

## ANNEX 1

### ANNUAL REPORT ON REMUNERATION TO DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

#### IDENTIFYING DATA OF ISSUER

<b>END DATE OF THE REFERENCE FINANCIAL YEAR</b>	31/12/2015
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#### **COMPANY NAME**

GAS NATURAL SDG, S.A.

#### **REGISTERED ADDRESS**

PLAZA DEL GAS, 1 BARCELONA

# TEMPLATE FOR THE ANNUAL REPORT ON REMUNERATION TO DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

## A REMUNERATION POLICY OF THE COMPANY FOR THE CURRENT YEAR

A.1 Explain the company's remuneration policy. This section should include information on the following:

- Principles and general fundamentals of the remunerations policy.
- Most significant changes made to the remunerations policy compared to the one applied during the previous financial year, as well as changes made during the year to conditions for exercising options that have already been granted.
- Criteria used, and composition of comparable business groups, whose remuneration policies have been examined as part of establishing the company's remuneration policy.
- Relative importance of variable remuneration items compared to fixed items, and criteria used to determine the different components of remuneration packages for directors (remuneration mix).

### Explain the remuneration policy

When establishing remuneration policies, the company's aim is to generate value for the group in a sustained manner over time, while ensuring the transparency and competitiveness of its remuneration policy.

The remuneration policy for directors was approved at the General Meeting of Shareholders held on 14 May 2015. It is periodically laid down and reviewed by the Board of Directors following proposals for the Appointments and Remuneration Committee, with the aim of keeping the company's remuneration policy in line with reference market best practices.

Some of the policy decisions corresponding to 2016 have already been adopted - relating to directors' remuneration for their status as such - and it is envisaged that another part will be adopted by the Board of Directors at the end of the month of February - regarding the Managing Director's remuneration for its executive functions -.

A. Remuneration for directors for their status as such is based on the following principles:

- Must be enough to compensate them for their time spent, position and responsibility, without compromising their independence.
- Must heed a market criterion, pursuant to the fixed remuneration for directors of listed companies of a similar size to GAS NATURAL SDG, S.A.

Art. 44 of the Articles of Association sets out a remuneration system based on a fixed annual allocation, and the remunerations policy approved at the General Meeting of Shareholders on 14 May 2015 established a maximum annual amount of €5,000,000.

It also established that this maximum amount will be distributed by the Board of Directors, with remuneration being different based on the committee or committees on which each Director sits, and the time spent, and responsibility required from each of them. Similarly, it may be different depending on the responsibility and functions taken on by each Director on the board or committees. It is left to the judgement of the Board of Directors to examine other circumstances, which should be objective and applied transparently.

B. The remuneration policy for the Managing Director, for performing executive functions as detailed in section A.3, is adapted to the general remuneration policy for Gas Natural Fenosa Group executive personnel, with the aim of achieving a balance between its different elements (fixed and variable, annual and multiannual), considering the following, among other aspects:

- Basic Remuneration: This will be assigned annually, as determined by the Board of Directors following a proposal by the Appointments and Remuneration Committee, added to the fixed remuneration earned by sitting on the Board of Directors and its Committees. The sum of both makes up the fixed monetary remuneration.

Basic remuneration will vary on an annual basis based on a decision by the Board of Directors and following a report by the Appointments and Remuneration Committee, depending on the evolution of company results and on remunerations observed in similar companies.

- Variable remuneration: this represents a major part of total remuneration and is linked to achieving pre-set, specific and quantifiable objectives directly related to creating value for shareholders.
  - Annual variable remuneration is based on achieving the objectives set out in the Objective-Based Management Plan and the company's results. In the case of the Managing Director, they are mainly aimed at compliance with the budget approved at the start of the year by the Board of Directors.
  - Multiannual variable remuneration is based on achieving objectives aligned with a group of key indicators, consistent with the company's current Strategic Plan.

- Other variable remuneration: In the case of extraordinary transactions, the Board of Directors may establish remuneration linked to specific pre-established objectives, to give an incentive to achieving the objectives linked to these extraordinary transactions. Similarly, in exceptional cases the Board of Directors may establish remuneration in consideration of extraordinary achievements that make decisive contributions to the company's results.

- Social Welfare Systems: It is recognised that the Managing Director enjoys the same social welfare conditions supplementary to the protective action of Social Security, as those recognised for company executives, although these conditions are channelled through instruments suitable for the commercial nature of the relationship between the Managing Director and the company. The Managing Director's remuneration packet is, accordingly, supplemented with a social welfare system comprising: Group Savings Insurance, Pension plan and life insurance. These instruments are detailed in section A.5 of this report.

- Social Benefits: in addition, and according to the principles behind the Managing Director's remuneration policy, their remuneration packet is supplemented by health insurance and a gas and electricity consumption bonus. These benefits are detailed in section A.10 of this report.

Regarding performance of executive functions, the basic remuneration established by the Board of Directors for their status as a Director, and the annual and multiannual variable remuneration earned, by the Managing Director, represents the following percentages in 2015 in relation to their total monetary remuneration; it is estimated that the proportion will be substantially similar in 2016:

Basic remuneration for sitting on the board  
Variable Mr. Rafael Villaseca Marco 35% 8% 57 %

## A.2 Information about the preparatory work and decision making process followed to determine remuneration policy and, if applicable, the role played by the Remuneration Committee and other oversight entities in the configuration of the remuneration policy. If applicable, this information will include the powers and composition of the Remuneration Committee and the identity of any external consultants whose services are used to define the remuneration policy. The nature of any directors who, if applicable, have participated in the definition of the remuneration policy, will also be stated.

### Explain the process used to determine the remuneration policy

It is the responsibility of the Appointments and Remuneration Committee to propose the company's director remuneration criteria to the Board, as well as to ensure the transparency of remunerations. It is the responsibility of the Board of Directors to approve the Managing Director's remuneration for their executive functions and the remuneration of directors, due to their status as such, within the framework approved at the General Meeting of Shareholders.

Article 44 of the articles of Association states that remuneration to be received by directors, due to their status as such, will consist of a fixed allocation, and that the remuneration policy should necessarily include the maximum yearly amount of the remuneration to be paid to the group of directors with this status. Article 22 of the Board of Directors Regulations sets out general guidelines for the process used to determine the remuneration policy, and states:

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

As regards the composition of the Appointments and Remuneration Committee, article 31.1 states:

"The Appointments and Remuneration Committee shall comprise a minimum of three and a maximum of five Directors, appointed by the Board of Directors from among non-executive Directors, considering their knowledge and aptitudes. Members' status as directors shall cease when so agreed by the Board of Directors, or after a period of three years following their appointment; they may be re-elected.

At least two members of the Appointments and Remuneration Committee shall be considered as Independent Directors, from among whom the Board of Directors shall elect the Chair thereof, who will not hold a casting vote. The committee secretary shall be the secretary of the Board of Directors."

Accordingly, the committee has the following composition:

Position Name Status  
Chair Mr. Miguel Valls Maseda Independent  
Member Mrs. Cristina Garmendia Mendizábal Independent  
Member Mr. Antonio Brufau Niubó Proprietary  
Secretary Mr. Manuel García Cobaleda Non-director Secretary

All committee members have extensive experience and knowledge in accordance with committee obligations.  
Mr. Santiago Cobo Cobo was replaced by Mrs. Cristina Garmendia Mendizábal at the General Meeting of shareholders on 14 May, 2015

A. Remuneration for members of the Board of Directors, with their status as such, for 2016 was determined by the Board of Directors at its meeting on 29 January 2016, following a proposal and report by the Appointments and Remuneration Committee on the same date. The amounts are detailed in section A.3.

B. The executive Chair's contract does not envisage remuneration for executive functions.

In the case of the Managing Director's remuneration for their executive functions, and in order for remuneration to be approved for the 2016 financial year, the Appointments and Remuneration Committee is anticipated to make its proposal during its meeting at the end of February 2016, and this will be approved by the Board during its meeting on the same day, along with the remuneration policy for the executive team as a whole.

**A.3 State the amount and nature of fixed components, including a breakdown if necessary, of remuneration received by executive directors for performing senior management functions, of additional remuneration for serving as chair or member of any of the board's committees, of meal expenses for participating on the board of directors and its committees, and other fixed remuneration received by directors, as well as an estimate of the fixed annual remuneration that these fixed components results in. Identify other benefits that are not paid for in cash, and the fundamental parameters used to grant them.**

<b>Explain the fixed components of the remuneration</b>
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A. Remuneration paid to Directors, due to their status as such, consists of a fixed annual allocation.

The amount allocated for sitting on the Board of Directors or its Committees has not changed for 2016.

The remuneration table for Directors, due to their status as such, is as follows for 2016:

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

Remunerations that may be owed to the Managing Director as a member of the Board of Directors of other group companies are deducted from their variable remuneration.

B. The executive Chair's contract does not envisage remuneration for executive functions.

It is envisaged that the fixed component of the Managing Director's remuneration will be established at the Board of Directors meeting at the end of February 2016.

**A4 Explain the amount, nature and main characteristics of variable components of remuneration systems.**

In particular:

- Identify each of the remuneration plans of which the directors are beneficiaries, their scope, their approval date, implementation date, validity period and main characteristics. In the case of share option plans and other financial instruments, the plan's general characteristics will include information about conditions for exercising these options or financial instruments for each plan.
- State any remuneration for participation in benefits or bonuses, and the reason for which it is granted.

- Explain the fundamental parameters and basis of any annual bonus system.
- The types of directors (executive directors, external proprietary directors, external independent directors or other external directors) who are beneficiaries of remuneration systems or plans that incorporate variable remuneration.
- The basis of these variable remuneration systems or plans and the selected performance assessment criteria, as well as the assessment components and methods used to determine whether or not the assessment criteria in question have been met, and an estimate of the absolute amount of variable remuneration that would result from the current remuneration plan, depending on the degree of fulfilment of hypotheses or objectives taken as a reference.
- If applicable, information should be provided about payment deferral or postponement periods that have been established and/or withholding periods of shares or other financial instruments, if any exist.

<b>Explain the variable components of remuneration systems</b>
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A. Directors, due to their status as such, do not receive this type of remuneration.

B. The executive Chair's contract does not envisage remuneration for executive functions.

The Managing Director's contract envisages variable remuneration for their executive functions.

The purpose of this remuneration is to increase the Managing Director's commitment to the company and give them motivation to perform their functions better, by bringing them into line with the short- and long-term interests of the company and its shareholders.

According to the Managing Director's contract, variable remuneration is configured through two programmes, based on the objectives and their timeframe:

Annual variable remuneration:

Every year, variable annual remuneration involves an appraisal of contributions to achieving pre-established, specific and quantifiable objectives related to economic-financial, efficiency and growth variables, as well as to quality and safety issues. It is linked directly to achieving the objectives set out in the Objective-Based Management Plan. It is paid in a single instalment at the end of the financial year.

The Managing Director's annual variable remuneration corresponding to the 2016 financial year, which will be paid during the first quarter of 2017, will take into account indicators and weightings set in advance by the Board of Directors, following a proposal made by the Appointments and Remuneration Committee at its meeting at the end of February 2016. It is envisaged that the committee will take as a basis the company's budget approved by the Board of Directors during its January 2016 meeting.

Variable annual remuneration is calculated by applying a percentage to the entire amount of fixed monetary remuneration, based on the extent to which pre-established objectives are met. According to that established in the Objective-Based Management Plan's regulations, the maximum compliance percentage is limited to 115%.

Multiannual Variable Remuneration:

Since 2004, the Company has implemented financial incentive programmes for all executive staff, with a three-yearly measurement period. These programmes are linked to achieving medium-term objectives and are aimed at encouraging company loyalty and motivation among key personnel related to these objectives, as well as alignment with maximising the value of Gas Natural Fenosa in a sustained manner over time. These programmes have been approved by the Board of Directors of Gas Natural SDG, SA, following a proposal by the Appointments and Remuneration Committee. The Company Directors are the beneficiaries of these programmes, and they also apply to the Managing Director.

The launch of the 2016-2018 medium-term remuneration programme is likely to be approved by the Board of Directors at the end of February, 2016. Similarly, the 2013-2015, 2014-2016 and 2015-2017 medium term remuneration programs are in force at the end of the 2015 financial year.

This section A.4 describes the characteristics and objectives of the 2013-2015, 2014-2016 and 2015-2017 programmes:

The aforementioned programmes are independent of each other, but they have shared main characteristics. In all cases, there are specific multiannual remuneration plans for the financial years considered in each of them. Each plan is related to compliance, by the end of the period, with a series of strategic objectives and commitments set out the group's Strategic Plan that is in force at any given time, which are aligned directly with shareholder interests, to the extent that they contribute to generating value for the Company.

Compliance with the respective objectives grants the beneficiaries of each plan the right to receive the medium-term variable remuneration during the first quarter of the financial year following the termination of the plan. It is also the responsibility of the Appointments and Remuneration Committee to assess the level of achievement of the pre-established objectives, and its proposal is submitted to the Board of Directors for approval. However, in all cases receiving the incentive is dependent on the beneficiary remaining at the service of the Group until 31 December of the last financial year of the programme, with the exception of special cases considered in its terms and conditions.

In order to determine the degree of compliance of medium-term remuneration programs, economic objectives will be taken into consideration with a certain weighting, for the purpose of establishing the objective's final value.

The economic objectives that have been used are financial optimisation and discipline, and the creation of value for the shareholder.

The indicators and their corresponding weightings established to determine the degree of compliance with medium term remuneration programmes corresponding to financial years 2013-2015, 2014-2016 and 2015-2017, are related to the Company's EBITDA and profitability.

- Net debt / EBITDA. This indicator reflects the number of times that the net debt contains the EBITDA.
- EV/EBITDA. This is determined by the number of times that the Enterprise Value (EV) contains the EBITDA
- Shareholder profitability. Defined as the ratio of the sum of the list price of GNF shares at the end of the programme's validity period, and of the dividends corresponding to one share collected in the period between the list of the GNF share and the start of the programme's validity period
- Fixed asset profitability. Obtained as a ratio between the operating result and fixed assets (net of amortisation and impairment losses) used to achieve it.

The level of compliance with the 4 objectives leads to an overall objectives achievement percentage of between 0 and 100%, with 100% therefore being the maximum limit.

The Managing Director is a beneficiary of the following medium term remuneration programmes currently in force: 2013-2015, 2014-2016 and 2015-2017.

It is the responsibility of the Appointments and Remuneration Committee to establish the degree of compliance with the objectives of each medium-term remuneration program and, in consequence, to propose to the Board of Directors the amounts for the multiannual variable remuneration item for the Managing Director. In turn, the Board of Directors is responsible for agreeing on the amount of the multiannual variable remuneration for the Managing Director, corresponding to the programmes.

The indicators and their corresponding weightings established to determine the degree of compliance with the medium term remuneration programme corresponding to the 2013-2015 financial years, as well as its economic consequences, are detailed in section C.1.

**A.5 Explain the main characteristics of long-term saving systems, including retirement and any other survivor's benefit, financed in part or in full by the company, provided internally or externally, with an estimate of their values or equivalent annual costs, stating the plan type, whether it is a contribution or a defined benefit, conditions for the consolidation of economic rights in favour of directors and their compatibility with any type of compensation due to early termination or termination of the contractual relationship between the company and the director.**

Also state contributions in the director's favour to defined contribution pension plans; or the increase in the director's consolidated rights, in the case of contributions to defined benefit plans.

<b>Explain the long-term saving systems</b>
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A. Directors, due to their status as such, do not receive this type of remuneration.

B. The executive Chair's contract does not envisage remuneration for executive functions.

The Managing Director's contract envisages remuneration of this type for their executive functions.

It is recognised that the Managing Director enjoys the same social welfare conditions supplementary to the protective action of Social Security, as those recognised for company executives, regardless of the fact that these conditions are channelled through instruments suitable for the commercial nature of the relationship between the Managing Director and the company.

The following instruments are used to implement the managing director's welfare systems:

- Group savings insurance: defined as a defined contribution scheme, financed through group insurance policies, with profitability set and guaranteed by the insuring entity.

It is recognised that Directors enjoy the right to receive a series of retirement savings contributions. These contributions will be governed by the rules contained in the Plan Regulations established for this purpose. Gas Natural SDG SA makes annual contributions to this instrument amounting to 20% of total fixed remuneration (basic remuneration plus remuneration for belonging to the Board) of the Managing Director. The contingencies covered by the Plan are retirement, death prior to retirement and permanent disability prior to retirement. They shall have no right to receive any amount for this concept (i) In the event of a very severe and negligent breach of their professional obligations leading to serious injury to the interests of the Company; (ii) In the case of voluntary resignation by a decision by the Managing Director, not based on any of the following reasons:

- A serious breach by the Company of contracted obligations regarding their position.
  - A total or substantial reduction of their duties.
  - A substantial modification of the agreed conditions.
  - A significant change in the ownership of the share capital of the Company, with or without any change in its governing bodies.
- Pension Plan Contribution Instrument defined in terms of the funding of retirement benefits.
- In addition, the Managing Director is the beneficiary of an insurance policy covering the contingencies of death and total permanent disability, or serious disability, before retirement, in which Gas Natural SDG is acting as the policyholder. It is estimated that the premiums for life insurance policies will total €26,700 euros during the 2016 financial year.

#### A.6 Indicate any agreed or paid compensation in the event of the termination of duties as a director.

<b>Explain the compensation</b>
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The Directors, as a result of holding said position do not receive this type of compensation.

#### A.7 Indicate the conditions that the contracts of those who carry out senior management duties as executive directors should adhere to. Among other things, information will be provided on, the duration, limits to the amounts of compensation, permanence clauses, notice periods, as well as the payment to replace said notice periods, and any other clauses relating to signing bonuses, as well as the compensation or financial protection for early termination or termination of the contractual relationship between the company and the executive director. Include, among other things, contracts or agreements relating to non-solicitation, exclusivity, permanence and post-contractual non-competition.

<b>Explain the contract conditions of executive directors</b>
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The Managing Director's contract is permanent.

It includes an agreed notice period of one month except in the case of force majeure, an exclusivity agreement of one year of duties and a confidentiality agreement, both during the term of the contract and after it has expired.

The Managing Director's contract provides for a compensation of an amount of three years of their total salary for certain reasons of termination of the contractual relationship: upon the company's decision, except in the event of serious and culpable breach of their professional obligations that causes serious damage to the interests of Gas Natural SDG SA or upon the decision of the Managing Director, when the termination of the employment relationship is caused by a series of restricted circumstances (serious breach of contract by the company, total or substantial reduction of duties, substantial modification to the contract conditions or a significant change to the Company's shareholding).

In addition, as a post-contractual non-competition agreement, compensation equivalent to one year of their total salary is provided for.

The Chairperson's contract is permanent and is terminated by mutual agreement or by the Chairperson losing their executive position, as Chairperson or as a member of the Board of Directors.

There is no agreed notice period, exclusivity agreement during the performance of their duties or specific confidentiality agreement, without prejudice to the obligation of confidentiality relating to members of the Board of Directors. Nor is there any compensation in the event of termination of the contract.

Both contracts stipulate that the Company must have signed a civil liability insurance policy.

The Company has signed and pays the total premium for the civil liability insurance for the Directors and Executives of GAS NATURAL SDG, S.A. and the majority of the companies belonging to the Group which, therefore, also provides coverage to all the Directors, including the Executive Directors for any liabilities that may arise as a result of the performance of the duties of their job role.



- A.8 Explain any supplementary remuneration that may be due to directors as consideration for services provided other than those required by their job role.

**Explain supplementary remuneration**

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- A.9 Indicate any payments in the form of advances, loans and guarantees awarded, indicating the interest rate, its essential characteristics and the amounts eventually returned, as well as the obligations undertaken on their behalf by way of guarantee.

**Explain the advances, loans and guarantees awarded**

Members of the Board of Directors have not been granted any loans, advances or guarantees.

- A.10 Explain the main characteristics of remuneration in kind.

**Explain remuneration in kind**

The payment package of the Managing Director includes the following remunerations in kind in accordance with the Payment Policy for the Company's management personnel:

- Utility bonus: receive a bonus on electricity and gas rates.
- Healthcare: group policy for reimbursement of costs.

- A.11 Indicate the remuneration accrued by the director by virtue of the payments made by the listed company to a third party in which said director provides services, when said payments are intended to pay for the services of said director in the company.

**Explain the remuneration accrued by the director by virtue of the payments made by the listed company to a third party in which said director provides services**

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- A.12 Any other remunerative item that is not mentioned above, irrespective of its nature or the group entity it is paid to, especially when is it considered to be a linked transaction or its issue distorts the true and fair view of the total remuneration accrued by the director.

**Explain the other remunerative items**

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- A.13 Explain the actions undertaken by the company in relation to the remuneration system to reduce exposure to excessive risks and adapt it to the long-term objectives, values and interests of the company, which will include, where applicable, a reference to: measures provided to guarantee that the remuneration policy considers the long term results of the company; measures that establish an appropriate balance between the fixed and variable components of the remuneration; measures adopted in relation to those categories of personnel whose professional activities have a material impact on the company's risk profile, reimbursement formulas or clauses to claim the repayment of the variable remuneration components based on the results, when said components have been paid according to data that has later been explicitly shown to be imprecise; and measures provided to prevent conflicts of interests, where applicable.

**Explain the actions undertaken to reduce risks**

When establishing remuneration policies, the Company's aim is to generate value for the Group in a sustained manner over time, while ensuring the transparency and competitiveness of its remuneration policy.



With regard to the Managing Director, the application of the aforementioned principle to the variable retribution items (annual and multiannual variable remuneration) involves strengthening the Managing Director's commitment to the interests of the Company and its shareholders in a sustained manner over time.

Annual Variable Remuneration:

Every year, annual variable remuneration involves an appraisal of contributions to achieving pre-established, specific and quantifiable objectives related to economic-financial, efficiency and growth variables, as well as to quality and safety issues. It is linked directly to achieving the objectives set out in the Objective-Based Management Plan.

The objectives established for the Managing Director will mainly correspond to compliance with the Budget approved at the start of the financial year by the Board of Directors.

Multiannual Variable Remuneration:

This is linked to achieving medium-term objectives, with the aim of encouraging company loyalty and motivation among key personnel related to these objectives, as well as alignment with maximising the value of Gas Natural Fenosa in a sustained manner over time, and in accordance with the Strategic Plan in force at any given time.

Each plan is related to compliance with a series of strategic objectives and commitments included in the group's Strategic Plan that is in force at any given time. These are aligned directly with shareholder interests, to the extent that they contribute to generating value for the Company. Both the objectives and the variables used to measure their fulfilment are set in advance by the Board of Directors, following a report from the Appointments and Remuneration Committee.

The economic objectives that have been used are financial optimisation and discipline, and the creation of value for the shareholder.

The indicators and the metrics for both Annual Variable Remuneration and Multiannual Variable Remuneration are set out in section A.4 and section C.1.

## **B REMUNERATION POLICY PLANNED FOR FUTURE FINANCIAL YEARS**

Revoked.

## **C OVERVIEW OF THE APPLICATION OF THE REMUNERATION POLICY DURING THE CLOSED FINANCIAL YEAR**

**C.1 Provide a summarised explanation of the main characteristics of the structure and remunerative items of the remuneration policy applied during the closed financial year, which gives rise to the breakdown of the individual remuneration accrued by each of the directors, shown in section D of this report, as well as a summary of the decisions taken by the board on applying said items.**

### **Explain the structure and remunerative items of the remuneration policy applied during the financial year**

Given that there have been no significant changes to the remuneration policy, the main characteristics and items applied during the closed financial year correspond with the general bases and principles of the remuneration policy set out in section A of this report.

A. The remuneration of the members of the Board of Directors, as a result of holding these positions, remained the same in 2015, meaning that it has remained at the same value since 2007. Notwithstanding the foregoing, the Board of Directors decided to increase the 2015 fixed allocation for holding a position on the Auditing Committee and the Appointments and Remuneration Committee, taking into account the increase in duties, commitment and responsibility that the new corporate governance framework has implemented over recent years, along with the fact that the allocation provided at Gas Natural Fenosa was significantly less than that of most other comparable listed companies. As a result, during 2015, the structure was:

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

The total amount of remuneration in 2015 was: €4,204,500.

In 2015, the amount accrued by the Managing Director for belonging to the Board of Directors of CGE totalled €85,000, calculated based on variable remuneration.

B. The remuneration that the Managing Director received -or, in the case of variable remuneration, will receive- for their executive duties during 2015 is set out below:

1. Basic remuneration: On 27 February 2015, the Board of Directors agreed, upon the proposal of the Appointments and Remuneration Committee, to set the fixed remuneration for executive duties, other than supervisory or decision-making duties, at €1,142,000.

In this session, as with previous years, the Appointments and Remuneration Committee received internal advice from the Company's Human Resource Division and with the external support of global consulting firms relating to remuneration and compensation: Peoplematters, Towerswatson, HayGroup and The Boston Consulting Group, which carried out comparative market studies (benchmarking) on the remuneration level of companies comparable to Gas Natural Fenosa in terms of capitalisation, size, shareholding structure and international scope.

2. When calculating the Managing Director's annual variable remuneration for 2015 -which will be paid in the third quarter of 2016- the indicators and weightings set by the Board of Directors, upon the proposal of the Appointments and Remuneration Committee, were taken into account. Specifically, in 2015, the following objective fulfilment parameters were considered:

- Financial Objectives, including the following -all of which refer to the figures approved in the 2015 Budget approved in January 2014 by the Board of Directors-:
  - Achieving the EBITDA approved for 2015.
  - Achieving the Net Profits approved for 2015.
  - Achieving the ratio approved for 2015 between the Working Capital Fund and the Turnover.
- Efficiency Objective, which is defined as achieving the synergy objectives approved for 2015.
- Business Growth Objectives, which are as follows:
  - Achieving the forecast objective relating to net increase of the gas supply points at the group level.
  - Achieving the forecast sales for LNG abroad.
- Quality, Security and Accident Rate Objectives.

The objectives for 2015 were approved by the Appointments and Remuneration Committee in their session held on 27 February 2015. The evaluation of the degree of fulfilment of these objectives was approved by the Board of Directors in their session held on 29 January 2016. The amount of the Annual Variable Remuneration for 2015 and which will be paid in the first quarter of 2016 is €1,046,000.

3. The multiannual variable remuneration of the Managing Director for the 2013-2015 programme, will be paid in the first quarter of 2016 and the general structure was explained in detail in section AA.

The indicators that were used to determine the degree of fulfilment of the Medium-Term Remuneration Programme corresponding to financial years 2013-2015 are related to the Company's EBITDA and the development of its market capitalisation:

- Net debt / EBITDA. This indicator reflects the number of times that the Net Debt contains the EBITDA.
- EV/EBITDA. This is determined by the number of times that the Enterprise Value (EV) contains the EBITDA.
- Fixed asset profitability. Obtained as a ratio between the operating income and fixed assets (net of amortisation and impairment losses) used to achieve it.
- Shareholder profitability: defined as the ratio of the sum of the list price of shares at the end of the programme's validity period, and of the dividends corresponding to one share collected in the period between the list price of the shares at the start of the programme's validity period.

The evaluation of the degree of fulfilment of these objectives from the 2013-2015 Programme, which matured in 2015 and was approved by the Board of Directors in their session held on 29 January 2016, will be paid in full in the first half of 2016, and will amount to €834,000.

The remuneration accrued will include the amount earned in 2015 for the programmes in force and will total €883,000.

4. The Directors have not received advances, loans or guarantees and there is no shares-based remuneration system.

The contributions to the Managing Director's benefit instruments totalled €289,000 in the 2015 financial year. In the same financial year, the premiums paid for life insurance totalled €26,700.

Also in this financial year, the gas and electricity bonus and the health insurance premium totalled €8,100.

## D BREAKDOWN OF INDIVIDUAL REMUNERATIONS ACCRUED BY DIRECTORS

Name	Type	Accrual period: 2015 financial year
SALVADOR GABARRÓ SERRA	Executive	From 01/01/2015 to 31/12/2015.
ANTONIO BRUFAU NIUBO	Proprietary	From 01/01/2015 to 31/12/2015.
RAFAEL VILLASECA MARCO	Executive	From 01/01/2015 to 31/12/2015.
RAMÓN ADELL RAMÓN	Independent	From 01/01/2015 to 31/12/2015.
ENRIQUE ALCÁNTARA-GARCÍA IRAZOQUI	Proprietary	From 01/01/2015 to 31/12/2015.
XABIER AÑOVEROS TRIAS DE BES	Independent	From 01/01/2015 to 31/12/2015.
FRANCISCO BELIL CREIXELL	Independent	From 14/05/2015 to 31/12/2015.
DEMETRIO CARCELLER ARCE	Proprietary	From 01/01/2015 to 31/12/2015.
ISIDRO FAINÉ CASAS	Proprietary	From 14/05/2015 to 31/12/2015.
BENITA FERRERO-WALDNER	Independent	From 14/05/2015 to 31/12/2015.
CRISTINA GARMENDIA MENDIZABAL	Independent	From 14/05/2015 to 31/12/2015.
EMILIANO LÓPEZ ACHURRA	Independent	From 01/01/2015 to 31/12/2015.
MIGUEL MARTÍNEZ SAN MARTÍN	Proprietary	From 14/05/2015 to 31/12/2015.
HERIBERT PADROL MUNTÉ	Proprietary	From 01/01/2015 to 31/12/2015.
SANTIAGO COBO COBO	Independent	From 01/01/2015 to 14/05/2015.
NEMESIO FERNÁNDEZ-CUESTA LUCA DE TENA	Proprietary	From 01/01/2015 to 14/05/2015.
FELIPE GONZÁLEZ MÁRQUEZ	Independent	From 01/01/2015 to 14/05/2015.
CARLOS LOSADA MARRODÁN	Independent	From 01/01/2015 to 14/05/2015.
JUAN MARÍA NÍN GÉNOVA	Proprietary	From 01/01/2015 to 14/05/2015.
JUAN ROSELL LASTORTRAS	Proprietary	From 01/01/2015 to 31/12/2015.
LUÍS SUÁREZ DE LEZO MANTILLA	Proprietary	From 01/01/2015 to 31/12/2015.
MIGUEL VALLS MASEDA	Independent	From 01/01/2015 to 31/12/2015.

D.1 Complete the following boxes relating to the individual remuneration of each of the directors (including the remuneration for performing executive duties) accrued during the financial year.

**a) Remuneration accrued in the company referred to in this report:**

**i) Remuneration in cash (thousands of €)**

Name	Salary	Fixed remuneration	Subsistence expenses	Short-term variable remuneration	Long-term variable remuneration	Remuneration for being on the Board committees	Termination benefits	Other items	2015 total	2014 total
SALVADOR GABARRO SERRA	0	550	0	0	0	550	0	0	1,100	1,100
ANTONIO BRUFAU NIUBO	0	127	0	0	0	25	0	0	152	197
RAFAEL VILLASECA MARCO	1,142	127	0	1,054	883	127	0	8	3,341	3,365
RAMÓN ADELL RAMÓN	0	127	0	0	0	121	0	0	248	140
ENRIQUE ALCÁNTARA-GARCÍA IRAZOQUI	0	127	0	0	0	127	0	0	254	254
XABIER AÑOVEROS TRIAS DE BES	0	127	0	0	0	0	0	0	127	127
FRANCISCO BELIL CREIXELL	0	81	0	0	0	25	0	0	106	0
DEMETRIO CARCELLER ARCE	0	127	0	0	0	127	0	0	254	254
SANTIAGO COBO COBO	0	46	0	0	0	9	0	0	55	140
ISIDRO FAINÉ CASAS	0	81	0	0	0	0	0	0	81	0
NEMESIO FERNÁNDEZ-CUESTA LUCA DE TENA	0	46	0	0	0	46	0	0	92	196
BENITA FERRERO-WALDNER	0	81	0	0	0	0	0	0	81	0
CRISTINA GARMENDIA MENDIZABAL	0	81	0	0	0	16	0	0	97	0
FELIPE GONZÁLEZ MÁRQUEZ	0	46	0	0	0	0	0	0	46	127
EMILIANO LÓPEZ ACHURRA	0	127	0	0	0	127	0	0	254	254
CARLOS LOSADA MARRODÁN	0	46	0	0	0	61	0	0	107	266
MIGUEL MARTÍNEZ SAN MARTÍN	0	81	0	0	0	81	0	0	162	0

Name	Salary	Fixed remuneration	Subsistence expenses	Short-term variable remuneration	Long-term variable remuneration	Remuneration for being on the Board committees	Termination benefits	Other items	2015 total	2014 total
JUAN MARÍA NÍN GÉNOVA	0	46	0	0	0	46	0	0	92	254
HERIBERT PADROL MUNTÉ	0	127	0	0	0	0	0	0	127	127
JUAN ROSELL LASTORTRAS	0	127	0	0	0	81	0	0	208	127
LUÍS SUÁREZ DE LEZO MANTILLA	0	127	0	0	0	40	0	0	167	140
MIGUEL VALLS MASEDA	0	127	0	0	0	25	0	0	152	140

**ii) Shares-based remuneration system**

**iii) Long-term saving systems**

Name	Company contribution (thousands of €)		Total accumulated funds (thousands of €)	
	2015 financial year	2014 financial year	2015 financial year	2014 financial year
RAFAEL VILLASECA MARCO	289	273	2,930	2,636

iv) Other benefits (thousands of €)

RAFAEL VILLASECA MARCO			
Remuneration in the form of advances and loans			
Transaction interest rate		Basic characteristics of the transaction	Amounts actually repaid
0.00		n/a	n/a
Life insurance premiums		Guarantees provided by the company for the directors	
2015 financial year	2014 financial year	2015 financial year	2014 financial year
26	35	n/a	n/a



**b) Remuneration accrued by the company directors for being on the boards of other group companies:**

**i) Remuneration in cash (thousands of €)**

Name	Salary	Fixed remuneration	Subsistence expenses	Short-term variable remuneration	Long-term variable remuneration	Remuneration for being on the Board committees	Termination benefits	Other items	2015 total	2014 total
RAFAEL VILLASECA MARCO	0	85	0	0	0	0	0	0	85	10

**ii) Shares-based remuneration system**

**iii) Long-term saving systems**

**c) Remuneration summary (thousands of €):**

The amounts for all remuneration items included in this report that have been accrued by directors should be included in the summary (in thousands of €).

In the case of Long-Term Saving Systems, the contributions or allocations made to these types of systems will be included:

Name	Remuneration accrued in the company				Remuneration accrued in the group's companies				Totals		
	Total cash remuneration	Amounts of shares granted	Net profit of the options exercised	2015 financial year: company total	Total cash remuneration	Amounts of shares delivered	Net profit of the options exercised	2015 financial year: group total	2015 financial year total	2014 financial year total	Contribution to systems of saving during the financial year
SALVADOR GABARRO SERRA	1,100	0	0	1,100	0	0	0	0	1,100	1,100	0
ANTONIO BRUFAU NIUBO	152	0	0	152	0	0	0	0	152	197	0
RAFAEL VILLASECA MARCO	3,341	0	0	3,341	85	0	0	85	3,426	3,375	0
RAMÓN ADELL RAMÓN	248	0	0	248	0	0	0	0	248	140	0
ENRIQUE ALCÁNTARA-GARCÍA IRAZOQUI	254	0	0	254	0	0	0	0	254	254	0
XABIER AÑOVEROS TRIAS DE BES	127	0	0	127	0	0	0	0	127	127	0
FRANCISCO BELIL CREIXELL	106	0	0	106	0	0	0	0	106	0	0
DEMETRIO CARCELLER ARCE	254	0	0	254	0	0	0	0	254	254	0
SANTIAGO COBO COBO	55	0	0	55	0	0	0	0	55	140	0
ISIDRO FAINÉ CASAS	81	0	0	81	0	0	0	0	81	0	0
NEMESIO FERNÁNDEZ-CUESTA LUCA DE TENA	92	0	0	92	0	0	0	0	92	196	0
BENITA FERRERO-WALDNER	81	0	0	81	0	0	0	0	81	0	0
CRISTINA GARMENDIA MENDIZABAL	97	0	0	97	0	0	0	0	97	0	0
FELIPE GONZÁLEZ MÁRQUEZ	46	0	0	46	0	0	0	0	46	127	0
EMILIANO LÓPEZ ACHURRA	254	0	0	254	0	0	0	0	254	254	0
CARLOS LOSADA MARRODÁN	107	0	0	107	0	0	0	0	107	266	0

Name	Remuneration accrued in the company				Remuneration accrued in the group's companies				Totals		
	Total cash remuneration	Amounts of shares granted	Net profit of the options exercised	2015 financial year: company total	Total cash remuneration	Amounts of shares delivered	Net profit of the options exercised	2015 financial year: group total	2015 financial year total	2014 financial year total	Contribution to systems of saving during the financial year
MIGUEL MARTÍNEZ SAN MARTÍN	162	0	0	162	0	0	0	0	162	0	0
JUAN MARÍA NÍN GÉNOVA	92	0	0	92	0	0	0	0	92	254	0
HERIBERT PADROL MUNTÉ	127	0	0	127	0	0	0	0	127	127	0
JUAN ROSELL LASTORTRAS	208	0	0	208	0	0	0	0	208	127	0
LUÍS SUÁREZ DE LEZO MANTILLA	167	0	0	167	0	0	0	0	167	140	0
MIGUEL VALLS MASEDA	152	0	0	152	0	0	0	0	152	140	0
<b>TOTAL</b>	<b>7,303</b>	<b>0</b>	<b>0</b>	<b>7,303</b>	<b>85</b>	<b>0</b>	<b>0</b>	<b>85</b>	<b>7,388</b>	<b>7,218</b>	<b>0</b>

D.2 Report on the relationship between the remuneration accrued by the directors and the results or other performance measures of the company, explaining, where applicable, how the variations in the company's performance have affected the variation in the directors' remuneration.

Already explained in sections AJ3 and C.1 of this report.

D.3 Report on the results of the advisory vote of the general meeting on the annual remuneration report from the previous financial year, indicating the number of votes against, where appropriate, that have been cast:

	Number	% of total
<b>votes cast</b>	805,909,107	80.53%

	Number	% of total
<b>Votes against</b>	65,849,552	8.17%
<b>Votes in favour</b>	726,395,082	90.13%
<b>Abstentions</b>	13,664,473	1.70%

## **E** OTHER INFORMATION OF INTEREST

If there are any other significant aspects relating to remuneration of directors that could not have been included in any of the other sections of this report, but are necessary in order to provide more complete and justified information on the company's remuneration structure and practices for directors, briefly describe them.

It should be noted that, given that figures with decimals are not permitted in the Annual Report Circular on Directors' Remuneration, there are some minor variations in the stated figures with respect to the real figures. Thus, and by way of example, in the summary box "Remuneration accrued in the company referred to in this report: i) Remuneration in cash (thousands of €)", the amount included (127 thousand euros) corresponds to an amount of €126,500.

This annual remuneration report was approved by the Company's Board of Directors in their session held on 29/01/2016.

Indicate if there were any directors who voted against or abstained with regard to the approval of this report.

Yes

No