Training Plan.

In 2009, the process for the distribution of the Code of Ethics among the Group's suppliers and collaborating companies came to an end. The main aim of this initiative was to provide information on the commitments assumed by the Company and notify the existence of the notification and query procedure, which can also be used by the aforesaid collectives if they detect any anomaly or inappropriate conduct in their relationship with the Group.

In 2010, there are plans to introduce an area on the website to enable suppliers to access contents relating to the Code of Ethics and the query and notification procedure.

Risk Management System

Because of its activities, and the context in which they are carried out, the Gas Natural Group is subject to a variety of inherent risk factors.

In order to minimise risks associated with its business, the Company has developed mechanisms so that these risks can be identified, characterised, and determined with the greatest possible amount of detail. Likewise, over the last few years it has made considerable progress in the overall management and control of the most relevant risks, gaining in-depth knowledge of the said risks in both the daily management of the various businesses and in the strategic planning and reflection processes.

One of the key concepts to the Company's risk management is the concept of risk profile, understood as the level of exposure to the uncertainty resulting from the joint effect of the various categories of risk classified by the Gas Natural Group.

A new company, shared values

The new company arising from the merger between the Gas Natural Group and Unión Fenosa shares the ethical values which already formed part of the culture of the two companies. The commitment towards ethical conduct is a key factor for the success of the companies which aspire to create value in a sustained way over the course of time. Values such as integrity, responsibility and transparency are essential factors in order to earn the confidence of the markets and society, and therefore to be successful in business.

A few years ago, the Gas Natural Group materialised its commitment to integrity, transparency and responsibility with the publication and approval of a Code of Ethics which sets out the guidelines for action and the behaviour expected of all its employees. Furthermore, it created a Code of Ethics Committee, whose object, *inter alia*, is to disseminate and disclose the

code and ensure that it is complied with. These commitments shall continue to be valid and shall be used as a guide for the behaviour for all employees in the Gas Natural Group.

The Code of Ethics is available in nine languages, and has a specific space in the corporate Intranet, in which practical information is offered on different issues thereof. It can also be accessed through the website, which offers relevant information on the merger between the two companies.

During 2009, the Code of Ethics was reviewed in order to adapt it to the Company's new situation and the expectations of society and of its stakeholders, thus ensuring that it is in keeping with current demands in terms of integrity, responsibility and transparency.

The identification, characterisation and measurement of the most relevant risks provide knowledge about the Group's overall risk profile at all times. This knowledge makes it possible to determine the maximum exposure to the risk that is accepted, managing it through the allocation of limits by risk category and in global terms to establish the global target risk profile.

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 Risk Committee, the development of standards led by the General Risk Standard, the Corporate Risk Map and the Risk Measurement System enable the continuous improvement of the process for identifying, characterising and determining the Gas Natural Group risk profile.

The function of the Risk Committee is to determine and review the Group's target risk profile, guaranteeing its congruence with the Company's strategic positioning and assuring third-party interests. It is also responsible for ensuring that the entire organisation understands and accepts its responsibility in identifying, appraising and managing the most significant risks.

The General Risk Standard lays down the general principles and guidelines for behaviour in order to identify, inform, assess and manage the Group's exposure to risk. It is updated and implemented by the Risk Committee.

The purpose of the Risk Measurement System is to quantify, on the basis of probability and recurrence, the risk position assumed at a global level, and in each relevant business with regard to risk factors related to exchange rates and raw materials for energy. It is a dynamic information instrument that shows the Gas Natural Group level of exposure to different risk categories. The Financial-Economic Department, together with the Internal Audit Department, and the business units, are responsible for preparing and updating the aforesaid map. Its content is discussed by the Management Committee. The conclusions are presented to the Risk Committee, the Audit and Control Committee and, where applicable, the Board of Directors. After the measuring process, a risk map is drawn up and updated at least once a year.

During 2009, as a result of the integration of Unión Fenosa in the Gas Natural Group, a limited version of the Corporate Risk Map has been carried out, designed to characterise and quantify the most relevant risks.

Type of risk

Business

Price of commodities
Price of electricity
Volume of commodities
Volume of electricity
Regulatory
Estrategical

Financial

Interest rates
Exchange rates
Liquidity

Credit

Retailer
Wholesales

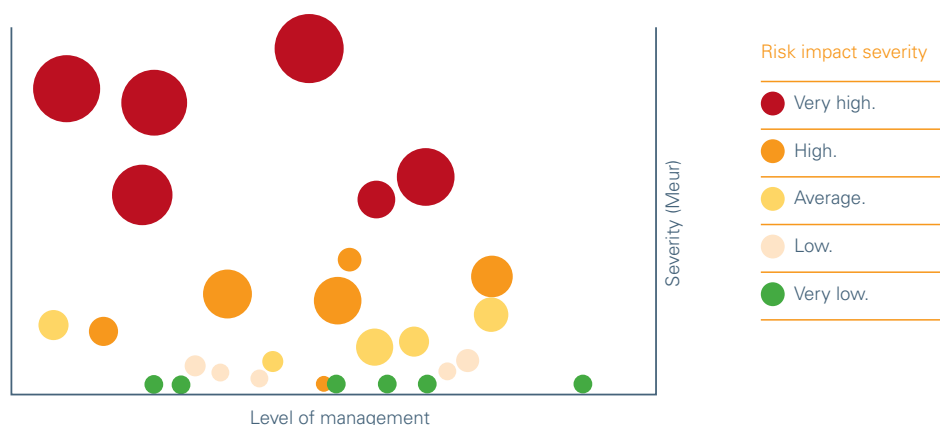
Operational

Legal/Contractual
Human Resources
Fraud
Procedures
Information systems

Process for identifying, characterising and determining the risk profile

	Determining the global risk profile	Final proposal by business unit	Risk control and management	New position identification	Position and risk information	Position and risk development	Alternative proposal	Approval
Governing bodies	•							•
Persons in charge of overall risk profile		•						
Persons in charge of risk control and measurement			•			•	•	
Persons in charge of risk management and spheres of action			•	•	•	•	•	•

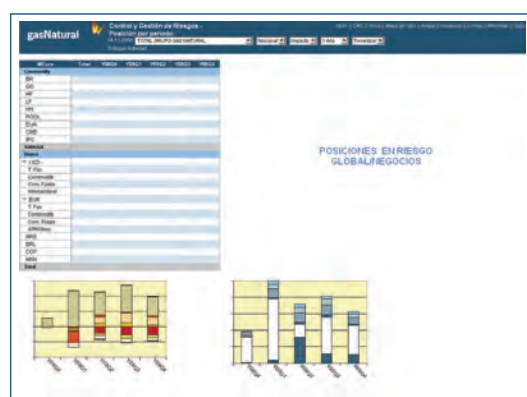
Corporate Risk Map



The purpose of this map is to anticipate the impact of the integration in the Risk Profile of the Gas Natural Group, with the aim of identifying what the new factors should be which should be used to determine efficient risk management in the light of the new reality of the Company.

The identification and characterisation of the risks take into account the characteristics of the position at risk, the impact variables, the potential quantitative and qualitative severity, the probability of occurrence and the degree of management and control. The various risks are characterised in absolute and relative terms and illustrated in graph format.

Group/Business risk positions



The Risk Measurement System was devised as a support tool for the business units and guarantee that they have an optimum level of independence in decision making, while simultaneously ensuring that the level of risk taken on by the Group and per business unit is in keeping with the risk profile established by the governing bodies.

The measurement system used by the Company also makes it possible to identify the existence of natural cover among the various business units, thereby guaranteeing efficiency in economic terms and regarding risk in decision-making and safeguarding the interests of the concurrent stakeholders.

Group/Business results volatility



Thanks to the flexibility of the system, the Group has been able to quickly incorporate the risk position deriving from the businesses contributed by Unión Fenosa, thus allowing the Group to quantify on a recurrent basis the probable exposure to risk, capturing the complementarities of the businesses arising from the integration.

Based on the results obtained, a set of policies has been put forward which have helped to expedite the integration and understanding of the businesses from the standpoint of risk.

We can also highlight the initiatives carried out in the field of Credit Risk and Insurable Operational Risk, designed



to assess the integrated exposure to risk and the homogenisation of the new Group's management policy. The following should be noted, in particular:

- **Credit risk.** The credit rating of the commercial portfolio contributed by Unión Fenosa was reviewed using the statistical models for measuring credit quality used by the Gas Natural Group, expediting the knowledge of the risk profile of the integrated commercial portfolio and thus helping in the process of homogenising the admission, billing and collection policies.
- **Insurable operational risk.** The insurable operational exposure of the two companies was analysed, studying the main heterogeneities. Following this analysis, it was integrated in a single insurance programme, and after the merger between the two companies, an operational risk management policy was set out for the whole Gas Natural Group.

Internal Audit

For the Gas Natural Group, the internal audit is an independent and objective assessment tool. Internal Audit Department depends directly on the Audit and Control Committee, reporting in turn to the Board of Directors, the Chairman and Chief Executive Officer.

The main purpose of the internal audit function is to supervise and carry out the continuous assessment of the effectiveness of the Company's internal control system, providing a systematic and stringent approach for process monitoring and improvement and for the assessment of operational risks and controls relating thereto.

The Internal Audit Department has established a methodology for assessment of the operational risks based on the Conceptual Framework of the COSO Report (Committee of Sponsoring Organisations of the Treadway Commission), and taking as a point of departure the type of risks defined in the Corporate Risk Map.

By this means the Group complies with international recommendations in terms of corporate governance.

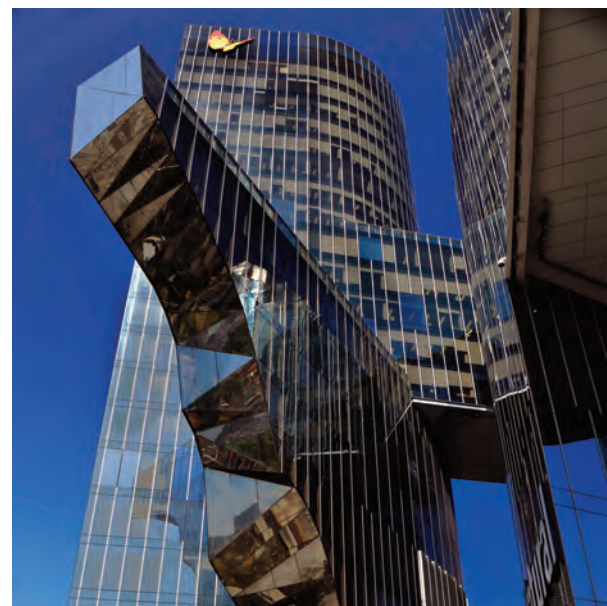
The Audit Department assumes responsibility for verifying compliance with the policies, standards and controls put in place by senior management in order to assess the operational risks of the processes and prevent and identify internal control weaknesses, including those that are related to ethical issues such as fraud, corruption and bribes. Depending on the results obtained, action plans are then designed focused on implementing corrective measures.

In 2009, 186 internal audit projects were developed, 26 of which corresponded to the review of processes associated with the main operational risks of the general corporate and business departments in the Gas Natural Group.

In addition, given its organisational position of independence and transverse nature, the Internal Audit Department takes part in or leads the relevant projects from the point of view of compliance with internal codes of conduct, and chairs the Code of Ethics Committee.

Non-compliances and fines

In 2009, the Gas Natural Group did not register any kind of administrative sanction or fine, either nationally or internationally, due to (i) breaches of laws or voluntary codes relating to the impact of its products and services on its customers' health and safety, (ii) respecting privacy and leaking of its customers' personal data (iii) breach of the laws and regulations (administrative sanction or fine being taken to be those which are final given that all administrative and legal appeals have been exhausted, and which do not exceed 60,000 euros). Nevertheless, it is important to note the rulings by the National Competition Commission (CNC) of April 2009 for the breaching of Defence of Competition Act, Law 15/2007, which imposes fines on the leading electrical companies, including



the Gas Natural Group, for 5 million euros. The Company has lodged an appeal against this ruling.

The above information offered in this 2009 Corporate Responsibility Report is based on the lists available in the Gas Natural Group Legal Services Department.

It is worth highlighting that all the Gas Natural Group activities are in keeping with current local legislation. The Company places particular emphasis on the appropriate and transparent provision of the information on the products and services it provides.



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Awards and Recognition



Acknowledgement in responsible investment indices

- For the eighth successive year, the Gas Natural Group was included in the FTSE4Good sustainability index.
- The Gas Natural Group is currently the leader in the gas distribution sector of this index and the only sector company included on the European variant DJSI STOXX.
- The Gas Natural Group was judged to be the best positioned Spanish utility company in the Carbon Disclosure Project Global 500 report.
- The Gas Natural Group, one of the members of the KLD Climate 100 Index, made up of 100 global companies which stand out for their contribution towards climate change.
- The Gas Natural Group was included in the ECO10 stock market index created by Dow Jones for *El Economista* newspaper.

Awards and recognition given to the Gas Natural Group

- Gas Natural BAN and the Gas Natural Foundation in Argentina were recognised for their social commitment, work in solidarity and good practices in corporate responsibility. Two of the organisations which applauded the Company's role are the US Chamber of Commerce in the Republic of Argentina, which gave the Company the Corporate Citizenship Award in the "Community" category, and the Spanish Chamber of Commerce of the Republic of Argentina (CECRA), which gave the Company the "Solidarity Work 2008" award.
- The Chairman of the Group, Salvador Gabarró, collected the prize for the "Best Financial Operation of 2008," awarded by readers of *Mi cartera de inversión* magazine.
- Unión Fenosa was named as the best listed company of 2008 by the readers of *Mi cartera de inversión* magazine.
- The Group's Chairman, Salvador Gabarró, received a 2009 Golden Microphone award from the Federation of Radio and Television Associations to acknowledge his track record at the head of the Company.
- The Corporate Social Responsibility Forum (RSE), created in Confindustria (Bari) in 2008, recognised Gas Natural Italia as the pilot model for the whole Italian territory.



- For the fourth successive year, the CEG gas devices laboratory received the Conpet quality award given by the Brazilian Labelling Programme.
- The Mexican Philanthropic Centre (CEMEFI) gave Gas Natural México the Socially Responsible Company award for the fourth successive year.
- The companies of the Gas Natural Group were among the best in Brazil, according to the *Exame* magazine, which includes a ranking of a thousand of the most relevant companies in Brazil. The Group companies are in the list of the first 100 countries, also distinguishing between the best within the gas and the energy sectors.
- Gas Natural México was recognised, for the third year in a row, as "Super Enterprise", one of the best companies to work in, according to *Expansión* magazine and the Top Companies consultant.
- Red Unión Fenosa in Moldova received the 2008 Award as the most popular company to develop one's career in that country.
- The manager of New Technologies in R&D of Unión Fenosa received the Technology Transfer Award granted by the US Electric Power Research Institute.
- The Gas Natural Group was awarded the Gonzalo Quiroga special financial excellence prize of the Spanish Association of Financial Managers and Company Treasurers (ASSET) for its success in the merger with Unión Fenosa.
- The Gas Natural Group was awarded a prize by the Adecco Foundation for its commitment towards labour integration.
- The Platts Top 250 ranking of energy companies placed the Gas Natural Group as the first-ranking company in the gas sector worldwide.
- The Gas Natural Group was given a Golden World Award by the International Public Relations Association (IPRA) in the Financial Services & Investor Relations category, for its communications strategy during the merger operation with Unión Fenosa.
- For the second successive year, the Gas Natural Group was given the Gold Class Award, identifying the best companies in the sector, in the 2009 Sustainability Yearbook prepared by Sustainable Asset Management.
- Gas Natural Navarra was awarded the ASTER Corporate Track Record Prize by the Business & Marketing School (ESIC).



Contents and GRI Indicators

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EN6 (A)	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	88-89
EN7 (A)	Initiatives to reduce indirect energy consumption and reductions achieved.	88-89



GRI code	GRI description	Pages
Aspect: Water		
EN8 (P)	Total water withdrawal by source.	78
EN9 (A)	Water sources significantly affected by withdrawal of water.	78
EN10 (A)	Percentage and total volume of water recycled and reused.	78
Aspect: Biodiversity		
EN11 (P)	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high bio-diversity value outside protected areas. Identify operational sites owned, leased, managed in, located in, adjacent to, or that contain protected areas and areas of high biodiversity value outside protected areas.	87
EN12 (P)	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	87-88
EN13 (A)	Habitats protected or restored.	87
EN14 (A)	Strategies, current actions, and future plans for managing impacts on biodiversity.	88
EN15 (A)	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	86
Aspect: Emission, Spills and Waste		
EN16 (P)	Total direct and indirect emissions of greenhouse gas emissions, by weight.	69, 83
EN17 (P)	Other relevant indirect green-house gas emissions by weight.	83
EN18 (P)	Initiatives to reduce greenhouse gas emissions and reductions achieved.	83
EN19 (P)	Emissions of ozone-depleting substances by weight.	75
EN20 (P)	NO _x , SO _x , and other significant air emissions by type and weight.	74
EN21 (P)	Total water discharge by quality and destination.	78
EN22 (P)	Total weight of waste by type and disposal method.	76-77
EN23 (P)	Total number and volume of significant spills.	88
EN24 (A)	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	77
EN25 (A)	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoffs.	78
Aspect: Products and Services		
EN26 (P)	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	88, 89
EN27 (P)	Percentage of products sold and their packaging materials that are reclaimed by category.	(Note 2)
Aspect: Compliance with Laws		
EN28 (P)	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	72
Aspect: Transport		
EN29 (A)	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.	83
Aspect: General		
EN30 (A)	Total environmental protection expenditures and investments by type.	73



Society Performance Indicators: Labour Practices and Decent Work

Pages

Management Approach

30-32, 92-94, 110-112

GRI code	GRI description	Pages
Aspect: Employment		
LA1 (P)	Total workforce by employment type, employment contract, and region.	94, 97
LA2 (P)	Total number and rate of employee turnover by age group, gender, and region.	93-95, 102
LA3 (A)	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	100-101
Aspect: Relations Company/Employees		
LA4 (P)	Percentage of employees covered by collective bargaining agreements.	98
LA5 (P)	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	98-99
Aspect: Occupational Health and Safety		
LA6 (A)	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	117
LA7 (P)	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region.	115
LA8 (P)	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	112-113, 117
LA9 (A)	Health and safety topics covered in formal agreements with trade unions.	117
Aspect: Education and Training		
LA10 (P)	Average hours of training per year per employee by employee category.	105
LA11 (A)	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	104
LA12 (A)	Percentage of employees receiving regular performance and career development reviews.	102
Aspect: Diversity and Equal Opportunities		
LA13 (P)	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	93, 132-133
LA14 (P)	Ratio of basic salary of men to women by employee category.	97

Society Performance Indicators: Human Rights

		Pages
Management Approach		30-31, 130-131
GRI code	GRI description	Pages
Aspect: Investment and Supply Practices		
HR1 (P)	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	134-136
HR2 (P)	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	136
HR3 (A)	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	134-136
Aspect: Non-Discrimination		
HR4 (P)	Total number of incidents of discrimination and actions taken.	134-136
Aspect: Freedom of Association and Collective Agreements		
HR5 (P)	Operations identified in which the right to exercise freedom of association or collective bargaining may be at significant risk, and actions taken to support these rights.	98-99
Aspect: Child Exploitation		
HR6 (P)	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	134
Aspect: Forced Labour		
HR7 (P)	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures taken to contribute to the elimination of forced or compulsory labour.	134
Aspect: Safety Practices		
HR8 (A)	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.	114
Aspect: Rights of Indigenous People		
HR9 (A)	Total number of incidents of violations involving rights of indigenous people and actions taken.	134

Society Performance Indicators: Society

Pages

Management Approach

30-31, 120-121, 130-131

GRI code	GRI description	Pages
Aspect: Community		
SO1 (P)	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	20-24, 122-123
Aspect: Corruption		
SO2 (P)	Percentage and total number of business units analysed for risks related to corruption.	139
SO3 (P)	Percentage of employees trained in organisation's anti-corruption policies and procedures.	134-136
SO4 (P)	Actions taken in response to incidents of corruption.	134-136
Aspect: Public Policy		
SO5 (P)	Public policy positions and participation in public policy development and lobbying.	128
SO6 (A)	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	(Note 3)
Aspect: Unfair Competition		
SO7 (A)	Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices, and their outcomes.	139
Aspect: Compliance with Laws		
SO8 (P)	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	139

**Society Performance Indicators: Product Responsibility**

Pages

Management Approach

30-31, 42, 43, 110-111

GRI code	GRI description	Pages
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Aspect: Customer Health and Safety

PR1 (P)	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	46, 118
PR2 (A)	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.	139

Aspect: Labelling of Products and Services

PR3 (P)	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	(Note 4)
PR4 (A)	Total number of non-fulfilment with the regulation and the voluntary codes related to the information and labelling of products and services, distributed in accordance with the type of result of the said incidents.	139
PR5 (A)	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	46

Aspect: Marketing Communications

PR6 (P)	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	53
PR7 (A)	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.	139

Aspect: Customer Privacy

PR8 (A)	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	139
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Aspect: Compliance with Laws

PR9 (P)	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	139
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Notes:

- (1) The cooling systems and fire extinguishing systems of the Gas Natural Group comply with current environmental legislation with regard to the non-use of chlorofluorocarbon (CFC) substances. Moreover, the use of natural gas absorption cooling systems facilitates the implementation of measures for eliminating the CFCs used in compression cooling cycles. Absorption uses coolants with a zero Ozone Depletion Potential (ODP) on the ozone layer. Natural gas absorption cooling cycles (using ammonia-water or lithium bromide-water mixtures) contribute to the international policy for the elimination of CFCs.
- (2) The commercial activity of the Gas Natural Group does not involve manufacturing.
- (3) Through its Code of Ethics, the Gas Natural Group states its stance against improper remuneration and influence peddling.
- (4) The Gas Natural Group is governed by Spanish law regulating the information that supply companies must provide on the safe use of gas.

AR: 2009 Annual Report.

CGR: 2009 Corporate Governance Report.



Electricity Sector Indicators

Pages

Management Approach

30-31, 42, 43, 68-69, 92-93, 110-111

GRI code	GRI description	Pages
Aspect: Organisation Profile		
EU1	Installed capacity, broken down by primary energy source and by regulatory regime.	16
EU2	Net energy output, broken down by primary energy source and by regulatory regime.	16
EU3	Number of residential, industrial, institutional and commercial customer accounts.	45
EU4	Length of above and underground transmission and distribution lines by regulatory regime.	17, 51
EU5	Assignment of CO ₂ emission rights or equivalent, broken down by carbon market.	83
Aspect: Information on Economic Management Approach		
EU6	Management approach to ensure short and long-term electricity availability and reliability.	58, 59
EU7	Demand-side management programs including residential, commercial, institutional and industrial programs.	84
EU8	Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development.	21-22
EU9	Provisions for decommissioning of nuclear power sites.	74
EU10	Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime.	58-59
EU11	Average generation efficiency of thermal plants by energy source and by regulatory regime.	16
EU12	Transmission and distribution losses as a percentage of total energy.	17
Aspect: The Environment		
EU13	Biodiversity of offset habitats compared to the biodiversity of the affected areas.	85-86
Aspect: Management Approach on Labour Practices and Standards		
EU14	Programs and processes to ensure the availability of a skilled workforce.	107-108
EU15	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region.	103-104
EU16	Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors	112-113
Aspect: Performance Indicators		
EU17	Days worked by contractor and subcontractor employees involved in construction, operation & maintenance activities.	116
EU18	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training.	114
Aspect: Community		
EU19	Stakeholder participation in the decision making process related to energy planning and infrastructure development.	24
EU20	Approach to managing the impacts of displacement.	24
EU21	Contingency planning measures, disaster/emergency management plan and training programs, and recovery/restoration plans.	118

GRI code	GRI description	Pages
Aspect: Social Performance Indicator		
EU22	Number of people physically or economically displaced and compensation, broken down by type of project.	24
Aspect: Social Performance Indicator		
EU23	Programs, including those in partnership with government, to improve or maintain access to electricity and customer support services.	25, 127
EU24	Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity and customer support services.	52
Aspect: Product Responsibility Indicators		
EU25	Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases.	118
EU26	Percentage of population unserved in licensed distribution or service areas.	23
EU27	Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime.	46
EU28	Power outage frequency.	47
EU29	Average power outage duration.	47
EU30	Average plant availability factor by energy source and by regulatory regime.	17

Global Compact, MDGs and GRI

Principles	GRI indicators (direct relevance)	GRI indicators (indirect relevance)	Millennium Development Goals
Human Rights			
Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence.	HR1-9	LA4, LA13, LA14; SO1 EU16, EU18, EU20, EU24, EU26	Goal 1: Eradicate extreme poverty and hunger. Goal 2: Achieve universal primary education.
Principle 2. Business should ensure that their own operations are not complicit in human right abuses.	HR1-2, HR8	EU16, EU18, EU20, EU26	Goal 3: Promote gender equality and empower women. Goal 4: Reduce child mortality. Goal 5: Improve maternal health. Goal 6: Combat HIV/AIDS, malaria and other diseases. Goal 7: Ensure environmental sustainability. Goal 8: Develop a global partnership for development.
Workplace			
Principle 3. Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.	HR5; LA4,LA5		Goal 2: Achieve universal primary education. Goal 3: Promote gender equality and empower women.
Principle 4. Business should uphold the elimination of all forms of forced and compulsory labour.	HR7	HR1-3	
Principle 5. Business should uphold the effective abolition of child labour.	HR6	HR1-3	
Principle 6. Business should eliminate discrimination in respect of employment and occupation.	HR4; LA2,LA13,LA14	HR1-2; EC5, EC7; LA3	
The Environment			
Principle 7. Business should support a precautionary approach to environmental challenges.	4.11	EC2 EU9	Goal 7: Ensure environmental sustainability.
Principle 8. Business should undertake initiatives to promote greater environmental responsibility.	EN2, EN5-7, EN10, EN13-14, EN18, EN 21-22, EN26-27, EN30 EU8, EU13	EC2; EN1, EN3-4, EN8-9, EN11-12, EN15-17, EN19-20, EN23-25, EN28-29; PR3-4	
Principle 9. Business should encourage the development and diffusion of environmentally-friendly technologies.	EN2, EN5-7, EN10, EN18, EN26-27 EU7, EU8		
Anti-Corruption			
Principle 10. Business should act against corruption in all its forms, including extortion and bribery.	SO2-4	SO5-6	

Note: The underlined GRI indicators correspond to those included in the Sector Supplement for the Utilities sector.



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INDEPENDENT REVIEW REPORT ON THE 2009 CORPORATE RESPONSIBILITY REPORT

To the Management Committee of Gas Natural SDG, S.A.

Scope of our work

We have carried out our review of the following aspects of 2009 Corporate Responsibility Report (hereon, 2009 CRR) of Gas Natural SDG, S.A. and its Group of companies (hereon, Gas Natural) for the year ended 31 December 2009:

- the adaptation of the contents of the 2009 CRR to the Guidelines for preparing Sustainability Reports of the Global Reporting Initiative (GRI) version 3.0 (G3) (hereon, GRI-G3), and the validation of the core and additional performance indicators proposed in the Guidelines and in the Electric Utilities Sector Supplement of GRI.
- the adaptation of the contents of the 2009 CRR to the principles of inclusivity, materiality and responsiveness of Standard AA1000 AccountAbility Principles Standard 2008, issue by AccountAbility, Institute of Social and Ethical Accountability (hereon, AA1000APS (2008)).

The preparation of the 2009 CRR, its contents, and the self-declaration of A+ application level of the GRI-G3 Guidelines granted by GRI, is the responsibility of Management of Gas Natural, which is also responsible for defining, adapting and maintaining the management and internal control systems from which the information is obtained. Our responsibility is to issue an independent report based on the procedures performed in our review.

Verification criteria and procedures

We have carried out our review work in accordance with Standard ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), at its limited assurance level of the evidence that supports the information provided on the core and additional performance indicators for FY 2009. Furthermore, we have carried out our work in accordance with Standard AA1000 Assurance Standard 2008 of AccountAbility under a moderate Type 2 assurance engagement, which



engagement, which covers not only the nature and scope of compliance by the Organisation with the principles of Standard AA1000APS (2008), but also evaluates the reliability of the information regarding the sustainable performance of Gas Natural, as indicated in the scope of our work.

Our review has consisted of interviews with Management and different Gas Natural units that have participated in the preparation of the 2009 CRR, as well as the application of certain analytical procedures and others aimed at compiling evidence proving the information presented in the 2009 CRR. The scope of a limited review, such as this, is lower than a reasonable assurance engagement and, consequently, so is the level of assurance provided. During the course of our review we have carried out the following procedures:

- Meetings with the personnel of Gas Natural in order to ascertain the management approaches applied to obtain the necessary information for the external review.
- Analysis of the processes for compiling and validating the information presented in the 2009 CRR.
- Analysis of the bringing into line of the contents of the 2009 CRR, at their self-declaration A+ level, with the GRI-G3 Guidelines and the Electric Utilities Sector Supplement of the GRI, and the principles of AA1000APS (2008).
- Analysis of the documentation and action taken in relation to the application of the principles of inclusivity, materiality and responsiveness of Standard AA1000APS (2008), based on the requirements of the different stakeholders.
- Review of the information related to the management approaches applied to each group of indicators.
- Verification, through analytical reviews and substantive testing based on the selection of samples, of the consistency and reasonability of the quantitative and qualitative information of the indicators and their appropriate compilation based on the data provided by the information sources of Gas Natural.

Independence

We have performed our work in accordance with the independence rules set down by the Code of Ethics of the International Federation of Accountants (IFAC). Our work has been carried out by a team of sustainability experts with a wide range of experience in reviews of reports of this kind.

Conclusion

On the basis of the results of our review, we have not identified any significant deviations or omissions with respect to:

- The reasonability and consistency of the information reported in the 2009 CRR regarding the core and additional performance indicators.



- The preparation of Gas Natural's 2009 CRR, at the self-declaration A+ level granted by GRI, in accordance in all the significant aspects, with the Guidelines for the preparation of GRI-G3 Sustainability Reports and the Electric Utilities Sector Supplement of GRI.

Furthermore, we have not identified any significant deviations or omissions in the preparation of the 2009 CRR in accordance with the principles of inclusivity, materiality and responsiveness under Standard AA1000APS (2008). Specifically:

- As for the principle of inclusivity under AA1000APS (2008), no significant deviations or omissions in the information presented by the Management of Gas Natural have come to our attention that would cause us to believe that the Management of Gas Natural has not established a process for the involvement and participation of the stakeholders through which Gas Natural Management identifies who its stakeholders are and understands in a balanced and thorough manner what their expectations are and how to involve them.
- As for the principle of materiality under AA1000APS (2008), no significant deviations or omissions in the information presented by the Management of Gas Natural have come to our attention that would cause us to believe that the Gas Natural Management does not have a balanced understanding of the relevant sustainability issues and the expectations of its stakeholders.
- As for the principle of responsiveness under AA1000APS (2008), no significant deviations or omissions in the information presented by the Management of Gas Natural that would cause us to believe that the Management of Gas Natural does not have a process for providing the appropriate responses to relevant matters and the expectations of its stakeholders, or a communications system with the stakeholders in relation to the establishment, management and follow up of sustainability policies and objectives.

Recommendations

Additionally, as a result of our review, we would like to put forward certain comments and recommendations regarding the areas where improvements could be in the application of the principles of inclusivity, materiality and responsiveness that would be presented to Gas Natural Management in an internal document. We set out below a summary of our most significant recommendations, which do not modify the conclusions expressed in this report.

Inclusivity

Gas Natural carries out actions to ascertain the concerns and expectations of its stakeholders in order to evaluate the main risks and opportunities related to its businesses. From this point of view, Gas Natural presents the main specific dialogue actions by stakeholder in its 2009 CRR as well as indicators following the evolution of these expectations.

We recommend that Gas Natural continue moving forward in the implementation of the overall systematic management of its relations with its stakeholders that would allow it to improve its current assessment of the perceptions and expectations of each of its key stakeholders.

(3)



Materiality

Gas Natural frequently updates a materiality study in order to identify the features that its stakeholders hold relevant. This study has mainly included in 2009 the relevant aspects arising from the merger of the Gas Natural Group and Unión Fenosa, the information required by the DJSI and FTSE4Good, the questions posed in the GRI for the Electric Utilities Sector and the Reprak analysis points.

We recommend that Gas Natural continue updating this materiality study periodically in order to set up a systematised procedure for assessing the issues that are material to each stakeholder both at the corporate level and across the globe.

Responsiveness

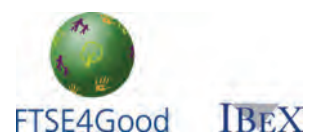
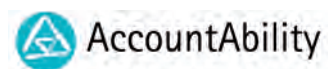
The Board of Directors adopted the CR policy at the end of 2008. This policy formalises the seven commitments of the company to its stakeholders, taking as its basis the Mission, Vision and Values and the strategic priorities of Gas Natural. The 2009 CRR of Gas Natural presents, for each of its commitments, the actions proposed in 2009, the actions carried out, an assessment of their achievement, and the actions forecast for 2010.

Going forward, we recommend that Gas Natural expand on the information in the CRR regarding practical cases of how it has given direct responses to the specific expectations of its stakeholders, as well as revise its CR policies to bring them into line with the new strategic plan of Gas Natural.

PricewaterhouseCoopers Auditores, S.L.

Ferran Rodríguez
Partner
Barcelona, 26 March 2010





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