2014 Corporate Responsibility Report

gasNatural fenosa

Antonio Antón Hurtado.
Situaciones complementarias.
2002.
103 x 183 cm (polyptych, 13 units).
Acrylic on canvas.
Museum of Contemporary Art of Gas Natural Fenosa.

This report reproduces works of art belonging to the Museum of Contemporary Art of Gas Natural Fenosa. Access its website by scanning this QR code with your mobile device.

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2014 Corporate Responsibility Report

Summary

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Letter from the Chairman

[G4-1] and [G4-3]

Dear shareholders,

In 2014, Gas Natural Fenosa once again delivered on our stakeholders' expectations and on our commitments towards them. The stable results achieved and the positive contribution made towards social development, in all the countries and communities in which we operate, have been valued by the market and the main sustainability indices.

Having acquired a presence in Chile through the acquisition of CGE, Chile's leading gas and electricity distributor, our group now operates in over 30 countries and provides a service to over 23 million customers. This significant operation has lead us to operate in seven of the nine largest cities in Latin America, a region in which it is a leader in energy distribution markets. It is also important to consider the progress made in electricity generation businesses and leadership in liquefied natural gas markets worldwide, which reinforce the balanced gas and electricity model, at national and international level.

Throughout this strategy, the customer is the focal point of all our management. That is why we offer customers a quality supply and efficient, innovative services which help them to use energy more efficiently. For example, the broad range of energy services or the progress made in sustainable mobility, something which is a reality in all our markets.

We do so maintaining a solid commitment towards integrity, one example of which is the fact that we have renewed our membership of the UN Global Compact, the approval of an Anticorruption Policy, which reinforces our Code of Ethics; or the progress made in implementing the Human Rights Policy, approved in 2011, an area in which over 12,000 employees have received training.

The company strives to ensure that ethical, sustainable and social principles on which its behaviour is based are applied to the entire value chain, and for that purpose, we have carried out specific actions with our suppliers. On example is the Bettercoal international initiative, which we have actively supported since 2013. This initiative is promoted by the leading European utility companies, and is intended to incorporate these types of criteria in coal supplier management.

The Health and Safety Commitment Plan is another initiative along these same lines, a strategic, unwavering commitment made by Gas Natural Fenosa, which is intended to enhance the safety culture between all the company's employees even further, using a global perspective which can be applied to all operations and activities, with a special focus on suppliers.

Gas Natural Fenosa's connection with its human team members is materialised through an employee value proposal, based on promoting internal recognition and drawing external talent. Particularly noteworthy in this area is the National Alares Award for the Reconciliation of Professional, Family and Personal Life and Social Responsibility, which has been awarded to the group's Human and Social Development Project.

I would also like to highlight our environmental commitment, which is developed on three fronts; climate change, biodiversity and water. In 2014, Gas Natural Fenosa was again mentioned in the Carbon Disclosure Project, which is used to identify the most outstanding companies in terms of the strategy and behaviour as regards climate change, making our group a world leader for the fourth consecutive year.

It is gratifying to see how for yet another year, these and other achievements in corporate responsibility are confirmed through external awards. For the third year in a row, Gas Natural Fenosa was the world leader in sustainability for the gas sector in the Dow Jones Sustainability Index. The company is one of the only five companies in the utilities sector to receive the Gold Class award in the RobecoSAM sustainability yearbook; we have been included in the FTSE4Good index for the thirteenth consecutive year; and are also included in new indices such as the Euronext Vigeo World 120.

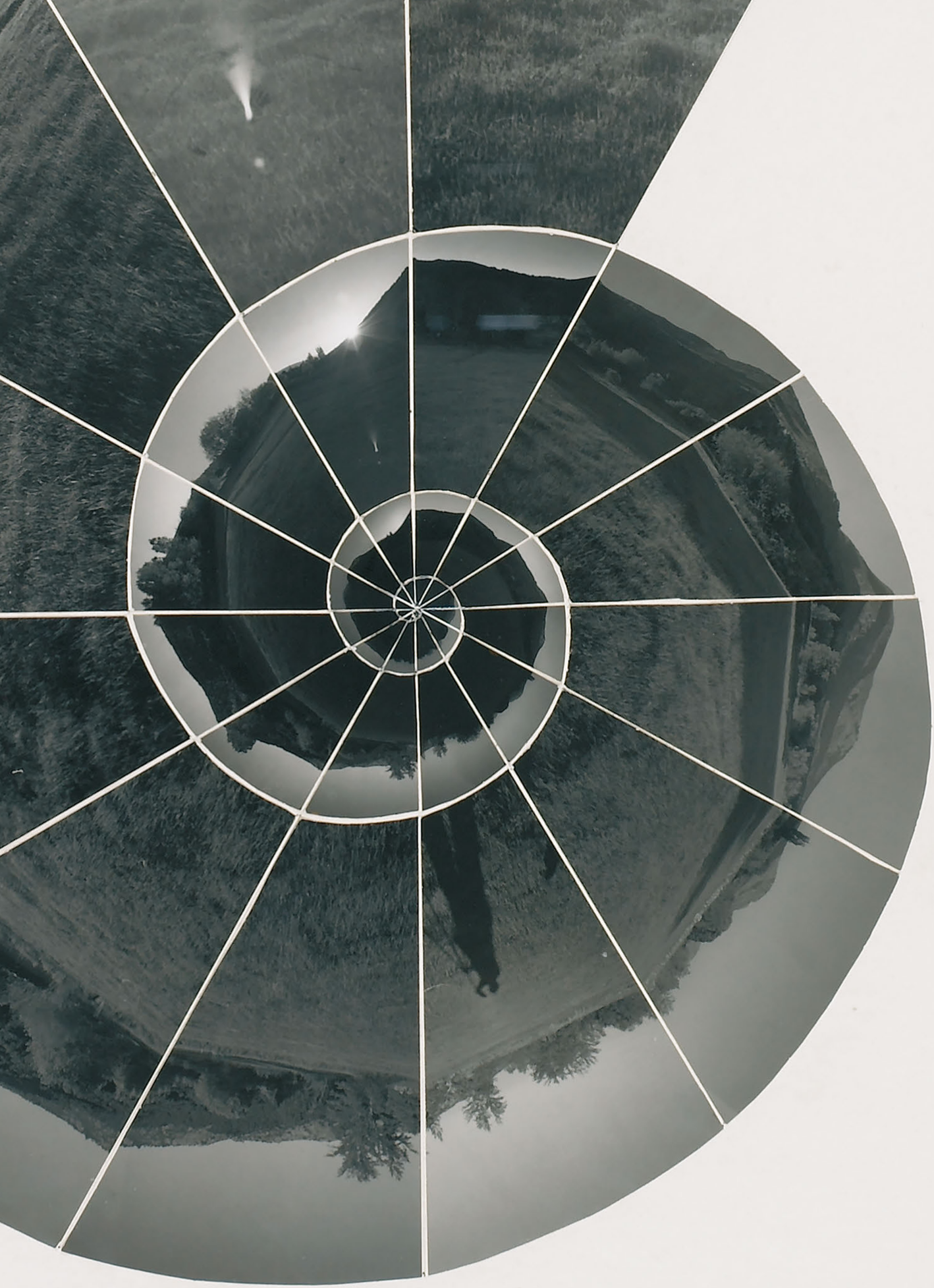
This report has been drawn up following the parameters of the GRI G4 Guidelines, and in it new important aspects of sustainability have been identified, with a special emphasis on the local realities of the countries in which we carry out our activities.

I encourage you to explore all the details of our activities through this Corporate Responsibility Report and the equivalent documents drawn up by our teams in Argentina, Brazil, Colombia, Italy, Mexico, Moldova and Panama. All of them strongly reflect the commitment, dedication and the collective energy of a human team which strives for excellence in all its actions and behaviour.

Salvador Gabarró Serra
Chairman of the Board
of Directors

Business model

Adolfo Schlosser.
Puesta de sol.
2002.
61 x 50 cm.
B/W photography on paper.
Museum of Contemporary
Art of Gas Natural Fenosa.



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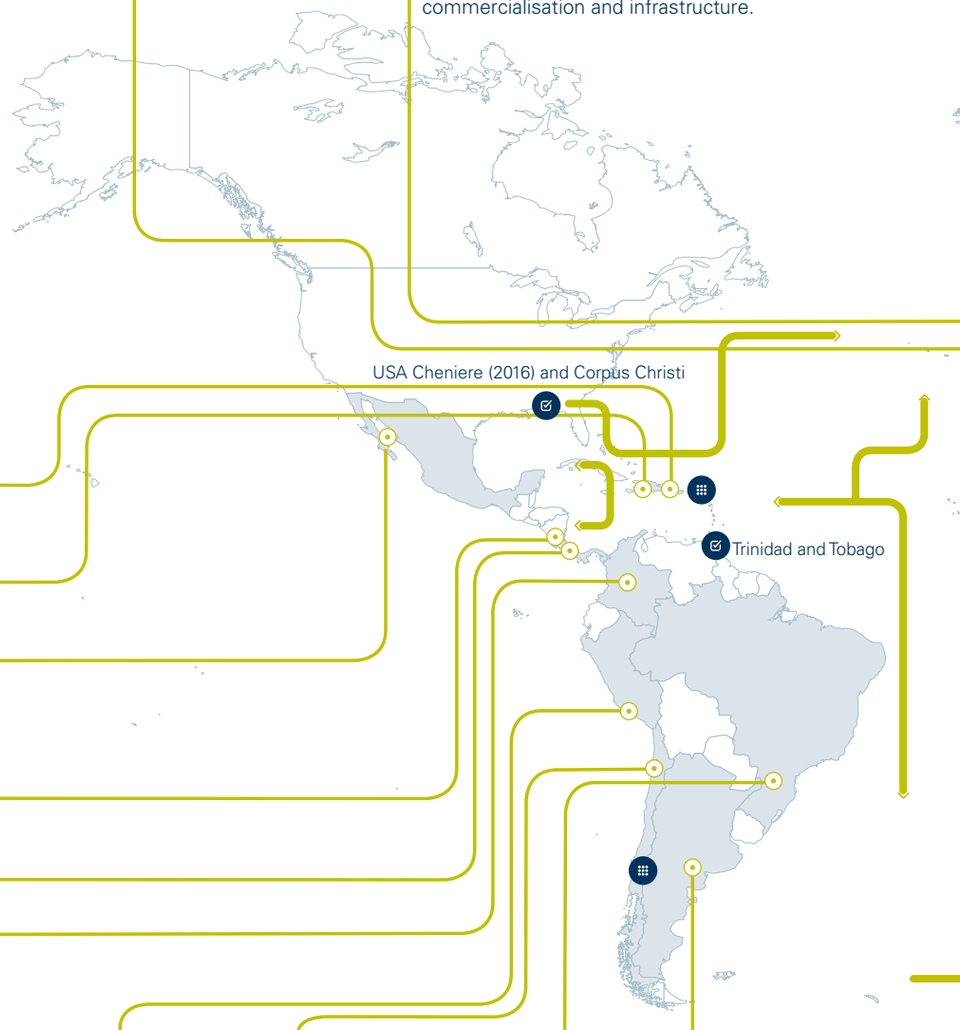
Gas Natural in figures

[G4-6], [G4-8] and [G4-13]

Gas Natural Fenosa operates in over 30 countries with 23 million customers, and more than 50% of its employees work outside Spain. Its international presence puts it in an ideal position to be able to capitalise on the growth of new regions which are in the process of economic growth, making it one of the world's most important energy operators.

- Gas flow.
- Liquefaction plant.
- Regasification plant.
- Leased regasification plant.
- Long-term gas contracts.
- Maghreb-Europe gas pipeline (Empl).
- Medgaz gas pipeline.



Portugal
NG/LNG and electricity commercialisation.

Spain
Exploration, transport, distribution and commercialisation of gas and electricity. Generation (combined-cycles, nuclear, hydroelectric, coal, co-generation, mini-hydraulic and wind). NG/LNG regasification, upstream, commercialisation and infrastructure.

Puerto Rico
NG/LNG infrastructure (regasification plant) and generation.

Dominican Republic
Generation (198 MW).

Mexico
Gas distribution (ten states including Mexico City and 1.4 million customers) and generation (2,035 MW, combined-cycle and 234 MW, wind).

Costa Rica
Generation (51 MW, hydroelectric).

Panama
Electricity distribution (Panama Centre, West, Interior, Chiriquí and 0.6 million customers), and generation (33 MW, hydroelectric power plants and fuel).

Colombia
Gas distribution (Bogota, Soacha and 2.6 million customers), LPG and electricity distribution (Atlantic coast, 2.5 million customers).

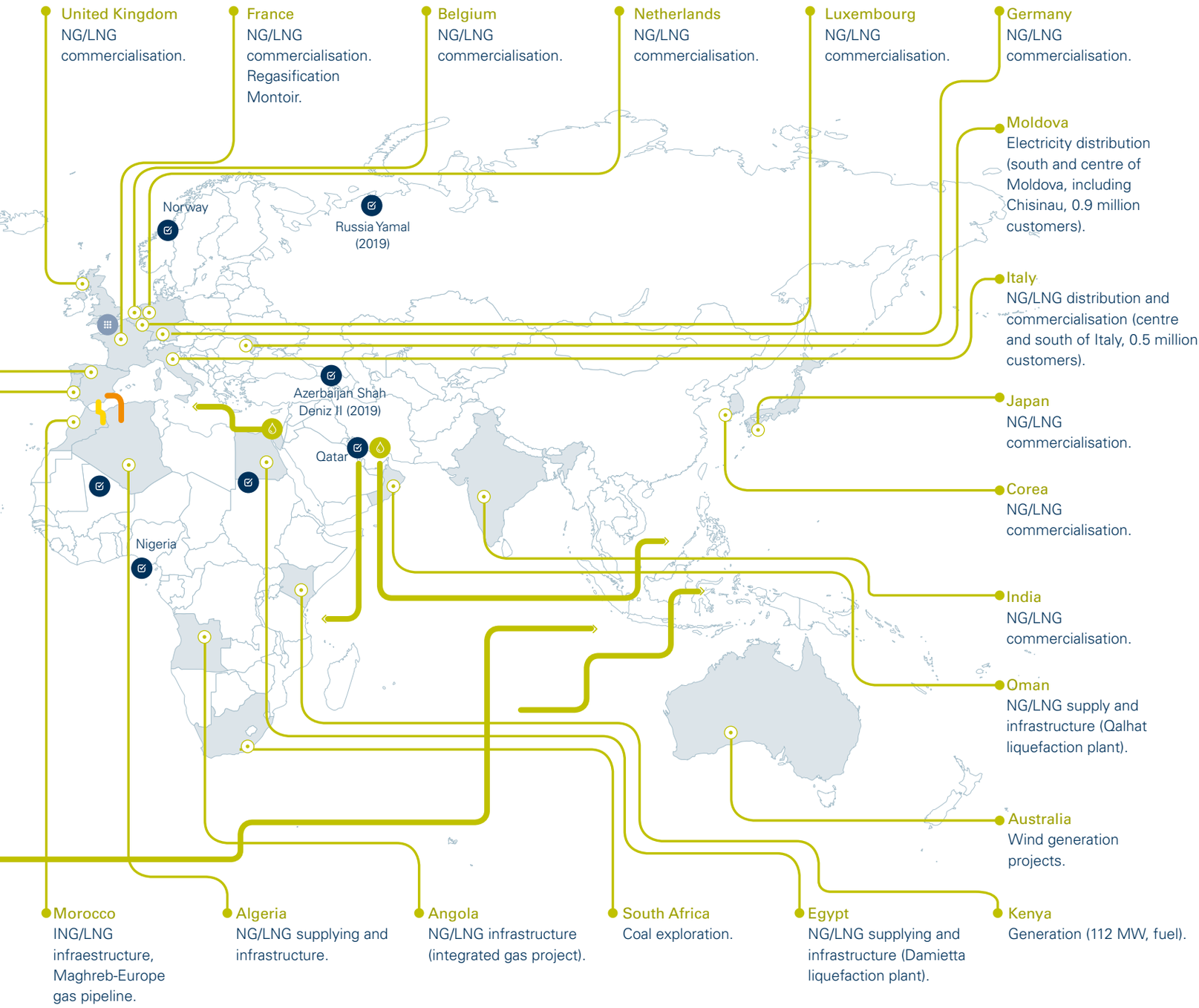
Peru
Gas distribution. Beginning of gasification (Arequipa and South-West area).

Chile
Gas distribution (18 provinces and 0.6 million customers), LPG sale and distribution, electricity distribution and transport (13 provinces and 2.6 million customers) and GN/LNG infrastructures (GNL Quintero plant).

Brazil
Gas distribution (Rio de Janeiro state, São Paulo Sur and 0,9 million customers). NG/LNG commercialisation.

Argentina
Gas distribution (30 municipalities in the north and west of the province of Buenos Aires, 1.8 million customers) and electricity distribution. NG/LNG commercialisation.

For further information on the group's corporate structure by business activities, refer to Annex 1 of the 2014 Consolidated Annual Accounts.


United Kingdom
NG/LNG commercialisation.
France
NG/LNG commercialisation.
Regasification Montoir.
Belgium
NG/LNG commercialisation.
Netherlands
NG/LNG commercialisation.
Luxembourg
NG/LNG commercialisation.
Germany
NG/LNG commercialisation.
Moldova
Electricity distribution (south and centre of Moldova, including Chisinau, 0.9 million customers).
Italy
NG/LNG distribution and commercialisation (centre and south of Italy, 0.5 million customers).
Japan
NG/LNG commercialisation.
Corea
NG/LNG commercialisation.
India
NG/LNG commercialisation.
Oman
NG/LNG supply and infrastructure (Qalhat liquefaction plant).
Australia
Wind generation projects.
Kenya
Generation (112 MW, fuel).
Egypt
NG/LNG supplying and infrastructure (Damietta liquefaction plant).
South Africa
Coal exploration.
Angola
NG/LNG infrastructure (integrated gas project).
Algeria
NG/LNG supplying and infrastructure.
Morocco
ING/LNG infraestructure, Maghreb-Europe gas pipeline.
Norway
Russia Yamal (2019)
Azerbaijan Shah Deniz II (2019)
Qatar
Nigeria

Presence in the world

Spain

Gas Natural Fenosa is the largest integrated gas and electricity company in Spain. The company is a leader in gas distribution, it distributes gas to over 1,000 municipalities in nine autonomous regions and has over 5 million customers. In the electricity business, Gas Natural Fenosa is the third largest company in Spain, with 3.7 million customers and a major presence in different technologies: combined-cycle, hydroelectric, coal-fired, co-generation, wind and nuclear power stations.

Rest of Europe

- **Germany, Belgium, France, Netherlands and Luxembourg.** Gas Natural Fenosa operates in these countries through its subsidiary Gas Natural Europe, which engages in energy sales in the European market and has its headquarters in Paris. In France, the Montoir regasification plant is of particular note.
- **Italy.** Since 2002, the company has had a presence in the central and southern regions of the country. It distributes and markets gas to almost 0.5 million customers in 223 municipalities.
- **Moldova.** The company provides service to more than 0.8 million customers through its subsidiary Red Unión Fenosa, which engages in electricity distribution in the central and southern regions of the country, including its capital (Chisinau).
- **Portugal.** Gas Natural Fenosa operates in the gas and electricity markets of Portugal, through its subsidiaries Gas Natural Comercializadora and Gas Natural Servicios SDG.
- **United Kingdom.** The company commercialises natural gas and liquefied natural gas (LNG).

America

Gas Natural Fenosa is the leading gas distributor in Latin America, with 7.2 million customers, twice as many as its nearest rival. As regards the electricity business, it distributes electricity to 5.9 million customers. It operates in seven of the 10 most important cities in Latin America.

- **Argentina.** The company distributes natural gas in 30 municipalities in the north and west of the province of Buenos Aires and to four provinces in the north-east, catering to 1.8 million customers.

- **Brazil.** In Brazil, the company has operated since 1997 through the companies Ceg, Ceg Río and Gas Natural SPS, which distribute gas to more than 0.9 million customers in the state of Rio de Janeiro and in the south of Sao Paulo. In 2014, Gas Natural Fenosa and Cemig signed an agreement to reinforce the gas distribution network.

- **Chile.** Gas Natural Fenosa has acquired the company CGE and taken over 96.5% of the country's largest electricity and gas distributor. It distributes gas in 18 provinces, catering to almost 0.6 million customers, and performs electricity distribution and transport in 13 provinces, where it has 2.3 million customers. CGE also has a stake in the LNG plant in Quintero.

- **Colombia.** The company is present in the Colombian market through Gas Natural ESP and Electricaribe ESP. The company has 2.6 million customers for its natural gas distribution and commercialisation service, inland (Bogotá and Soacha), and almost 2.5 million electricity customers, along the Atlantic coast.

- **Costa Rica.** Gas Natural Fenosa boasts a presence in the electricity production market of Costa Rica, where it has La Joya hydroelectric plant, with installed power of 51 MW. The company is also implementing another hydroelectric production project: the Torito power plant.

- **Mexico.** The company is the leading gas distribution operator in Mexico. It provides services to eight of the country's states, including Mexico City, accounting for a total of 1.4 million customers. It also takes part in the country's electricity production sector, with installed power of 2 GW in combined-cycles and 234 MW in wind energy. In 2014, it introduced the Bií Hioxo wind farm, with capacity of 234 MW, and was awarded a new distribution area for natural gas in two states in the north-west of the country, Sonora and Sinaloa, with a potential market of 0.5 million customers.

- **Panama.** The company has a presence in the electricity distribution market in the areas of Panama Central, West, Inland and Chiriquí, with more than 0.5 million customers, as well is in the electricity production market, through hydroelectric and thermal power stations with installed power of 33 MW.

- **Puerto Rico.** Gas Natural Fenosa operates in this country through the company Ecoeléctrica, which has a combined-cycle power plant with 263 MW of installed power (which cannot be consolidated in accordance with the new accounting methodology) and a regasification plant.

- **Peru.** Gas Natural Fenosa commenced its gas distribution activity in 2013, more specifically in Arequipa and the South West of the country.

- **Dominican Republic.** The company is present in the production market of the Dominican Republic through two thermal power plants with installed electricity power of 198 MW.

Africa

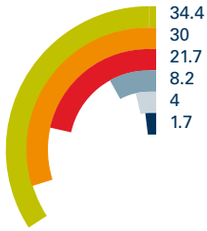
- **Angola.** Gas Natural Fenosa and Repsol, in consortium with other companies, signed a shareholders' agreement to develop an integrated gas project in Angola in 2008.
- **Algeria.** This is the group's main supplier of natural gas, and it also has a stake in the Medgaz pipeline.
- **Egypt.** The company participates in the energy sector through the Damietta liquefaction and regasification plant, where it has a 14% stake through its subsidiary Unión Fenosa Gas.
- **Kenya.** Gas Natural Fenosa participates in the electricity production market in Kenyan through a power plant that has 112 MW of installed capacity.
- **Morocco.** Business in Morocco mainly focuses on operation of the Moroccan section of the Maghreb-Europe pipeline.
- **South Africa.** In 2007, the company acquired a 70% stake in the company Kangra Coal, owner of the Savmore coalmine.

Asia and Oceania

- **Australia.** Gas Natural Fenosa operates in Australia through the company Unión Fenosa Wind Australia Pty, which currently has no commercial activity, although the company is developing different wind energy projects.
- **India, Japan and Korea.** The company has a presence in these three countries through the commercialisation of liquefied natural gas (LNG).
- **Oman.** It has a 3.7% stake in the Qalhat liquefaction plant, in the Sultanate of Oman, through its subsidiary Unión Fenosa Gas.

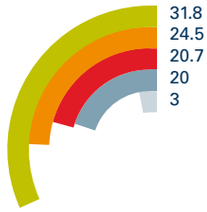
Shareholders and investors of Gas Natural Fenosa (%)

[G4-7]



- "la Caixa" Group.
- Repsol Group.
- International institutional investors.
- Retailers.
- Sonatrach.
- Spanish institutional investors.

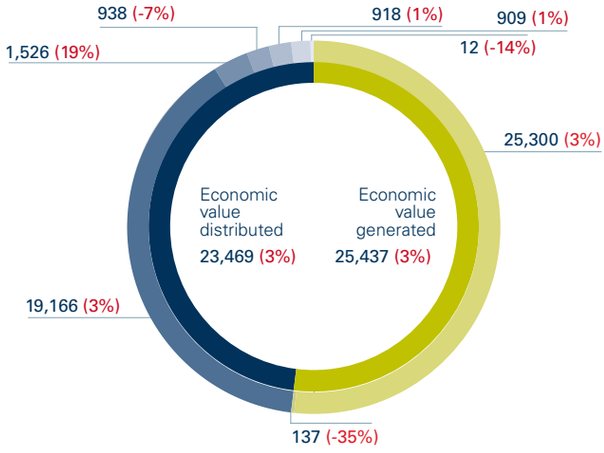
Contribution to Ebitda by activity (%)



- Gas distribution.
- Gas.
- Electricity.
- Electricity distribution.
- Others.

Contribution to society (millions of euros)

[G4-EC1]



- Economic value generated
- Operating income
- Financial income
- Economic value distributed
- Suppliers
- Public administrations
- Financial expenses
- Employees
- Shareholders
- Social action

Change against 2013
Economic value retained: 1,968 (-5%)

Main figures of Gas Natural Fenosa [G4-9]

Operations	2014	2013	2012
Gas distribution sales (GWh)	424,290	422,352	408,375
Gas transportation/Empl (GWh)	120,558	122,804	116,347
Gas distribution supply points (in thousands)	12,869	11,948	11,663
Electricity distribution supply points (in thousands)	10,415	7,439	8,206
Gas distribution network (km)	135,113	123,689	120,760
Length of electricity distribution and transportation lines (km)	228,808	231,978	238,915
Electricity generated (GWh)	48,282	51,080	52,505

Personnel	2014	2013	2012
No. of employees	22,652	14,982	15,959

Financial (millions of euros)	2014	2013	2012
Net turnover	24,742	24,322	24,904
Gross operating profit (Ebitda)	4,853	4,849	5,080
Operating profit	3,190	3,022	3,067
Total investments	4,389	1,597	1,386
Net profit attributable to the company	1,462	1,445	1,441

Stock information (euros/share)	2014	2013	2012
Share prices as at 31 December	20.81	18.69	13.58
Profit	1.46	1.44	1.45

NB: from 1 January 2014, through mandatory application of the IFRS 11 "Joint arrangements", there is a change to the consolidation method applicable basically to Unión Fenosa Gas, Ecoeléctrica (combined-cycle power plant located in Puerto Rico), Nueva Generadora del Sur (combined-cycle power plant in Spain) and several joint ventures that operate renewable and co-generation power plants, in Spain, and which are now consolidated using the equity method instead of the proportional consolidation method.

The application of this standard has required us to re-express, for comparison purposes, the balance sheet at 1 January 2013 and 31 December 2013, and the profit and loss statement for 2013, an event that also affects certain financial ratios.

A Competitive and integrated business model

[G4-4] and [G4-8]

Gas Natural Fenosa is an integrated gas and electricity company whose business model is supported on four fundamental strengths:

- Being a best in class operator in energy distribution and sales.
- Having efficient and diversified power generation that enables it to manage the natural resources at its disposal competitively.
- Having a solid international position, where there is healthy outlook for development.
- Possessing human resources that are committed and highly experienced in its business.

The Gas Natural Fenosa's business focuses on the complete life-cycle of gas, from exploitation through to commercialisation, and on the generation, distribution and commercialisation of electricity, activities that account for more than 97% of the company's Ebitda. It also carries out other lines of business, such as energy services, which encourage diversification of activities and revenue, anticipating market trends in order to deal with the specific needs of customers and be able to offer them a comprehensive service that does not focus solely on the sale of energy.

Gas Natural Fenosa's business is based on the regulated and liberalised gas and electricity markets, with the contribution from our international business growing day by day.

Gas supply and transportation

Gas Natural Fenosa acquires natural gas, in its gaseous state as well as in the form of liquefied natural gas (LNG). The company manages sections of pipelines and its own fleet of methane tankers; it also has a range of regasification and liquefaction plants required to move the gas from one state to the other, and thus facilitate transportation and reintroduction into the gas system. The company also develops a range of worldwide projects that involve drilling, research, production and transport of hydrocarbons. All this enables the company to guarantee coverage of the needs of different businesses in a flexible and diversified way.

The system's reliability is backed by storage facilities comprising underground tanks, which guarantee a constant supply of natural gas unaffected by factors such as the seasonal nature or occasional demand peaks.

Gas Natural Fenosa has a flexible, diversified and competitive 30 bcm portfolio of supply. The company has unique and integrated gas infrastructure featuring a fleet of nine methane tankers; the company is one of the largest LNG operators worldwide and a benchmark in the Atlantic and Mediterranean basins. It has a privileged position to develop new markets, mainly in the Mediterranean area, Latin America and Asia.

Supply guarantee

Guaranteeing a regular gas and electricity supply to Gas Natural Fenosa customers is essential in providing a quality service and fulfilling the company's social function.

Gas Natural Fenosa also manages a balanced gas procurement portfolio, with approximately 40% of supplies in the form of natural gas, supplies which are highly flexible from the standpoint of volume, and another 60% of supplies in the form of liquefied natural gas. These supplies offer the company a great deal of flexibility in terms of the destination where the gas is to be positioned.

As regards the source of the gas, Gas Natural Fenosa has supply contracts with many countries, including Algeria, Qatar, Egypt, Nigeria, Norway, Oman, South Africa and Trinidad and Tobago. Furthermore, the company's relations with suppliers are built around stable, long-term contracts. This assures the company of a regular supply, so it only has to access the spot market on specific occasions and basically to take advantage of market opportunities.

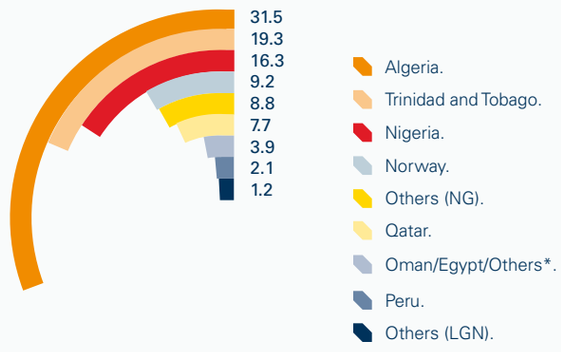
Furthermore, in order to cope with short-term changes in demand or supply issues, Gas Natural Fenosa has contracts for the use of underground storage space in most countries where it operates. In Spain, Gas Natural Fenosa takes an active role in developing underground storage plants, and operates the Marismas underground storage facility.

As far as electricity production is concerned, Gas Natural Fenosa has its own capacity within the different technologies used in the Spanish system, enabling it to keep a flexible production mix in order to cope with changes in raw materials prices -basically gas and coal- and the quantity of non-manageable energy sources (water and wind).

Because of the great flexibility provided by the gas and coal procurement portfolio, the gas combined-cycle plants and, to a lesser degree, thermal coal-fired plants, can be used as back up for non-manageable renewable energies, thus providing security in the supply to the national grid.

Lastly, the extensive gas and electricity distribution network and its excellent operation and maintenance, allows the company to achieve high reliability levels, having a direct impact on the service quality offered to customers.

Diversification in sources of supply (%)

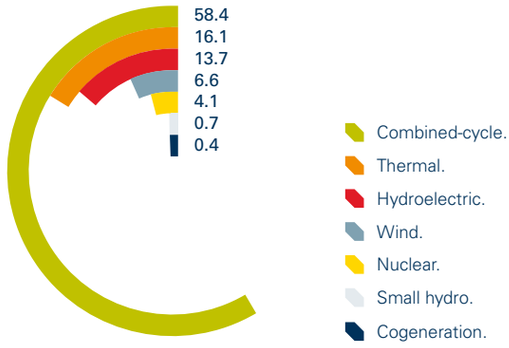


*Gas deriving from Unión Fenosa Gas.

Generation of electricity

The electricity production capacity of Gas Natural Fenosa (14.78 GW) is based on a balanced, competitive and environmentally-friendly generation mix, mainly comprising combined-cycles of natural gas, which represent the cleanest fossil fuel power plants that exist. Moreover, the company has nuclear power plants, coal-fired and oil/gas-fired power plants, hydroelectric and windfarm plants.

Energy mix of Gas Natural Fenosa (%)



Installed capacity by source of energy and regulatory regime (MW) [EU1]

	Close 2014	Close 2013
Power installed in ordinary system. Spain	11,220	11,186
Hydroelectric	1,948	1,914
Nuclear	604	604
Coal-fired	2,065	2,065
Combined-cycle	6,603	6,603
Power installed in special system. Spain	902	902
Wind	738	738
Small hydro	107	107
Cogeneration plants	57	57
Total installed power. Spain	**12,122**	**12,088**
Power installed in ordinary system. International	2,663	2,429
Hydroelectric	73	73
Fuel-oil	321	321
Combined-cycle	2,035	2,035
Wind	234	0
Total power	**14,785**	**14,517**

Energy production by energy source and regulation system [EU2]

	Close 2014 (GWh)	Close 2013 (GWh)	Variation 14/13 (%)
Production in ordinary system. Spain	28,465	30,545	(6.8)
Hydroelectric	4,275	4,434	(3.6)
Nuclear	4,425	4,287	3.2
Coal-fired	5,622	5,430	3.5
Combined-cycle	14,143	16,394	(13.7)
Production in special system. Spain	2,077	2,352	(11.7)
Wind	1,556	1,642	(5.2)
Small hydro	434	362	19.9
Cogeneration plants	87	348	(75.0)
Total production. Spain	**30,542**	**32,897**	**(7.2)**
Production in ordinary system. International	17,740	18,183	(2.4)
Hydroelectric	233	320	(27.2)
Fuel-oil	1,356	1,670	(18.8)
Combined-cycle	15,898	16,193	(1.8)
Wind	253	0	–
Total production	**48,282**	**51,080**	**(5.5)**

Electricity produced using renewable sources broken down by country (GWh) [OG3]

	2014	2013	2012
Costa Rica	159	239	270
Spain	6,265	6,438	3,258
Mexico	253	–	–
Panama	74	81	100
Total	**6,751**	**6,758**	**3,628**

Average efficiency by technology and regulation system* [EU11]

System	Technology	Efficiency* (%)
Ordinary. Spain	Coal thermal	33.93
	Combined-cycle	52.66
International	Combined-cycle	54.20
	Fuel-oil	40.02

* 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 [EU30]

System	Technology	Availability 2014 (%)	Availability 2013 (%)	Availability 2012 (%)
Ordinary. Spain	Hydroelectric	91.85	92.61	92.35
	Coal thermal	94.70	98.37	97.43
	Nuclear	89.18	87.69	89.78
	Combined-cycle	94.90	94.61	94.99
Special. Spain	Wind	97.03	96.62	96.80
	Small hydro	98.90	97.11	97.86
	Cogeneration plants	97.30	94.53	92.07
International	Hydroelectric	92.76	97,75	96.52
	Diesel engines	89.20	88.56	89.07
	Combined-cycle	95.88	95.67	92.44

Gas and electricity distribution

Gas Natural Fenosa performs distribution activities in the electricity and in the natural gas sectors.

The company distributes natural gas in the commercial domestic market and the industrial market of major customers, both in Spain and abroad. It is leader in the Spanish and Latin American market, and has a major presence in Italy. The company is currently focusing on the development of infrastructures and the expansion of the network to new markets in Europe and America.

In addition, it performs electricity distribution activities in Spain, Moldova and Latin America. This business line includes the distribution of electricity to small and to major users: from residential consumers and SMEs through to corporations. Electricity distribution in Spain includes both the regulated activity of electricity distribution as well as the network services actions with customers.

General gas distribution indicators

	Argentina	Brazil	Colombia	Spain	Italy	Mexico	**Total**	Variation 2013/14 (%)
Gas distribution sales (GWh)	71,951	105,682	24,522	171,816	3,407	46,912	**424,290**	0.46
Network renewal (km)	7	46	1	6	0	70	**130**	52.94
Distribution network (km)	24,387	6,781	20,699	48,931	7,100	19,023	**126,921**	2.61
Increase with regard to 31/12/2013 (km)	355	305	406	1,253	142	771	**3,232**	8.68
Regulatory inspections	0	0	381,010	1,144,761	0	96,234	**1,622,005**	12.68
Network overhauled (km)	13,329	3,537	4,199	21,896	2,624	17,519	**63,104**	(3.90)
Renewal of connections (units)	10,447	1,323	0	2,257	0	6,533	**20,560**	13.70

Gas Natural Fenosa's electrical distribution facilities (by country) [EU4]

Countries	Step-down transformers		Length of power lines (km)
	Number	Capacity (MVA)	
Colombia	86,593	6,486	54,706
Spain	40,448	14,305	103,749
Moldova	8,864	1,964	32,900
Panama	45,040	2,832	22,116
Total low- and medium-voltage	**180,945**	**25,587**	**213,471**
Colombia	240	5,321	1,708
Spain	873	27,159	8,163
Moldova	180	1,618	1,820
Panama	112	1,268	151
Total high-voltage	**1,404**	**35,333**	**11,842**
Total	**182,349**	**60,920**	**225,313**

Electrical energy losses in transport and distribution (%) [EU12]

	2014	2013	2012
Ordinary system. Spain	8.70	8.57	8.13
Colombia	16.65	16.89	17.38
Moldova	9.43	10.75	12.39
Panama	10.16	10.01	10.44

Gas and electricity commercialisation

Gas Natural Fenosa is present in the gas and electricity commercialisation activities, both in Spain as well as in the international market. As regards gas commercialisation, the company consolidates its presence in the international market through the operation in new markets in the Mediterranean area, Latin America and Asia.

In addition, in the sphere of energy efficiency in the residential, tertiary and industrial markets, Gas Natural Fenosa continues to work on the development of energy solutions and services that provide value-added, actively taking part in the promotion of energy efficiency and savings, in line with energy policies.

Other lines of business

- **Trading:** together with the activity lines already mentioned, Gas Natural Fenosa is superbly positioned in the upstream and downstream gas and electricity markets, enabling it to extract additional margins in the markets through an appropriate trading activity, which is present throughout the value chain and for all commodities. As regards electricity, the generation capacity of more than 12.1 GW installed in Spain allows the company to have assets on which to base a trading strategy that optimises these assets to the utmost.
- **Energy operation and maintenance:** the company provides operation and maintenance services for electricity production facilities and industrial plants focused on the management of assets and their service life. It currently operates around 100 plants with an installed capacity of over 15,000 MW.
- **Operation of the Savmore coalmine:** Gas Natural Fenosa has a 70% stake in the company Kangra Coal, owner of the Savmore coalmine in South Africa, where it is responsible for the operation of this mine, located in the Mpumalanga region, 315 kilometres to the south-east of Pretoria.

Value creation and sustainable management

Gas Natural Fenosa focuses its efforts on satisfying society's energy requirements, providing its customers with quality environmentally-friendly services and products, offering its shareholders a growing and sustainable return, and its employees the chance to develop their professional skills.

Gas Natural Fenosa's main goal is to supply society with energy so it can increase its levels of development and well-being, building on cornerstones of innovation, energy efficiency and sustainability.

What are the main features of Gas Natural Fenosa?

Company with experience

For over 170 years, Gas Natural Fenosa has worked towards improving day by day so as to be able to offer services to society through the use of the most advanced technologies available. The company's lengthy experience, coupled with its competitive positioning, makes Gas Natural Fenosa a company that is ready to successfully tackle the challenges of a globalised market.

Efficient company

Gas Natural Fenosa's success is based on achieving more with less. Efficiency constitutes the company's watchword and defines the way in which it acts, enabling it to achieve the desired objectives through optimum use of human, financial, physical and technological resources available.

Responsible company

For Gas Natural Fenosa, it is essential to contribute towards the development and well-being of all the communities with which the company is in contact, and it does so by offering an energy supply that is sustainable, safe and environmentally-friendly, and which respects human rights.

Innovative company

Innovation is one of the driving forces of Gas Natural Fenosa's development since its founding. In addition to R&D projects, it carries out technology watch activities, technological transfer and promotion of innovative culture activities.

Key corporate responsibility indicators

Customer orientation	2014	2013	2012
Percentage of satisfied customers (%)			
Spain[1]	7.01	7.09	7.10
Italy	7.81	7.75	7.74
Latin America	8.07	8.21	8.29
Moldova	8.32	8.00	8.41
Portugal	6.53	6.92	–
Suppliers with contracts currently in force	8,035	8,815	7,595
Total purchase volume awarded (millions of euros)	2,956	2,930	2,785

[1] Figure for residential customers.

Innovation: the company develops technology watch activities, technological transfer and promotion of innovative culture activities.

Key corporate responsibility indicators

Commitment to results	2014	2013	2012
Net turnover (millions of euros)	24,742	24,969	24,904
Gross operating profit. Ebitda (in millions of euros)	4,853	5,085	5,080
Total investments (in millions of euros)	4,389	1,636	1,386
Net profit (in millions of euros)	1,462	1,445	1,441
Dividend (in millions of euros) [1]	909	898	895
Evolution of Gas Natural Fenosa's classification on the DJSI	86	88	86

Environment	2014	2013	2012
Direct greenhouse gas emissions (GHG) ($MtCO_2eq$)	19.8	20.8	24.3
Emission factor (tCO_2/GWh)	406	399	454
Methane emissions in transportation and distribution (tCO_2 eq/km grid)	9.9	9.9	11.5
Emissions of SO_2/electricity produced (g/kWh)	0.51	0.37	0.48
Emissions of NO_x/electricity produced (g/kWh)	0.71	0.64	0,82
Emissions of particles/electricity produced (g/kWh)	0.04	0.04	0.04
Generation of hazardous waste (t)	7,171	8,212	5,126
Recycling of fly ash (%)	34	38	27

Interest in people	2014	2013	2012
Staff rate (No. of employees)	22,652	14,982	15,959
Men/Women (%)	73/27	71/29	70/30
Women in management posts (%)	24,0	25.25	24.19
Personnel costs (in millions of euros)	832	871	858
Training hours per employee	57.4	55.7	52.7
Annual investment in training (in euros)	11,525,099	10,332,184	8,982,897
Employees covered by collective bargaining agreements (%)	72.5	79.6	78.3

Health and safety	2014	2013	2012
Accidents requiring medical leave	118	152	157
Days lost	3,035	4,184	3,547
Mortalities	1	0	2
Frequency rate	3.93	5.07	4.96
Severity rate	0.10	0.14	0.11
Incident rate	8.32	10.56	10.25
Absenteeism rate (%)	1.86	1.70	2.14

[1] Equivalent total amount.

Commitment to society

	2014	2013	2012
Evolution of the contribution from Gas Natural Fenosa (millions of euros)	11.64	14.07	12.70
Breakdown by type of action (%)			
Social	40.44	45.50	51.00
Environmental	12.66	12.94	13.30
Cultural	46.90	41.56	35.80
No. of sponsorship and social action activities	444	470	383

Integrity

	2014	2013	2012
Correspondence received by the Code of Ethics Committee	89	79	47
Number of messages received per 200 employees	1.35	0.97	0.53
Geographical origin of correspondence (%)			
Argentina	7	1	4
Australia	1	–	–
Brazil	–	13	–
Colombia	7	5	11
Spain	60	57	62
Morocco	1	–	–
Italy	–	1	–
Kenya	–	–	2
Mexico	20	15	19
Moldova	3	4	–
Panama	–	4	–
Puerto Rico	1	–	–
Average time for resolving correspondence (days)	38	34	41
Audit projects analysed on the basis of the risk of fraud	34	36	41
Communications received in the area of human rights	0	0	0
No. of persons trained on the Human Rights Policy	12,568	11,360	9,681

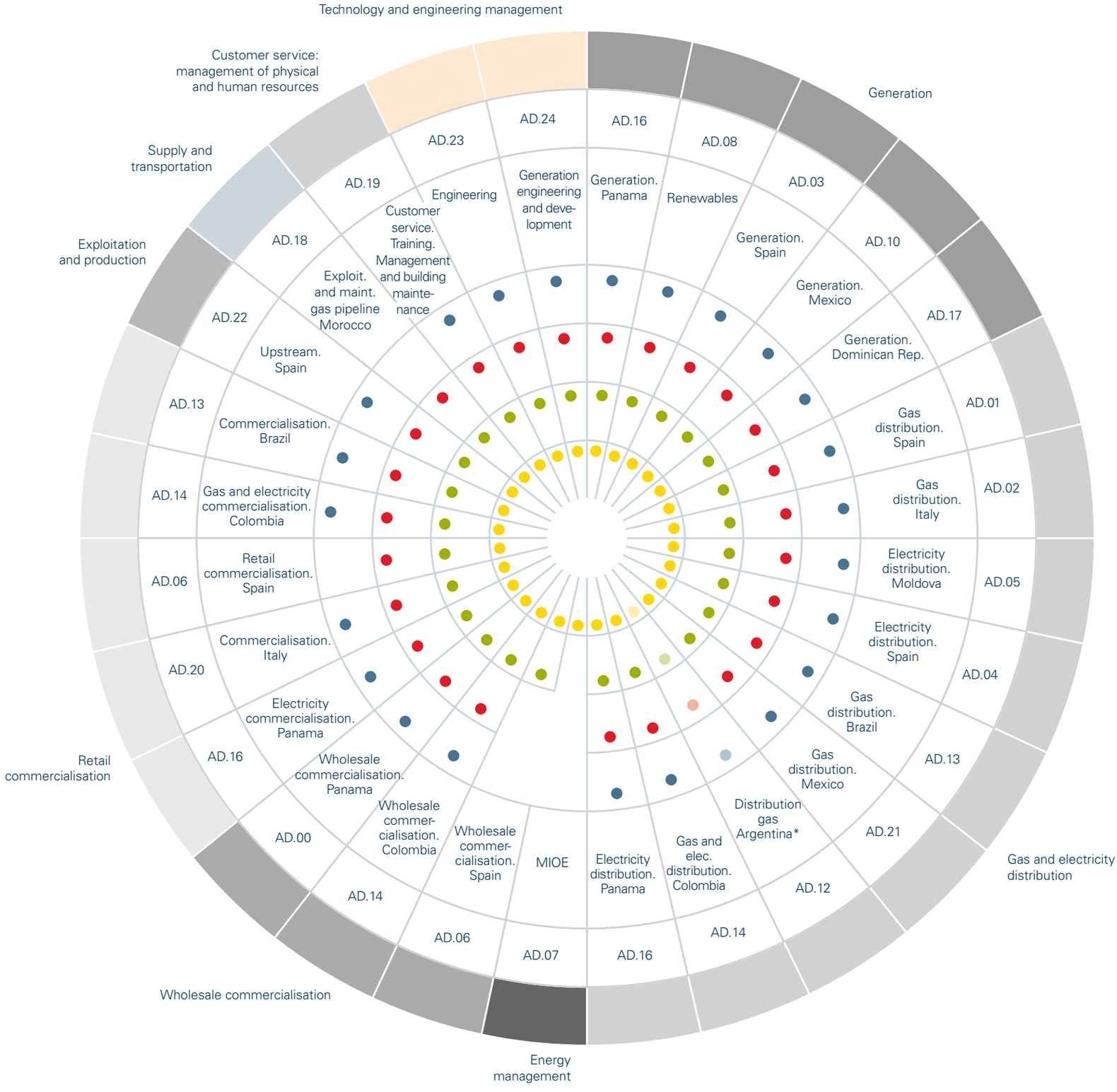
Integrated Management System

In 2014, Gas Natural Fenosa virtually concluded the Master Plan for the introduction of the system to integrate quality assurance, the environment, and health and safety, in all processes, businesses and countries in which it operates, with the inclusion into this model of the gas distribution activities in Brazil and Mexico. Only the gas activity in Argentina is pending, which will be incorporated in 2015.

In 2014, we also commenced the changeover from the certifications model by companies/countries to a multisite certification model with a greater focus on processes. This changeover of model, which is set to conclude in 2016, will allow the company to improve process efficiency and simplify certification.

To make progress in the integration and optimisation of the integrated management system, Gas Natural Fenosa introduced the Acacia project in 2014. This project seeks, *inter alia,* to harmonise internal audits between the different business areas, make the duration/time spent and criteria of the audits uniform for a single process, and encourage qualified staff members from departments other than the source departments to take part in internal audits on quality, the environment and health and safety. This will improve and maintain the internal knowledge of the integrated management system, gaining a better return on the investment in training through the expertise and experience of internal auditors, and will enable the company to keep hold of the knowledge acquired in these audits.

Certified processes included in the Integrated Management System of Gas Natural Fenosa



Integrated Management System. Health And Safety. Environment. Quality.

* Implantation process underway.

Strategy

Christmas Concert.
Galician Symphony Orchestra (OSG).
A Coruña Opera House.

The company cooperates with the OSG in order to disseminate music through the development of multiple activities (training of promising young talents, promotion of composers, concerts, etc.).
This was the 19th year of the Christmas concert. Over the years, it has become an unmissable event for personalities from the world of economics, culture and the country's social and political scene.

In 2013, Gas Natural Fenosa presented the review of the company's strategic lines for the 2013-2015 period and the strategic overview through to 2017, to adapt these, using realistic criteria and realisable objectives, to the current macroeconomic and energy context.

The review of the strategic plan of Gas Natural Fenosa was conducted following compliance with the 2012 targets, which reveals the company's solidity and the credibility that Gas Natural Fenosa offers the market, despite an adverse economic and regulatory context.

Some of the milestones reached in 2014 include implementation of a new regulatory framework in Spain, such as the amendment to the hydrocarbons act through Royal Legislative Decree 8/2014 and 18/2014; the introduction of remuneration parameters of the old special system; the voluntary price to the small consumer; and transposition of the energy efficiency directive.

This new regulatory framework has had an impact on the performance figures of Gas Natural Fenosa in Spain. However, these modifications are seen as an opportunity, as they should serve to allow us to have greater economic stability of the electricity and gas systems, reducing uncertainty during new regulatory periods.

As regards transposition of the Energy Efficiency Directive, the introduction of an energy-saving certificate system set out in said law, although pending implementation, represents an opportunity to increase activity in this field and for which the company is properly prepared to provide energy services through its companies.

We expect 2015 to be a year of regulatory stability for Spain. There are still outstanding developments pending, but of less importance with regard to those that have already taken place, and we expect a year of continuity.

The strategic guidelines of Gas Natural Fenosa during the 2013-2015 period will focus on:

1. Introduction of cost-efficiency plans, where the main areas affected are operations and maintenance, commercialisation and corporation.

2. Managing each business line in accordance with market conditions and the regulatory situation.

3. Management of the portfolio of businesses in accordance with their strategic fit, through ongoing reassessment.

The strategic priorities of the energy multinational for the 2013-2015 period will strengthen the current business model, which is strongly based on driving opportunities for growth abroad, and in particular on its growing role in the global gas market, mainly LNG, which will enable it to maintain solid performance figures.

Efficiency plans

Gas Natural Fenosa forecasts that continuity of the efficiency plans will enable it to save up to 300 million euros in 2015, mainly in operations and maintenance activities, costs of commercialisation and corporate structure.

Business forecasts and regulatory impact

Over the 2013-2015 period, the company expects growth or no change with regard to the Ebitda in gas distribution activities in Europe, of supply and commercialisation of gas, of the retail market in Spain and Europe as well as its business lines in Latin America, both gas and electricity.

Favourable forecast for the 2013-2015 period

The business model, which has allowed the company to establish excellent positioning in the international markets, will allow it to maintain solid performance figures over the 2013-2015 period.

- In its updated strategic plan, the company sets out realistic targets that are adapted to the new macroeconomic context, to continue complying with its undertakings with shareholders.
- The international activity and the efficiency plans will enable us to partially reduce the powerful regulatory impact. The purchase of the Chilean company Compañía General de Electricidad, S.A. (CGE) will lead to an increase in the activity and allow us to diversify the risk.

Contrariwise, we expect a drop in the electricity business in Spain, both in production and sales, as well as in distribution, as a consequence of the regulatory impact of the recently applied measures. The estimated gross impact on the Ebitda of Gas Natural Fenosa as a consequence of the measures introduced by the Government since 2012 will total an annual amount of some 600 million from 2014 onwards.

Some of the multinational's efforts will be targeted at partially reducing these regulatory impacts using efficiency plans, at managing the investment plans over these years in accordance with the return, and the portfolio of businesses based on their strategic fit.

This will enable the Ebitda generated outside Spain to continue growing at a quicker rate.

Strategic priorities

<table>
<tr><th>Gas supply and transportation</th><th>Electricity generation</th><th>Gas distribution</th><th>Electricity distribution</th></tr>
<tr><td>Increasing the international market share.</td><td>Reducing the impact of the regulatory reform in Spain through actions of the Efficiency Plan.</td><td>Capturing the potential for organic growth in both Europe and Latin America.</td><td>Reducing the impact of the regulatory reform in Spain through actions of the Efficiency Plan.</td></tr>
<tr><td>Taking advantage of the LNG platform to capture growth opportunities.</td><td>Managing cover of electrical generation and commercialisation.</td><td rowspan="3">Continue managing business regulatory aspects.</td><td rowspan="3">Manage business investment in accordance with criteria of return.</td></tr>
<tr><td>Continue capturing dual-fuel opportunities, energy services and energy efficiency.</td><td rowspan="2">Developing new opportunities in international generation.</td></tr>
<tr><td>Managing efficiency in the commercial process.</td></tr>
</table>

Opportunities for growth from 2015 onwards

Proper management of the businesses worldwide will enable the company to be ready to continue growing from 2015 onwards, when the economic recovery in Europe begins to consolidate itself, and thanks to an increased presence in the international LNG markets with the sale of gas from new contracts.

Future outlook

Gas supply and transportation	Electricity generation	Gas distribution	Electricity distribution
2016 will see the commencement of the supply contract with Cheniere (USA) for 5 bcm of LNG with unrestricted use and a 20-year term.	The 50 MW Torito hydroelectric power station (Costa Rica) will come into operation in 2015.	Performance of the contract award in Arequipa (Peru) with 60,000 supply points and a 20-year term.	Penetration as the main electricity distribution operator in Chile through the acquisition of CGE.
2019 will see the commencement of the contract supply with Yamal LNG (Russia) for 3.2 bcm of LNG.	Developing the international generation business and the opening of new markets, through the company Global Power Generation, created in 2014 and which pool the international electricity generation businesses and assets of the group.	Contract award, in the last quarter of 2014, of a new distribution concession in two new areas of distribution: North West and Sinaloa (Mexico).	
2019 will see the commencement of the supply contract with Shah Deniz II (Azerbaijan), for 1 bcm of natural gas delivered by pipeline in Italy.			
2019 will see the commencement of the supply contract with Cheniere (USA) for 2 bcm of LNG with unrestricted use and a 20-year term that can be extended.			

Penetration of Gas Natural Fenosa in Chile through acquisition of the CGE group

In November 2014, Gas Natural Fenosa completed the acquisition of CGE, Chile's leading company in the transmission of electricity and distribution of natural gas and electricity. It also has a large-scale presence in liquefied petroleum gas (LPG). CGE performs its main activity in Chile and provides LPG-related services in Argentina and Colombia.

The acquisition of CGE contributes towards Gas Natural Fenosa's undertaking to achieve the strategic and financial targets announced:

1. It represents entry into a key new market in Latin America, with immediate access to a leading position in the market.
2. It increases the geographic diversification of Gas Natural Fenosa and contributes towards a more balanced business/risk profile.
3. It reinforces the leadership of Gas Natural Fenosa in gas distribution in the major cities of Latin America.
4. It makes progress in the consolidation of an electricity distribution platform in Latin America, positioning itself among the leading companies in electricity distribution and increasing the mix stability.
5. It enables integration of the company's global LNG business into the Chilean market, facilitating supply to the end customer at international prices.
6. It facilitates participation in international generation projects in Chile in the short-term.

We should point out that, with this acquisition, Gas Natura Fenosa maintains its undertaking to comply with the targets set out in the "2013-2015 Strategic Plan" as there is no execution risk and it has a low impact on borrowing.

Planned capacity to satisfy forecast future demand (MW)

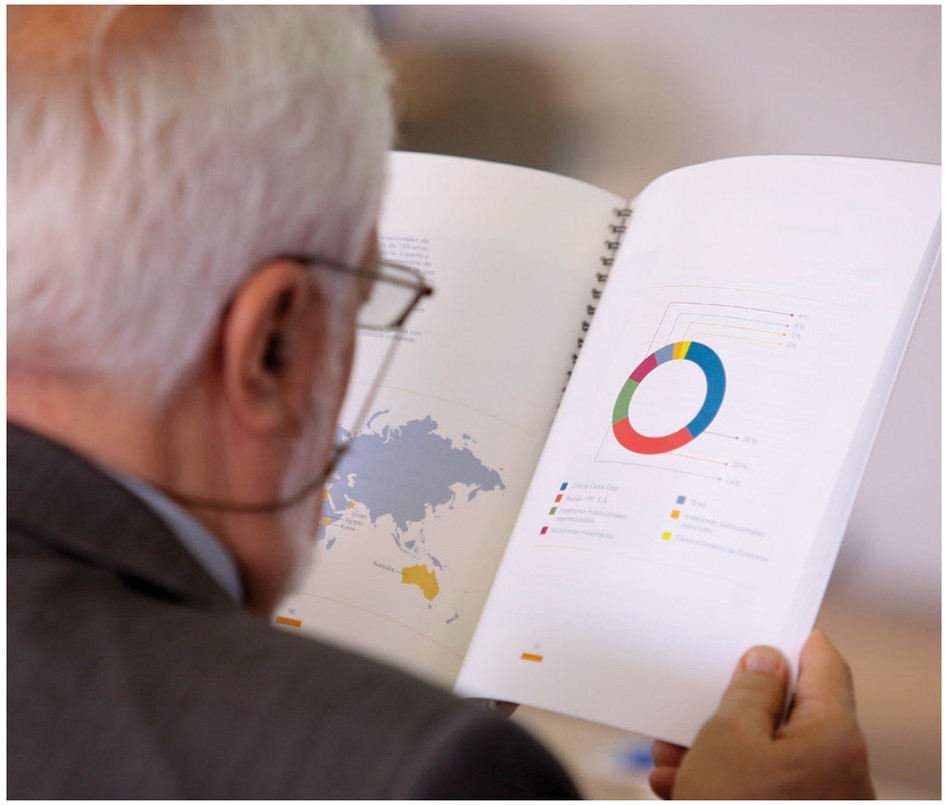
[EU10]

Technology	Planned capacity
Projects at an advanced stage	**12**
Wind and hydroelectric	64
Cogeneration and others	(52)
Projects at a permitting stage	**1,028**
Wind	896
Small hydro	17
Hydroelectric	115

Process for drafting this report. Materiality

Yago Hortal.
KL44.
200 x 250 cm.
Oil on canvas.
Museum of
Contemporary
Art of Gas Natural Fenosa.

Process for drafting this report. Materiality



Materiality focus

In this report, and for the second year running, Gas Natural Fenosa pursues the criteria, principles and contents set out in the G4 framework for the preparation of sustainability reports. This year, for the first time, we have applied the GRI Content Index methodology of the Global Reporting Initiative, which reviews the contents of the report to ensure they correspond with the prior materiality analysis and checks how the company responds to aspects identified as relevant.

Materiality is the starting point in the process of compiling the report, and the scope of the study conducted the previous year has been reviewed and extended so that the 2014 Corporate Responsibility Report focuses on those issues of a social, environmental and/or economic nature and which are relevant for the company's business and have an influence on decision-taking by the company's stakeholders.

The focus of materiality means that the 2014 Corporate Responsibility Report focuses on issues that are critical for Gas Natural Fenosa and with regard to which the company can promote a more significant change in terms of positive economic, social and environmental impact. However, materiality includes a series of additional issues not included in the GRI but which affect the activity of the company and its sustainable management.

Determination of material aspects

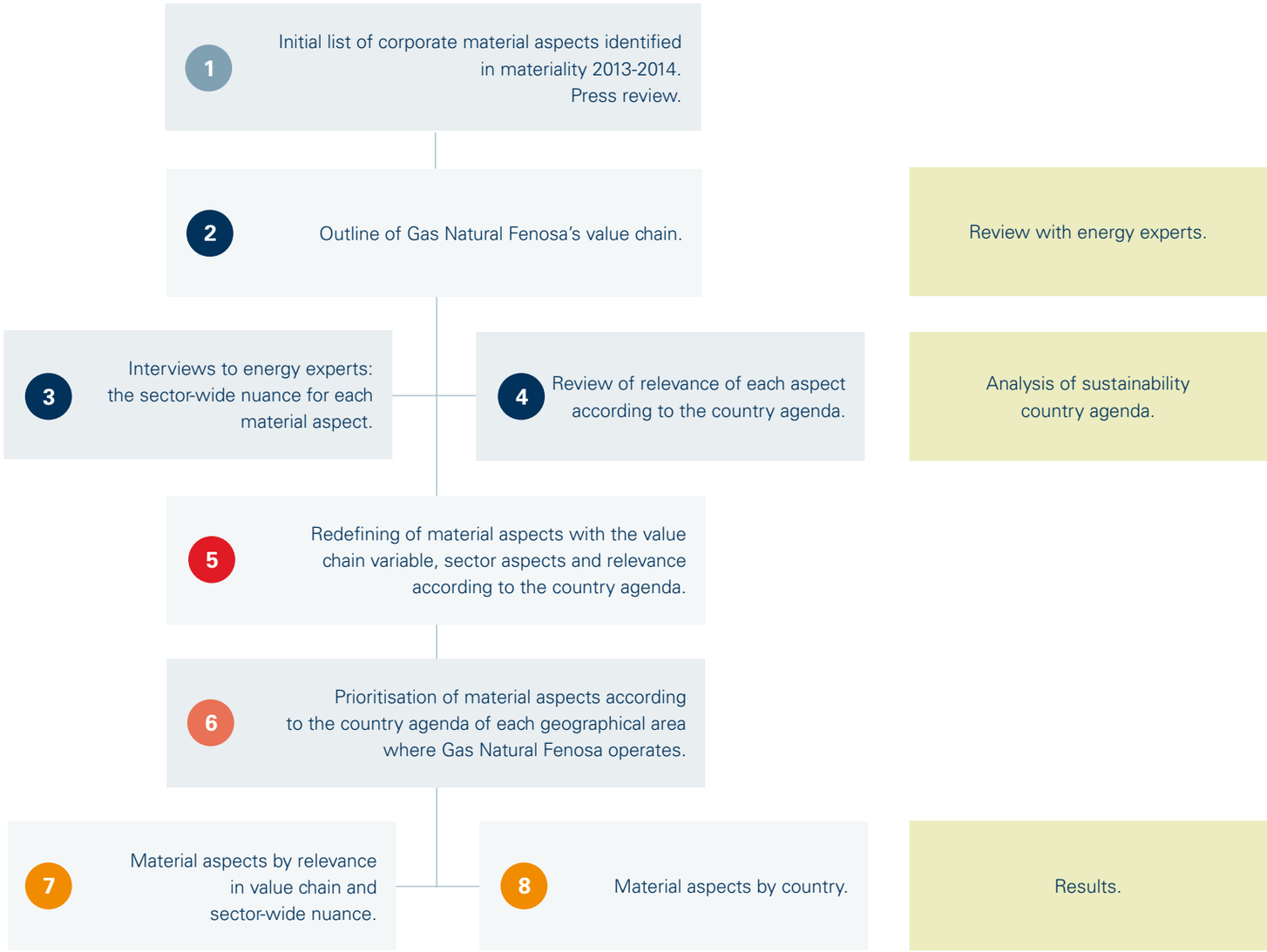
[G4-18] and [G4-23]

In 2013, the company conducted a joint study for the gas sector and the electricity sector for the 2013 Corporate Responsibility Report. This study was based on the 46 specific aspects defined by Global Reporting Initiative in its G4 Sustainability Reporting Guidelines, used as the basis for the analysis performed 2014. Those 46 aspects were prioritised in accordance with relevance for energy consultants within the following groups: international organisations and sector institutions, investors and other stakeholders as detailed under the heading "Identification of material aspects".

The relevance and prioritisation of these aspects were determined by selecting relevant matters of sustainability as a consequence of both an external analysis (analysis and identification of aspects in public sources of the reference organisations, investors and stakeholders), and an internal analysis (contrast through interviews).

The continuation of this study in 2014 seeks to delve further into the particular aspects affecting the sector, and we therefore conducted a series of consultations with energy and regulation specialists, as well as analysing the materiality of the issues in each country where Gas Natural Fenosa performs its activity. To this end, a series of official statistical sources were taken and the indicators were analysed as an approximation on the relevance which, for each issue, is awarded in the sustainable agenda of each country.

The following chart displays the steps carried out in the 2014 materiality exercise:



1 The aim is to explore initial material aspects in depth both in the value chain and in the relative importance for each country. A first press review was carried out to ascertain that no relevant matter was left out.

2 Outline of the value chain of the business activity of Gas Natural Fenosa, to provide details regarding which part of the process the aspect is relevant.

3 Interviews to energy experts, to identify possible matters not addressed, and to explore the justification of each material aspect in greater depth.

4 Review of relevance of each aspect according to the country agenda.

5 Redefining of material aspects with the value chain variable, sector aspects and country agenda.

6 Prioritisation of material aspects based on the agenda of each country.

7 Material aspects by relevance in the value chain, taking into consideration the sector-wide nuance.

8 Material aspects by country and sustainability agenda.

A more detailed description of the steps taken and the sources consulted is given below:

Identification of material aspects

In the initial identification of material aspects, in 2013, the following sources were taking into consideration:

- International organisations and sector institutions: Organisation for Economic Cooperation and Development (OECD), UN Global Compact (UNGC), International Energy Agency and World Business Council for Sustainable Development.
- Investors: Dow Jones Sustainability Index and FTSE4Good.
- Stakeholders: Global Reporting Initiative report "Sustainable topics", which includes material aspects for 52 sectors defined thanks to the interviews carried out with 194 organisations related to different stakeholders.

In addition, during the materiality process, relevant issues for the stakeholders specified in the offline and online press monitoring studies and Reptrak were considered.

Review of issues with a sector-wide focus and impacts on the value chain

To update the material aspects of 2014, an in-depth analysis of the corresponding material aspects for 2013 and a summary review of the press to check that no critical issue is excluded was performed.

An outline of the company's gas and electricity value chain was compiled, determining at which stage of the Gas Natural Fenosa value chain each of them have the greatest impact.

Elsewhere, the material aspects from the perspective of the gas and electricity sector was filtered by carrying out a series of consultations with energy and regulation sector experts, and other sector sources such as the Spanish Association of the Electricity Industry (Unesa) and the sector-wide aspects that concern investors (Dow Jones Sustainability Index) were reviewed. The sector-wide aspects can be grouped into three key challenges:

- New global energy scenario.
- Main challenge in Spain: the tariff deficit.
- Effects on the change of regulation and on the Spanish energy scenario.

Review of material aspects by country where Gas Natural Fenosa is operational

We have identified official statistical sources whose coverage guarantees the information of all countries in which the company operates. This information has subsequently been used to review the relevance of each issue based on the country's agenda (in-depth analysis of the relevant aspects identified by countries where the company is operational).

The company analysed the following countries: Germany, Angola, Algeria, Argentina, Australia, Belgium, Brazil, Chile, Colombia, Korea, Costa Rica, Egypt, Spain, France, Netherlands, India, Ireland, Italy, Japan, Kenya, Luxembourg, Morocco, Mexico, Moldova, Oman, Panama, Peru, Portugal, Puerto Rico, UK, Dominican Republic, South Africa and Uganda.

The analysis of the country's agenda was carried out so that it:

- Covers the vision for the reporting year of Gas Natural Fenosa by countries (for those countries that compile a corporate responsibility report).
- Lays down the bases for future master plans by country, with a more sector-wide vision.

The analysis of the indicators by country was carried out in consideration of the environmental, social and governance indicators taken from the following international benchmark sources: American Council for an Energy-Efficient Economy (ACEEE), Amnesty International (AI), The World Factbook (CIA), Dow Jones Sustainability Index (DJSI), Human Rights Watch (HRW), Inter-American Development Bank (DataGob), The Economist Intelligence Unit (EIU), World Bank (WB), World Economic Forum (WEF), United Nations (UN), United Nations Development Programme (UNDP) and the US Department of State (USDS).

Prioritisation of issues

With these new analyses (the value chain, sector-wide issues and the country agenda), the material aspects have been redefined. Firstly, we have the material aspects by relevance in the value chain, taking into consideration the sector-wide nuance; secondly, the prioritisation of material aspects based on the sustainability agenda of each country.

In 2014, the materiality analysis explores the challenges faced by the sector in depth and takes into account the relevance of each country's sustainability agenda

Internal validation

The internal validation was carried out through interviews with business managers that enabled the company to identify the risks by installations and geographical area. More specifically, for this publication of the report, there was participation from the following areas:

- Public Issues.
- Retail Businesses.
- Customer Service.
- Purchasing.
- Strategy.
- Corporate Governance.
- Internal Auditing, Compliance and Control.
- Environment.
- Human Resources.
- Regulation and Strategic Planning.
- Risks.
- Health and Safety.

The selection of these areas is based on the identification of the issues to be dealt with, following the advice of energy and regulation experts.

List of material aspects at corporate level

[G4-19]

GRI Category	Issue	Order of Priority (%)
PR	Product and Service Quality	100
EN	Emissions	83
EN	Energy	74
EC	Economic Performance	64
LA	Occupational Health and Safety	57
SO	Corruption	53
EN	Water	49
LA	Employment	48
EN	Biodiversity	48
SO	Local Communities	45
EC	Suppliers (local, environmental performance, employment practices, human rights and social impact)	44
EN	Effluent and Waste	40
EN	Products and Services	38
PR	Customer Health and Safety	38
LA	Training and Education	36
LA	Labour/ Management Relations	34
LA	Diversity and Equal Opportunity	28
HR	Human Rights Grievance Mechanisms	23
HR	Freedom of Association and Collective Bargaining	19
EN	Environmental Grievance Mechanisms	16
HR	Safety Practices	16
SO	Grievance Mechanisms for Impacts on Society	15
EN	Materials	11
HR	Human Rights Grievance Management	11

NB 1: each country has a different prioritisation based on its sustainable agenda.
NB 2: GRI nomenclature for each category: PR (Product Responsibility); EN (Environmental); EC (Economy); LA (Labor Practices and Decent Work); SO (Society); HR (Human Rights)

Key figures in the process

- 33 countries analysed with regard to their country agenda in environmental, social and good governance (ESG) issues.
- 17 international sources consulted.
- 18 indicators on the main economic, social, environmental and political stability figures by country.
- 73 specific indicators by country associated to the 24 material ESG issues for Gas Natural Fenosa.
- 13-18 additional indicators in nine countries (Argentina, Brazil, Chile, Colombia, Spain, Italy, Mexico, Moldova and Panama) depending on whether the activity of Gas Natural Fenosa in each of these countries is associated to natural gas and/or electricity. Prosperity Index and CIA Factbook. Chile has been included in the analysis due to the country's relevance and because of the recent acquisition of CGE by Gas Natural Fenosa.
- 91-109 indicators analysed in total per country.
- 2,690 indicators dealt with in total.

Map of material aspects

[G4-18a], [G4-20], [G4-21] and [G4-23]

In order to respond to the GRI G4 Guidelines, a map of material aspects that identify what represents a material issue for Gas Natural Fenosa and where it is relevant is provided. As regards the latter criterion, Gas Natural Fenosa identifies the materiality of the issue from three standpoints:

- Point of the value chain at which the issue is material.
- Impact of the aspect inside and outside the company and, consequently, the stakeholder affected.
- Geographic location. To determine those countries in which the issues are material we need to cross-check the following table with the activity map on pages 10-11 of this report. In this way, and based on the governing philosophy of integrated and uniform management at Gas Natural Fenosa, the issue will be material in those countries that perform the activity of the value chain in which the issue is material

Order of materiality (%)	GRI aspects that encompass the material aspects of Gas Natural Fenosa		Stages of the value chain where Electricity: Generation	Distribution	Commercialisation
100	Product and Service Labelling (Product and Service Quality)	PR		•	•
83	Emissions	EN	•	•	
74	Energy	EN	•	•	
64	Economic Performance	EC	•	•	•
57	Health and Safety	LA	•	•	•
53	Corruption	SO	•	•	•
49	Water	EN	•		
48	Employment	LA	•	•	•
48	Biodiversity	EN	•	•	
45	Local Communities	SO	•	•	
44	**Suppliers** (supply practices, assessment of suppliers in environmental issues, employment practices, human rights and social impacts)	EC	•	•	•
40	Effluent and Waste	EN	•	•	

the material aspects have greatest impact

Gas				Impact of the aspect inside and/or outside the organisation by stakeholder	2014 Corporate Responsibility Report chapter that deals with the issue
Procurement	Transportation	Distribution	Commercialisation		
		●	●	Customers	Business model/Sustainable innovation/ Customer orientation.
●	●	●		Society	Environment.
●	●	●		Society/customers	Business model/Sustainable innovation/ Customer orientation/Environment/ Commitment to society.
●	●	●	●	Society/shareholders/ customers	Business model/Commitment to results/ Commitment to society.
●	●	●	●	Employees/suppliers	Health and safety.
●	●	●	●	Society/employees	Commitment to society/Integrity.
				Company	Sustainable innovation/Environment.
●	●	●	●	Employees/customers	Customer orientation/Interest in people.
●	●	●		Society	Environment.
	●	●		Society	Customer orientation/Commitment to society.
●	●	●	●	Suppliers	Customer orientation.
	●	●		Society	Environment.

Order of materiality (%)	GRI aspects that encompass the material aspects of Gas Natural Fenosa		Stages of the value chain where Electricity		
			Generation	Distribution	Commercialisation
38	Products and Services	EN	•	•	•
38	Customer Health and Safety	PR		•	
36	Training and Education	LA	•	•	•
34	Labor/Management Relations	LA	•	•	•
28	Diversity and Equal Opportunity	LA	•	•	•
23	Human Rights Grievance Mechanisms	HR	•		
19	Freedom of Association and Collective Bargaining	HR	•	•	•
16	Environmental Grievance Mechanisms	EN		•	
16	Safety Practices	HR	•	•	
15	Grievance Mechanisms for Impacts on Society	SO	•	•	•
11	Materials	EN	•	•	
11	Human Rights Grievance Mechanisms	HR	•	•	•

the material aspects have greatest impact

Gas				Impact of the aspect inside and/or outside the organisation by stakeholder	2014 Corporate Responsibility Report chapter that deals with the issue
Procurement	Transportation	Distribution	Commercialisation		
●	●	●	●	Customers	Sustainable innovation.
		●		Customers	Customer orientation/Health and safety.
●	●	●	●	Employees	Interest in people.
●	●	●	●	Employees	Interest in people.
●	●	●	●	Employees	Interest in people.
●	●			Employees/society/suppliers	Customer orientation/Commitment to society/Integrity.
●	●	●	●	Employees	Interest in people.
	●	●		Society	Sustainable innovation.
●	●	●		Society/employees/customers	Health and safety.
●	●	●	●	Society/employees/customers/suppliers/shareholders	Customer orientation/Integrity.
●	●	●		Society	Environment.
●	●	●	●	Society/employees/customers/suppliers/shareholders	Integrity.

Scope of the information

[G4-22], [G4-23] and [G4-28]

The information included in this Corporate Responsibility Report refers to all activities conducted by Gas Natural Fenosa in 2014, as a worldwide gas and electricity operator.

On 1 January 2014, Gas Natural Fenosa retroactively applied IFRS 11 "Joint Arrangements". As a result, joint businesses (those in which participants hold rights only in respect of the net assets of the investees) are consolidated by the equity method instead of the proportional integration method.

The figures expressed in this report for the 2012 and 2013 years have been re-expressed and adapted to the new consolidation method. Consequently, the reported figures do not consider the data referring to the companies which are consolidated by the equity method.

The company prepares its report in accordance with the latest version of the Sustainability Reporting Guidelines of the Global Reporting Initiative, GRI 4, and includes the applicable additional information required by the "Utilities" and "Oil and gas" supplements

In 2014 there were no significant restatements which affected the comparison with data from previous years. When the calculation methodology has been changed for a specific indicator, this is clearly indicated in the chart and/or table and any major changes specified.

As regards the workforce, there was a major change with regard to 2013 due to two factors. Firstly, in this report we have included the CGE group, meaning that virtually all indicators have major variations with regard to the previous year. Secondly, the change comes from an update to the IFRS and its effects on the workforce. The criterion for characterising companies used in this report is as follows:

- Managed companies: this refers to those companies in which the group holds a majority stake, whose financial statements are consolidated through the equity method and in which human resources are managed with uniform group criteria that are the same for all companies. At these companies there is control over the workforce (people joining, leaving, etc.).

- Non-managed companies: these are companies in which the group holds a minority stake and whose financial statements are consolidated using the proportional consolidation method, whereby personnel overheads are integrated into the consolidated personnel costs of the group in proportion to the company's percentage of stake. The same criteria on management of human resources are not applied at these companies.

- Jointly controlled companies: these are companies which, in accordance with the instructions of the IFRS standards, are declared as jointly controlled companies and, consequently, on consolidating their financial statements using the equity method are not economically integrated into the group's consolidated personnel costs. Consequently, its workforce is not included in the group's total workforce, and this is why there is a separate reference to the number of staff members. The same criteria on management of human resources are not applied at these companies.

In 2013, prior to the change of the IFRS, the jointly controlled companies not included in the first indicator (2,774 employees), were considered to be non-managed companies. In this report, a footnote is provided as it cannot be considered to be the company's own workforce.

The information included in the 2014 section on the environment refers solely to those companies or activities in which the participation is equal to or greater than 50%, that have the capacity to influence environmental management or which have a significant capacity to impact environmental data, considering the global data.

Compliance with benchmark standards

[G4-18b] and [G4-32]

The Gas Natural Fenosa Corporate Responsibility Report complies with the most prestigious international standards for the compilation of reports of this type. In this regard, the company prepares its report in accordance with the latest version of the Sustainability Reporting Guideline of the Global Reporting Initiative, GRI 4, and includes the applicable additional information required by the "Utilities" and "Oil and gas" supplements. The company therefore believes that the report has been prepared in accordance with the comprehensive level of G4. This report has also been drawn up in accordance with the AA1000APS standard (2008).

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

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

The consideration of the principles set out in the following table ensure that the information satisfies the guarantees required through the foregoing standards.

Application of the AA1000APS standard

- **Inclusiveness.** In relation to this principle, particular importance is placed on the information presented by Gas Natural Fenosa in the chapter of this report on actions that lead to dialogue with its stakeholders.
- **Relevance.** The relevant issues for Gas Natural Fenosa are included in its Corporate Responsibility Policy that was approved in March 2013. This report is structured according to said matters.
- **Capacity for response.** It includes key performance indicators of the company, as well as its core policies and management systems in the spheres taken into account.

Principles for drafting this report (GRI)

- **Materiality.** Those issues identified in the materiality study carried out this year have been considered as material and have been included in the 2014 Corporate Responsibility Report.
- **Stakeholder engagement.** The company has defined its stakeholders, identified their expectations and set actions to establish a two-way dialogue. This process is explained in the sections on 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 business model, strategy and sustainable opportunities focus specifically on this area.
- **Exhaustiveness.** The outline of contents are defined with the help of those in charge of the key management areas of the company. This guarantees that essential aspects and impacts that each activity area of Gas Natural Fenosa has on its environment and on its own business targets are taken into consideration.

Quality of the information given (GRI)

[G4-30]

- **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 evolution of the company performance over time.
- **Accuracy.** All the information in the report is accurate and given in sufficient detail for the company's stakeholders to be able to value its performance in an appropriate manner.
- **Frequency.** Gas Natural Fenosa publishes its Corporate Responsibility Reports annually, as soon as the information is available, so that the stakeholders have a good understanding of the company.
- **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 report have been verified by PricewaterhouseCoopers Auditores, S.L (PwC). The drafting of the report took into account the three principles required by the AccountAbility AA1000 standard, accuracy and whether or not the information given responds to the stakeholders' concerns and requirements.

Verification
[G4-33]

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

In the said policies and in accordance with the Global Reporting Initiative recommendations, Gas Natural Fenosa committees an annual external verification of the contents of its report.

This review is made by an independent expert, PwC, 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 AA1000APS standard.

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

Queries and additional information
[G4-31]

In addition to this Corporate Responsibility Report, in 2015 Gas Natural Fenosa is publishing the Integrated Annual Report, the Corporate Governance Report and the Audit and Control Committee Report, all pertaining to 2014. The company also has a website (www.gasnaturalfenosa.com) where anyone interested can consult up-to-date information about the company. Furthermore, special mention must be made of the fact that Gas Natural Fenosa publishes corporate responsibility reports in Argentina, Brazil, Colombia, Italy, Mexico, Moldova and Panama.

Readers can send their doubts, queries or requests for information to the company's website: www.gasnaturalfenosa.com

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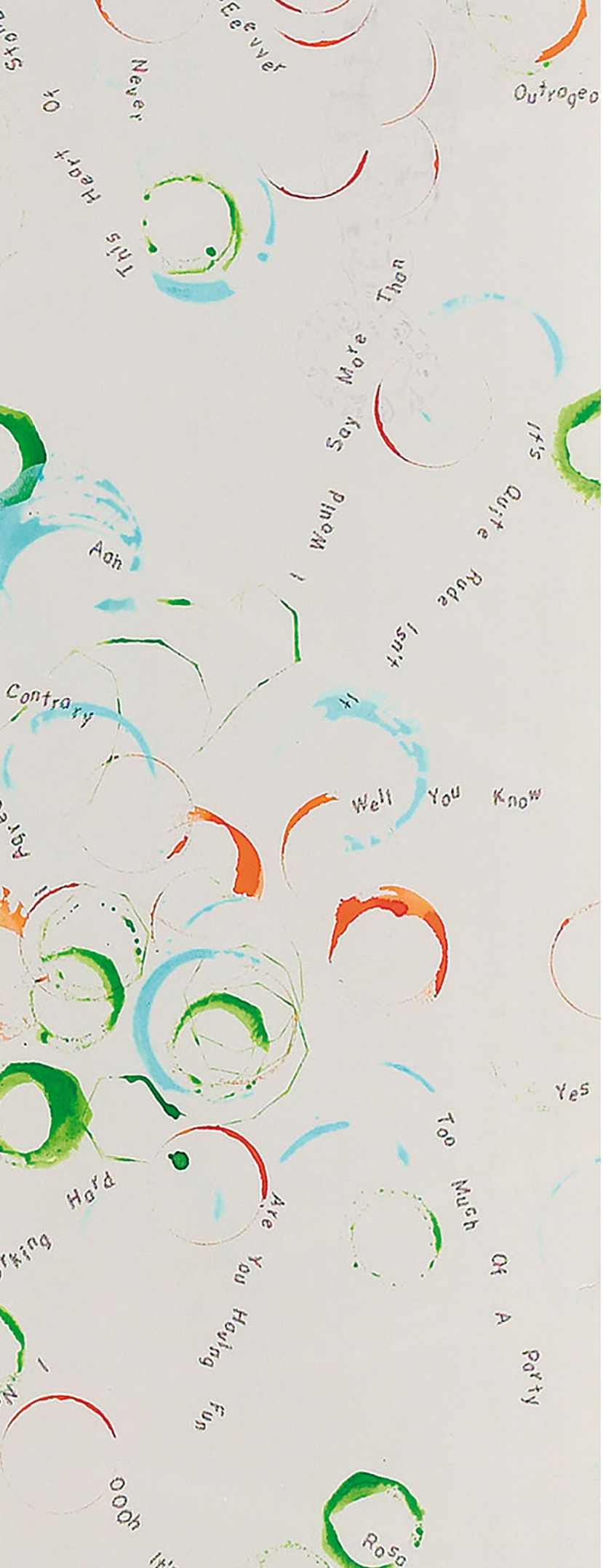


Sustainable innovation

Rosa Almeida.
Sin título.
2003.
108 x 138 cm.
Mixed technique on paper.
Museum of Contemporary
Art of Gas Natural Fenosa.

Innovation

A company committed to technology

For Gas Natural Fenosa, technological innovation and knowledge of the best technological solutions are fundamental for the safe and efficient operation of the group's assets.

The cycle of technological innovation begins with the identification of leading edge or incipient technologies that have transformation potential for the company. Then pilot projects are introduced to demonstrate their potential improvements and, where appropriate, they are adapted and optimised for the business.

In 2014, the priorities for the energy sector in this particular issue focused on offsetting the effects caused through the current economic situation, taking advantage of all possible opportunities to generate economic activity both in Spain and abroad, based on improved competitiveness. It also focused on the recovery of leadership in those energy technologies in which Spain had positioned itself strategically following major technological efforts.

These efforts in technological innovation are backed by the policies that the European Union is currently shaping and which are heavily centred on sustainability. This means that innovation in the energy field is essential in order to comply with the 2020 agenda, focused on low emissions energy, availability of supply and energy efficiency.

Through new solutions, Gas Natural Fenosa is contributing to sustainability, economy and reliability in energy supply, instrumented through its Technology Plan and the activities stemming from this plan, such as innovation projects, technology transfer actions and technology watch, and on fostering a culture of innovation.

Technology Plan

Promoting innovative culture.	Technological innovation projects.	Technological transfer.	Technological surveillance.

Innovation projects

Through its plan Gas Natural Fenosa is able to identify priority areas for actions that enable it to improve the bottom line and provide greater benefit to society. The company engages its innovation efforts on developing optimisation and asset management activities that continually improve the quality and reliability of the energy supply; on satisfying the energy needs of consumers in a sustainable way, providing more efficient services and products, and on ensuring an appropriate level of expertise at the group to make optimum use of the technological environment.

Priority technological lines

Electricity transmission and distribution

Smart grids: the company has continued to develop the smart grid in three areas: technological innovation projects, demo projects and actual introduction of the newest technologies. The common aim of all these is to evolve the distribution network towards a smarter grid, optimising the electricity distribution business processes.

Energy storage: this will be a key element in the future electricity system, as it will enable us to improve the quality of energy, guarantee stability and reliability of the supply and allow us better and easier integration into the renewable energy electricity grid. It is therefore a sphere in which the company remains active, taking part on the most representative national and international forums: European Association for Storage of Energy (EASE) and the storage inter-platforms group (Mineco) in Spain.

Renewable energies

Hydroelectric energy: a range of studies on existing technology in the field of micro-turbines (hydroelectric turbines of less than 1 MW) and their application at Gas Natural Fenosa have been conducted. As part of the sphere of application to the group, the possible assembly of micro-turbines on existing infrastructures where we are not currently taking full advantage of the energy potential have been studied. Several pilot projects have been launched as a consequence.

Efficiency and energy services

The company has concentrated its activity on optimisation of its operations. Elsewhere, the company also works on increasing the flexibility of energy consumption and does so through a range of initiatives. In developing customer solutions, the company continues to work on different pilot projects for energy management systems in the residential and SMEs sectors. Its objective is to try out technologies, whether emerging or under development, on which it can build commercial services that help customers to control and reduce their energy consumption.

Advanced generation technologies

Gas Natural Fenosa's efforts have been targeted at improving the exploitation of existing assets and on reducing the environmental impact of these.

Advanced solutions of the gas grid

We should highlight the initiatives carried out in the area of integrated automatic meter reading of gas and electricity. Also in this sphere, different activities to develop techniques and materials that can improve the layout and maintenance of underground lines have been carryied out, as well as new designs that improve performance and offer efficient resistance against abrasions or overheating through contact with damaged electrical cables.

Sustainability and related innovative services

Sustainable mobility: this area focuses on using natural gas as a cheaper alternative to current fuels used in sea and land propulsion, with the additional benefit of reducing the emissions of greenhouse gases.

Therefore, in readiness for the upcoming European regulations on emissions from 2015 onwards, the propulsion using natural gas seems to be a sound alternative to conventional fuel propulsion for sea transport. In this regard, as well as being used for the propulsion of large vessels, it could also be used at ports as it offers the possibility of improving the environmental quality and the port services themselves.

Innovation projects related to renewable energies and sustainability

Projects for the use of offshore wind

Neptune project (2011-2014)

New model of a sea-located buoy that uses a wind measuring system through the Laser Imaging Detection and Ranging (LIDAR) system. The design of the buoy finalised in 2014 and a prototype is expected to be sent to the North Sea in early 2015 to perform a six-month measuring campaign to validate its performance.

AFOSP (2012-2014)

The Alternative Floating Platform Designs for Offshore Wind Towers using low Costs Materials (AFOSP) project concluded satisfactorily in 2014. The main objective of this project was to design and to build a scale prototype of a floating platform for offshore wind towers. Furthermore, the project finalised with application for a patent on the alternative floating structure design recommended for intermediate depths.

Hydroelectric generation project

Castrejón Pie de Presa – Turbinator hydroelectric power plant (2014-2016)

The development, construction and commissioning of a pilot hydroelectric power plant, the performance of which includes the introduction of a nonconventional turbine technology called Turbinator. This pilot project is the result of the conclusion of the Small Hydroelectric project, which included a technology study of hydroelectric turbines with installed power of less than 1 MW, as well as their possible application at the group's facilities where the company is not making full use of the energy available.

Sustainability projects

Less H_2O (2014)

A solution for the reduction, reuse and recycling of water at combined-cycle power plants, in order to reduce consumption and optimise the resources used in water treatment.

Multi-power mobile solution for wind turbines (2013-2014)

Development of a portable transformer to replace or repair the wind turbine on site, in the event of a malfunction or an incident affecting the internal transformer of the wind towers, without losing energy production during the repair time.

Li-ion Battery project (2013-2018)

Demonstration of the use of transportable lithium-ion batteries as support to the distribution network. The different units were manufactured in 2014 and are scheduled to come into operation at the beginning of 2015.

RAF-ECO-FLEX (2014-2016)

A project that commenced in 2014, the aim of which is to develop new flexible pipes for gas distribution and new sheets for pipe protection. These pipes enable the number of welded sections and accessories to be reduced, cutting costs and improving the protection of facilities.

Self-sufficient LNG satellite plant (2014-2016)

Identification, assembly and testing of equipment that enables the construction of liquefied gas re-gasification satellite plants in locations where the electricity supply is difficult to access.

Renewable gas projects

Gas Natural Fenosa is at the cutting edge of renewable gas technologies. The company's most significant projects are the following:

- Biogas from the Góngora landfill site (Navarre) project (2014-2015): a study into the feasibility of using biogas from the landfill site to inject it into the natural gas network or use it as a vehicle fuel. Every year, the controlled Góngora landfill site generates more than 11 million cubic metres of biogas, with a methane content in excess of 50%. The energy contained in this biogas is 65 GWh/year, equivalent to the annual consumption of more than 6,000 families and around 7,000 gas-fuelled vehicles. To undertake this demo project, we intend to install a processing plant with capacity for 100 Nm^3/hr, which will enable us to treat 850,000 Nm^3 of bio-methane.
- Renovagas project (process of generating natural gas) (2014-2016): a research initiative that was launched in 2014, based on the Power to Gas concept, which aims to develop a pilot plant for the production of synthetic natural gas using biogas through methanation of hydrogen obtained from renewable energies.
- Production of bio-methane through gasification of biomass (2013-2015): production of bio-methane through gasification of biomass, with the required quality to be introduced into the gas grid. In 2014, we performed the process to select the technology for construction of a 2 MW pilot demo plant.

Technology transfer and technology watch

As regards Technology Support and Transfer, the company has continued, and even increased, relations with different entities and institutions from the technological sphere. This has enabled it to obtain more current knowledge and technologies and which are required to enable the different group businesses to receive the support they need for permanent optimisation of their operations. By way of an example, we should mention the technology transfer award given by the Electric Power Research Institute (EPRI) to the activities carried out in the sphere of maintenance of gas turbines and combined-cycle plants, or an international seminar on hydroelectric generation and storage through pumping.

As regards technological watch, this continues to be a key element at the company, as it allows us to capture relevant technological information from outside and integrate it as the organisation's own knowledge, to be able to take decisions on management of those technologies we have identified as key. The watch activities enable us to anticipate changes, appropriately assess the importance of new technologies and absorb these technologies at the company in a fluid way, optimising means and resources.

Using the automatic search, storage and distribution of information system, the watch groups created to monitor the different technological lines and conduct data mining studies allow company personnel to take part in developing a technological culture. All of this helps create a rapid response support to changes, as well as creating a major knowledge base of our own.

Fostering a culture of innovation

As part of a programme to foster a culture of innovation, we continue to drive innovation as a normal and natural function of the company's day-to-day business.

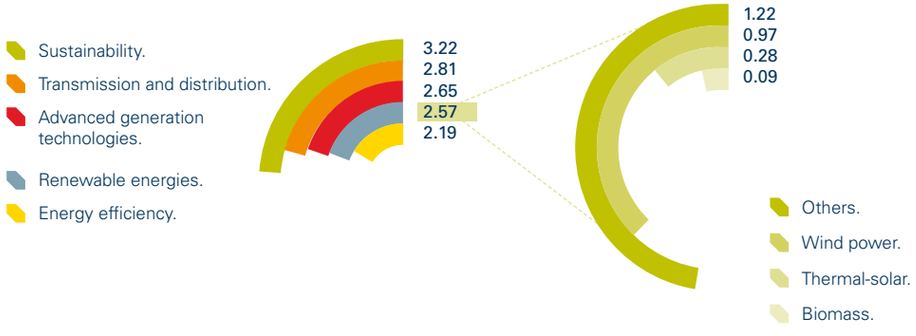
This year we have extended the cycle of conferences and seminars on technologies considered to be key for Gas Natural Fenosa, along with more general workshops targeted at improving the creative capabilities and innovation of employees. For the purpose of facilitating the exchange of knowledge and disseminating the innovation activities performed within the group, we have extended the internal communication areas. Here we frequently publish articles, noteworthy reports and internal and external news on issues of innovation and technological development. Of particular interest in 2014 was the launch of a new section on technology transfer focused on transmitting information and disseminating the actions carried out in this field, to ensure that the different corporate units are aware of their possibilities and applications.

The activities to encourage innovation also include the Our Energy Awards, targeted at promoting and recognising the potential for innovation and ongoing improvement of employees of Gas Natural Fenosa. These awards are now in their third year, with a high level of participation. Since its launch in June 2011, we have received almost 500 ideas, of which more than 40 have been introduced into the different business areas of the company.

In the 2014 addition we analysed 92 ideas, 16 of which reached the finals. As regards the results as a consequence of these ideas, in addition to the purely financial benefits we can highlight greater safety for persons and facilities, more flexibility and a quicker response to market needs and a reduction of the environmental impact caused by our activities. One example of this was the first prize given to innovation and which was awarded *ex aequo* to two ideas from Mexico and Colombia, the main aim of which centred on increasing the safety of the gas grid in areas with a risk of earthquake. Both ideas have independently reached two new and efficient solutions for the detection of seismic events and, where appropriate, action on the gas supply, increasing safety in said events.

R&D&I investment (millions of euros) **[OG2]**

The overall figure in 2014 for investment in sustainable projects and updates totalled 13.44 million euros, divided as follows:



As part of a programme to foster a culture of innovation, we continue to drive innovation as a normal and natural function of the company's day-to-day business

Smart grids

Smart grids are considered a key component in achieving the targets of reducing CO_2 emissions, improving energy efficiency and reducing exterior energy dependency. This key role involves integrating a growing quantity of generation using renewable sources and making consumption more flexible to enable greater efficiency in the electricity system as a whole.

The main feature of smart grids is their capability for real-time management of the participation of all agents that connect to the grids and thus achieve sustainable, efficient and safe supply.

The introduction of smart grids into the electricity system will enable electricity consumption to be reduced through more efficient management of energy, greater integration of renewable energies into the grid and a more active role of users in consumption management.

Our focus

The R&D&I activities performed in 2014 are aligned with the five technological strategic lines defined within the business, the common aim of which is to evolve the distribution network into a smarter grid, through optimisation of processes. The technological strategic lines are as follows:

- Remote reading of meters, using all of their features to the maximum.
- Automation of the medium- and low-voltage grids.
- Integration of distributed energy resources guaranteeing the quality and continuity of supply to all customers.
- Information and communication technologies (with special attention on data protection and security).
- Optimisation of the development and maintenance processes (online monitoring, mobility apps, remote supervision, etc.).

The smart network -defined as the electricity grid that integrates the behaviour and actions of users connected to the same (generators, consumers and those that perform both actions), to efficiently guarantee a sustainable, economic and safe supply- comprises different technologies and new management models that will be gradually introduced into the grid. Given its complexity and the investments required, we are currently making great efforts on research, innovation and demonstration to bring the different technologies and tools included in the smart grid closer to the market.

Technological innovation

Technological innovation projects

Redna[1] (2013-2015)

Development of technological solutions that enable us to improve the operation of the isolated neutral distribution grid, used on the distribution grid of Gas Natural Fenosa, by detecting and locating the earth faults. This will lead to improved quality of the electricity supply, a reduction in the service recommencement time and the automation of this kind of distribution grid in an economically feasible way.

I2L[2] (2013-2015)

The purpose is to automate the acquisition, monitoring and detection of damaged points in the overhead high-voltage distribution grid to perform preventive and corrective maintenance prior to the malfunction, leading to improved quality of the service.

SEPS[3] (2013-2015)

A development to assess the likelihood and severity of incidents on the distribution grid based on information from the electricity grid (consumption and status of equipment, among others), of weather data and knowledge of social events that have an influence on the electricity supply, to improve the planning of preventive and corrective actions and, therefore, minimising the consequences of incidents.

OVI-RED[4] (2013-2015)

Implementation of a local distribution operator that coordinates facilities expected to increase with the approach of production for consumption, due to the promotion of distributed generation and the appearance of customer facilities that can generate or consume. These facilities are going to have control possibilities that will enable more efficient and sustainable use of the electricity infrastructures.

[1] Innovation in the isolated neutral grid.
[2] Smart inspection of lines.
[3] Expert system of likelihood and severity of grid incidents.
[4] Virtual micro-grid operator.

All these projects make use of new technologies at indifferent levels of maturity. At Gas Natural Fenosa we are driving their development by taking part in fora, consortia and projects at national and international level, in most cases funded through the different schemes of the Spanish or European public administrations.

Osiris project, optimisation of smart grid functionalities

This project seeks to optimise the functionalities provided by smart grids, learn about incidents in communications of remote meter-reading equipment and improve the quality of the electricity supply in the event of malfunctions.

The availability of a setting in which we were able to develop the projects in which the technology is being built and to be able to validate in the field any introduction beforehand were essential in carrying out this initiative. To this end, in 2013 the company created the Grid Integration Laboratory (Linter) as a support for all innovation projects and the roll-out of smart grids focused on the interoperability of meters, the automation of the medium- and low-voltage grid, and the integration of renewable generation.

Demonstration of technologies

Technological innovation projects

Igreen Grid[1] and Discern[2] (2013-2016)

Projects aimed at objectively measuring improvements through application of smart grid solutions using efficiency indicators, and comparing these measurements between different demonstrations in Europe and trying to transfer solutions or best practices.

Ideal[3] (2013-2016)

A demo project to define and develop the concept of active management of the distribution network, encompassing aspects such as grid automation, information systems and management applications of electricity grids.

[1] Integrating Renewables in the European Electricity Grid.
[2] Distributed Intelligence for Cost-Effective and Reliable Distribution Network.
[3] Ideal Grid for All.

Price innovation and demonstration project (2011-2015)

The Smart Grids in the Henares Corridor project (Price), represents the largest joint R&D&I project in Spain and one of the biggest in Europe. Furthermore, it represents a smart grid technological demo project at European level.

The Price project is organised into four major areas:

- Automation and supervision of medium voltage (Price-RED): design and development of a smart grid platform that enables supervision and automation of the medium-voltage distribution grid.
- Energy management (Price-GEN): development and installation of the smart management tools and systems for energy management of the low-voltage grid.
- Distributed generation (Price-GDI): propitiates distributed generation in the distribution grid through a demonstrator that enables monitoring, optimisation and supervision of the effect of generation connected at medium- and low-voltage levels.
- Demand management (Price-GDE): development of a prototype system to manage the demand of users connected to the grid, through the development and installation of consumption control and management devices in homes.

This initiative will benefit more than 500,000 persons and will involve the installation of approximately 200,000 smart meters and other smart devices targeted at managing energy consumption. 1,600 electricity substations will also be adapted to this new electricity distribution model.

Smart grids provide customers with advantages, as they allow different services to be provided remotely, such as real-time reading of consumption, processing contract take-ups and cancellations or changing the amount of energy contracted. This will increase the participation of smart grids in the electricity market, not only in generation and consumption but also helping to increase energy efficiency.

The innovation programmes driven by the European Commission and knowledge sharing enable all partners to incorporate improvements into the grids and to extrapolate improvements outside the project.

It is worth pointing out that in 2014, Price was recognised as one of the 10 European projects with the EEGI Core Label, for the European Electricity Grid Initiative (EEGI) under the Strategic Technologies Plan (SET-PLAN) to speed up innovation and the development of electricity grids of the future.

Sustainable mobility

The global population growth estimates bring with them mobility needs to cater to the population's ever-increasing economic and social activity. Satisfying these needs presents two major challenges. Firstly, greater demand infrastructures, and secondly, the need for new models of transport that are safe, clean and which favour economic development.

The European Commission launched an ambitious package of measures to ensure the creation of an infrastructure of alternative fuels, through the installation of stations offering natural gas for vehicles, specifically compressed natural gas (CNG) and liquefied natural gas (LNG), and electrical charging points throughout Europe, with common standards of design and use.

The aim is to introduce alternative fuels, achieve a more efficient economy, reduce Europe's dependency on oil and develop a transport industry that is ready to respond to the current needs of our society.

Spain has a leadership position in the development of LNG loading infrastructures. This can be seen in the pilot project spearheaded by Gas Natural Fenosa and funded by the European Union to develop, in Spain, the first two corridors for supply of LNG to long-haul vehicles.

The Spanish market continues with public strategies to promote the electric vehicle in order to achieve a greater number of vehicles that use electric and hybrid technology in urban environments.

Along with public initiatives, the volatility of fossil fuel prices is forcing car companies to look more and more into sources of alternative and renewable energies, to reduce dependence on this kind of fuel and offer sustainable mobility solutions.

In this context, there are new business lines opening up for the energy companies, who must guarantee the electricity and gas supply by including best technologies in the distribution grid, and by adapting infrastructures to the forecast increase of energy supply, as a consequence of the spread of non-polluting vehicles in the market.

In summary, we need an attitude of ongoing adaptation, technological development and fostering and promoting new forms of sustainable mobility.

Our focus

Gas Natural Fenosa is firmly committed to sustainable mobility. For more than 10 years, the company has been working on the development of alternative solutions to conventional fuels. In this regard, it is the leading Spanish company in natural gas mobility services, offering a comprehensive service that incorporates the design, set-up and operation of natural gas stations.

The company's aim in this field is to make progress in the design of ecologically advanced business models that are competitive when markets mature definitively from a commercial point of view.

Gas Natural Fenosa's commitment to sustainable mobility is focused on continuing with the growth of the natural gas vehicle; on building and operating new CNG and LNG service stations; on the incorporation of new fleets of vehicles that run on natural gas and on developing new products that can help increase the number of land vehicles.

At the same time, we are working on introducing LNG into the maritime sector, a sector with huge potential due to the demanding regulatory restrictions that make it the only technically and economically viable alternative.

Gas Natural Fenosa has had a relevant role as a company in drafting the Clean Power for Transport European Directive. Through the Spanish Association of Natural Gas for Mobility (Gasnam), co-funded and presided over since its creation by the company, it has contributed technical and economic arguments to favour the development of natural gas vehicle infrastructures to help towards developing the use of CNG and LNG in both land and sea sectors. In 2014, the company consolidated and positioned itself as a valid point of liaison with Spanish and European authorities

Another sector where Gas Natural Fenosa has a major interest is the railways sector.

The company actively takes part in the technological development and promotion of electric vehicles, as well as the preparation of proposals for commercial customers and integration of the infrastructure required, the energy supply and comprehensive management of the service.

Our action

Gas Natural Fenosa currently has 27 public charging stations and 15 private stations operational. Seven of these offer both LNG and CNG. The stations are located on the main highways and are principally designed to supply heavy vehicles that carry out inter-urban journeys. As regards the more consolidated business, construction, operation and management of charging stations for captive vehicle fleets, the company continues to work on promoting this business model, extending it to town councils with a low number of inhabitants.

In 2014, the company continued to develop a range of projects with the main vehicle manufacturers, as well as transformation companies, to achieve a larger range of more efficient vehicle models and technologies that run on natural gas. In this regard, we can highlight the progress made in the area of transformation of tractor heads to make it possible to use 50% blended methane/diesel fuels.

Furthermore, 2014 saw completion of the project to modify the Mann Euro III bus of the Madrid Municipal Transport company (EMT) and two waste collection vehicles transformed to run on dual fuel (Diesel-CNG). These vehicles are now in operation and have demonstrated a major reduction in the fuel cost.

	2014	2013	2012
LNG and CNG sales at service stations (MWh)	584,092	536,150	528,577

In addition, and with the aim of positioning liquefied natural gas as a real alternative in long-haul transportation and rolling out the use of this fuel in Europe, we can point to the two projects in which Gas Natural Fenosa continues to have a presence:

- LNG Blue Corridors. The framework of the project focuses on building approximately 14 new LNG or L-CNG stations, both fixed and mobile, at critical points along the Atlantic and Mediterranean corridors and on the connection of Southern Europe with the North, and the East with the West, known as blue corridors, together with the construction of a fleet of around 100 heavy vehicles that run on LNG. The Santa Perpetua (Barcelona) station became operational in 2014.
- Gas, an Alternative for Road Transport (Garnet). The purpose of this European project is to analyse, both from a technological as well as a financial standpoint, the development and large-scale rollout of an LNG supply network as a fuel alternative for heavy goods vehicles.

Garnet project (2012-2014)

This project has financial support from the Trans-European Transport Network Executive Agency (Ten-TEA), created by the European Commission.

The aim is to install seven LNG service stations in Spain, four of them permanent, selected along priority routes, and three mobile stations, to enable greater flexibility and the quick supply of fuel in key areas.

The aim is also to assess the integration of communications technologies and the supply of major volumes of LNG to the future stations to enable proper management of the network.

To achieve these targets we are testing those technologies with greatest potential for European-wide deployment, and we are monitoring the conditions of safety in charging and the user interface.

The benefits of this project are as follows:

- Improve air quality: the use of natural gas as a transport fuel reduces nitrogen oxide emissions and polluting particles in suspension that affect human health by more than 85%, and up to 20% with regard to CO_2 emissions, the main cause of the greenhouse gas effect.
- Reduce acoustic contamination: natural gas reduces acoustic contamination with regard to diesel by up to 50%.

To validate the results of the project, we have reached agreements with the owners of large heavy-vehicle fleets that will use the stations during the initial stage, and it will subsequently be possible to extend this to a larger number of companies and self-employed persons.

In the maritime sphere we are involved in the Abel Matutes project for the regular route Spanish prime ferry with a natural gas engine. From the end of 2015 onwards, the engine will be fed fuel from the gas grid or as LNG, which will greatly reduce polluting emissions, such as NO_x, in the port areas.

Also in 2014, we signed agreements with the ports of Barcelona and Ferrol to improve mobility with natural gas. These agreements can be added to the agreements that already existed in Vigo and A Coruña. The aim is to drive the use of natural gas as a fuel in the port area, both with regard to sea mobility (fuel for boats and service vessels), as well as on land (work vehicles and machinery).

Furthermore, having verified the technical, economic and regulatory feasibility of its use, the company is working on a pilot project to use LNG in Railway Traction, for the purpose of piloting the first locomotive in Spain to use LNG as a replacement fuel for diesel.

Lastly, with regard to electric mobility, the company continues to manage charging points and mobility solutions, and has a technology watch position that enables it to determine the point at which it could be an alternative for areas of the market larger than at present. It also has a 20% stake in BlueMobility Systems, a firm that engages in the development of recharging infrastructures for the electric vehicle.

Next steps

Over the next two years, Gas Natural Fenosa plans to invest more than 7 million euros on the construction of eight service stations to supply LNG and CNG to trucks along the main goods transportation routes on the Spanish mainland. Once this project has been finalised and analysed, it could be extended with investments in a further nine service stations.

Moreover, in 2015 we should see the first bunkering regulations in Spain. Gas Natural Fenosa takes part in these regulations through its participation on an Aenor work group via Gasnam. Furthermore, the aim is to maintain reduced taxation for the natural gas vehicle (NGV) and garner greater support from manufacturers and autonomous regions.

Energy services

The European Union is firmly committed to increasing energy efficiency by 20% by the year 2020 with regard to the 1990 levels. This target was confirmed as one of the principles of the new EU strategy for employment and intelligent, sustainable and integrating growth (Europe 2020 Strategy).

To achieve this undertaking, in addition to the savings already established, member states will have to generate a new saving each year equivalent to 1.5% of the average final energy consumed during the 2010-2012 period. In the case of Spain, this equates to an energy savings target equivalent to 15,320 ktoe.

Furthermore, in 2014 the European Union established the targets to increase energy efficiency at 27% for 2030, also with regard to the 1990 levels.

Consequently, the introduction of the regulations, along with the savings plans and energy efficiency, will be even more important in establishing multisector measures of different scopes.

The regulatory developments that are being prepared in Spain and other countries for the introduction of initiatives concerning energy efficiency are generating new scenarios in which the consumer takes on a more prominent role, with increased capabilities to be aware of and control his energy consumption.

Companies seeking to lead these markets must establish business models based on knowledge, innovation and technological competence, focused on customer loyalty, and helping the consumer to improve his patterns of consumption, to obtain energy services that cover his needs with the lowest consumption of energy and at the lowest cost possible

Our focus

Gas Natural Fenosa is a company that is close to its customers. As a consequence, the company thinks about the particular needs of its customers and seeks the best solutions to satisfy these, such as the development of new products.

The strategy revolves around development of additional services with high value-added that allow customers, both current and future, to design an energy consumption strategy that optimises their pattern of consumption. Gas Natural Fenosa is strongly positioned in these markets through its supply of energy services.

The company's business focuses on providing the customer with integral supplies that go beyond savings or price reductions in the sale of gas and electricity. The innovation in the commercial supply being undertaken by Gas Natural Fenosa, which brings with it potential savings for current customers and an additional supplement of traditional products, aims to position it as a dynamic company that is constantly adapting, and one that is concerned about providing its customers with value-added products and services.

Technology at the service of energy control and management

Throughout 2014, Gas Natural Fenosa performed major work in the sphere of energy management systems, both in the residential sector and SMEs. Its objective is to try out technologies, whether emerging or under development, on which it can build new commercial services that help customers to control and reduce their energy consumption.

Servicontrol

In 2014, the company finalised two pilot projects that had been introduced the previous year. In the first of these, the company tested software that enables online monitoring and analysis of the energy consumption of smart energy management systems at SMEs. In the second, developed in the residential sector, the smart thermostat and electric measurement system that enables control from the web and smartphone was tested in 100 homes. As a result of these two pilot projects, the Servicontrol service came into commercial operation at the end of 2014, and came to form part of the portfolio of services that Gas Natural Fenosa offers the residential sector. This service from Gas Natural Fenosa allows the customer to manage the consumption of different devices in a centralised way, through the use of a single unit. So, for example, the customer can turn on or turn off the heating in a remote way, with the subsequent value-added of convenience, comfort and efficiency in consumption.

Technological innovation projects

DC4Cities European project (2013-2016)

The aim of this project is to optimise energy management of datacentres, whose main focus is to minimise their consumption and improve their power feed using renewable energies, thus introducing demand management mechanisms based on the availability of this kind of energy or other restrictions.

As part of this project, we will perform several pilot demo tests, one of which will take place in Spain, featuring participation from the Consorci de Serveis Universitaris de Catalunya (CSUC), the Institut Municipal d'Informàtica (IMI) -belonging to the Barcelona city council-, and Gas Natural Fenosa. The company's function is to take charge of energy management of the centres, to define the strategic base of the project and to coordinate collaborations of the smart city cluster between different European projects.

Growsmarter project (2014-2019)

The main objective of this project is the transformation of European cities into smart cities. Achieving this will require the development of efficient and integrated solutions in energy, mobility and infrastructures at city level.

Gas Natural Fenosa participates in this project by carrying out the energy actions in Barcelona. Examples of the actions that will be performed include the development of self-sufficient islands (including improvements in the generation of heat and reductions in the consumption of hot water, gas and electricity), the refurbishment of buildings from different historical ages and types, and encouraging the active participation of the public in energy issues or the promotion of natural gas vehicles as a means of transport.

The project is focused on improving life quality of citizens, by offering them attractive technological solutions that help them to save and to improve their level of comfort and living.

This initiative was selected as one of the Lighthouse projects (large-scale demo projects that validate the technology approved in a laboratory at industrial level), as part of the Horizon 2020 European research and innovation programme.

Innoernergy Cofast project (2014-2016)

This project is a KIC Innoenergy initiative and puts forward a new concept of quick recharging stations for electric vehicles based on the use of co-generation, which reduces dependency on the network of charging stations. This technology provides improved energy efficiency with regard to the standard solution.

Promotion of efficient products

The company works so that society enjoys energy in the most efficient way possible. As an energy services company, it makes available its technological expertise and the means necessary to maximise comfort at the lowest cost. Gas Natural Fenosa thus takes another step forward in customer relations, becoming the customer's integral energy manager and not just their gas and electricity supplier. The company covers everything from the initial analysis of the energy situation through to the design, set-up, financing and management of the measures introduced.

The variety of services available in this field is extremely broad, adapting to the technological and economic needs of each customer. To respond to these needs, the company has created a large portfolio of energy products and solutions, based on innovative application of efficient technologies. In 2014, Energy Solutions launched new services for the Bio+a and Distribution and Comfort Option. Gas Natural Fenosa is reinvigorating a business model based on in-depth analysis of the most efficient technologies available in the market, and a process of selecting those most appropriate for each type of customer.

In some cases, despite the energy savings generated by these technologies, the initial cost is high, representing a barrier to its introduction. For this reason, to facilitate access by customers to any type of efficient technology we develop economical business models, offering a comprehensive service that includes the initial investment.

Gas Natural Fenosa is reinvigorating a business model based on in-depth analysis of the most efficient technologies available in the market, and a process of selecting those most appropriate for each type of customer

Standardised solutions

Renewal and comfort solutions

Gasconfort

Consolidated service from the company, providing integral energy management that enables transformation or renovation of boiler rooms that run on diesel or natural gas propane. This service is targeted at both the industrial and tertiary sector as well as communities of homeowners.

Distribution and comfort

A service that was included in 2014 and which enables individual reading of each neighbour's heating and hot water consumption, so that they only pay what they actually consume. According to figures from the Spanish Institute for Energy Diversification and Savings (IDAE) and the Spanish Association of Heating Cost Distributors (AERCCA), the distribution formula increases the uniformity of heat in all flats and makes it possible to save up to 20% through the user's change of habit when they discover their actual consumption.

Climaconfort

Electric air conditioning service developed by the company that enables the customer to renew their old air conditioning equipment for the best systems available in the market (heat pumps, coolers, etc.) which give better performance rates and do not use R22 coolants, which will be banned in 2015.

Refurbishment of buildings

A new product that was developed in 2014 to improve the insulation of buildings. The improvement to the heating insulation makes it possible to save up to 20% of heating energy. This is scheduled to come into operation in 2015.

Energy efficiency solutions

Certification of homes

Since 2014, the company has offered to certify the energy efficiency of homes which, in Spain, is required for the letting and sales of properties.

Ledplus

Since its introduction, more than 140,000 LED lights from leading manufacturers have been installed at more than 1,000 customers. In 2014, there were more than 600 projects to renew the lighting at different businesses.

Special supplies solutions

Liquefied natural gas (LNG)

The company provides a service that enables natural gas to be taken to customers that are some distance from the natural gas distribution grid. LNG is the best option in these cases as the cost per kWh is up to 35% less than that of other fossil fuels.

Bio+a option

Since 2014, Gas Natural Fenosa has offered the Bio+a Option to customers that are some distance from the natural gas distribution group, making it possible to renew the installations so that they work with biomass. This is a competitive solution that helps the company's customers to save money, and it is also renewable. Furthermore, Gas Natural Fenosa takes charge of the transportation and logistics, guaranteeing the continuous supply of top-quality certified fuel.

Customised solutions

Together with the development of standardised solutions, such as those described previously, the company is developing other energy services.

These are customised projects that enable complex energy efficiency solutions to be put in place at those customers whose needs cannot be adapted to a standard service.

Public lighting solutions

Lighting of municipalities

We have continued to develop projects whose direct benefits for the customer are electricity savings and a decrease of maintenance operations, which lead to a reduction in the energy bill.

Gas Natural Fenosa is able to propose solutions based on an energy performance contract model that can guarantee savings of up to 85% compared to traditional solutions. Municipalities such as Parets del Vallés (Barcelona) and Sant Feliu de Guixols (Girona) have used this solution to renew their lighting.

District heating solutions

Urban or district heating

The introduction of urban or district heating, which involves the heat being distributed through an urban network, in the same way as with gas, water, electricity or telecommunications. As the hot water is produced centrally, the process is more efficient and households reduce their heating and hot water bills.

Solutions in the tertiary and industrial sector

Energy savings at companies

Technological projects that the company carries out in accordance with the customer's needs. This involves analysing all possibilities to achieve the best possible performance of the installations.

Of particular note in 2014 was the project undertaken by the company Desarrollos Alimentarios, S.A. Several methods of energy saving were introduced through the Gas Natural Fenosa project. The key results were a decrease of NO_x and CO_2 emissions of roughly 20% using the new equipment, coupled with a production capacity improvement on line 1 of close to 30%. The saving in natural gas is higher than 10% and we have achieved a 40% reduction in electricity consumption thanks to the LED lighting system

The importance of raising public awareness for a more efficient energy model

Gas Natural Fenosa aims to become an integral energy manager focused on the sustainable consumption of its customers. For many years now, the company has been working together with social institutions to provide information about this awareness and in application of technologies related to energy services.

One of the company's priorities is to promote and disseminate energy efficiency through awareness campaigns. Gas Natural Fenosa takes part in seminars and conferences to provide information on products and services that best adapt to citizens' needs.

The company also promotes cooperation agreements with major consumer and business associations to achieve a more efficient use of energy.

The company also continues to devote its efforts and resources to raising awareness among customers of the need for efficient use of energy, as their collaboration is essential in achieving common objectives in this field.

Residential customers are provided with advice through campaigns, and can also benefit from the www.hogareficiente.com, site on how to save energy in the home and the benefits this brings to the environment. For businesses and industries, the company has the portal www.empresaeficiente.com. Both web portals can be used as the reference point of the company's energy efficiency programmes and they also offer energy advice services, online courses, guides and a smart energy diagnostics tool.

For more than a decade now, the company has published the energy efficiency indices in the residential and SMEs sectors every year. This index has become a benchmark in measuring energy consumption habits in Spain. These statistical studies mean we can analyse the level and efficiency evolution in Spain and find out the savings potential in these sectors. In the latest publication of the domestic index we have redefined the savings analysis methodology, incorporating the potential for change in equipment and habits. Spanish households therefore have an energy savings potential of 23.2% in their energy bill. In the case of SMEs, the latest study conducted shows a 0.4 point energy efficiency improvement, with a savings potential of around 16.1% of the total amount consumed.

Both studies analyse the impact that the index has on the level of energy efficiency, and control groups investigate previous publications. This analysis enabled us to verify that the actions to raise awareness and educate have a direct impact on improving levels of efficiency, reinforcing the company's position and motivating the performance of actions and campaigns to raise awareness targeted at improving the level of energy efficiency of its customers.

Access to energy

The company performs a large part of its activities in emerging markets where highly significant increases in energy demand are expected in forthcoming years. The growth of the population as well as the access to higher levels of well-being will require the development of new generation and electrification infrastructures in these areas.

This development represents a huge opportunity for the company, but also a major challenge from the technical, financing and social impact standpoints.

Our focus: social innovation and local development

The energy supply to communities with an emerging economic and social level must be seen as a key element of the sector's undertaking with society. Access to energy drives the development of communities, which will be better equipped to prosper and reach levels of development they would otherwise not be able to do.

Supplying energy to rural communities is also an opportunity, because the company has the experience to repeat these kinds of projects in other regions and build a source of competitive differentiation. Gas Natural Fenosa is ready to satisfy the additional demand for energy expected in the next few years. The new capacity totals approximately 1,040 MW of projects currently at different stages of planning. To this end, the appropriate tools to organise activities have been provided, to satisfy that increase of demand.

Challenges facing the development of new generation and electrification infrastructures in emerging markets

- The need for more investment to develop new generation plants, as well as distribution grids, in regions where the electricity and gas infrastructure is insufficient.
- Developing projects with low social and environmental impact that enable it to obtain the social licence required to build the infrastructures with the support of the local population. Having solid institutions in the countries, as well as the necessary government of laws, so that the projects it carries out can be trusted.
- Implementing appropriate systems for payment that ensure the projects are feasible from a financial point of view and facilitating access to the service by the public.

We are working on the development of new generation products; on studying the positive social impact of infrastructures; on new supply networks of gas and electricity in isolated areas; on the design of tariffs that facilitate access, and on inclusive business programmes.

Gas Natural Fenosa, as part of its strategy to reinforce its commitment to society, actively tries to cater to all individuals, families and organisations located in the areas for which it has been granted a distribution or service licence, in order to provide and facilitate access to energy in populations where the company is operational. This premise encompasses the inclusive business programmes in neighbourhoods with a lack of resources, where there is no decent distribution infrastructure, no culture of payment and where there is a plethora of illegal connections.

Access to energy drives the communities, so they can reach higher levels of development

Our action, solutions for every need

Gas Natural Fenosa has spent many years carrying out projects targeted at encouraging access to energy by underprivileged populations in some of the countries where it is operational and where its activities appreciably improve life quality.

Energía Social (Colombia)

Energía Social is responsible for the commercial management of neighbourhoods without standardised electricity infrastructure on Colombia's Caribbean coastline. It has developed a specific community billing system for disadvantaged customers and manages the Social Energy Fund (FOES), a local subsidy in the form of a discount on the bill.

Moreover, Energía Social plays an important educational role in the efficient and safe use of energy, and generates jobs in these communities. It also performs an essential catalyst role in standardising these neighbourhoods, by encouraging their inclusion in the Electricity Standardisation Programme.

In partnership with the Colombian Government, since the Energía Social activity began in 2004, more than 90,000 families have benefited from this initiative, almost 8,000 in 2014. Since then, Gas Natural Fenosa has invested 45.6 million euros on electricity substation and electricity line projects to improve the reliability and security of the service.

In this regard, since 2004 Gas Natural Fenosa has managed to complete 194 network standardisation projects, of which 15 were finalised in 2014, and which has enabled 17 neighbourhoods to become standardised.

Every year, Energía Social performs more than 13,000 socialisation workshops for users and leaders, and receives around 195,000 attendees per year. It also carries out more than 400 training events targeted at the institutional public.

Prominent among the actions in 2014 were:

- The installation of 54,000 switches inside homes, to raise the community's awareness on responsible use of electricity.
- The performance of approximately 900 technical improvements to the low-voltage grids, benefiting more than 50,000 families.
- Changing 5,000 incandescent lightbulbs for low consumption lights, to help care for the environment and ensure that the families' annual consumption decreases.
- Innovative design of the electricity bill, allowing families to pay in accordance with their frequency of income.
- More than 5,000 customer service days per year at mobile points.
- An average of 2.5 visits a month to each user, so that they do not have to do incur transport costs to pay their invoice or carry out other formalities.

Cuartel V (Argentina)

In Argentina, Gas Natural Fenosa continues to develop the model used to extend the gas network to impoverished neighbourhoods. Together with the Pro-Vivienda Social Foundation (FPVS), the gas network continue to spread to more than 10 other neighbourhoods in the Cuartel V district (district of Moreno in the province of Buenos Aires), such as Alem, Anderson, Don Máximo, Don Sancho, Irigoin, Jardines, La Loma, Mayor del Pino, Milenio, Namuncurá, José C. Paz, San Alberto, San Carlos and San Norberto. The expansion projects will continue over the next few years, which will enable the company to reach a higher number of families.

In 2014, the natural gas grid reached 600 properties through the construction of 10,085 metres of new network. In global terms, since its inception more than 25,000 people (a figure that accounts for over half the population) have benefited from this programme and have achieved access to cleaner energy thus increasing the value of properties, thanks to the overall construction of 125,986 metres of gas network.

Furthermore, in 2014 Resolution I/910 was submitted to the National Gas Regulatory Body (Enargas), requesting authorisation to commence works in the Unión y Futuro neighbourhood, where we aim to extend the distribution network by more than 60 kilometres, with the potential to provide gas to more than 3,500 homes.

Residents of these neighbourhoods receive the same service from the company, although they do have certain advantages with regard to other customers, ranging from the distribution of bills by people that live in the neighbourhoods themselves, to the possibility of carrying out formalities through the FPVS or receiving a different treatment with regard to payment of monies owed.

FERUM (Ecuador)

During 2014, the Ministry of Electricity and Renewable Energy partnered Gas Natural Fenosa Engineering to promote the improvement to productive and economic conditions through electricity in isolated and impoverished communities.

The work, financed by the Inter-American Development Bank (IDB), aimed to support the energy sector in Ecuador so that it helps to develop production projects based on the use of electricity in marginal rural and urban communities that have recently had electricity installed, thus improving life quality, encouraging access to markets and driving greater competitiveness.

To this end, Gas Natural Fenosa, through its subsidiary Gas Natural Fenosa Engineering, developed an innovative methodology that enriches the electrification process of communities, fostering social development. This methodology is based on a change in the electrification model, which not only provides access to electricity but also works with local communities to improve their living quality through the use of electricity to improve productive activities.

Since 2012, the activities carried out have been:

- **Definition of a strategy** so that the electric sector in Ecuador includes the fostering of electricity-based production activities in the electrification projects.
- **Compilation of new work procedures** for the energy institutions.
- **Preparation of a computer tool** to assess the sustainability of potential productive activities identified.
- **Institutional training and reinforcement** through workshops provided to the Ministry of Electricity and Renewable Energy and to distribution companies.
- **Implementation of a pilot project** for the stockpiling of milk in the community of María Milan. The project managed to achieve a 20% increase of income for the community through the sale of milk, improving the quality of living.

Governance at Gas Natural Fenosa

Gonzalo Sicre.
Los nómadas del cielo.
1995.
150 x 200 cm.
Oil on canvas.
Museum of Contemporary
Art of Gas Natural Fenosa.

Good governance for efficient and transparent management

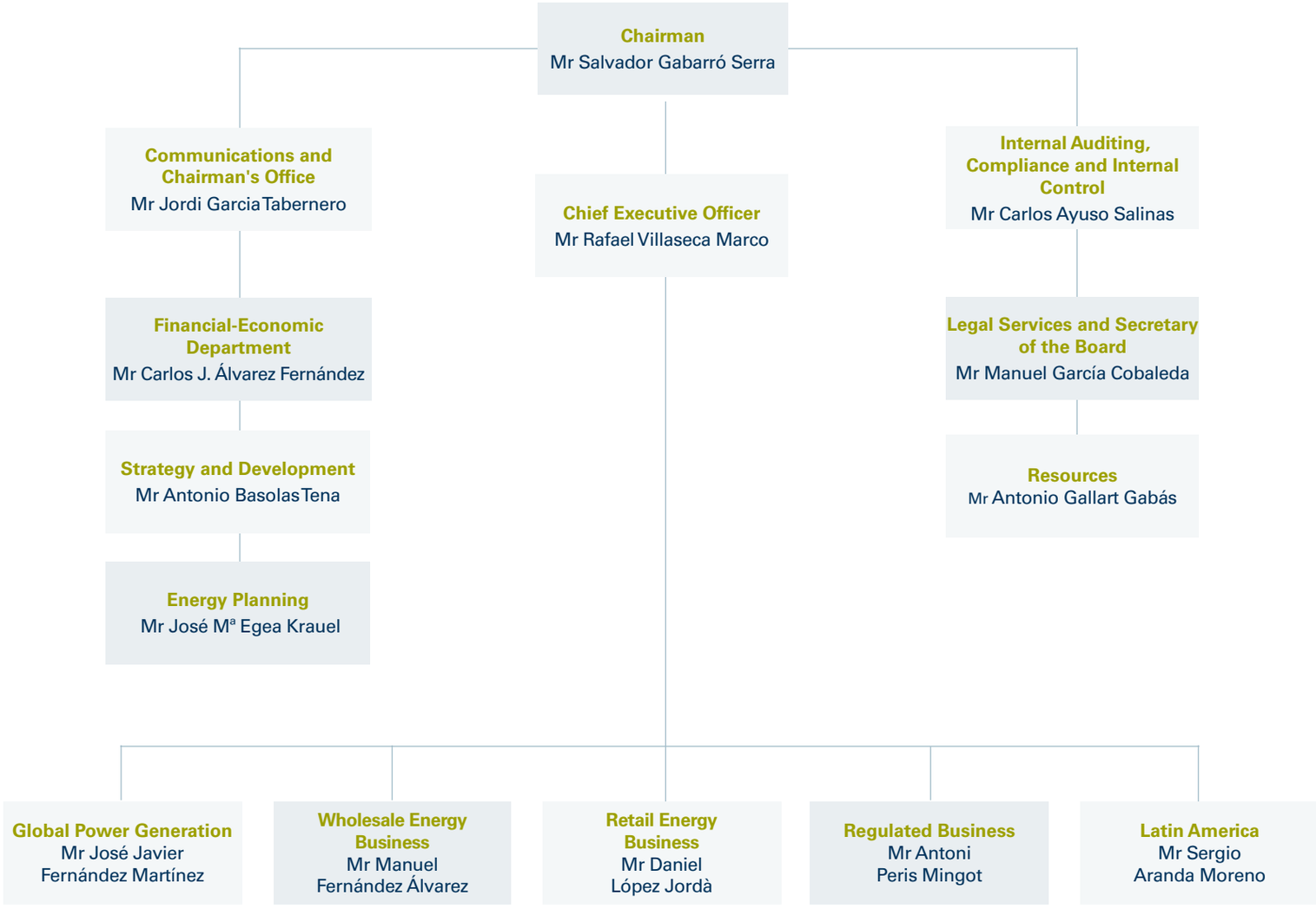
[G4-34]

Governance at Gas Natural Fenosa is based on the principles of efficacy and transparency established in accordance with the main existing recommendations and standards on the world stage. Good governance fosters transparency and efficiency in decision-taking, contributing towards profitability and the sustainable growth of the company.

Through its Board of Directors, one of the fundamental actions in good governance at Gas Natural Fenosa is to analyse and approve its risk profile every year. This includes ethical, social and environmental issues in business planning which, coupled with the quest for profitability, guarantees responsible projects and operations capable of generating long-term value.

Internal control is another fundamental pillar in the good governance model of Gas Natural Fenosa. To this end, the company frequently reviews its internal audit and compliance procedures and uses its internal code of conduct to set out those practices that should lead to greater knowledge of the company's way of working. Similarly, its supreme governing body periodically assesses the quality and efficacy in its own procedures.

The success of the business culture of good governance, fulfilment and a focus on preventing risks is best reflected in the Gas Natural Fenosa's 170-year history of sustained growth. Consequently, the company will continue to develop its activities and to focus its decision-taking processes pursuant to the very highest standards. Management transparency provides confidence to shareholders, potential investors and third parties that deal with the company.



Value actions

Proposed actions 2014		Planned actions 2015
Adaptation of the company's internal regulations to the new corporate government standards.	●	Adaptation of the company's internal regulations to the new corporate government standards.
Improvement of the risk calculation engine to automate measurement of the long-term value risk.	●	Review of the company's risk appetite, focusing on the presence in new markets and the current energy context.
Review of the counterparty risk analysis model at Gas Natural Fenosa.	●	Management and monitoring of compliance with the Code of Ethics and Anticorruption Policy through the automatic workflow.

Level of fulfilment: ● High. ● Medium. ● Low.

Good governance, in constant evolution

The governing bodies of Gas Natural Fenosa determine their operation following the recommendations of good governance of listed companies, and new laws in this field.

Good governance is a concept in constant evolution. Over the last two years, new models of the Corporate Governance Annual Report and Remuneration to Directors have been approved, along with modifications to the Corporate Enterprises Act to improve corporate governance and amendment to the Corporate Governance Code of Good Practices.

The reform of the Corporate Enterprises Act to improve corporate governance came into force in December 2014, and could have a major effect in 2015. The modification of the act, one of the most relevant in recent years, will require the company to change its Articles of Association, the Board of Directors' Regulations and the General Meeting of Shareholders' Regulations, among others.

The corporate governance practices of Gas Natural Fenosa are described in detail in a range of annual reports (Corporate Governance Annual Report, Annual Report on the Activities of the Audit and Control Committee and Corporate Responsibility Report), and information on these reports is given at the General Meeting of Shareholders.

Risk prevention management and consideration of aspects tied to corporate social responsibility rank very highly on the Board of Directors' activity, and the Board is responsible for approving the corporate governance and corporate responsibility policies. Every year, through the compilation of the respective reports, it reviews and approves the information on risks and opportunities in these areas.

Qualification and competence for taking better decisions

Through knowledge update programmes, and in those cases where such action is deemed appropriate, the company offers Board members the opportunity to have first-hand information about energy topics and other spheres, by inviting well-known specialists to their meetings.

Because the company adheres to the Code of Good Tax Practices, the aim of which is to strengthen collaboration between businesses and tax authorities to reduce litigation, the Board of Directors receives regular information on the tax policies applied by the company.

The General Meeting of Shareholders takes part in implementing 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.

Functions and composition of the Board of Directors

[G4-34], [G4-38], [G4-39], [G4-42] and [G4-48]

Pursuant to the recommendations laid down in the Unified Code on Good Governance of Listed Companies and the Board's own regulations, the quality and efficiency of the Board and of its committees is assessed every year.

This assessment looks into issues such as the amendments introduced into corporate governance standards; the number of sessions of the different governing bodies; the agreements and reports issued; the type of members of the governing bodies; attendance at meetings; calls to meetings and the documentation to accompany these calls; the venue for the meeting and the agenda.

The Board of Directors and its committees operated as expected during 2014, fully exercising their powers without interference and in full observance of both current legislation and the standards for the organisation and performance of the Board's own regulations.

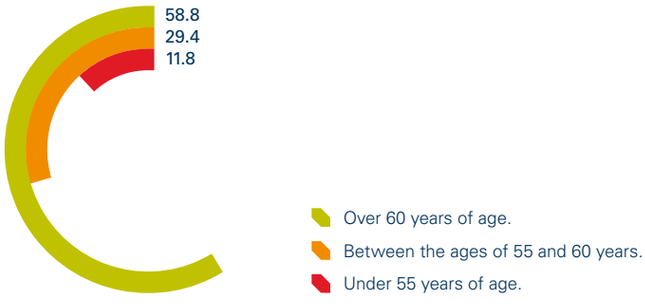
With the coming into force of the reform of the Corporate Enterprises Act to improve corporate governance, all companies will have to make changes to the Article s of association, the Board of Directors' Regulations and the General Meeting of Shareholders' Regulations, among others. It is worth pointing out that the internal regulations of Gas Natural Fenosa already include many of the provisions of the new act.

All the corporate information of Gas Natural Fenosa can be read on the company website, www.gasnaturalfenosa.com

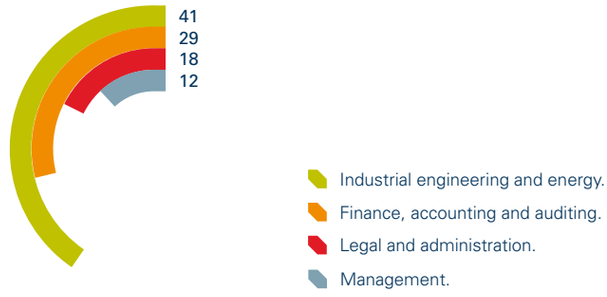
Responsibilities of the Board of Directors

Strategic orientation and financial objectives.	Determining the company's strategic orientation and financial objectives and agreeing, at the proposal of top-tier management, the appropriate measures for their achievement, where the fulfilment of the said activities is subject to its control.
Strategy compliance, objectives and social respect.	Supervising and verifying that the members of top-tier management comply with the strategy and meet the targets set, and observe the corporate purpose and interest, besides guaranteeing the interests of the minority shareholders. It therefore establishes as many supervision systems as required.
The company's viability and competitiveness.	Ensuring the company's future viability and its competitiveness, as well as the existence of appropriate leadership and management, where the company's activity is expressly submitted to its control.
Approval of the codes of conduct.	Approving the company's codes of conduct as well as developing the faculties set out in the Organisation and Operation Regulations of the Board of Directors and of its Committees.
Efficiency of ESG risk management processes.	Every year, to examine, debate and approve the different documents that reflect the economic, environmental and social issues processes, such as: the Annual Corporate Governance Report, Annual Accounts and the Management Report (both individual and consolidated) and the Corporate Responsibility Report.
Management, representation and control set out in the Articles of Association.	Performing as many acts of management, representation and control as required or appropriate to achieve the corporate purpose set out in the Articles of Association. It shall respond for this obligation to the General Meeting.

Diversity of the Board of Directors (%) [G4-LA12]



Responsibilities of the Board of Directors (%) [G4-LA12]



Composition of the Board of Directors and of the different committees (at 31 December 2014)

	Board of Directors	Executive Committee	Audit and Control Committee	Appointments and Remuneration Committee	Type of Director
Chairman	Mr Salvador Gabarró Serra	Chairman			Proprietary Director
Deputy Chairman	Mr Antonio Brufau Niubó[1]			Board Member	Proprietary Director
Chief Executive Officer	Mr Rafael Villaseca Marco	Chief Executive Officer			Executive Director
Board Member	Mr Ramón Adell Ramón[4]		Chairman		Independent Director
Board Member	Mr Enrique Alcántara-García Irazoqui	Board Member			Proprietary Director
Board Member	Mr Xabier Añoveros Trías de Bes				Independent Director
Board Member	Mr Demetrio Carceller Arce	Board Member			Proprietary Director
Board Member	Mr Santiago Cobo Cobo			Board Member	Independent Director
Board Member	Mr Nemesio Fernández-Cuesta Luca de Tena[2]	Board Member			Proprietary Director
Board Member	Mr Felipe González Márquez				Independent Director
Board Member	Mr Emiliano López Achurra	Board Member			Independent Director
Board Member	Mr Carlos Losada Marrodán[3]	Board Member	Board Member		Independent Director
Board Member	Mr Juan María Nin Génova	Board Member			Proprietary Director
Board Member	Mr Heribert Padrol Munté				Proprietary Director
Board Member	Mr Juan Rosell Lastortras				Proprietary Director
Board Member	Mr Luis Suárez de Lezo Mantilla		Board Member		Proprietary Director
Board Member	Mr Miguel Valls Maseda			Chairman	Independent Director
Non-Director Secretary	Mr Manuel García Cobaleda				N/A

[1] Mr Antonio Brufau Niubó resigned his post as Deputy Chairman of the Executive Committee on 30 May 2014.
[2] Mr Nemesio Fernández-Cuesta Luca de Tena was appointed Board Member of the Executive Committee on 30 May 2014.
[3] Mr Carlos Losada Marrodán resigned his post as Chairman of the Audit and Control Committee on 28 November 2014, and continues as a Board Member of the same.
[4] Mr Ramón Adell Ramón was appointed Chairman of the Audit and Control Committee on 28 November 2014.

The governing body in economic, environmental and social affairs

[G4-34], [G4-35], [G4-36], [G4-42], [G4-43], [G4-45], [G4-46], [G4-47] and [G4-49]

The company's supreme authority is the Chief Executive Officer, responsible for the group's general managers. By virtue of the Organisation and Operation Regulations of the Board of Directors of Gas Natural SDG, S.A. and of its Committees, the Board is responsible for defining the corporate structure, as well as the structure of delegations and authorisations.

In light of these terms of reference, the Board delegates certain powers to the CEO who in turn grant specific faculties to different general managers in issues of an economic, environmental and social nature. Within their respective terms of reference, they have supreme responsibility and the economic, environmental and social issues are related to a greater or lesser extent in all departments.

Because of its specialised nature, the Economic-Financial Department has general responsibility over economic issues and the Resources Department has general responsibility over environmental and social issues.

The different general managers are regularly invited to Board meetings in order to present issues arising within the scope of their respective competences in regard to which the Board of Directors is required to reach an agreement or to be informed. Consequently, these economic, environmental and social issues that affect development of the company's businesses are examined and debated on the Board.

By virtue of the culture of risk prevention in all the company's operations, due diligence is performed for each country at the start of relevant operations. The Board of Directors is the body that takes the decision to cease activities in a specific country, in consideration of a range of criteria, such as the government of laws.

Remunerative model of the Board of Directors

[G4-51], [G4-52] and [G4-53]

Remuneration of the Board of Directors

Remuneration of Directors represents an issue of major importance in the company's good governance and, consequently, constitutes a legitimate concern for shareholders.

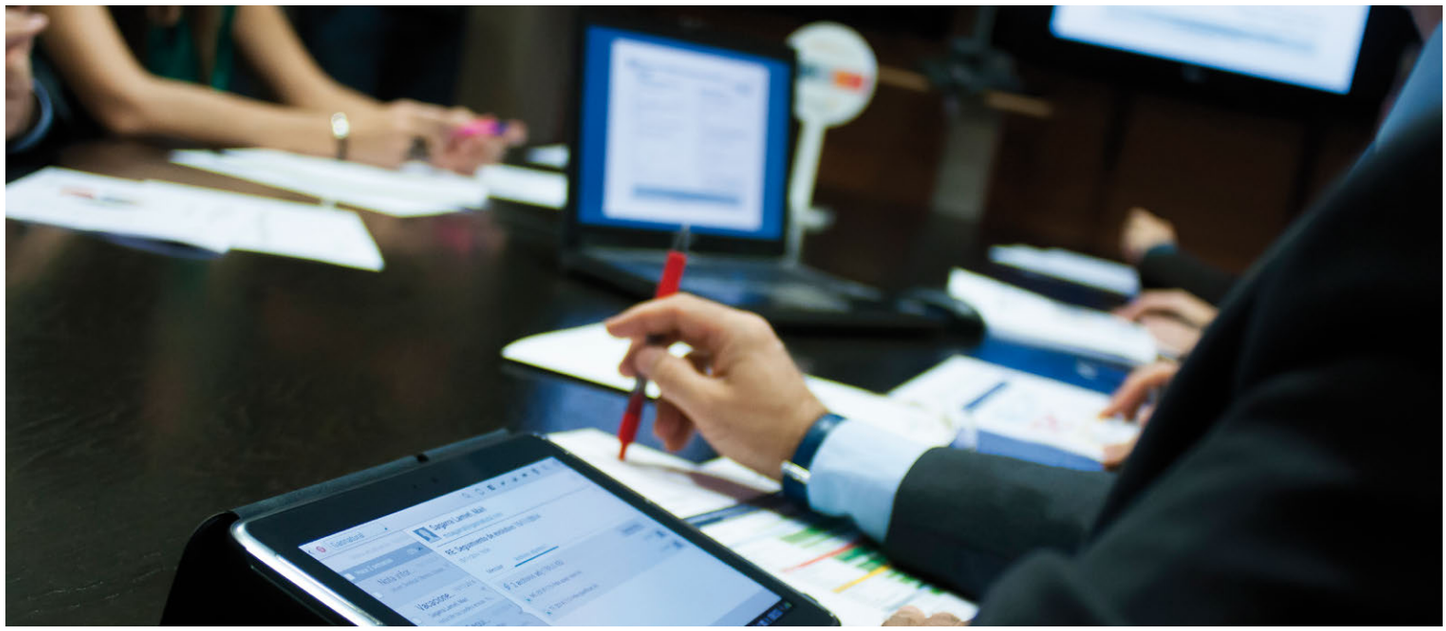
In accordance with the current legal framework, Gas Natural Fenosa regularly reports on remuneration of members of the Board of Directors through its Integrated Annual Report, the Annual Accounts and the Annual Report on Remuneration of Directors, publicly available on the website of the National Securities Market Commission (CNMV).

The Annual Report on Remuneration of Directors, in compliance with the Sustainable Economy Act, was subject to a ballot at the General Meeting of Shareholders in 2014. In addition to approving remuneration for the previous year, it was decided that the Appointments and Remuneration Committee must report in future years to the Board of Directors on maintaining the remuneration policy followed to date, based on the principles of moderation, compensation for the time spent and in line with the company's profits.

Remuneration of Directors for sitting on the collegiate decision-taking bodies is considered as fixed remuneration. Only the Chief Executive Officer receives variable remuneration based on the executive functions he performs outside of sitting on the Board. The remunerations of Directors in 2014 as recompense for sitting on the Board are the same as the amounts that have been applied since 2007, as follows:

- Chairman of the Board of Directors: 550,000 euros/year.
- Director: 126,500 euros/year.
- Chairman of the Executive Committee: 550,000 euros/year.
- Member of the Executive Committee: 126,500 euros/year.
- Member of the Appointments and Remuneration Committee: 12,650 euros/year.
- Member of the Audit and Control Committee 12,650 euros/year.

Executive Directors receive remuneration for sitting on the Board of Directors and a separate remuneration for performing executive jobs and functions. Remuneration of the Board of Directors in 2014 is the same as for 2013.



Remuneration of the Board of Directors (euros)

	Position	Board	Executive Committe	Audit and Control Committee	Appointments and Remuneration Committee	Total
Mr Salvador Gabarró Serra	Chairman	550,000	550,000			**1,100,000**
Mr Antonio Brufau Niubó[1]	Deputy Chairman	126,500	57,500		12,650	**196,650**
Mr Rafael Villaseca Marco	CEO	126,500	126,500			**253,000**
Mr Ramón Adell Ramón	Board Member	126,500		12,650		**139,150**
Mr Enrique Alcantara-García Irazoqui	Board Member	126,500	126,500			**253,000**
Mr Xabier Añoveros Trías de Bes	Board Member	126,500				**126,500**
Mr Demetrio Carceller Arce	Board Member	126,500	126,500			**253,000**
Mr Santiago Cobo Cobo	Board Member	126,500			12,650	**139,150**
Mr Nemesio Fernández-Cuesta Luca de Tena[2]	Board Member	126,500	69,000			**195,500**
Mr Felipe González Márquez	Board Member	126,500				**126,500**
Mr Emiliano López Achurra	Board Member	126,500	126,500			**253,000**
Mr Carlos Losada Marrodán	Board Member	126,500	126,500	12,650		**265,650**
Mr Juan María Nín Génova	Board Member	126,500	126,500			**253,000**
Mr Heribert Padrol Munté	Board Member	126,500				**126,500**
Mr Juan Rosell Latortras	Board Member	126,500				**126,500**
Mr Luis Suárez de Lezo Mantilla	Board Member	126,500		12,650		**139,150**
Mr Miguel Valls Maseda	Board Member	126,500			12,650	**139.150**
Total		**2,574,000**	**1,435,500**	**37,950**	**37,950**	**4,085,400**

[1] Mr Antonio Brufau Niubó resigned his post as Deputy Chairman of the Executive Committee on 30 May 2014.
[2] Mr Nemesio Fernández-Cuesta Luca de Tena was appointed Board Member of the Executive Committee on 30 May 2014.

Transparent and regulated process to determine remuneration

[G4-37]

The process for determining the remuneration of Directors is set out in the company's Articles of Association (Article 44 on "Remuneration") and in the Organisation and Operation Regulations of the Board of Directors of Gas Natural SDG, S.A. and of its Committees (Article 22 on "Remuneration of the Director" and Article 31 on "Appointments and Remuneration Committee").

The Board of Directors and its committees will receive remuneration of 4% of the resulting profit, having deducted overheads, interest, taxes and other amounts that have to be allocated to write-down and repayment, unless the Board agrees to reduce the amount receivable in those years in which it deems such action appropriate. The distribution of this amount will be in accordance with each member's duties and time spent. Under all circumstances this 4% limit is a maximum, and the actual global remuneration received by members is far below this.

The Board of Directors therefore defines a remuneration policy for its Directors, setting out:

- the amount of the fixed elements, with a breakdown of those that correspond to sitting on the Board and on its committees; and
- the variable concepts, if any, specifying their relative importance with regard to the fixed amounts.

The remuneration of the Board is not carried out in detriment to the distribution of dividends to shareholders. In fact, the amount is calculated after recognising a minimum dividend payable to shareholders of 4% of the share capital paid up, in accordance with the provisions set out in Article 218 of the Corporate Enterprises Act.

No outsourced consultants have been used to determine the remuneration of Directors.

Together with the Annual Corporate Governance Report, the Board of Directors must draw up an annual report on the remunerations of its Directors. This report must include full, clear and understandable information on the company's remuneration policy approved by the Board for the year in progress, as well as, if appropriate, the policy for future years. It will also include an overall summary of how the remuneration policy was applied during the financial year, and a breakdown of the individual remunerations accrued by each Director. All of this is reported and put to a vote by the Ordinary General Meeting of Shareholders, not as part of the agenda.

In the Ordinary General Meeting of 2014, the Annual Report on Remuneration of Board Members was approved by a majority vote, as follows:

Number of shares that have cast valid votes	813,780,363
Total number of valid votes cast	813,780,363
Proportion of the share capital that the valid votes represented	81.32%
Votes in favour	781,650,739
Votes against	19,290,179
Blank votes	46,000
Abstentions	12,793,445

The remuneration of the Board is not carried out in detriment to the distribution of dividends to shareholders. The amount is calculated after recognising a minimum dividend payable to shareholders of 4%

Issues dealt with at the General Meeting of Shareholders

[G4-50]

At the 2014 General Meeting, shareholders requested information from the Chairman's Office with regard to issues such as energy prices, company dividends, the term of investment adjustments, investments plan, future outlook in the natural gas market and the Ukraine crisis and its possible effect on the energy market.

Issue	Nature of the issue (economic, social or environmental)	Conclusions drawn
Approval of the Annual Accounts and the Management Report of Gas Natural SDG, S.A.; the Consolidated Annual Accounts and the Management Report of the consolidated group for the financial year that closed on 31 December 2013.	Economic	Approved by a majority.
Approval of the allocation of profits for the year that closed on 31 December 2013.	Economic	Approved by a majority.
Approval of management performed by the Board of Directors in 2013.	Economic/social	Approved by a majority.
Re-election of the accounts auditors of the company and of its consolidated group.	Economic	Approved by a majority.
Re-election of the company's Directors.	Economic/social	Approved by a majority.
Approval of the Annual Report on remuneration of Directors of Gas Natural SDG, S.A.	Economic	Approved by a majority.
Consultative vote concerning the Annual Report on remuneration of members of the Board of Directors.	Economic	Approved by a majority.
Operation to split Gas Natural SDG, S.A. from the economic unit comprising the generation of electricity with coal, gas, fuel oil and hydroelectric origin.	Economic	Approved by a majority.
Delegation of the powers required to enforce the resolutions adopted by the General Meeting to the Board of Directors, with express powers of replacement through the Executive Committee or delegation to the Director or Directors deemed appropriate or to the Secretary of the Board of Directors.	Economic	Approved by a majority.

Risk and opportunities

Risk management at Gas Natural Fenosa

[G4-45] and [G4-46]

Risk is inherent to all business activity, and Gas Natural Fenosa identifies and quantifies the impact of the main risk factors for the company, ensuring uniformity in the criteria used in measuring these risks and proposing control and corrective measures together with the businesses affected.

The aim is to anticipate potential deviations with regard to global targets and to ensure that the taking of decisions considers an appropriate and known balance between risk and profitability, both from the viewpoint of marginal contribution to the global portfolio as well as from an individual viewpoint of each one of the businesses.

The aim of risk management at Gas Natural Fenosa is to ensure predictability in the operational and financial performance of the company, using different bodies with clearly identified areas of responsibility.

Audit and Control Committee

This is the supreme body in charge of the efficacy of internal control and of the company's risk management systems. It checks that these systems identify the different kinds of risks and the measures introduced to mitigate said risks and to tackle them in the event that effective damages materialise.

Risk management

Risk Committee

This is responsible for determining and reviewing the objective risk profile of the company. It guarantees alignment of this profile with the strategic position of the same and oversees the interests of its stakeholders. It also guarantees that the entire organisation understands and accepts its responsibility in identifying, assessing and managing the most significant risks.

Risk Department

This division reports to the Economic-Financial Department, which enables it to have a corporate overview required for the performance of its duties, without prejudice to having specific units for the management of Wholesale and Retail Businesses Risks, in close contact with the business units that bear the highest exposure to the risk because of their profile and turnover.

The work of the company's Risk Department focuses on objectifying exposure to uncertainties and internalising risk exposure levels in decision-taking processes of senior management, as an instrument to efficiently select returns. It is in charge of coordinating the different agents involved in risk management. 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 Department oversees maintenance of the global risk profile, as well as measurement and recurrent control of the risk.

Businesses, the first line of defence

They are the persons in charge of risk management and spheres of action It identifies trends and positions that could entail risk and reports these to the Risk Department, applying the management criteria and guidelines given by this department.

One of the key concepts to risk management is the concept of risk profile, understood as the level of exposure to the uncertainty resulting from the joint effect of the various categories of risk classified by Gas Natural Fenosa.

Other corporate areas

These are responsible for monitoring and managing certain risks, due to their specific nature and the peculiarities of the management mechanisms. Of particular note here is the Quality Assurance and Environment Unit, responsible for the environmental risk and climate change, and the Reputation and Sustainability Unit, which is responsible for the reputational risk. These operate in coordination with the Risk Department.

Process of identifying, characterising and determining the risk

	Determining the global risk profile	Proposed limit per business unit	Risk management and control	Identification of new positions	Information on positions and risks	Evolution of positions and risks	Alternative proposals	Approval
Government bodies	●							●
Heads of global risk profile		●						
Heads of risk measurement and control			●			●	●	
Heads of risk management and scope of action			●	●	●	●	●	

A model that anticipates the developing situation

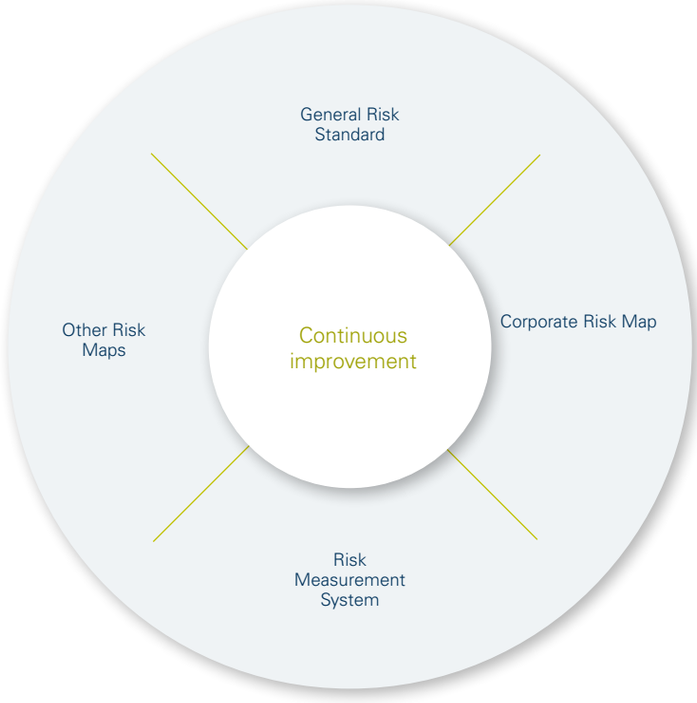
The risk management model of Gas Natural Fenosa seeks to ensure predictability of the company's performance in all relevant aspects for its stakeholders. This means establishing risk tolerance by setting limits for the most relevant risk categories, shown in the section "Risk Measurement System". By doing this, the company can anticipate the consequences of certain risks materialising, and is perceived in the market as a solid and stable company.

An integrated management

[G4-2], [G4-14] and [G4-47]

Gas Natural Fenosa analyses its global risk profile through its potential impact on the company's financial statements. This allows the company to determine the maximum accepted level of risk exposure, as well as the admissible limit for risk management.

The tools that enable the continuous improvement of the process for identifying, characterising and determining Gas Natural Fenosa's risk profile are the following:



General Risk Standard

The General Risk Standard lays down the general principles and guidelines for behaviour in order to identify, inform, assess and manage Gas Natural Fenosa's exposure to risk. This sets out the bases for definition of policies, regulations, thresholds and specific measurements to determine the risk profile. It is updated and implemented by the Risk Committee.

Corporate Risk Map

This is the reflection spearheaded by the Risk Committee and which focuses on characterising and quantifying the most relevant risks, mirroring the company's risk profile.

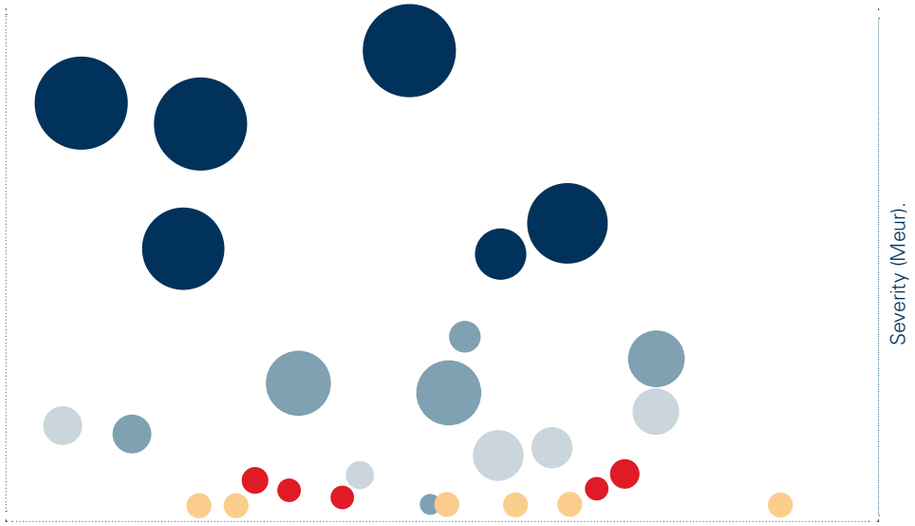
The identification and characterisation of the risks take into account the characteristics of the position at risk, the impact variables, the potential quantitative and qualitative severity, the probability of occurrence and the degree of management and control.

The graphic illustration of these risks and conclusions are submitted to the supreme control body of the company, the Audit and Control Committee. The Risk Map is updated every year.

Other Risk Maps

Since 2013, Gas Natural Fenosa has been identifying its reputational risks based on the type of operations it performs in those countries in which it has a presence and of the stakeholders that are theoretically affected, drawing up the map of reputational risks. Based on this system, the risks are classified by their severity and level of management. The impact that some of these risks would have on the financial parameters in the event of materialising is regularly analysed and assessed.

Corporate Risk Map



Risk impact severity

Very high. High. Average. Low. Very low.

Since 2014, Gas Natural Fenosa has been identifying the impact on the company of the effects stemming from climate change, analysing both the direct consequences of this (increase of the average temperature, alterations to rainfall, rising sea level, greater frequency and severity of extreme weather conditions) as well as the policies and regulations targeted at fighting these (incentives for energy efficiency, premiums for renewable energies, emissions rights markets). The analysis is based on the criteria and methodologies of the risk management system, leading to a climate change risk map.

The most relevant risks identified on both maps are incorporated into the corporate risk map, and reported to the relevant governance bodies.

Risk Measurement System

The Risk Measurement System is designed to provide the recurrent and probabilistic quantification of the risk position assumed on a global scale for the different risk categories.

It has been designed as a support tool for the business units and guarantee that they have an optimum level of independence in decision making. It also ensures that the level of risk taken on by the company and per business unit is in keeping with the risk profile established by the governing bodies.

The Risk Measurement System means that each business unit has specific information on the main types of risks that could affect it. The system seeks to provide these units with a process for taking decisions, which in turn has a positive impact on the company, as it improves its profitability, behavioural predictability and efficiency.

Description of main risks

[G4-2] and [G4-14]

The Risk Area seeks to guarantee the recurrence and sustainability of the performance indicators. One of its key tasks is the modelling of the financial statements, targeted at identifying their main sensitivities and anticipating possible incidents. Of particular note is the quantitative modelling in the following areas:

- Operational risk: the nature of Gas Natural Fenosa's business involves the possibility of incidents of high severity. Modelling the operational exposure, settled on the performance of assets and contracts, enables us to design an efficient insurance programme, as well as assess the effect of the best industrial practices brought into use by the insurance market, as a result of the visits to the critical facilities carried out by industrial experts of the main insurance companies.
- Credit risk: modelling of the credit quality of the customer portfolio, enabling us to design ex ante corrective and control measures. The existence of these controls enables us to significantly reduce payment defaults.
- Market risk: analysis of the financial statements with regard to the commodity indices that shape the price of gas, guaranteeing that exposure to these does not exceed the threshold defined by the target risk/reward profile.

Type of risk

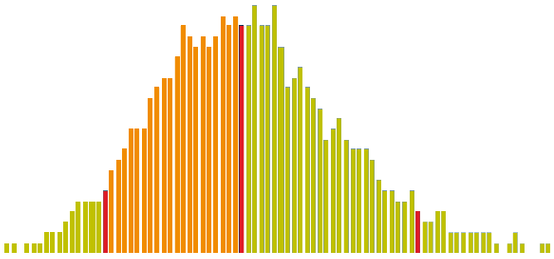
Market risk	Description	Management
Gas price	Volatility in international markets which determine gas prices.	Physical and financial hedges.
Electricity price	Volatility in electricity markets in Spain and Portugal.	Physical and financial hedges. Optimisation of generation park.
Gas volume	Gap between gas offer and demand.	Optimisation of contracts and invoices. Trading.
Electricity volume	Reduction in available thermal gap.	Optimisation of commercialisation/generation gap.
Regulation	Exposure to revision of criteria and levels of return recognised for regulated activities.	Heightened intensity of communication with regulatory bodies. Adjusting efficiencies and investments to recognised rates.
Exchange rates	Volatility in international currency markets.	Geographical and macroeconomic diversification through inflation rates. Hedges through financing in local currency and derivatives.
Interest rates and credit spread	Volatility in financing rates.	Financial hedges. Diversification in financing sources.

Credit risk	Description	Management
Credit	Potential increase in default, dependent on recovery in Spain.	Customer solvency analysis. to define specific contractual conditions. Collection process. Systematisation of calculation of economic capital.

Operational risk	Description	Management
Operational: image and reputation	Deterioration in perception of Gas Natural Fenosa by different stakeholders.	Identification and tracking of potential reputation events. Transparency in communication.
Operational: insurable	Accidents, damages or non-availabilities in assets of Gas Natural Fenosa.	Ongoing improvement plans. Optimisation of total cost of risk.
Operational: environment	Damages to the natural and/or social environment. Evolution of environmental regulation.	Emergency plans in installations with risk of environmental accidents. Specific insurance policies. Complete environmental management.
Operational: climate change	Evolution of environmental factors as a consequence of climate change. Regulation geared towards fighting it.	Participation in Clean Development Mechanisms. Frequent communication with regulatory bodies.

Market risk

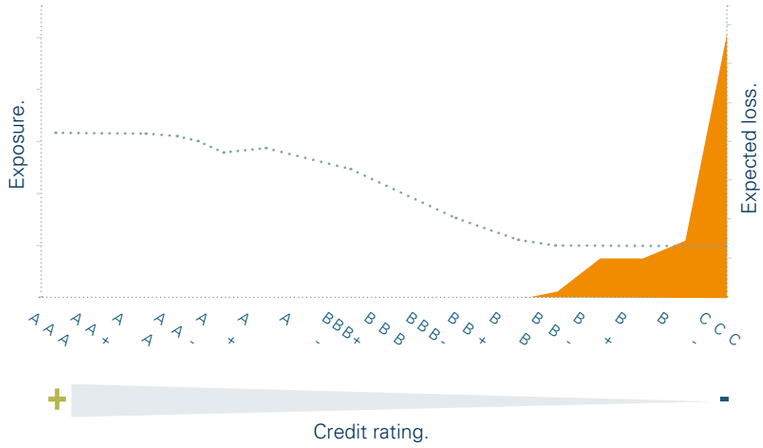
The chart shows a summary of the range of values that the annual Ebitda of Gas Natural Fenosa can reach due to the evolution of market factors: price of gas, price of electricity and exchange rates.



- Probability distribution.
- Ebitda in risk.
- Percentiles 5%, 50%, 95%.

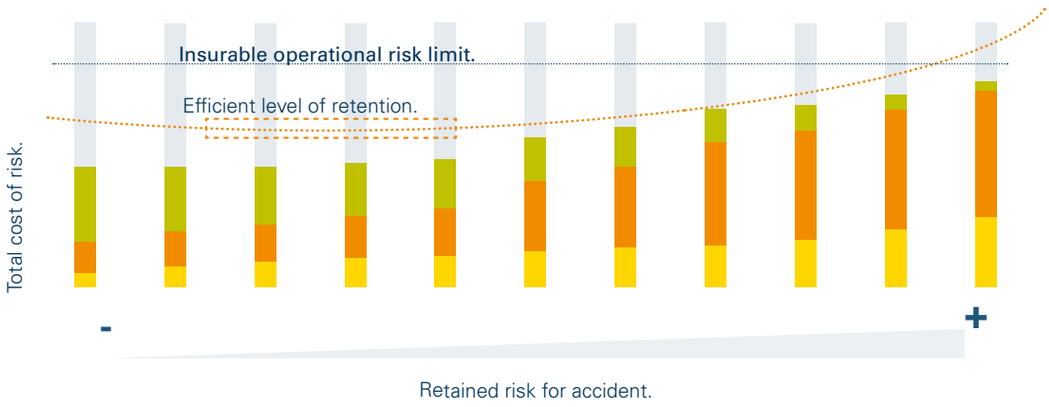
Credit risk

The graph summarises the logic of the risk profile and anticipated loss. Worse levels of credit quality mean the company's exposure has to be limited. It also shows the distribution of the anticipated loss, which increases with the deterioration of customer credit quality.



Insurable operational risk

The chart shows some of the fundamental magnitudes with regard to management: efficient level of retention and breakdown of overall costs associated to the risk (premium, unexpected loss, expected loss).



- Premium.
- 95% unexpected loss.
- Target expected.

Description of main opportunities

[G4-2] and [G4-14]

- **Generation mix:** the generation pool of Gas Natural Fenosa, dominated by combined-cycle plants, has the necessary flexibility to be able to adapt to different market situations, creating a valuable asset for taking advantage of opportunities related to volatility in prices and volumes demanded in gas and electricity markets.

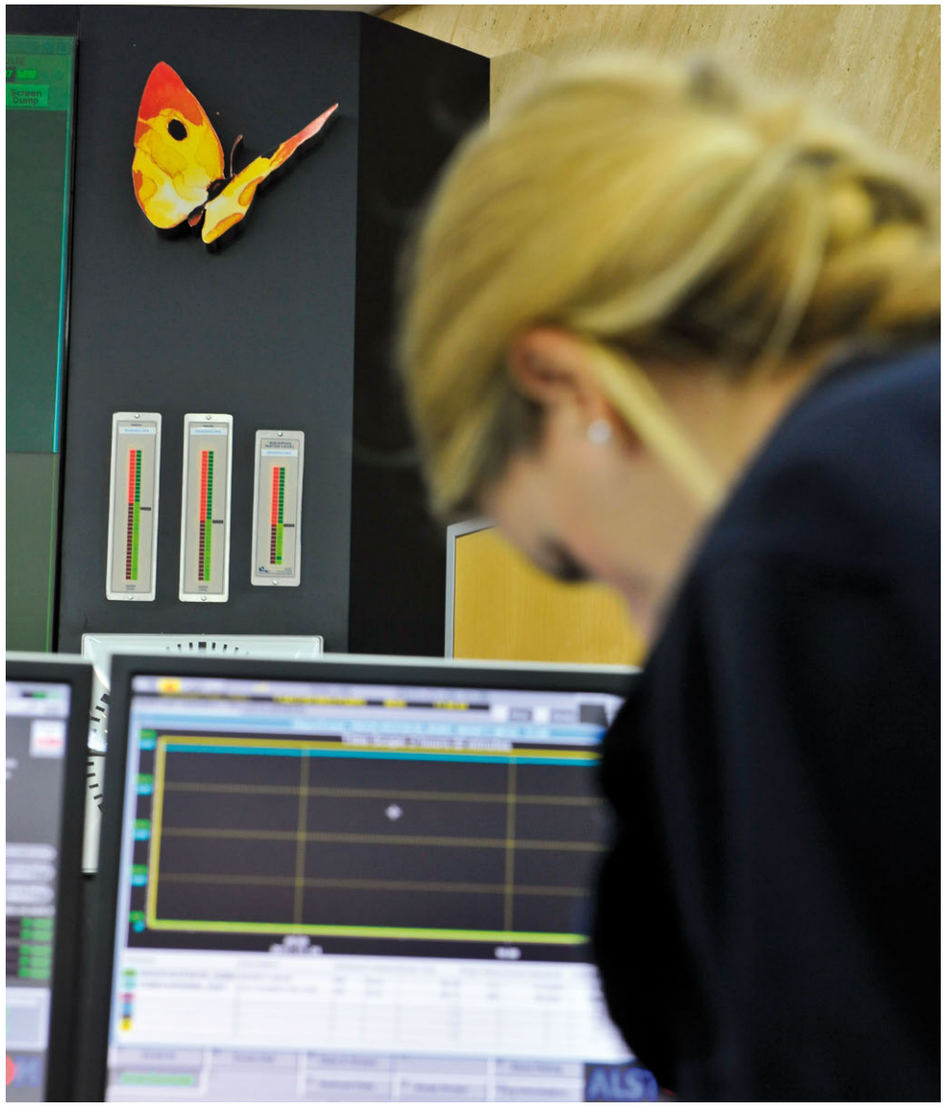
- **Evolution of the CO_2 markets:** the different mechanisms proposed by the European Commission geared towards increasing the cost of the emission rights have the object of discouraging the use of less environmentally-friendly technologies so as to offset the effect of climate change. In this situation, the pool of combined-cycle plants of Gas Natural Fenosa would be more competitive vis-à-vis coal while opportunities might also arise in the emissions market.

- **Portfolio of use of natural gas/ liquefied natural gas (LNG):** the management of gas pipelines, participation in plants and the fleet of methane tankers enables the group to cover the needs of its different business activities in a flexible and diversified way.

- **Balanced structural position in businesses and geographical areas:** many of them with stable flows, independently of commodity prices, allowing the group to capture expected growths in energy demand from 2015 on and to fully harness new business opportunities in new markets.

Internal auditing, compliance and control

[G4-SO3]



There was organisational evolution at the company in 2014, with the main assurance functions being pooled under a single umbrella, thus creating the new Internal Auditing, Compliance and Control Department.

It has the task of guaranteeing the continuous review and improvement of the group's internal control system, as well as safeguarding compliance with external and internal norms and the control models established. It is also held responsible for managing the Crime Prevention Model and the Code of Ethics Model of Gas Natural Fenosa, as well as reporting on internal audit activity to the Audit and Control Committee.

As support to the Audit and Control Committee, the division provides assurance to the governing bodies of the organisation and senior management on the effectiveness of risk assessment and management. As regards compliance with the principle of integrity of the group's Corporate Responsibility Policy, it takes charge of management of the Code of Ethics of Gas Natural Fenosa, through dissemination of the code and by overseeing compliance with the same.

The overall aim is to safeguard the efficacy and efficiency of operations and mitigate the main risks in each sphere of Gas Natural Fenosa, in particular the operational, corruption, fraud and legal risks, using a set of three assurance functions:

- **Internal Auditing:** in the performance of its activity, Internal Auditing methodically reviews the internal control system of the group's processes in all areas, and also assesses the operational risks and controls associated to these processes, through definition and introduction of the Annual Internal Audit Plan, to improve efficacy and efficiency of these. It also provides support to the divisions in achieving their objectives.

The Strategic Audit Plan (with a time frame of five years) and the Annual Internal Audit Plans are drawn up principally on the basis of the group's annual Corporate Strategic Plan, the risk areas included in the Corporate Risk Map, the Internal Control System on Financial Reporting (SCIIF) scope matrix, the operational risk maps, the results of previous years' audits and the proposals from the Audit and Control Committee and from top-tier management.

The methodology for the assessment of operational risks is in accordance with best corporate governance practices, based on the conceptual framework of the COSO Report (Committee of Sponsoring Organisations of the Treadway Commission) and on the basis of the types of risks defined in the company's Corporate Risk Map.

The operational risks associated with the processes are prioritised by assessing their incidence, relative importance and degree of control. Depending on the findings, the company designs an action plan with corrective measures that enables mitigation of residual risks identified with a potential impact above the tolerable or accepted risk established.

In 2014, 106 internal audit projects were carried out, 34 of which corresponded to the review of processes associated with the main operational, corruption, fraud and legal risks of the corporate and business divisions of Gas Natural Fenosa. The analysis carried out extended to 100% of the departments and placed special emphasis on those with greater probabilities of these risks materialising.

Internal Auditing is supported by the implementation of a SAP environment corporate application which it uses to manage and document internal audit projects in accordance with the defined methodology.

- **Compliance:** the Compliance Unit is responsible for ongoing assurance of compliance with the external regulations and of the policies and procedures introduced at the group to mitigate the main legal, corruption and fraud risks. This unit is also responsible, inter alia, for management of the Crime Prevention Model (corruption and fraud, work safety and the environment) and ensuring compliance with the Regulatory Model. By the same token, this unit defines the design, methodology and execution of the counterparty due diligence processes as part of the framework of the Crime Prevention Model, and manages the Code of Ethics Model of Gas Natural Fenosa.

  Given the importance of having a tool that ensures proper management control of the Crime Prevention Model, a SAP GRC Process Control is administered and used for comprehensive management of the documentation, assessment and supervision of the model.

- **Internal Control:** elsewhere, the Internal Control Unit is in charge of promoting and participating in the design and introduction of control models, in all areas of the group, to mitigate the main risks and guarantee efficient operations. It also checks that the established control models comply with the group's policies and standards as well as with external regulations, and that they are properly supported and documented in the company's systems.

The Internal Auditing, Compliance and Control Department provides a methodical and rigorous focus for monitoring and improving processes and for assessing operational risks and the associated controls.

The three assurance functions consider separate equipment and systems, with specific objectives, profiles and roles which involve, among others, cutting-edge mechanisms that guarantee the independence of the internal auditing function.

The overall aim is to safeguard the efficacy and efficiency of operations and mitigate the main risks in each sphere of the company

Corporate responsibility and Gas Natural Fenosa

Feeding Knowledge.
Río de Janeiro.
A Gas Natural Fenosa initiative in Brazil with the Moleque Mateiro Environmental Education Institute (IMM), used to carry out awareness raising activities with teachers, environmental agents and local communities.

The corporate responsibility undertaking represents a prime strategic aspect at Gas Natural Fenosa. Management from a perspective of corporate responsibility generates long-term value in terms of creating confidence at stakeholders and social licence and legitimacy required to carry out the activity. Furthermore, it represents the image of a sustainable company committed to a new business model based on generating economic, social and environmental wealth.

In this regard, corporate responsibility enables Gas Natural Fenosa to formalise its undertaking with society, turning it into a competitive advantage and a critical element in the company's sustainability.

Value actions

Proposed actions 2014		Planned actions 2015
Extending sustainability criteria to the supplier chain. Securing Gas Natural Fenosa's presence in responsible coal purchase initiatives (Bettercoal).	●	Incorporation of environmental, social and governance criteria into the assessment and selection of suppliers process.
Developing the integration of reputational risks into the company's risk system.	●	Manage continued involvement in Bettercoal and help secure its objectives.

Level of fulfilment: ● High. ● Medium. ● Low.

Corporate Responsibility Policy

The Corporate Responsibility Policy of Gas Natural Fenosa serves to formalise the undertakings assumed by the company, effectively driven from senior management and which determine the structure of a large part of this Corporate Responsibility Report.

The last update of the Corporate Responsibility Policy was approved by the Board of Directors of Gas Natural Fenosa in 2013.

Customer orientation

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

Our principles

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

Commitment to results

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

Our principles

- Work to obtain profitability levels that are in keeping with the resources used.
- Encourage efficient resource management within the framework of ongoing process improvement.
- Apply 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.

Environment

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

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

Our principles

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

Interest in people

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

Our principles

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

Health and safety

We plan and carry out our activities under the belief that nothing is more important that health and safety. Our actions in this regard go beyond compliance with legal obligations and other requisites that we adopt voluntarily; we promote ongoing improvements in working conditions and health and safety management, involving our suppliers, partner companies, customers and other stakeholders with the aim of preventing accidents and eliminating health hazards.

Our principles

- Guarantee that health and safety are non-delegable duties, and that they are taken on by senior management through a visible commitment, proactively accepted and implemented by the entire organisation, and by our suppliers and partner companies.
- Establish health and safety as an individual responsibility and as a condition of employment at Gas Natural Fenosa and of the activity of its partner companies.
- Ensure that any potential situations of risk that may affect employees, customers, the general public and the safety of facilities are brought to attention, assessed and managed in the appropriate manner.
- Establish learning as the driver of change towards a safety culture, by means of ongoing training, accident and incident analysis and the dissemination of lessons learnt.
- Incorporate health and safety criteria into business processes, new projects, activities, facilities, products and services, and in the selection and assessment of suppliers and partner companies, non-compliance with which will condition the commencement or continuity of their activity.
- Provide the resources and necessary means to enable compliance with established safety standards at all times.

Gas Natural Fenosa plans and carries out its activities with the firm belief that nothing is more important than health and safety

Commitment to society

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

Our principles

- Positive integration in the society of the countries where we carry out our activities, respecting the culture, rules and setting.
- Generate value by our own activities and by collaborating with NGOs, local communities and other social players in all of the countries in which we operate.
- Promote education, training, cultural wealth and the inclusion of the more underprivileged collectives through social investment.

Integrity

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

Our principles

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

Management of corporate responsibility

Governing bodies

In accordance with the provisions laid down in its regulations and the recommendations of the Unified Code of Good Governance, the Board of Directors is responsible for supervising actions carried out by the company in the area of corporate responsibility.

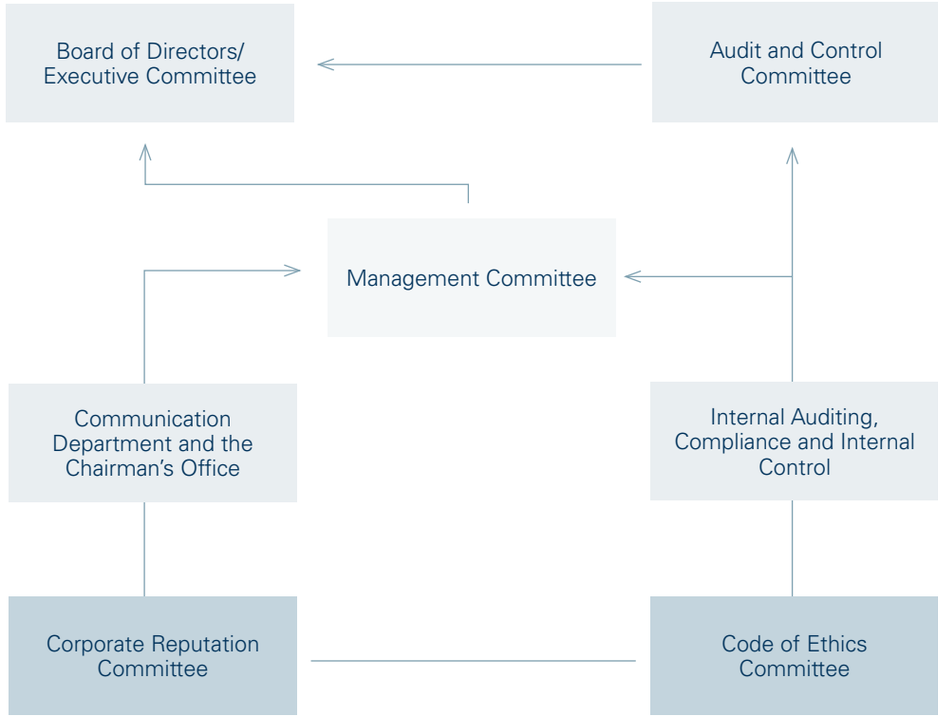
The company has a Corporate Reputation Committee and a Code of Ethics Committee that carry out important work in the promotion and implementation of actions related to corporate responsibility.

Corporate Reputation Committee

The Corporate Reputation Committee, headed by the Communication Department and the Chairman's Office, is made up of representatives from some areas of the company most involved in introducing actions in areas of corporate responsibility and reputation.

The committee reports to the Management Committee, which, in turn, reports to the Board of Directors.

Corporate responsibility governing structure of Gas Natural Fenosa



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.
- Address the introduction of corporate responsibility policies and procedures.
- Compile corporate responsibility reports and overseeing the external review of information published in these reports.

Code of Ethics Committee

The purpose of the Code of Ethics Committee of Gas Natural Fenosa is to encourage the dissemination, knowledge and fulfilment of the Code of Ethics, as well as managing the notification and consultation procedure.

The committee, headed by the Internal Auditing, Compliance and Control Department, comprises representatives from some of the units that are most directly involved in the issues set out in the Code of Ethics.

The Code of Ethics Committee informs the Management Committee and the Audit and Control Committee of its activities.

Functions of the Code of Ethics Committee

- Promote the distribution and knowledge of the Code of Ethics.
- Interpret the Code of Ethics and provide guidelines on what to do in the event of any doubt or conflict.
- Facilitate and manage a channel of communication with all employees, suppliers and collaborating companies (the exclusive function of the Corporate Committee).

Members of the Code of Ethics Committee

- Internal Auditing, Compliance and Control (Chairman's Office and Secretary of the Committee).
- Finance and Capital Markets.
- Reputation and Sustainability.
- Labour Relations.
- Customer Service.
- Legal Services.

Gas Natural Fenosa has local committees in different countries where it carries out its operations. To ensure that the Code of Ethics is circulated in the different areas where the company operates, the local committees use a functional composition that replicates the Code of Ethics Committee.

Composition of local committees*	
Argentina, Brazil, Colombia, Italy, Mexico, Moldova and Panama	
Chairman	Human Resources
Board Member	Internal Auditing
Board Member	Communication
Board Member and Secretary	Legal Services

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

Management and measurement of corporate reputation

Proper management of reputation helps make the company attractive to its stakeholders, and assists in achieving the strategic business objectives.

Measurement of the reputation of Gas Natural Fenosa is assessed systematically using the RepTrak model, developed by the Reputation Institute. This model measures the emotional attraction of the company, using RepTrak Pulse, in accordance with the esteem, admiration and respect, trust and impression generated. This methodology also develops a rational analysis of reputation, the RepTrack Index, which measures 14 attributes grouped into seven areas: supply, work, governance, leadership, innovation, citizenship and finance.

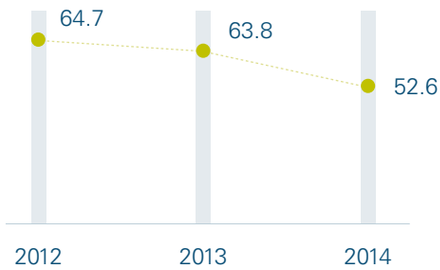
The company is currently using this tool in Argentina, Brazil, Colombia, Spain, Mexico and Panama. In Spain, Gas Natural Fenosa continues to be the best rated energy company, although results obtained reveal a downward trend, in line with overall assessment obtained by its rival companies.

Other independent references such as the Business Monitor of Corporate Reputation (Merco) also reflect the positive perception of the company for different stakeholders. The positive evolution experienced by Gas Natural Fenosa in the ranking is of particular relevance, and in the 2014 publication it continued to be the second most reputed company in the sector.

By the same token, Gas Natural Fenosa holds 14th place in Merco Responsables, a specific classification that assesses the policies and practices of companies with regard to corporate responsibility.

RepTrak Methodology

RepTrak Pulse: perception of Gas Natural Fenosa in society*



NB: The 2014 figures are not fully comparable with those of previous years as there has been a change in the study methodology, which is now carried out by collecting information through an online survey instead of by telephone. Even so, the falls in scores of businesses occurs with all companies that are currently measured using the RepTrak tool.

RepTrak Index: the reputation of Gas Natural Fenosa by dimensions*

*Accumulated results 2014.

Stakeholders of Gas Natural Fenosa

[G4-24]

For Gas Natural Fenosa, the trust and understanding of stakeholders is vital for the success of business plans. It is therefore vital to have an appropriate identification and definition of these stakeholders.

Stakeholders

Shareholders and investors	Institutional investors. Reference shareholders. Minority shareholders. Noteholders/bondholders. Holders of preference shares.
Financial groups	Institutional banks. Commercial banks.
Business partners	Natural or artificial persons with which we share a specific business project.
Customers	Retailers. Wholesalers. Essential customers and sensitive groups. Power Purchase Agreement Customers (PPAs).
Employees	Active employees. Employees for whom the company still has liabilities. Ex-employees. Workers' representatives. Representatives of pension fund participants.
Suppliers	Strategic suppliers. Works and maintenance contractors. Collaborating companies. Suppliers.
Society	Communities affected. Consumer associations. NGOs. National and international sector-wide associations. Media. Academic organisations. Society in general.
Administrations/ regulatory authorities	Sector regulators. Market regulators. National and/or Supranational Administration. Local administration.
Analysts	Financial analysts. Rating agencies. Non-financial analysts (ESG).
Insurance and reinsurance agencies	Companies that engage in the insurance of persons, properties and all kinds of products, including financial products, in exchange for a fee or a premium.
Market agents	Traders. Generators/producers. Special system generators. Hauliers. Distributors. Operators.

Dialogue with stakeholders

[G4-25], [G4-26] and [G4-27]

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

No key problems were detected in these stakeholder participation actions.

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

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

Informative actions. One-way actions. The company transmits information to its stakeholders.

Main dialogue actions developed by Gas Natural Fenosa

Customers

Consultancy actions

- Customers' Experience at Face-to-Face Customer Service Centres project, with interviews conducted with customers, recording of phone calls and the introduction of the Customer Experience Management tool.
- Surveys conducted with current and potential customers, to assess their satisfaction and to identify needs and expectations in all segments, products and critical processes.
- Identification of FAQs associated to processes related to customers that contact us most often and who generate the largest number of complaints, presenting the corresponding responses in a simple and specific way.
- Customer training itinerary: face-to-face session for training in the gas and electricity regulatory sphere. Online sessions in partnership with the Extended University for training modules at energy facilities.
- Active dialogue with customer representative organisations to sort out queries and other collaborative and information actions, as well as dealing with requirements for actions related to energy poverty.
- Introduction of monitoring for the (MDS) services through the Passion for Service project.

Informative actions

- Information to customer representative organisations, through the Customer Service Guarantee Office, on the evolution of the sector and of products and services. Training provided to personnel that work at consumer associations and to their customers.
- Online tips that include gas and electricity safety and energy efficiency have been provided.
- In Colombia, the customer service guide has been revamped, and we have reviewed the communications targeted at customers, taking into consideration the regulatory framework and the procedures adapted to the new operating system.
- Also in Colombia we have introduced market education programmes to encourage the rational use of energy.

Main dialogue actions developed by Gas Natural Fenosa (continuation)

Shareholders/investors

Consultancy actions

- Contact with the main stock market analysis firms that follow the company's evolution and issue recommendation and assessment reports.
- One-on-one meetings with investors.
- Continuous replies to the requests for information from analysts and institutional investors, and consultations with the Investor Relations Unit.
- Dealing with requests for information from small shareholders, online, by phone, by mail or in person.
- Set-up of a website targeted at individual investors, as well as a freephone number.

Informative actions

- The staging of a multi-conference on the acquisition of Compañía General de Electricidad in Chile.
- Retransmission over the Internet of quarterly presentations of results.
- Launch of roadshows, at the initiative of Gas Natural Fenosa, visiting fixed income and equity investors to provide them with information on the company's performance figures, current situation and plans.
- Informative presentations to minor shareholders (two sessions in Barcelona and a further two in Madrid).

Developing a climate of confidence with the stakeholders is a determining factor for the success of the company's business plans

Main dialogue actions developed by Gas Natural Fenosa in 2014 (continuation)

Employees

Consultancy actions

- In Spain, a survey to assess psychosocial risks. This survey forms part of the methodology (FPSICO v3.1) proposed by the Spanish National Institute of Safety and Hygiene at Work (INSHT) to assess these kinds of workplace risks.
- In Argentina, a technical event that dealt with strategic, technical and accident prevention issues as well as healthy habits in the workplace.
- In Panama, a session on the Health and Safety Commitment Plan, with more than 40 participants from partner companies and company personnel.

Informative actions

- The promotion of regular physical exercise, providing information on the benefits of this, such as good physical condition, increased self-esteem, improved capacity for concentration and tolerance at times of stress.
- Initiatives to promote and provide information on health and healthy habits, such as cardiovascular prevention, information on sleep and recommendations for a restful night's sleep.
- Informative campaigns on different types of functional foods and their benefits.
- Dissemination of information of the Ebola virus on Naturalnet.
- Launch of a campaign, together with the Royal Automobile Club of Spain (RACE), of a training campaign to raise awareness about road safety with company employees.
- In the Dominican Republic, hosting the Safety Day at the Palamara-La Vega power plant.
- Training in issues of integrated systems of management and environmental indicators to prevent and reduce environmental impacts, enhance environmental operation control in activities and reduce the environmental risk.

Main dialogue actions developed by Gas Natural Fenosa in 2014 (continuation)

Suppliers

Consultancy actions

- Continuation of the Key Account Supplie (KAS) and Integral Management of Contracts (GIC) projects to perform closer monitoring of suppliers and foster a better relationship with the most relevant suppliers.
- In Brazil, we held the third health and safety meeting with partner companies to deal with guidelines of the group's Health and Safety Commitment Plan.
- In Moldova, we organised a meeting with partner companies on health and safety in the workplace.

Informative actions

- A Safety Contact at all meetings with contractors, to inform them of the company's undertaking with regard to health and safety and to promote increased awareness of suppliers with regard to preventing labour hazards.
- Different presentations and conferences offered to suppliers by the different divisions, to report and highlight the importance of safety aspects with regard to the selection of suppliers.

Society

Consultancy actions

- Reception and analysis of 916 proposals for collaboration and services for organisations and institutions to learn more about their projects.
- Cooperation with SMEs in export advice.
- Collaboration with different NGOs, such as the Red Cross, Cáritas and Entreculturas, among others.

Informative actions

- Environmental awareness and communication campaign at the National Environmental Congress (Conama), with more than 15 workgroups, dealing with the carbon footprint, environmental taxation, and other issues.
- Environmental volunteer days, informal chats, publications of information brochures or training materials and Internet communication campaigns, among others.
- Dissemination of the CO_2 emissions in Spain analysis and compliance with the Kyoto protocol through patronage of the Empresa & Clima Foundation.
- Natural Commitment for Environmental Awareness and Conservation of Biodiversity campaign in Castilla-La Mancha.
- In Spain, publication of 71 press releases on patronage and sponsorship activities.

Corporate responsibility commitments

Antonio Lago Rivera.
Naturaleza muerta con peras.
1971.
73 x 92 cm.
Oil on canvas.
Museum of Contemporary Art of Gas Natural Fenosa.

Customer orientation

[G4-DMA] (Product and Service Labeling)

Principles of responsible action with customers

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

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

Responsibility on the value chain: from the supplier to the customer

The customer is the centre of Gas Natural Fenosa's operations and customer focus is one of the values that guides the company's way of working.

Gas Natural Fenosa seeks to distinguish itself through the development of products and services adapted to its customers' needs, thereby being committed to innovation whilst complementing traditional products. To provide an excellent service and offer an effective response, the company has introduced a proactive focus to improve the service quality and operational efficiency of its processes.

Gas Natural Fenosa believes it is essential to extend the company's culture to the supply chain, inculcating excellence in service and the principles of corporate responsibility.

Suppliers are key players in optimum performance of the value chain of Gas Natural Fenosa, and the company therefore promotes long-term relations based on trust, under the principles of risk control and management.

The company has introduced a proactive focus to improve the service quality and operational efficiency of its processes

Value actions

Proposed actions 2014		Planned actions 2015
Improving customer satisfaction levels with Servigas and billing through the customer journey methodology, which analyses the customer's experience in their interactions with the company.	●	Introducing the customer experience methodology in all customer service channels in Spain.
Encouraging the online channel as an alternative to other conventional direct marketing channels and to open new spaces on social networks.	●	Commencement of the development of a methodology to prepare the purchase family tree, considering the country variable and risk management.
In Italy, introducing the digital signature on documents (orders and contracts).	●	Setting up the authorisation procedure through documentary application.
Consolidatng the TSMS tool, which will enable pre-validation of suppliers and a single register of suppliers.	●	Providing subsidiaries with advanced tools in purchase management. Incorporation of environmental, social and governance criteria into the assessment and selection of suppliers process.

Level of fulfilment: ● High. ● Medium. ● Low.

Full, effective and efficient commercial supply

Gas Natural Fenosa's commercial supply has three basic recipients: home, business and major customers.

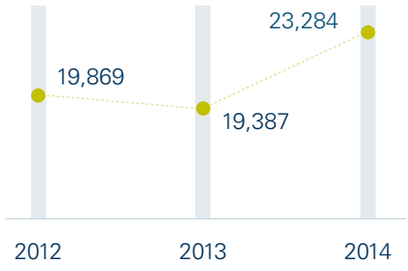
The products offered by Gas Natural Fenosa are not restricted solely to the supply of gas and electricity, but encompass other aspects.

Products and services adapted to customers' needs

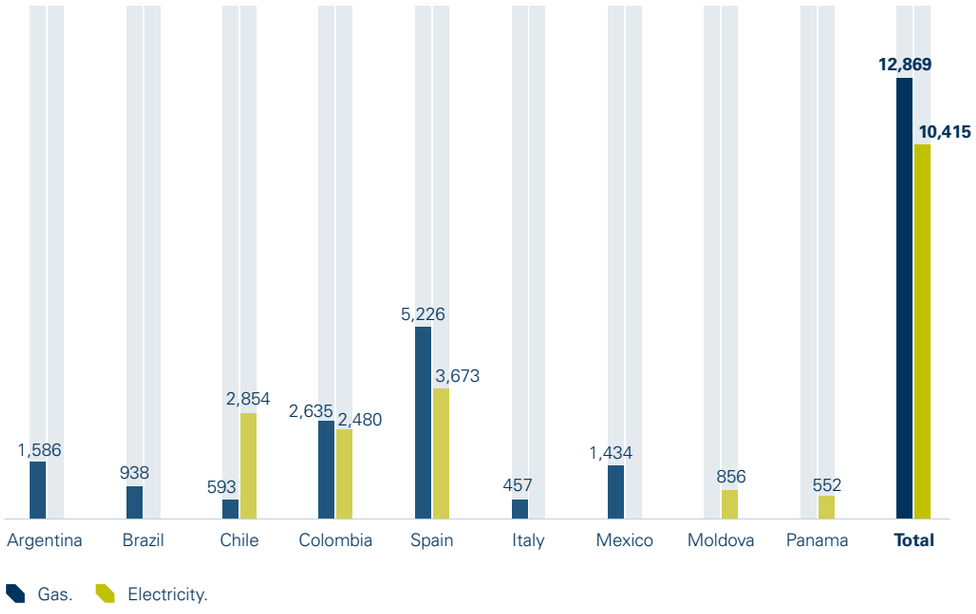
Homes	Businesses	Major clients
Natural gas and electricity		Products: gas, electricity and LNG
Services		Efficiency and sustainability
Equipment		Services with value-added
Energy saving and efficiency		Customised management
	Energy solutions	

The development of new products is based on the needs detected through the mechanisms enabled by the company. The commercial supply seeks efficacy and efficiency above other factors. Efficacy, to satisfy customers' demand; and efficiency, to achieve the maximum competitiveness.

Gas and electricity supply points (thousands)



Gas and electricity supply points by country (thousands)



Gas and electricity customers (thousands)* [EU3]

Gas customers	2014	2013	2012
Last resort tariff	1,512	1,640	1,795
Deregulated market (consumption >50,000 kWh/year to 500 MWh/year in high pressure and up to 1,000 MWh/year in low pressure)	34	33	32
Deregulated market (remaining consumption)	2,832	2,692	2,386
Total	**4,378**	**4,365**	**4,213**

Electricity customers	2014	2013	2012
Last resort tariff/PVPC	2,508	2,673	2,857
Deregulated market (power <10 kW)	1,666	1,375	1,082
Deregulated market (power >10 kW and sales to 0.75 GWh) (SMEs and others)	312	291	302
Total	**4,486**	**4,339**	**4,241**

* Figures from Spain.

Quality and reliability of the service

Maintenance of the gas and electricity facilities is an essential aspect within Gas Natural Fenosa's mission, to achieve a level of quality and reliability of the service that satisfies customers and enables us to comply with the regulatory requirements of the countries where we operate and with the most demanding standards of the industry.

The aim of maintenance is to improve the safety and reliability of gas and electricity grids, and to maintain a high level of service quality. The main assets managed under this objective are the substations, transformation centres, overhead and underground cables of the electricity grid; pipes, valves and other elements of the gas grid.

Gas Natural Fenosa employs modern and innovative methods and work equipment that are included in safe and efficient work and operation procedures.

The company also encourages close collaboration with contractor companies in the permanent quest to achieve best practices in the development of its activity.

Asset Maintenance Plan

The Asset Maintenance Plan of Gas Natural Fenosa covers the maintenance cycle of an asset in all phases, setting out the following stages:

Asset Maintenance Plan

Moreover, it lays down the criteria for the definition of preventive maintenance of all assets. In this respect, the company determines:

- Assets subject to the Maintenance Plan.
- Classification based on risk criteria of the facilities.
- Types of maintenance to be performed with the same family of assets.
- Regularity of maintenance based on the classification of equipment.
- Operation to be performed for each kind of maintenance.
- Model to be followed to ensure quality of operations, by analysing the results of maintenance and reviewing the maintenance plan, where appropriate.

To monitor and control the maintenance plans, each business has a computer tool where the company logs all of its assets, programmes annual planning and, subsequently, monitors what has actually been carried out.

These plans also include activities to frequently assess the integrity of assets, using a risk assessment and management model. Potential threats identified are those associated to third-party rupture, corrosion, design factors and external actions.

As with the remaining processes of Gas Natural Fenosa, the preventive and corrective maintenance procedures are included as part of the Integral Management System, which guarantees compliance with the ISO 9001, ISO 14001 Environmental Management and OSHAS 18001 Occupational Health and Safety standards. Furthermore, these processes are frequently subject to reviews by the Technical Quality, Safety, and Internal Auditing, Compliance and Control divisions.

The maintenance actions performed by Gas Natural Fenosa are reflected in the evolution of the main quality/service indicators, which have revealed a notable improvement in recent years. These indicators measure, inter alia, response times to a notification of a malfunction or anomalous situation affecting the grid, the stoppage time per client or installed power, and the number of incidents per kilometre of grid.

To guarantee the demand-based supply, Gas Natural Fenosa also has demand peak management systems, including the Peak Shaving plant that the company operates in Buenos Aires (Argentina) and which enables winter demand peaks in this city to be modulated.

Furthermore, in electricity distribution, Gas Natural Fenosa partakes in several R&D&I projects for storage of energy in batteries, the development of smart grids and the introduction of predictive maintenance techniques for the main grid equipment.

In 2014, the main investment projects undertaken in Latin America were the renewal of the gas grid in Mexico (66 km in Monterrey) and in Brazil (40 km in Rio de Janeiro); the renewal of connections in Buenos Aires (10,000 connections); the standardisation improvement of electricity grids at Electricaribe (Colombia); as well as the underground medium- and low-voltage network plan in Panama.

Pipe replacement plan in Brazil (2010-2020)

In the city of Rio de Janeiro (Brazil) there are currently 353 km of low-pressure pipeline (22 mbar) constructed with iron pipes. This material is considered "obsolete" and is susceptible to a greater rate of leaks following a changeover to a dry gas such as natural gas.

Gas Natural Fenosa's policy with regard to pipes made from this material involves medium- and long-term renewal plans, replacing the existing pipes with others made from polyethylene, to increase the levels of safety, reduce greenhouse gas emissions (methane) and increase efficiency by reducing repair costs.

As a consequence, the company has designed a progressive replacement plan for these tubes, which runs until 2020.

Lengths of pipe renewed since 2010:

Year	2010	2011	2012	2013	2014	2015-2017 plan
Length (m)	28,200	42,092	49,596	35,489	46,200	60,000/year

Plan for the renewal and underground burial of electricity distribution grids in Panama (2013-2017)

Gas Natural Fenosa is undertaking a specific renewal and underground burial plan for the medium- and low-voltage grids in the main cities in which the company distributes energy in Panama: Panama City, Chitré, David and Santiago.

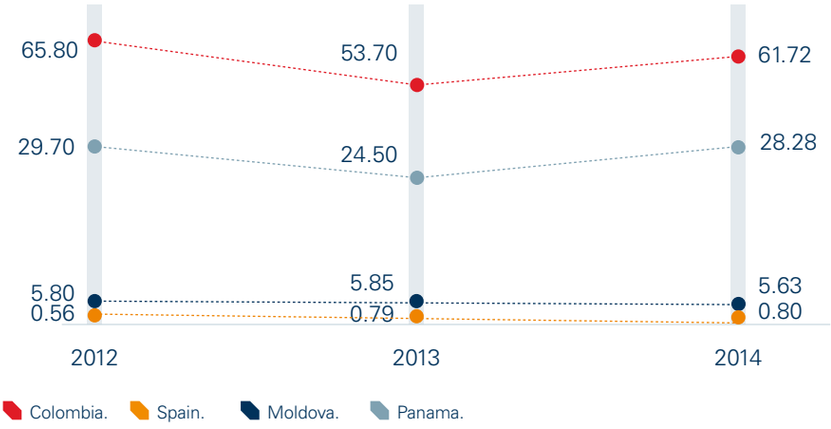
The aims of the plan are as follows:

- Improving the quality and reliability of the electricity supply to its customers.
- Having the capacity required to deal with increased demand.
- Increasing the safety of facilities, both for the workers that operate and maintain them as well as for third parties located in the surrounding areas.
- Reducing the operation and maintenance costs.
- Reducing the environmental impact of grids that run through the urban population hubs.

By 2017, we forecast the construction of more than 40 km of channelling, enabling us to bury more than 150 km of medium- and low-voltage grid. The scheduled investment is approximately 25 million euros. Up until the end of 2014, we had completed 6 km of channelling, mainly in Panama City.

Installed capacity equivalent interrupt time (ICEIT) (hours)*

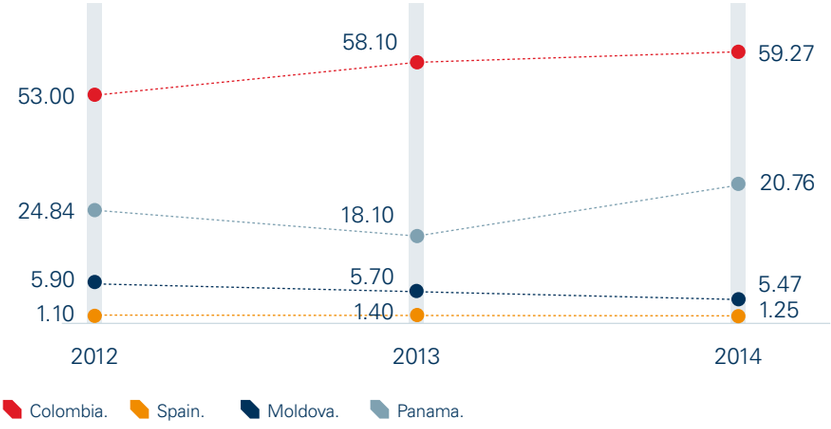
[EU29]



*Figures relative to the electricity.

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

[EU28]



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

Products and services adapted to customers' requirements and priorities

The Gas Natural Fenosa's commercial strategy revolves around satisfaction of current customers, for the purpose of increasing their loyalty, as well as optimisation of the commercial supply, to increase the portfolio of potential customers, in all segments, both retail and wholesale.

The loyalty schemes are targeted at contributing towards the customer's welfare, while also enabling the company to generate security and trust in management. The expectations generated by the customer need to be answered through increased customer service, innovation and any necessity that can offer value-added to the catalogue in all of its energy and product variants.

Gas Natural Fenosa therefore employs specific tools and plans to find out the customer's needs and priorities, in order to adapt the products and services to their expectations.

The actions carried out by Gas Natural Fenosa in 2014 to discover the customer's needs and priorities include the following:

- Market studies such as the pre-and post-testing of the Rollercoaster Campaign to present the flat rate.
- Testing of Servigas. We have analysed the possibility of carrying out an emergency with customers of Servigas Basic.
- Testing of Servielectric. We have conducted the Manitas service, in which we sent an electrician to the customer's home to carry out small jobs, for two hours and free of charge. The assessment was very positive.
- Projects targeted at segmentation and knowledge of the customer to deal with the needs and expectations of the industrial market.

- The Customer's Voice project to introduce measures and change processes that improve the customer service available, and therefore lay down the bases of the company's customer management model.

- Studies on the Virtual Office, which is the company's website support where customers can register free of charge to get information on products and services, bills and consumption, as well as other issues.

Operational efficiency in customer relations

Efficiency of actions in which there is contact with the customer leads to mutual benefits. For the company, the commercial costs of capture are reduced, along with the costs of the different processes; while for the customer, the resolution times of any enquiries or complaints are reduced and the process speeded up.

The mobility solutions of Servigas expedites operations in real time, whereby the customer support system in the commercialisation (Siebel) is communicated directly on receiving the customer's request and, in turn, on the result of the repair carried out. The databases are therefore permanently updated and the response is quicker.

Hermes project (2012-2015)

The aim of the project is to improve efficiency and efficacy in all field operations and improve the quality in the service that Gas Natural Fenosa provides to its customers, through the possibilities currently offered by new technologies.

To do this, we have developed a new technological platform that enables control and monitoring and allows us to act in real time with regard to field activities, from planning through to performance and subsequent analysis.

The benefits of this project are as follows:

- It facilitates process management and control by partner companies.
- The status and results of field operations are available immediately.
- Obtaining the signature and storage of the process-associated document in an electronic format.
- Establishing a direct connection between Gas Natural Fenosa and the operators and contractors.

In 2014, we finalised the rollout of the initial stage of the project throughout Spain, with the introduction of a new mobility platform to install the gas service at regulated business, achieving savings in transportation, speeding up the capture of information and having fewer errors. In addition, we launched a pilot test for the regular inspection process with the aim of finalising the rollout in 2015.

Moreover, in 2014 the company continued with the pilot test, introduced in 2013, for the salesforce mobility project. The overall aim of this project is to contribute to the immediacy in the result, as well as real-time updating of potential customers, products, tariffs and campaigns, among other issues.

Innovative products

[G4-9]

With the aim of increasing its commercial offering as much as possible and maintaining customer loyalty, Gas Natural Fenosa offers value added products and services on top of the gas and electricity supply. These services allow customers to manage their domestic and business needs in a comprehensive way, helping them to be efficient in their energy usage.

The development and promotion of these new products form part of the company's positioning, which adds a new concept to well-being, one that is founded on respect for the environment, energy efficiency, and the development of innovative energy services and solutions.

In 2014, Gas Natural Fenosa set a record of 2.5 million contracts in maintenance and assistance services of Spanish homes. This figure is tantamount to an increase of over 14% in portfolio.

The catalogue of products and services is continually growing.

The company is also focusing on new products for users that are not currently customers.

Adaptation of the price of the services to the customer's needs

Gas Natural Fenosa has introduced a service in Germany, Belgium, France and Netherlands, called Clicks, through which customers that have a consumption volume in excess of a previously established minimum can fix the price of all or part of their forecast consumption for a specific period of the contract.

To this end, the company has flexible information exchange mechanisms to take advantage of favourable times in the market. These mechanisms include risk premiums that are established and quantified by the Risks Department of Gas Natural Fenosa.

New products and services of Gas Natural Fenosa

Residential

Servigas Complet	This adds the coverage of pieces for a maximum amount of 300 euros/year and responds to a service demanded by customers.
Servigas for the propane gas customer	This serves to attract a group of customers that we did not have before.
Adaptation of the Servigas product	Servigas product for customers without heating. This has had a positive repercussion on the sale of services and on the number of customers.
Servicontrol	This remotely manages the consumption of different devices, lending convenience and efficiency in consumption.
Payment Protection Service	This gives the customer peace of mind in paying bills during difficult times. This service covers the full content of the bill up to a maximum of 1,200 euros.
Flat rate	This allows the customer to pay a fixed monthly amount for gas and/or electricity for one year and which already includes the energy part and the variable part of energy consumption. This product has become increasingly important among the company's customers, leading to new contracts.
Online self-management rate	This helps reduce costs and offers attractive financial conditions to the customer.

SMEs

Capacitor batteries	This optimises the amount of power contracted and enables reactive energy to be compensated and to reduce fixed costs, helping to amortise the investment over a reasonable period of time.
Servielectric Big Customer (SVE GC)	This increases the coverage of customers with Servielectric Big Customer GC for contracted energy of less than 50 kw.

Communication and transparency with customers

[G4-DMA] (Access)

New channels of communication

Gas Natural Fenosa understands that there is a growing demand from customers for a higher level of information and dialogue with the company. It has therefore adapted communication with customers through the use of new technologies, which encourages ongoing contact with them.

In 2014, the online sales of Gas Natural Fenosa experienced huge growth, with a total of 19,000 sales of services and supplies. By the same token, tests were carried out to check the scope of the online procurement channel and we obtained some very good results that accounted for a 20% increase in procurement. In 2014, more than 8.5 million customers visited the website and received online information about Gas Natural Fenosa's products and services.

As regards customer service, a total of 4.5 million customers have used the company's online platform.

In 2014, Gas Natural Fenosa created new Twitter and Facebook profiles in Spain, to reinforce customer service and communication channels with current and future customers, and to increase the modules of information accessible through mobile apps. This allowed the company to reach 9,000 users on social networks and more than 4,500 interventions by the community managers. Satisfaction levels of customers with regard to after-sale processes were therefore improved.

Use of new technologies

Online channel	To contract services and the sale of new products. The channel has a new private area, which makes viewing and browsing easier, lending the website greater functionality.
Website for procurement	This enables the customer to get information 24 hours a day, 365 days a year, and get details on tariffs and products that are appropriate for any home or business.
Displaying bills on mobile devices	This helps to develop new sources of commercialisation, information and customer service.
Social networks	The new model of managing contacts through social networks, established in most countries where the company operates, enables us to set up two-way communication with stakeholders. This allows us to reinforce traditional customer service channels with new channels that are more flexible, accessible, modern and which can be self-operated by the customer.
Paying without a bill	In Argentina, we introduced the option of paying without a bill through the company Pago Fácil. This enables customers to visit the foregoing company and pay their bill without the need for a physical invoice, just by giving their customer number.
Electronic confirmation of procurement	As an adaptation to the requirements of the new Distance Sales Act in Spain, confirmation of the contract is sent by SMS or email. The sale is not closed until the customer has accepted it.

Gas Natural Fenosa on social networks. Spain

	• Gas Natural Fenosa: https://www.facebook.com/GasNaturalFenosa • At the cinema and at Home: https://www.facebook.com/EnElCineComoEnCasa • Gas Museum: https://www.facebook.com/museudelgas • The Best Place in the World, my Home: https://www.facebook.com/elmejorlugardelmundomicasa
	• @GNF_es • @GNFprensa_es • @GNFcine • @MuseodelGas • @hoymesientobien • @GNF clientes_es • @promoción del gas/ bondades del gas (in progress)
	• Gas Natural Fenosa: http://www.youtube.com/gasnaturalfenosa
	• http://www.linkedin.com/company/gas-natural-fenosa
	• Gas Natural Fenosa: http://www.pinterest.com/GNFes • GNF: http://www.pinterest.com/Gnaturalfenosa/
	• Gas Natural Fenosa: http://instagram.com/gasnaturalfenosa • GNFcine: http://instagram.com/GNFcine • GNF_es: http://instagram.com/GNF_es

Gas Natural Fenosa on social networks. Latin America

Argentina		https://www.facebook.com/GasNaturalFenosaArgentina
		@GNF_ar
Brazil		https://www.facebook.com/gasnaturalfenosa.brasil
		@GNF_br
Colombia		https://www.facebook.com/gasnaturalfenosa.colombia
		@GNF_co
Mexico		https://www.facebook.com/GasNaturalFenosaMx
		@GNF_mx
Panama		https://www.facebook.com/gasnaturalfenosa.panama
		@GNF_pa

The bill as a channel of communication

Together with the use of new technologies, Gas Natural Fenosa is aware that the bill continues to be the main channel of communication with its customers. That is why the bill includes information of interest to the customer, helping to explain the content of the bill and how regulatory changes affect this.

The company endeavours to ensure that the invoice is a satisfactory instrument of communication for customers in Spain that are subject to the Last Resort Supply (SUR) and to the Voluntary Price for the Small Consumer (PVPC). A regulatory change to the design of the bill was carried out, pursuant to the Decision of 23 May 2014 by the General Directorate of Energy Policy and Mines. The adaptation to the new regulations governing the bill were satisfactory, and under no circumstances were the billing periods of customers penalised.

For customers in the free market, the company continues to analyse new possibilities to improve and adapt the contents to foster better understanding of the same.

In Colombia, in 2004, Gas Natural Fenosa changed the design of the bill to make some concepts easier to understand. In this regard, it also included two chapters on its website to explain the bill in detail along with the different tariff charges.

In Brazil, the company offers its customers the possibility of receiving bills in braille, to make the information more accessible to those with visual impairment. We are looking at how to introduce this in other countries.

Communication actions through the bill

Brazil	• Communication of the launch of the new Virtual Office.
Colombia (gas business)	• The company's Facebook, Twitter and YouTube addresses, to increase communication through social networks. • The reconnection cost so that the customer can see why the bill increases in the event of the power being cut off and reconnected for non-payment. • Specific helpdesk for protection of customer's data. • Communication campaign to notify customers about the new regular review model. • Communication of the launch of the new Virtual Office.
Mexico	• Careful with Carbon Monoxide campaign, with safety tips. • Efficient Use of Natural Gas campaign with recommendations on servicing installations. • Safety and Savings Tips campaign, with measures to promote savings and the good use of energy.
Panama	• Numbers of customer service centres available 24 hours a day and the freephone number of Gas Natural Fenosa. • Adjustments to the guarantee deposit for customers in the four concession areas. • Tariff changes. • Communication of the launch of the new Virtual Office.

As regards communications sent out by the company, in 2014, Gas Natural Fenosa registered no fines for monopolistic practices or for breach of regulations on marketing communications, including advertising, promotions and sponsorship.

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

By the same token, Gas Natural Fenosa is affiliated to the Advertising Self-Regulation Code for Environmental Arguments. The related-party companies which have subscribed to this code undertake to use advertising messages including environmental arguments responsibly and truthfully.

Customer service

[G4-DMA] (Access)

The customer service channels made available by Gas Natural Fenosa are for the purpose of offering a customised, fast and efficient service that provides excellent treatment and, in summary, achieves a rapid response to their needs and guarantees optimum customer service.

Gas Natural Fenosa website indicators (thousands). Spain

	2014	2013	2012
No. of customers registered at the end of the year	1,288	1,073	871
No. of online transactions at the Virtual Office	6,171	5,841	4,471
No. of customers registered with the online billing service	676	170	164

Provision of customer service at Gas Natural Fenosa

Customer service channels and telephone helpdesk operators	Trained to offer the customer a customised and efficient treatment, and equipped with the most modern technologies.
Guarantee Office	Responsible for dealing with those organisations that represent customers.
Website and the Virtual Office	These quickly and easily facilitate customers' most frequent operations (checking bills, modifying details, meter reading and payment and the procurement of online services).
Sales and customer service centres	These can be found in the main cities of those countries where Gas Natural Fenosa is operational.

In 2014, the company registered no fines for monopolistic practices or for breach of regulations on marketing communications, including advertising, promotions and sponsorship

In order to improve and simplify the customer service process, Gas Natural Fenosa is developing different projects that seek to provide the customer with a customised approach that satisfies their needs. From the first time the customer contacts the telephone helpdesk, and using a speech recognition system, we offer a more specialised approach to those customers with recurrent concerns. At the end of the call, there is a system to check the customer's satisfaction with the outcome. Using the Net Promoter Score (NPS) tool, the customer completes a questionnaire on their satisfaction with the service received. This helps us to correct internal actions, measure the levels of customer service and extrapolate what we have learned. Those customers that believe their query has not been resolved are automatically redirected to the platform. This improves the customer's experience and reduces the number of call-backs for requests that the customer believes have not been resolved.

Customer service processes adapted to all customers

Gas Natural Fenosa also adapts its customer services to reduce language, cultural, low literacy and disability related barriers in accessing energy and using it safely, as well as customer support services.

In 2014, in Latin America, we gave even greater priority to ensuring easy, convenient and free-of-charge access to the company's customer service channels. The target was achieved with the introduction of new virtual offices, through which approximately 300,000 registered customers performed over 750,000 operations over the year.

The company maintains a proactive attitude in communication with its customers, encouraging accessibility at face-to-face centres and on digital media.

In Brazil, all customer service centres offer priority attention to the elderly and those with physical and sensory impairments. In São Paulo, the company offers self-service, to speed up the procedure.

Furthermore, in Colombia, Gas Natural Fenosa focuses its efforts on improving customer service channels, to find solutions during the initial contact, without the customer needing to resort to other channels. To achieve this, the company has placed great emphasis on the personal training of consultants that visited specific workshops. Furthermore, in 2014 actions were carried out to guarantee the preferential attention of those customers that enjoy certain special conditions. These actions included the plan to update and introduce a shift assignment system at 13 face-to-face centres and the relocation of two customer service centres to facilitate accessibility by disabled persons.

In addition, all company's employees can access the Manual for dealing with Disabled Customers on the company's intranet.

Energy Class

Since 2011, Gas Natural Fenosa has offered the Energy Class service, a pioneer in the energy sector. It was launched for the purpose of offering an exclusive service to major customers of Gas Natural Fenosa and thus favour their loyalty.

Energy Class is a service provided by a group of highly qualified professionals which offers integral management on a freephone number 24 hours a day, 365 days a year. Over 47,000 gas and electricity customers are included in this service and enjoy preferential treatment and advice on their energy supply and management of their contracts.

In 2014, the company's Energy Class service dealt with more than 285,000 procedures and offered quality standards above the group's average.

Also in 2014, Gas Natural Fenosa introduced the Energy Class service for residential customers, called premium customers. This refers to those customers that contract gas, electricity and a further two products.

This customer profile is served by specialised platforms skilled in efficiency and resolving enquiries. All this shows that the level of loyalty is higher, and customers' levels of satisfaction are therefore on the increase.

The company seeks to provide customised service based not only on the sale of gas and electricity but on offering additional supplementary information of interest, as well as other products and services that help the customer improve their energy efficiency and reduce consumption.

Customers that enjoy the Energy Class service not only have a manager assigned to them for consultation purposes, but can also access a committee of experts.

The customer's satisfaction and experience

[G4-PR5]

Gas Natural Fenosa has a model to measure customers' experience, through which it constantly monitors the satisfaction of its customers and that of its competitors.

The measurement model rests on two complementary pillars. Firstly, a general overview of all of the company's customers and of the remaining customers in the sector, which represents the global satisfaction index. And secondly, an overview of the process which analyses the experience of customers that have made recent use of the services and channels made available to them. The model analyses the different segments of customers and the critical processes with an impact on the customer. This model has been deployed in all countries where Gas Natural Fenosa is operational.

Once again this year, Gas Natural Fenosa continues to spearhead satisfaction in the retail segment in Spain, where the global satisfaction index (on a scale of 0-10) was 7.01, in the residential sphere; and 6.29 at SMEs. This represents a positive difference with regard to the average of our rivals, which was 6.47 and 5.92, respectively. In the wholesale segment, the global satisfaction index stood at 6.81, while the average for our rivals was 6.45.

Gas Natural Fenosa continually measures the customers' satisfaction throughout the year, using a range of means, mainly through telephone surveys. In addition to the traditional telephone medium, in 2014 we developed a new on-line measurement tool (CEM) through which, once the customer has interacted with the company, they are sent a brief questionnaire to record their level of satisfaction and recommendation, and are asked to give a brief comment on their experience. This new tool enables immediate corrective action, through the management of alerts whenever the minimum satisfaction thresholds required to maintain the level of quality that the company imposes with its customer relations are not reached. In addition, it facilitates the identification and analysis of the root causes through improvement projects and initiatives.

Customer Experience project (2014-2015)

In 2014, the company launched the Customer Experience project which, with a global reach for the company, seeks to increase the satisfaction and loyalty of its customers by analysing their opinion through the surveys carried out.

Gas Natural Fenosa not only wishes to accompany the customer during their lifetime but also offer them an experience, contributing value-added by providing personalised advice.

The project features two main action lines:

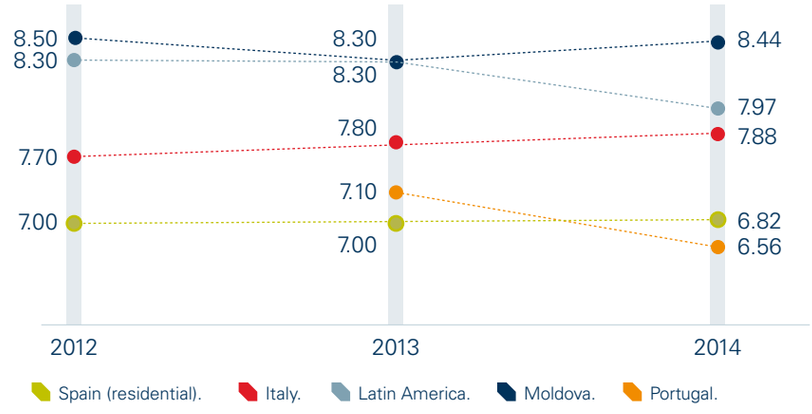
- Identification of the customer journeys and the critical times, in order to work on these and to have an impact on the reasons for dissatisfaction and to resolve root causes.
- Advocacy programme of employees, as customers of the company.

The experiment carried out reveals a change in the customer's perception of quality. This is reflected in the evolution of 20% of the NPS results, with an approximate average of 40%.

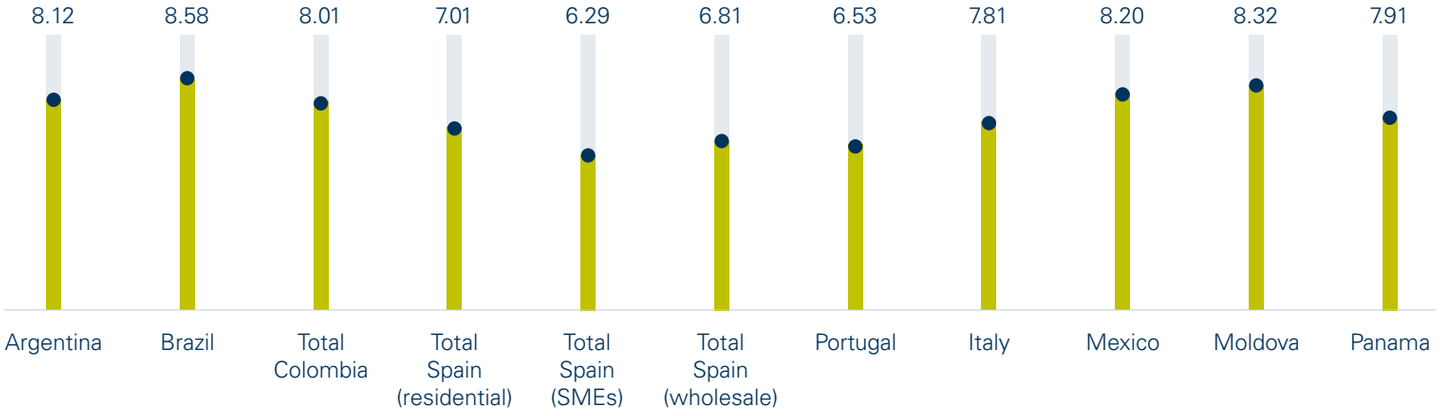
Gas Natural Fenosa aims to ensure that this improvement to the customer's experience is kept as part of its DNA and introduced into all of the company's activities.

Gas Natural Fenosa not only measures the satisfaction of its customers with the different processes but has also introduced a programme of ongoing improvement based on the Lean Six Sigma methodology. This enables it to act on the reasons for dissatisfaction and to identify and correct the root causes and encourage ongoing improvement of the processes with the focus firmly on the customer.

Corporate image



Overall satisfaction with service quality



Annex of indicators

Customers disconnected due to non-payment classified by the total duration between disconnection for non-payment and payment of debt. **[EU27]**	Gas business	Fewer than 48 hours
		Between 48 hours and 1 week
		Between 1 week and 1 month
		Between 1 month and 1 year
		Over 1 year
	Electrical business	Fewer than 48 hours
		Between 48 hours and 1 week
		Between 1 week and 1 month
		Between 1 month and 1 year
		Over 1 year
Customers disconnected due to non-payment classified by the total duration between debt payment and reconnection. **[EU27]**	Gas business	Fewer than 24 hours
		Between 24 hours and 1 week
		Over 1 week
	Electrical business	Fewer than 24 hours
		Between 24 hours and 1 week
		Over 1 week
Average duration of electrical power cuts (hours). **[EU29]**	2012	
	2013	
	2014	
Average System Interruption Frequency Index (ASIFI). **[EU28]**	2012	
	2013	
	2014	
Index of satisfaction with the main processes. Residential customers (on a scale of 1 to 10.)[2]	Continuity of gas supply	
	Continuity of electricity supply	
	Billing and payment	
	Telephone Customer Service	
	Centres	
	Emergencies	
	Inspection/review	
	New customers	
Satisfaction rate with main processes. Wholesale customers (on a scale of 1 to 10).	Negotiation and contracting	
	Quality of gas supply	
	Quality of electricity supply	
	Determination of consumption (meter reading)	
	Commercial management	
	Commercial manager	
Customer service ratios.	Customer requests solved immediately (%)	
	Average time for solving requests (days)	
	Calls answered within 20 seconds (%)[2]	

[1] In Spain, the electricity business, the period that elapsed between disconnection and payment of the debt is between 1 month and 4 months.
[2] As regards the Index of satisfaction with the main processes concerning residential customers in Colombia and the customer service ratios, the first figure that appears in the table corresponds to the gas customers index and the second figure corresponds to electricity customers.
[3] In Spain, the calculation ratio is calculated in accordance with the calls responded to within 15 seconds.

Argentina	Brazil	Colombia[1]	Spain	Italy	Mexico	Moldova	Panama	**Total**
16,278	17,000	255,411	1,166		56,687			
6,538	11,086	67,186	988		28,704			
4,880	8,412	29,496	1,475		32,260			
3,623	5,453	8	1,266		38,006			
3,014	0	0	0		0			
–		309,030	78,555				78,235	
–		42,557	33,174				17,266	
–		5,525	28,498				197	
–		665	10,526[1]				2	
–		0	0				0	
1,546	1,853	338,064	1,392		111,617			
32,685	40,098	2,875	2,654		37,999			
102	0	158	849		6,041			
		330,391	136,626				69,997	
		21,96	9,704				10,978	
		6.190	84				151	
		76.6	0.8			7.1	52.5	
		74.1	1.1			7.2	36,8	
		83.0	1.1			6.8	48.6	
		49.0				4.8	18,4	
		44.4				4.7	15.5	
		45.7	0.9			4.4	15.6	
8.89*	9.18*	8.95*/–	8.73*	9.25*	8.79*			
		–/7.15*	7.66*			8.6*	7.84*	7.66*
8.37	9.13	8.98/8.00	6.67*	7.64*	8.40	9.32*	6.53*	8.25
8.17	8.06	8.06/7.50	7,4	8.18	6.94	8.71*	6.76*	7.76
7.70	8.58	8.11/6.23	7.56	8.48	6.92	7.27*		7.90*
8.66	8.50	8.85/–	8.35	9.07	8.58	7.98*		
			8.24					
			7.45					
			8.19					
			7.55					
			7.51					
			7.58					
			8.26					
			8.11					
74.8	79.0	91.1/40	93.4	91.8	91.1	89.9	58.0	
25.0	6.0	11.0/10.7	9.1	21.2	1.5	6.1	9.6	
75.8	80.0	78.3/76.0	79.9	81.17	82.5	74.9	81.9	

*Figures from the general indices study.

Management of the supply chain

[G4-12]

In recent years, the job of purchasing has focused on achieving savings and cost cutting. We still continue to measure savings, although the focus is on providing a quality service that satisfies the internal customer, and on increasing the value that the function of purchasing gives to the business. The model is fundamentally based on maintaining a long-term relationship with suppliers and awarding the supply to the offer that is most beneficial for the company; not only from an economic point of view, but also taking into consideration the performance of suppliers (which includes things like safety, quality, resource management, etc.) and how these, as a whole, allow savings to be made with regard to the overall cost of the purchase.

Furthermore, as part of the Health and Safety Commitment Plan, the supplier selection process includes a commitment to suppliers that have provided documentary proof of their excellent performance in safety.

As in previous years and for the purpose of discovering the best practices in the sector and applying these to its own procedures, Gas Natural Fenosa actively participates at associations, national and international fairs on supply chain management. In this regard, the company is member of the Association Representing Purchasing and Materials Management Professionals in Spain (AERCE) and RePro in Spain and Italy (in this case, forming part of the Management Committee) as well as in Colombia, Brazil and Argentina. Furthermore, the company subscribes to the worldwide Procurement Leaders network and in 2014 took part in the AERCE annual conference in Spain. It is also a member of the Procurement Leadership Council, an initiative led by the Corporate Executive Board (CEB).

Strategic planning, for the 2015-2016 period, of supply chain management includes classification of suppliers and the management of risks by family of purchases, considering the country variable in each family; and the assessment of ESG risks (environmental, social and governance) supplementing the risks and criticality map.

The supply chain of Gas Natural Fenosa

[G4-DMA] (Procurement Practices) [G4-12]

In the performance of its activity, Gas Natural Fenosa set up trade relations with a total of 8,035 suppliers, which in 2014 accounted for a total expenditure of 2.956 millions of euros. Two thirds of these are service suppliers that fundamentally take part in the following business areas:

- Development and maintenance of grids, both gas and electricity.
- Operators and maintenance workers of energy plants.
- Commercial management services.

The remaining third corresponds to suppliers that provide materials required for the construction and maintenance of grids as well as generation plants.

Specific nature of the Gas Natural Fenosa supply chain

- The service suppliers are local supplies of each country. Gas Natural Fenosa mainly carries out its activity in Argentina, Brazil, Colombia, Spain, France, Italy, Mexico, Moldova and Panama, and, to a lesser extent, in Australia, Costa Rica, Kenya, Morocco, the Dominican Republic and South Africa.
- Managing the materials purchase process is mainly conducted globally, although there is an emphasis on purchasing from local and regional suppliers, except for those that require local management because of market characteristics. The electricity materials are mainly purchased in Colombia, Spain, Mexico and Portugal. As regards gas materials, these are essentially purchased in Argentina, Colombia, Spain, Italy and Mexico.
- Part of the sector activity is a regulated activity, subject to strict regulations, which requires both the suppliers as well as the materials used to be officially approved for those critical activities of the business.

Risk management of the supply chain

Gas Natural Fenosa has established a process to detect risks in its supply chain. Thus, the company carries out systematic verification of compliance with the legal requirements and of the basic structure of potential suppliers before entering into trade relations with the suppliers.

The corporate responsibility criteria analysed are either mandatory or additional:

- Mandatory criteria: these include laws/standards governing the prevention of occupational risks, tax obligations, civil liability and social security, as well as the resolution of outstanding judgements, sanctions or fines for breach of ethical and human rights issues.

- Additional criteria: these include the environmental regulations of those countries in which we operate, the application of a human rights policy, a code of ethics in line with the provisions set out in the Code of Ethics of Gas Natural Fenosa, and declarations of sustainability undertakings and policies or declarations of adherence to the UN Global Compact. It also includes social inclusion policies or practices for disabled persons.

In 2014, we introduced the Control tool at the business units in Spain. This tool focuses on suppliers that have been given contracts, and for the term of the contract, as a platform to ensure compliance with the principles of prevention of workplace accidents in the supply chain. During the 2015-2016 period, we expect to deploy this tool on the international stage.

The company carries out systematic verification of compliance with the legal requirements and of the basic structure of potential supplier

Assessment of risks in the supply chain

The strategic management of suppliers will evolve through the development of the aforementioned projects, for the purpose of progressing with the process of rating our suppliers to facilitate identification, quantification and management of the risk associated to the supplier in each of the main aspects: quality, environment, corporate responsibility, health and safety, global operations, legal operations, economic operations and financial operation, giving rise to a risk matrix and classifying these risks into three levels.

For each level of risk we define the following requirement levels, to which the supplier is subject in accordance with the supply or service they offer:

- Worldwide TSMS: with the introduction, in 2014, of TSMS in Mexico, the self-declaration questionnaire has been introduced at all suppliers worldwide, except in Costa Rica, Morocco, Moldova, Panama and the Dominican Republic. This means that the platform has been introduced to 93% of the purchase volume awarded.
- Official approval through documentary application: in 2015 we will develop a tool or procedure to verify the evidence. Suppliers classified into sub-families of average risk may be requested to provide additional information based on the risk associated to the activity.
- Conventional approval: this is the company's historical method. In 2014, we worked on development of work operation guides to ensure uniformity of criteria and tasks worldwide. This involves an official approval process based on verifying compliance with specific requirements for those supplies identified as critical to the business, using documentary assessments and/or face-to-face audits. This model will be extended to those families where we have identified high level risks on the risk matrix.

Conventional approval.

Official approval through documentary application.

TSMS (suppliers' self-statement).

During 2014, we also conducted a pilot project in Italy which will enable us to have a risk analysis methodology for the supply chain, to draw up a supplier tree for each family of purchases made by Gas Natural Fenosa. This is expected to be extended to the rest of the group in 2015.

The General Regulations on Purchases and Quality of Suppliers, as well as the general procedures implemented, are being reviewed together with these projects for adaptation and modification to enable immediate application.

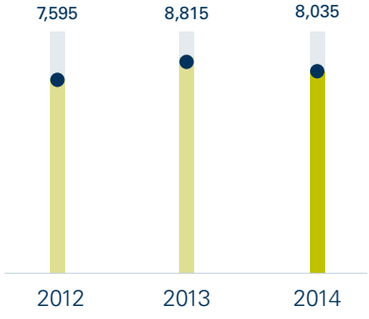
As part of the Health and Safety Commitment Plan, and based on the principle that nothing is more important than health and safety, the weight of the health and safety factor will always be present in the selection and adjudication criteria, and will have a weighting that is at least equivalent to the most critical factor of the activity.

The overall aim is to assess the total cost of the bids and the contract award to companies that submit the most beneficial bids for Gas Natural Fenosa.

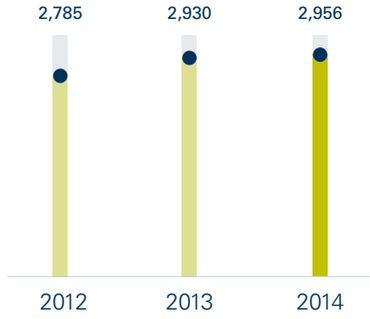
The company seeks to involve suppliers in some of its commitment to society policies. For this reason, in 2014 we launched the Social Supply Chain project, the aim of which is to achieve the greatest efficiency and social return possible through the involvement of suppliers and, more specifically, increasing the social insertion of disabled persons. The project is divided into three stages:

1. Definition and preparation of a social policy and culture for the Purchasing Department that is fully in line with the Corporate Responsibility Policy of Gas Natural Fenosa.
2. Analysis of current social efficiency of the company's suppliers, to motivate those suppliers that provide the highest number of jobs to disabled persons.
3. Action policies with Special Employment Centres (SEC), as well as identification of a series of purchase categories that can be supplied by the centres.

Suppliers with contracts currently in force



Total purchase volume awarded (millions of euros)



Purchases from local suppliers [G4-EC9]

	2014			2013			2012		
	Orders issued*	Orders made (%)	Purchasing budget (%)	Orders issued*	Orders made (%)	Purchasing budget (%)	Orders issued*	Orders made (%)	Purchasing budget (%)
Argentina	487	100.0	100.0	562	96.8	78.5	406	100.0	100.0
Australia	176	88.1	85,8	305	90.5	86.9	305	90.5	87.0
Brazil	1,933	98,6	99,5	1,567	98,5	99.4	1,818	99.0	94.5
Colombia	3,263	98,3	97.6	2,566	98.1	98.4	2,236	98.0	98.0
Costa Rica	147	67.3	18.4	98	72,4	31.0	79	82.3	34.1
Spain	12,711	96.4	94.9	17,068	95.3	95.7	13,370	97.5	95.4
Guatemala	405	83.5	80.5	242	74.8	61.4	–	–	–
Italy	2,246	97.9	97.2	2,271	98,2	98.1	2,176	99.0	99.0
Kenya	1,204	81.4	44.7	992	80.6	40.3	1,473	73,0	36.8
Morocco	282	63.8	41.3	309	58.3	42.7	304	29.5	30.0
Mexico	5,087	95.3	75.3	3,983	95.2	87.9	3.156	93.0	72.7
Moldova	1,178	96.1	91.7	1,400	95.4	60.0	1.555	97.6	84.2
Panama	2,104	83.6	81,9	1,268	82,2	80.0	1,224	80.0	69.0
Dominican Republic	684	63.6	58.6	813	67.7	47,6	950	76.0	54.0
South Africa	5,108	99.0	100.0	7,933	100.0	100.0	8,589	100.0	100.0
Total	**37,015**	**94.7**	**92.9**	**41,377**	**94.9**	**91.9**	**39,433**	**94.6**	**91.8**

*Orders issued: orders made by each country (local and non-local suppliers).

Screening suppliers

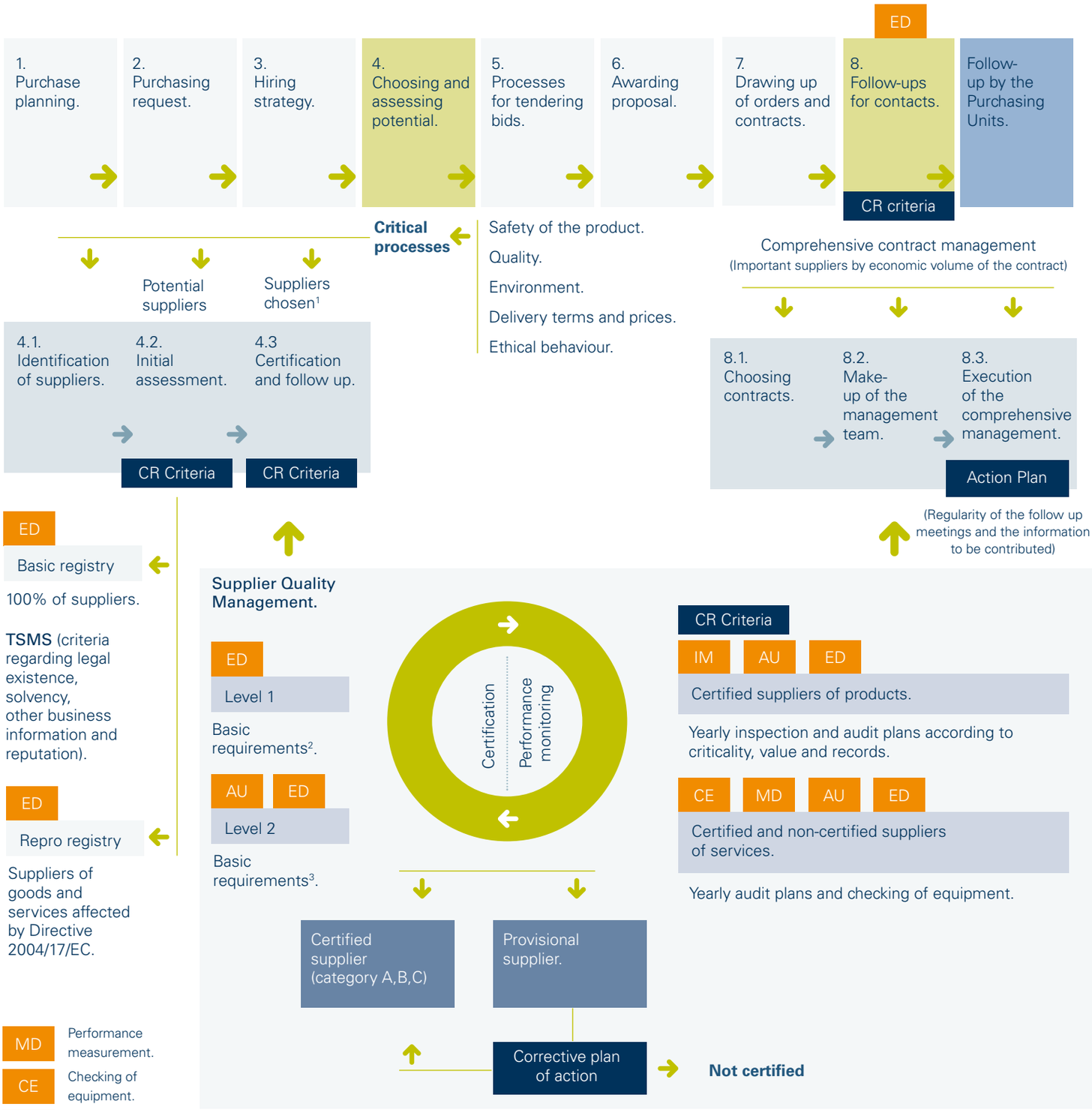
[G4-DMA] (Procurement Practices) [G4-12], [G4-LA14] and [G4-SO9]

The large number of suppliers the company has makes it necessary to standardise the screening procedures. These procedures are performed in accordance with the supplier contracting policy based on the General Regulations for Outsourcing. The regulations lay down general principles for all procurement of works, goods and services, ensuring a uniform, efficient and quality model for management of the purchase processes of Gas Natural Fenosa and for the approval and procurement of services. The purpose is to minimise possible risks in contracting suppliers.

The company also has the General Supplier Quality Standard, which lays down the global management system covering the entire life-cycle of contracts, from initial assessment through to performance monitoring.

In 2014, Gas Natural Fenosa assessed a total of 5,608 suppliers based on environmental, social and employment practices criteria, during the official approval and/or procurement process, and we can report that none of the suppliers were excluded from the process through failure to comply with these criteria.

Supplier management process



[1] Certification is applied to those suppliers within the certification perimeter. This is defined in terms of criticality criteria (availability, operating cost and safety at facilities, people and environment) and the purchase amount (volume of purchase amount of the subfamily and degree of concentration of the suppliers).

[2] Identification of potential risks of products and services used in the activity regarding areas of safety, the environment and quality.

[3] Requirements of the activity, product, accreditation of people, including environmental and health and safety reviews).

Assessment of suppliers

[G4-DMA] (Procurement Practices, Supplier Environmental Assessment, Supplier Assessment for Labor Practices, Supplier Human Rights Assessment, Evaluation of the social repercussion caused by suppliers), [G4-EN32], [G4-EN33], [G4-LA14], [G4-HR10], [G4-HR11] and [G4-SO10]

During the supplier screening process, through the Total Supply Management Solution (TSMS) and RePro -supplier classification system for Spain and Italy, for the purposes set out in the European Directive on Procurement Procedures for the water, energy, transport and telecommunications sectors-, Gas Natural Fenosa requests declarations of compliance with quality and environmental management, prevention of occupational risks and industrial safety, and corporate responsibility.

For certain critical aspects, the company only accepts a declaration of strict compliance. Among these, and irrespective of the country where they operate, we can highlight compliance with tax and social security obligations; the availability of a civil liability policy (where appropriate); compliance with the standards on prevention of occupational risks and any outstanding judgements, sanctions and fines for breach of ethical issues (bribery, corruption, tax fraud) and human rights issues (breach of labour laws, discriminatory practices, child labour, etc.) over the last three years.

In 2014, we introduced the TSMS platform in Mexico, and this is scheduled to be rolled out in Costa Rica, Morocco, Moldova, Panama and the Dominican Republic during 2015.

In addition, as part of the supplier assessment environment of RePro, Gas Natural Fenosa receives information from the audits conducted by the company in charge of managing the RePro platform about certain suppliers with higher risk. In this regard, in 2014 more than 80 audits were carried out with companies that supply Gas Natural Fenosa.

The audit considers generic requirements in areas of:

- Corporate responsibility: integration in the community, integrity and business ethics, anti-discriminatory practices and selection of personnel, employment and human rights practices, and social and ethical responsibility.
- Quality management: management of the company and business, audit and data-analysis processes, internal and external communication, quality assurance, screening and management of suppliers and subcontractors, and the supply of goods and services.
- Occupational risk prevention: safety in the workplace, health monitoring, assessment of risks and emergency plans.
- Environmental management: environmental management, greenhouse gases and waste management.
- Technical resources: physical safety, use of work equipment, vehicles and machines, insurance and guarantee.
- Human resources: management of skills and training and work times.

Furthermore, in 2014 the company conducted 329 supplier performance assessments by sending 655 surveys to user units. This enabled it to assess a total of 139 suppliers in 34 kinds of contracts and in six countries where the group is operational.

In 2014, 3,067 approved suppliers were subject to impact assessments on the environment, labour practices, human rights and society. Of these, the official approval of six suppliers was cancelled due to incidents with significant impacts in this regard (lack of resources or breach of contracts, quality deficiencies and other issues related to corporate responsibility).

Official approval and management of supplier quality

[G4-DMA] (Procurement Practices) [G4-LA15]

The Purchasing Department has a specialised organisational structure, the Supplier Quality Unit, which is responsible for the official approval and supplier performance processes, and it has a presence in all countries where purchases are organised. This organisational structure is also responsible for conducting the pertinent audits on current or potential suppliers, even if they are in countries where the company does not have a business presence.

In all those countries in which there is a Supplier Quality Unit, the company has introduced a single model, documented in operational guides that enable it make uniform the official approval, inspection and supplier monitoring activity. At systems level, we can highlight the introduction of the SAP supplier quality system in Panama, which enables us to register in the corporate system those suppliers and products that are officially approved in the country.

Gas Natural Fenosa determines the approval perimeter in accordance with the criteria of availability (continuity of service), operating cost and safety of the facilities, safety of persons, environmental safety and purchase amount criteria (volume of the purchase amount and level of concentration). Through this, the company makes sure that the top-tier, critical suppliers comply with the strict requirements related to the activity and/or supply contracted.

In addition, for certain suppliers the company carries out assessments of documentary proof and audits to check compliance with specific requirements, using its own specialised personnel or companies of renowned prestige.

Supplier quality model and audits

In 2014, Gas Natural Fenosa conducted 99 audits with suppliers in Spain to check compliance with specific requirements, including the prevention of occupational risks and environmental management. These audits picked up three minor breaches related to environmental issues, one concerning the quality system of the supplier and five minor breaches concerning issues of prevention of occupational risks. In all cases suppliers were requested to introduce corrective action plans as a requirement to maintain the contract awarded.

We also monitored these indicators for the remaining subsidiaries, in order to have a relevant magnitude that confirms the introduction of the supplier quality model in the group. The subsidiaries reported the performance of 300 audits carried out with suppliers and which detected breaches in issues of quality, the environment, risk prevention and other technical aspects which, in the more serious cases, led to six suppliers losing their official status.

In general, Gas Natural Fenosa only considers suspension of the official approval of suppliers in those cases in which it is clear that the supplier is unable to efficiently correct the deviations detected. The normal procedure involves working together with the supplier to resolve these deviations.

The supplier quality model of Gas Natural Fenosa also includes monitoring the performance of active suppliers. For service providers, the company carries out service satisfaction surveys with users.

The service provider surveys were carried out in Argentina, Brazil, Colombia, Spain, Italy and Moldova, and include aspects concerning quality of the service, health and safety, and resource management. The results and classification obtained are reported to the affected internal units of the company, also specifying their weak points and where they need to improve.

We should point out that, since 2013, Gas Natural Fenosa has asked its suppliers and contractors in Spain to undertake to comply with the company's health and safety principles and policy. Since 2014, the request for this undertaking has been extended to the group's entire sphere of operations.

Training of suppliers

[G4-DMA] (Procurement Practices)

Training the different parts of the value chain is essential in offering quality products and services to the company's customers. Thanks to training, suppliers improve their operational efficiency and can cut costs. In summary, the aim is to make the value chain more professional.

The company provides specific training to the employees of its suppliers, contractors and partners through the Extended University, an initiative spearheaded by the Corporate University of Gas Natural Fenosa and the business areas. Since 2012, the Extended University has been introduced in Brazil, Colombia, Mexico, and Spain, and in 2014 reached Argentina, Italy and Moldova.

As part of the social action initiatives spearheaded by the Latin America Integrated Operation Centre (COIL), there is also a special emphasis on training suppliers through the Value for Suppliers programme, which provides technical and business training for self-employed suppliers and micro-enterprises associated to the energy sector.

Project to introduce technical levers: achieving sustainable savings through collaboration

The project involves setting up a work operation that enables minimisation of costs through the successful application of commercial and operational levers, as well as the application of technical levers. The former seeks to optimise purchase costs, while the technical levers seek to:

- Identify and validate changes to the technical specifications that manage to achieve savings, for example by streamlining product references.
- Provide detailed planning of the actions required to achieve savings, for example by optimising logistical aspects.

In 2014, in the initial phase of the project, we managed to achieve savings of between 1.2 and 1.8 million euros, and to define the action plan to materialise the savings in forthcoming months, consolidating a systematic methodology that can be extended to other categories.

This involved multidisciplinary teams with experts in the technical characteristics of products, and who drive cultural efficiency throughout the organisation through the constant and proactive quest for savings.

The performance of this project brings with it a qualitative and quantitative leap in the optimisation of the cost of materials, ensuring the maximum quality and compliance with the most demanding technical specifications.

Bettercoal: responsible purchase of coal guarantee

bettercoal
defining standards.refining practice

During 2013, Gas Natural Fenosa became a member of the Bettercoal international initiative, an initiative made up of major European energy companies (Dong Energy, EDF, Enel, E.ON, Fortum, GDF Suez, RWE and Vattenfall, among others) and which strives to attain the ongoing improvement of corporate responsibility in the coal supply chain.

The initiative, launched in February 2012, seeks to include social, environmental and ethical practices into the coal supply chain, with the aim of producing changes that benefit employees, communities, businesses and the environment.

The adherence to an initiative such as Bettercoal provides the additional guarantee that purchases of coal by the company comply with certain criteria and conditions that are perfectly aligned with the undertakings set out in the human rights policy of Gas Natural Fenosa.

One of the first advances of Bettercoal was to develop a new code of practices based on already existing mining standards, which recognises the current best practices in the sector. The Bettercoal Code sets out the ethical, social and environmental principles on which members of the initiative will base their coal supply chain.

These principles will be the basis for performing in-situ assessments conducted by outsourced consultants. The findings of these assessments will be shared among members of Bettercoal.

The Bettercoal Code was developed with the help of an independent group representing the different stakeholders and comprised of experts from civil society, unions and the mining community. The code was subject to a global process of public consultation and included meetings with stakeholders in Colombia, Indonesia, Russia and South Africa, all of which are major producers of coal.

Among the advances achieved in 2014, we can highlight the identification of 162 coal suppliers of which, through to the end of the year, 50 had completed the self-assessment questionnaire and one had received an *in-situ* assessments.

Commitment to results

[G4-DMA] (Economic Performance)

Principles of responsible action with shareholders and investors

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

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

Gas Natural Fenosa has a solid and stable business structure. The company is the largest integrated gas and electricity operator in Spain and Latin America. In the gas market, it is the leader in distribution and commercialisation on the Iberian Peninsula and with regards to distribution in Latin America. Similarly, the company is one of the biggest liquefied natural gas (LNG) operators in the world, where it is the benchmark in the Atlantic and the Mediterranean basins in terms of operation volume. It has a fleet of methane tankers that means it can supply natural gas to different regions of the planet, an aspect that facilitates diversification of the supply sources.

In November 2013, Gas Natural Fenosa presented the update of its strategic plan for the 2013-2015 period. This review was carried out following compliance with the 2012 objectives, which reveals the company's solidity, despite the harsh economic and regulatory context

The strategic guidelines of Gas Natural Fenosa during the 2013-2015 period will focus on:

- Execution of the Efficiency Plans.
- Management of each business line in accordance with market conditions.
- Managemet of the business portfolio in accordance with its strategic fit.

The strategic priorities of the energy multinational for this period will strengthen the current business model, which is strongly based on driving opportunities for growth abroad, and in particular on its growing role in the global gas market (mainly LNG), which will enable it to maintain solid performance figures.

In November 2014, Gas Natural Fenosa, having reached an agreement with the majority shareholders, acquired the Chilean company Compañía General de Electricidad, S.A. (CGE) through the launch of a takeover bid for all of its share capital.

This acquisition was the largest international purchase carried out by Gas Natural Fenosa and also the largest purchase of a utility company in Latin America.

For Gas Natural Fenosa this operation represented a key strategic milestone that reinforces its position in gas and electricity distribution in Latin America, and enables it to enter the energy market of Chile from a position of leadership. This is the country's main electricity and gas distribution company, with more than 2.8 million customers, and which distributes electricity to 40% of the Chilean market, including part of the capital city, Santiago de Chile.

From the financial point of view, the operation does not change the financial solidity of the company and it speeds up compliance with the targets set out in the 2013-2015 Strategic Plan, contributing top-quality assets and businesses.

The excellent economic performance of Gas Natural Fenosa and the solidity of its business were boosted by the company's outstanding performance in terms of sustainability. The company aims to carry out its business in harmony with the environment, and dealing with the expectations of each of its stakeholders. This effort was recognised with the company's presence on the most prestigious sustainability index, such as the Dow Jones Sustainability Index or the Carbon Disclosure Project, where Gas Natural Fenosa scored highest in the sectors in which it takes part.

Value actions

Proposed actions 2014		Planned actions 2015
Maintaining the DJSI and FTSE4Good sustainability indices.	●	Maintaining a presence on sustainability indices.
Visit Gas Natural Fenosa's facilities with minor shareholders.	●	Visit Gas Natural Fenosa's facilities with minor shareholders.
Assess extending the programme of informative meetings with minor shareholders to other Spanish cities.	●	Assess extending the programme of informative meetings with minor shareholders to other Spanish cities.
Inclusion of sustainability aspects into the relations with socially responsible investors.	●	Continue to include sustainability aspects into the relations with socially responsible investors.

Level of fulfilment: ● High. ● Medium. ● Low.

Focus on growing and sustained profitability

In 2014, Gas Natural Fenosa's profit increased 1.2% year-on-year, at 1.462 billion euros. These profits include capital gains from the sale of Gas Natural Fenosa Telecomunicaciones, S.L. and its investees for 252 million euros and the impairment of fixed assets and investments through the equity method totalling 532 million euros, as well as its corresponding tax effect. Furthermore, it includes the positive impact of a lower tax rate for corporation tax set out in Law 27/2014 of 27 November, for 325 million euros. Adjusting these effects, the adjusted net profit would decrease by 2.8% as a consequence of the impacts of Royal Legislative Decree 9/2013 and Royal Legislative Decree 8/2014, and the impact of currency depreciation, mainly Latin American currencies, when converted to euros during the consolidation process.

Consolidated Ebitda for the year totalled 4.853 billion euros, up 0.1% with regard to 2013, despite significant cost contention, in a very demanding macro-economic, energy and regulatory setting, as a consequence of the impacts of Royal Legislative Decree 9/2013 in the electricity business in Spain, and depreciation of currencies when converted to euros.

With regard to the previous year, the differential impacts of the regulatory measures of Royal Legislative Decree 9/2013 (which affects the electricity distribution and generation activities in Spain, and which came into force on 14 July 2013, and which therefore had no impact in the first six months of 2013) and Royal Legislative Decree 8/2014 (which affects the gas regulated activities, with effect from 5 July 2014) total 141 million euros in the Ebitda.

The impact on the Ebitda of currency depreciation when transferred to euros was 70 million higher than the previous year, mainly caused by the depreciation of the Brazilian real and the Colombian peso.

By line of business, and with regard to contribution to the consolidated Ebitda, we can highlight gas distribution, representing 31.8% of the consolidated total, followed by the gas activity, with 24.5%, and the electricity activity (mainly in Spain), with 20.7%, which overall reveal adequate diversification.

Broken down by geographic areas, Ebitda from international activities of Gas Natural Fenosa rose by 3.7% and accounts for 44.7% of the consolidated total, compared with 43.2% in the previous year. Elsewhere, the Ebitda from operations in Spain fell by 2.7% and reduced its relative weight on the consolidated total to 55.3%.

Following the acquisition of the Chilean group, at 31 December 2014 the debt ratio was 48.5% and the net financial debt/ Ebitda ratio was x 3.2, in pro forma terms. Gas Natural Fenosa continues with the progressive restructuring of financial debt, which enables optimum adaptation to the business profile, consolidating itself as a key element in the sustained creation of value.

The tangible and intangible investments for the period totalled 1.799 billion euros, with an increase of 23.6% year-on-year. This growth was mainly due to the incorporation of the Ribera del Duero methane tanker, in March 2014, with capacity for 170,000 m^3, under a lease agreement, for 177 million euros. Adjusting this figure, the remaining tangible and intangible investments grew by 11.5%.

Gas Natural Fenosa's good economic performance and the strength of its business are enhanced by sustainable practices

In 2014, financial investments mainly corresponded to the acquisition of 96.7% of the share capital of CGE for 2.519 billion euros, in addition to the investments made, in Costa Rica, pursuant to the services concession model established by the International Financial Reporting Interpretations Committee (IFRIC) 12, in construction of the 50 MW Torito hydroelectric plant for 58 million euros.

As regards the company's stock market performance, the Gas Natural Fenosa shares closed 2014 at a price of 20.81 euros and stock market capitalisation of 20.824 billion euros, representing an 11.3% increase on the previous year, higher than the figure registered on the Ibex 35, the main Spanish stock market index, which was 3.7%.

The proposal for distribution of 2014 profits, which the Board of Directors will forward to the Ordinary General Meeting of Shareholders for approval, is to pay 909 million euros in dividends. This entails a payout of 62.1% and a dividend payout in excess of 4.4%, taking the share price listing at 31 December 2014 of 20.81 euros/share.

Stock market indicators

	2014	2013	2012
No. of shareholders (in thousands)	73	77	84
Share prices at 31/12 (euros)	20.81	18.69	13.58
Earnings per share (euros)	1.46	1.44	1.45
Share price/profit ratio	14.2	12.9	9.4
Share capital (no. of shares)	1,000,689,341	1,000,689,341	1,000,689,341
Stock market capitalisation (millions of euros)	20,824	18,708	13,589

Financial ratios

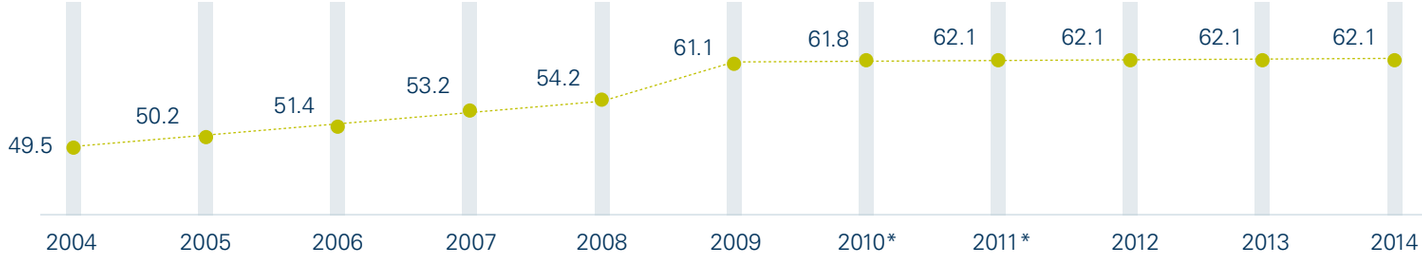
	2014	2013	2012
Debt[1]	48.5	48.8	51.8
Ebitda/Net financial results	6.1x	6.0x	5.6x
Net debt/Ebitda	3.2x[2]	2.9x	3.3x
P/E	14.2x	12.9x	9.4x

[1] Net financial debt/net financial debt + net worth + minority interests.
[2] In pro forma terms, incorporating the Ebitda of CGE from January to November 2014. If this were not the case, it would be 3.5x.

Profit index (millions of euros)

	2014	2013	2012
Net profit of Gas Natural Fenosa	1,462	1,445	1,441

Evolution of pay-out (%)



*Equivalent total amount.

Communication channels adapted to the needs of shareholders and investors

Gas Natural Fenosa understands informative transparency as a key aspect in implementing its commitment with markets, shareholders and investors. To this end, it has its own communication channels that provide the best service.

The company provides the same information to institutional and minority investors, guaranteeing the principles of equality and the simultaneous publication of information.

The Shareholder Assistance Office, through a freephone number, provides constant information to minority shareholders, responding to the company's undertaking assumed in its Corporate Responsibility Policy, in which special attention is paid to minority shareholders. In 2014, the company continued to hold informative meetings with this group of shareholders, two of which were held in Madrid and a further two in Barcelona.

The website also brings together the documentation required by the Transparency Act and the corresponding consolidating legislation. Therefore, it offers a space that features information of interest to shareholders and investors that includes information on the economic and management situation and the company's results for the last five years.

The company also continued its communication programme with analysts and investors, strengthening and providing more transparent economic-financial information to enable them to monitor Gas Natural Fenosa's business project. In 2014, representatives from the management team and the Investor Relations Unit held meetings with institutional investors, both with regard to fixed income as well as equity. These meetings were held both at the company's offices as well as in the leading financial locations of Europe, North America, Asia and Australia. There are a total of 397 meetings, which included two roadshows carried out with socially responsible investors.

Communication channel indicators

	2014	2013	2012
Meetings with investors and analysts	397	491	498

Inclusion in socially responsible investment indices

Socially responsible investment is incorporating social, ethical and good governance criteria into portfolio selection decisions, in addition to traditional financial aspects.

In 2014, Gas Natural Fenosa received first-hand information on the interests of these investors, through its participation in two meetings with analysts and investors in Paris and Europe. At these meetings, the company was able to explain how sustainability aspects help to create value, as well as different initiatives which, within this sphere, are being developed and how they will influence the performance and business figures.

For the last ten years, Gas Natural Fenosa has had a constant presence on the Dow Jones Sustainability Index (DJSI). In 2014, it continued to be the leading company from the gas distribution sector. By the same token, as in previous years, it was included on the European counterpart, the DJSI Europe. The company was also recognised as world leader in sustainability in its sector, based on the 2015 Sustainability Yearbook, published every year by RobecoSAM, and it received the Gold Class distinction.

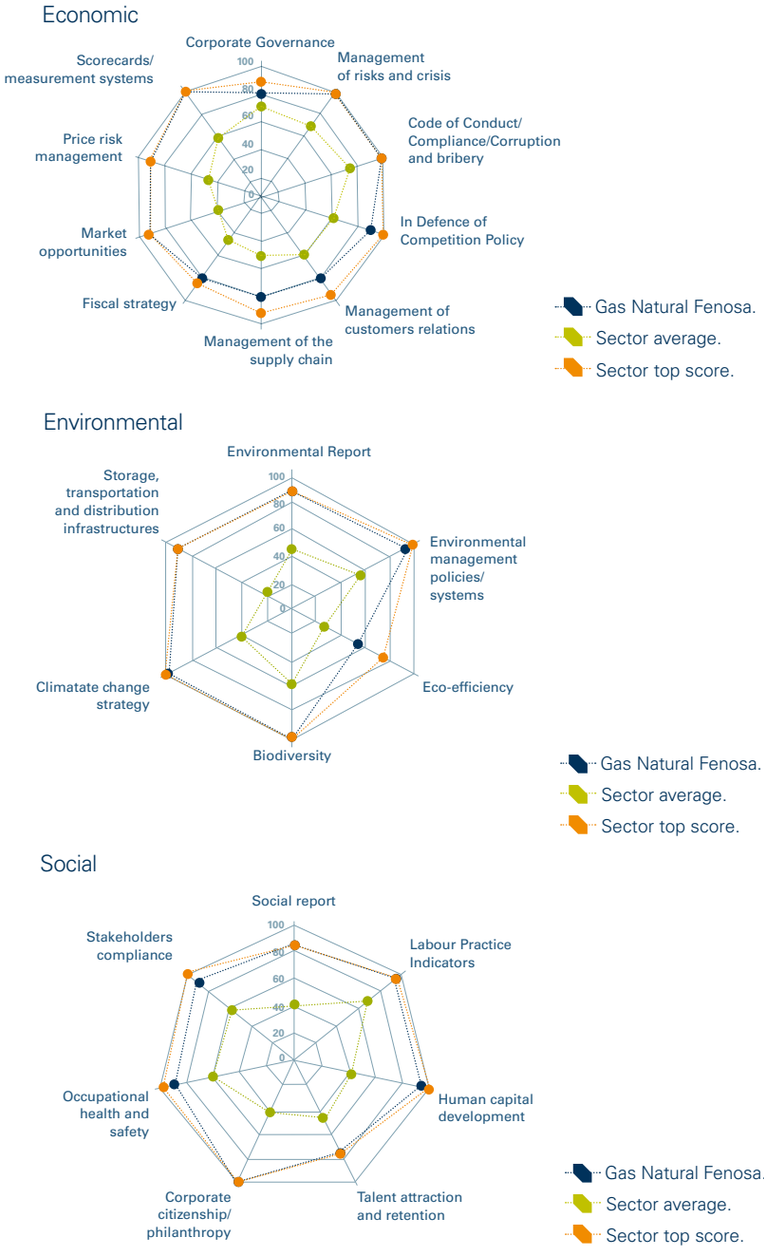
Gas Natural Fenosa has also maintained its presence, for the third year running, in the FTSE4Good index, where it has been included from the outset, in 2001.

In addition, in 2014 Gas Natural Fenosa increased its presence on new sustainability indices such as the Euronext Vigeo of which the company forms part of the World 120, Europe 120 and Eurozone 120 variants, ranking it as one of the 120 leading sustainability companies of America, Europe and the Asia-Pacific.

The company also forms part of the MSCI Global Climate Index, which includes leading companies in the mitigation of factors that contribute towards climate change in the short- and long-term.

The presence of Gas Natural Fenosa on these three prestigious indices highlights the efforts made by the company in areas of sustainability and transparent reporting, and represents external recognition of its excellent evolution in these fields.

Assessment of Gas Natural Fenosa on DJSI



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

These charts illustrate the comparison of Gas Natural Fenosa to the average and highest scores in the sector in the three dimensions in which the DJSI assesses companies.

Environment

Principles of responsible environmental action

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

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

Value actions

Proposed actions 2014		Planned actions 2015
Introduction of the management model into all businesses.	●	Extend the management model to recently incorporated businesses.
Develop a project to offset emissions.	●	Actively participate in the development of nationally appropriate mitigation actions (NAMAs).
Carry out initiatives to encourage and protect biodiversity.	●	Introduce biodiversity management tools.
Define a water management strategy.	●	Roll out the first stage of the water management strategy.

Level of fulfilment: ● High. ● Medium. ● Low.

Commitment to the environment

[G4-DMA] (Materials, Energy, Water, Biodiversity, Emissions, Effluents and Waste, Products and Services and Transport)

Gas Natural Fenosa endeavours to satisfy the energy needs of its customers in a responsible way. This implies a safe operation, generating the least possible impact on the environment.

Gas Natural Fenosa performs its activities paying special attention on protecting the environment and on efficient use of natural resources. The company goes beyond legal requirements and even the requirements it adopted voluntarily in its care for the environment. It involves its suppliers and encourage its stakeholders to use energy responsibly. To do this, it follows the principles set out in its corporate responsibility policy.

The company tackles new challenges using a preventive approach, integrating environmental criteria in business activities and processes. It reflects its commitment to sustainability by reducing its environmental footprint and on preserving biodiversity through a three-phase approach:

- **Climate change:** based on the principle set out in the corporate responsibility policy of contributing to the mitigation of climate change through low-carbon and renewable sources of energy, encouraging savings and energy efficiency, the application of new technology and carbon capture.
- **Biodiversity:** Gas Natural Fenosa is aware of its role in protecting natural settings. To this end, the company undertakes to protect biodiversity through preventive environmental management and by developing actions to restore, rehabilitate and preserve natural spaces.
- **Water:** Gas Natural Fenosa is aware of the fundamental role that water plays in its production process. That is why, in its constant commitment to the environment and to the efficient management of natural resources, the company commenced definition of a water strategy in 2014. The aim is to find room for the different policies and measures targeted at increasing its knowledge and on improving water management at the company's facilities.

Gas Natural Fenosa tries to give continuity to its principles through the contractor companies that provide goods and services and, together with these companies, to compile action plans that enable it to abide by these principles. It therefore works with suppliers and contractors to help them commit to the development of best environmental practices.

Environmental management

[G4-DMA] (Materials, Energy, Water, Biodiversity, Emissions, Effluents and Waste, Products and Services and Transport)

The environmental management of processes

Gas Natural Fenosa's environmental management model is based on the international ISO 14001 standard, and forms a basic part of the company's integrated management system for quality, the environment, and health and safety.

Using this work method makes it possible to efficiently implement processes with the least possible impact on the environment, guaranteeing ongoing compliance with both external and internal demands.

In 2014, the company retained all environmental certifications. Furthermore, the scope was extended in Brazil, and it made significant progress in certification of the environmental management of its activity in Argentina.

Processes by country with certified environmental management

Country	Upstream	Gas transport	Gas distribution	Conventional generation	Renewable generation	Electricity distribution	Engineering	Commercia-lisation	Corporate services
Brazil			●					●	
Colombia			●			●		●	
Costa Rica					●				
Spain	●	●	●	●	●	●	●	●	●
Italy			●					●	
Kenya				●					
Morocco		●							
Mexico			●	●				●	
Moldova						●		●	
Panama					●	●		●	
Dominican Republic				●					

In 2014, 100% of the Ebitda generated through activities that have an impact on Gas Natural Fenosa was covered by the environmental management model set out in the ISO 14001 standard.

Management planning

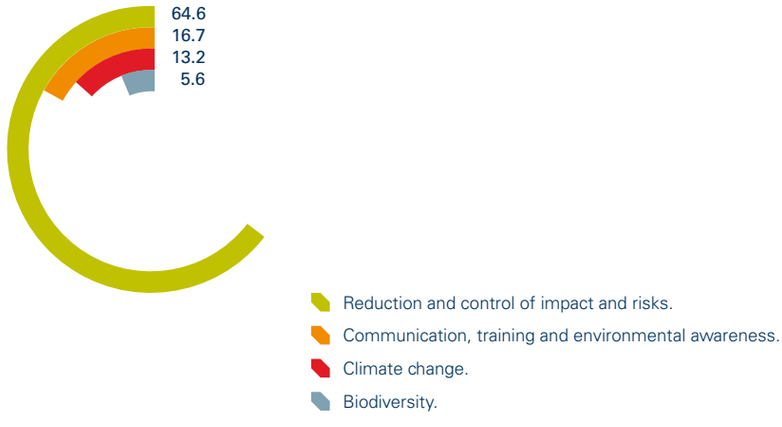
Environmental planning is carried out within the framework of the company's corporate responsibility policy and strategy. It forms part of the Quality, Environment & Health and Safety Plan. This plan encompasses strategies and action lines that define the working guidelines for each period, so that all businesses approve their own management programme that is included in the plan.

In 2014, 144 environmental targets targeted at achieving environmental sustainability were defined. The actions undertaken were focused on the following areas:

- **Reduction and control of environmental impact and risks:** actions in the area of waste management, as well as reduction in the consumption of resources, water and energy, and of the emissions generated in operations.
- **Climate change:** actions to reduce greenhouse gases (GHG) as part of the company's climate change strategy.
- **Communication, training and environmental awareness:** actions focused on offering suitable, reliable and transparent information to all interested parties, as well as training employees to improve the company's environmental performance, and to raise awareness of suppliers and customers.
- **Biodiversity:** actions to preserve biodiversity as part of the company's strategy, through specific projects such as better control of its own activities, as well as by signing agreements and sponsorships with the appropriate institutions.

Action lines of the Quality, Environment & Health and Safety Plan

Distribution of targets by subject matter (%)



Tools and methodologies

Tools and methodologies play an essential role in the consistency and uniformity of the company's management. To this end, Gas Natural Fenosa has different tools for management of different environmental issues.

In 2014, the Themis tool, used for the control and management of legal requirements, was used to serve almost 1,500 users at the businesses of all countries where the company operates. Themis allows users to find out and access a total of 11,228 legal requirements in issues of the environment, prevention, health and quality. These requirements are identified as applicable or as voluntary at each of our facilities and businesses. Themis also enables consultation and evaluation of compliance with all of the regulations applicable to the group in these areas.

Moreover, to improve process efficiency, in 2014 we worked on adapting the new methodology of assessing environmental aspects, called Environmental Aspects Document (EADs). This involved introducing innovative and systematic concepts previously validated to ensure that the system complies with the requirements of the ISO 14001 standard.

Environmental risks [G4-EN24]

In the event of facilities that have an environmental risk, Gas Natural Fenosa assesses these risks through reference to the UNE 150008 standard and other methodologies targeted at the same. Self-protection plans and their corresponding procedures identify and lay down the responses to potential accident and emergency situations, in order to prevent and reduce their environmental impact.

Furthermore, at Gas Natural Fenosa we use and develop geographic information systems that enable us to identify, geo-locate and control part of the environmental risks.

In 2014, there were minor incidents at some of the company's facilities that involved spillage. These incidents had no major environmental repercussion and were treated in accordance with the action protocol to avoid or to correct environmental contamination.

In 2014, the Themis tool, used for the control and management of legal requirements, was used to serve almost 1,500 users at the businesses of all countries where the company operates

Incident	Location	Seriousness	Action taken by Gas Natural Fenosa
Spillage of 11.64 tonnes of fuel due to a valve malfunction.	Kenya	Minor	The fuel was cleaned up in the tank area and the valve was replaced.
Spillage of 8,000 litres of sodium hypochlorite in the tank of the cooling tower at the Narcea power plant.	Spain	Minor	The oil was put back into the corresponding tanks and used for periodic disinfection as established.
Spillage of 5,000 litres of oil onto the auxiliary pump, part of the tank and part of the paved floor.	Spain	Minor	Waste management, replacement with clean oil and a report drawn up for the introduction of a containment device in this tank.
Spillage of 300 litres of anti-foulant in the containment tank that generated 200 kg of waste at the Aceca combined-cycle power plant.	Spain	Minor	Spillage managed in accordance with current legislation.
Leak of 200 litres of oil and subsequent overflow of the retention tank at the Palos de la Frontera combined-cycle power plant.	Spain	Minor	Repair to the pressure regulating valve. Cleaning of the area and positioning of a kerb around the tank to avoid spillages to the outside.
Spillage of 18 litres of oil and fuel onto the ground.	Brazil	Minor	Spillage properly contained, cleaned up and managed to prevent contamination spreading.
Spillage of 20 kg of dielectric oil on the bank of condensators onto the concrete slab at the Riega substation.	Spain	Minor	Spillage cleaned up, waste managed and affected soils dealt with.
Leak of 38 kg of oil at the Algarrobos small hydro power station and 10 L at the El Torno substation.	Panama	Minor	Leak that was quickly isolated and a foaming agent quickly applied to prevent greater contamination.

Awareness and training

Environmental training is a basic tool in preventing and reducing environmental impacts, improving environmental operational control in activities and reducing the environmental risk.

During 2014, Gas Natural Fenosa trained 5,644 employees through 21,848 hours of training. The training actions were focused on the following two issues:

- Providing training to workers in issues of integrated management systems and corporate tools for management of legal information and of environmental indicators.
- Improving the control and management of environmental aspects.

Of particular importance was the Tools for Managing Biodiversity at the Company training course, which dealt with how to integrate management of biodiversity as part of the integrated management system and, therefore, as part of the daily activity.

Communication and environmental awareness

Gas Natural Fenosa had a strong presence at the 12th National Environmental Congress (Conama) held at the end of 2014, which every two years brings together the key national and international environmental experts. The company presented its commitments in the issue of water, biodiversity and climate, and was able to increase the dissemination of these as attendees were able to use their mobile devices to view them.

Furthermore, within the context of this congress, Gas Natural Fenosa took part on more than 15 workgroups focused on issues such as the carbon footprint, environmental taxation, and businesses and biodiversity, among others. The company also took part in technical sessions regarding the energy model through to 2030 and the Energy Efficiency Directive.

By the same token, Gas Natural Fenosa organised a dynamic room, to which it invited international experts who talked about the current situation of water, biodiversity and the climate.

Elsewhere, the company took part in different environmental initiatives, such as the following:

- World Water Day (22 March): in 2014, the company joined this initiative, providing significant details on water management, as well as different cases in which wastewater from the production process area is reused.

- International Biological Diversity Day (22 May): in 2000, the UN General Assembly proclaimed this day as a channel to increase understanding and raise society's awareness of issues related to preservation of the environment. An example of Gas Natural Fenosa's commitment to biodiversity is its adherence to the Spanish Business and Biodiversity Initiative.

- World Environment Day (5 June): the company performed a series of communicative actions and, through the corporate intranet, also presented new environmental actions.

Legal requirements

Gas Natural Fenosa monitors environmental legislation to be aware in advance of the repercussion this has on its activity and to adapt itself to new requirements. Within this context, the company thoroughly assesses the obligations imposed by the Industrial Emissions Directive (IED) and studies the different alternatives to adapt itself to new requirements. In addition, in 2014, the company made significant progress in updating the integrated environmental authorisations of Spanish facilities affected by these regulations.

In 2014, the company did not receive any significant environmental sanctions (those for an amount in excess of 60,000 euros and/or which are final judgements in the administrative channel).

We can report that there are records of compensatory indemnifications set out in the Environmental Impact Declarations of the different businesses.

To guarantee effective communication with the external interested parties, there are different formal complaint mechanisms in operation. Complaints represent an opportunity as they offer information that can lead to improvement. Dealing with complaints and claims properly also represents value-added for the customer. In 2014, there were 560 complaints or claims, all of these were dealt with and 97% were resolved.

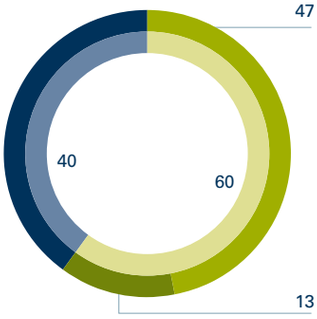
Environmental costs

Gas Natural Fenosa makes significant efforts in issues of environmental protection, making sure its facilities are provided with the resources required to guarantee compliance with environmental legislation; to reduce the environmental impact of its activities; to prevent contamination and climate change; to control and minimise emissions, dumping and waste; to obtain new environmental certificates for its facilities; to improve environmental management and information systems, and to increase environmental training and awareness of workers, customers and suppliers.

The main investments made in 2014 were targeted at reducing gas emissions into the atmosphere, both at the gas distribution grids as well as electricity generation facilities, and improving the water treatment and purification systems, and making sure that any environment affected by these maintains its ecological state.

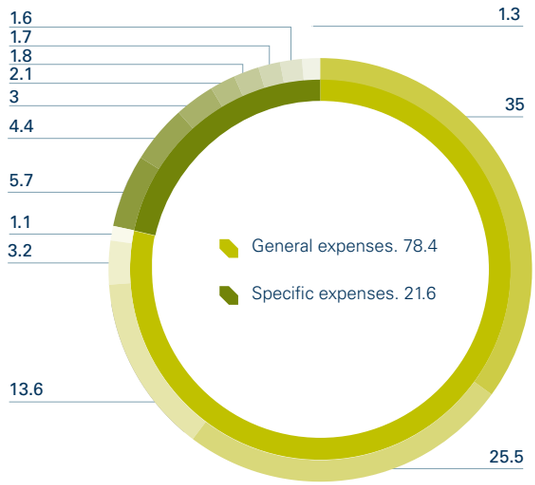
The following chart displays the percentage breakdown of costs and investments, based on type.

Environmental costs (%)



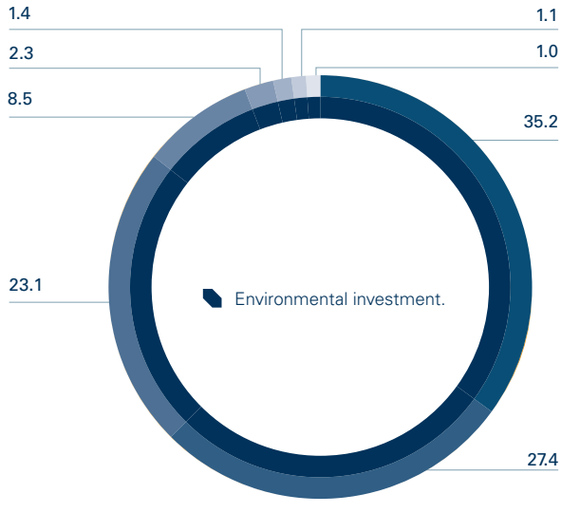
- Environmental expenditure.
  - General expenses.
  - Specific expenses.
- Environmental investment.

Breakdown of environmental expenditure (%)



- Taxes, charges and fees.
- R&D&I activities.
- Personnel costs.
- Other general expenses.
- Licences and administrative management.
- Atmosphere-GHG emissions.
- Waste.
- Water.
- Environmental studies/environmental vigilance.
- Other specific expenses.
- Atmosphere-Non-GHG emissions.
- Environmental management system.
- Soils.

Breakdown of environmental investments (%)



- Atmosphere-Non-GHG emissions.
- Water.
- Waste.
- Atmosphere-GHG emissions.
- Environmental studies/environmental vigilance.
- Other investments.
- Environmental emergencies.
- Noise.

Environmental parameters

Atmospheric emissions

[G4-DMA] (Emissions) [G4-EN20]

In 2014, there was an increase in absolute emissions of SO_2 into the atmosphere, due to the coal-fired power stations, and of absolute emissions of NO_x, also due to the coal-fired facilities and to modification of the method used to calculate these emissions at the combined-cycle power plants of Mexico, bringing these into line with the calculation used at the rest of the company.

The absolute emissions of particles have decreased thanks to the application of better techniques for capturing particles at our facilities.

The specific emissions of SO_2 and NO_x have also increased as a consequence of a lower generation of electricity, through non-emitting technologies. With reference to other emissions, 0.097 tonnes of mercury, 0.044 tonnes of HCFC and 0.064 tonnes of freon R22 refrigerant were emitted.

Compliance with total atmospheric emissions targets (kt) [G4-EN21]

	Target value 2014	2014	2013	2012
SO_2	<27	22.35	17.52	23.53
NO_x	<65	31	30.32	40.92
Particles	<3.7	1.59	1.83	1.96

Compliance with total specific atmospheric emissions targets (g/KWh) [G4-EN21]

	Target value 2014	2014	2013	2012
SO_2	<0.48	0.51	0.37	0.48
NO_x	<1.09	0.71	0.64	0.82
Particles	<0.06	0.04	0.04	0.04

Waste management

[G4-DMA] (Effluents and Waste)

Within the framework of the integrated management system, all of Gas Natural Fenosa's businesses possess procedures for waste control and management through which the systems for the adequate separation, storage, control and management of waste are defined. The company prioritises management targeted at recycling and reuse over other management options, and energy recovery rather than landfill dumping.

Moreover, in 2014, it undertook a project to optimise the management of some types of waste generated in Spain, to identify improvements at operational, administrative, economic and environmental level.

By the same token, the generation of non-hazardous waste increased 25% with regard to 2013, taking into consideration the most significant wastes. The main causes were the inclusion of sludges from the coal washing at the Kangra mine, in South Africa, which were not previously included.

Non-hazardous waste managed (t) [G4-EN23]

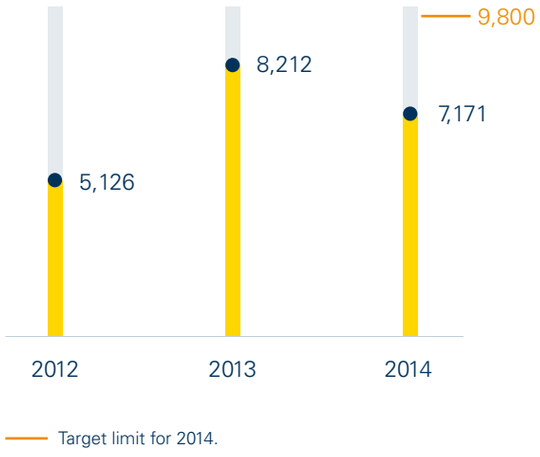
Type	Amount
Soil and rubble	682,014.68
Fly ash	381,553.56
Sludge	248,540.33
Cinders	63,454.60
Gypsum	47,339.64
Waste plant matter	6,388.42
Scrap	4,722.58
Debris	1,387.45
Total	**1,437,671.25**

The generation of ashes stayed at the same level, as did cinders, as coal generation remained constant.

The generation of more significant hazardous waste fell during 2014 by 12.7% year-on-year. This is due to the decrease of oil and fuel sludges at the fuel power stations, above all at Palamara (Dominican Republic), to the solid waste contaminated with hydrocarbons and to the generation of used oils.

Generation and recycling of ashes (t) [G4-EN23]

Production of hazardous waste and compliance with targets (t) [G4-EN23]



Hazardous waste managed (t) [G4-EN23]

Type	Amount
Hydrocarbons plus water	2,823
Sludge from oil and fuels	2,590
Solid waste contaminated with hydrocarbons	709
Used oil	434
Hydrocarbon-contaminated soils	326
Electric and electronic waste	158
Aqueous solutions	131
Total	**7,171**

Compliance with waste management targets (%) [G4-EN23]

	Target value 2014	2014	2013	2012
Recycled and energy recovery	>50	56	88,9	76
Incineration and landfill	<50	44	11.1	24
Recycling of fly ash	≥25	34	37.9	27

Products sold for reuse (t)

[G4-EN28]

	2014
Fly ash	112,389
Cinders	8,205
Sludge from oil and fuels	2,612

Water management

[G4-DMA] (Water)

[G4-EN9], [G4-EN10] and [G4-EN26]

As regards the amount of water, most water consumption at the facilities of Gas Natural Fenosa is due to the operation of the electricity power stations. A major part comes from water evaporation that takes place in the cooling towers. The rest is a consequence of consumption of the water-steam cycle and other ancillary services. We should state that most of the water captured is discharged back into the environment.

In 2014 there was a 12.33% decrease in the volume of water consumed, mainly due to reduced production at the aforementioned power stations. Moreover, specific consumption was 620.58 m^3/GWh, which represents a 19% reduction with regard to the previous year.

Water consumption accounts for 2.9% of all water captured, and 97.1% is returned to the receiving environment. 1% of the water captured is reused within the company's facilities, which accounts for 35% of the volume of water consumed.

Water capture by source (hm^3) [G4-EN8]

	2014	2013	2012
Surface water captured (sea)	896.12	1,074.81	1,168.63
Surface water captured (rest)*	39.12	16.76	36.76
Groundwater captured	0.19	0.62	2.1
Wastewater used, from another organisation	7.3	8.16	8.64
Water captured from the mains water supply	0.24	1.02	1.07
Rainwater collected and stored	2.6	2.58	1.56
Total volume of water captured from the environment	**945.54**	**1,103.95**	**1,218.76**

* Water used to fill the lake of the Limeisa mine was not taken into consideration as it was not water captured for production processes.

Water consumption (hm^3)

	2014	2013	2012
Consumption of cooling water	24.14	29.02	33.82
Consumption of water in water/steam cycle	0.82	1.23	1.43
Consumption of water in other processes	1.45	0.28	0.45
Consumption of water in ancillary services	0.66	0.35	0.78
Total water consumption	**27.07**	**30.88**	**36.48**

Aware of the shortage of water in society, Gas Natural Fenosa works on a daily basis to reduce global water consumption as well as to increase the use of recycled or regenerated water for use in its activities, whether this water comes from the facilities itself from other installations. In 2014, the percentage of recycled water with regard to all water captured increased 49% versus 2013.

As regards water quality, the company contributes towards sustainable management of water by applying preventive measures that guarantee the maintenance of the facilities. Furthermore, in the case of heat generation power plants, we perform analytical studies of the water from the environment that receives the effluent discharge, following the criteria set out under current legislation. The treatment equipment and systems worked as planned in 2014, enabling effluent discharge authorisations to be met.

Furthermore, pursuant to the results of the studies conducted, the company carries out proper management of effluent discharge, and does not generate significant impacts on the aquatic ecosystems of the receiving environment. The ecological state of ecosystems where the company is present can be classified as good, except that those that reveal deterioration on grounds that are unconnected to the company's business.

Water discharge (hm^3) [G4-EN22]

	2014	2013	2012
Water discharged into the sea	887.10	1,062.66	1,157.97
Water discharged into waterways	22.90	9.50	9.69
Water discharged into the public sewerage system	0.20	0.39	0.46
Water discharged into septic tanks	0.005	0.03	0.02
Water discharged for use by an aquifer	0.031	0.03	–
Total volume discharged	**910.23**	**1,072.61**	**1,168.14**

Energy and material resources

[G4-DMA] (Materials and Energy)

The main consumptions of Gas Natural Fenosa are fuels and, to a lesser extent, chemical products used in the functional processes of our facilities, mainly electricity generation.

Materials used (t) [G4-EN1]

	Amount
Fuels	
Natural gas	4,578,907
Coal-fired	2,455,291
Petroleum derivatives	345,863
Total	**7,380,061**
Other materials	
Calcium carbonate	30,218
Magnetite	3,010
Sulphuric acid	1,288
Lubricant/hydraulic oil	1,841
Calcium hydroxide	1,317
Sodium hypochlorite	1,258
Sodium hydroxide	1,418
Total	**40,350**

NB: the overall figure of other materials represents 95% of all materials considered. The use of natural gas, coal and petroleum derivatives is the same item in both tables. Total energy consumption of the organisation (TJ), and Materials used (t) - but expressed in different units, to respond to the corresponding GRI indicators.

In 2014, Gas Natural Fenosa continued with the elimination of polychlorinated biphenyls and terphenyls (PCBs/PCTs), a substance that is mainly present in some of the older electricity transformers. There are currently 202 tonnes of dielectric oils to be removed, which have a low concentration of PCB (fewer than 500 ppm), representing an 8% reduction with regard to the previous year.

Total energy consumption within the organisation (TJ) [G4-EN3]

	2014	2013	2012
Non-renewable fuels	**314,818**	**334,926**	**375,960**
Natural gas	243,722	263,133	279,831
Coal	57,196	55,075	79,013
Petroleum derivatives	13,900	16,718	17,116
Renewable fuels	**2**	**1**	**–**
Electricity acquired for consumption	**11,880**	**10,992**	**–**
Electricity generated (not included in the consumption of fuels)	**23,987**	**24,775**	
Electricity and steam sold	**(158,195)**	**(170,394)**	
Total	**192,490**	**200,300**	**375,960**

The total energy consumption of the company, in 2014, totalled 192,492 TJ, with a 3.9% drop, mainly due to changes in the consolidation perimeter. The intensity of the company's energy consumption reached 44.0 TJ/million euros of Ebitda. Broken down by business segments, electricity generation is the activity with the highest energy intensity, followed by the distribution segments of electricity, gas, mining and gas distribution.

Energy consumption outside the organisation (TJ) [G4-EN4]

	2014	2013
Final use of the natural gas commercialised	1,808,228	1,759,856
Final use of the coal extracted	45,969	59,728
Total consumption	**1,854,198**	**1,819,584**

2014 energy consumption intensity ratios within the organisation by segment of activity [G4-EN5]

	Gas distribution	Electricity distribution	Electricity	Gas	Mining	**Total**
Energy consumption within the organisation (TJ)	3,831	11,807	164,196	12,573	84	**192,490**
Ebitda (millions of euros)	1,542	970	645	1,190	27	**4,374**
Ratio (TJ/million euros of Ebitda)	2.5	12.2	254.6	10.6	3.1	**44.0**

Climate change

[G4-DMA] (Emissions)

The role of energy technologies and innovation is a key aspect in reducing CO_2 emissions. The use of low carbon energies, including natural gas, will play a predominant role; the promotion of energy savings and efficiency; mature and competitive renewables; the development of the capture and storage of carbon, are aspects over which the company projects its activity, to guarantee compatibility between the supply of energy to society and the mitigation of climate change.

Positioning in issues of climate change (Fewer GHG)

- Focus on maintaining energy strategies and policies in keeping with security of supply, competitiveness and environmental sustainability.
- Establish quantifiable objectives for reducing greenhouse gas emissions (GHG).
- Work on levelling the balance of social, environmental and economic aspects to contribute to a low carbon economy.
- Encourage and optimise energy saving and efficiency at our facilities and those of our customers, as the most efficient way of fighting against global warming.
- Resort to being active in carbon markets and supporting their globalisation so that energy production and consumption trends can be sustainable.
- Guide the company's actions in order to raise awareness in society in general regarding the global solution for climate change.
- Help establish specific measures that help us reach our fair and sustainable commitments to reduce global emissions.
- Get behind projects to reduce greenhouse gas emissions on a global scale, paying special attention to developing countries.

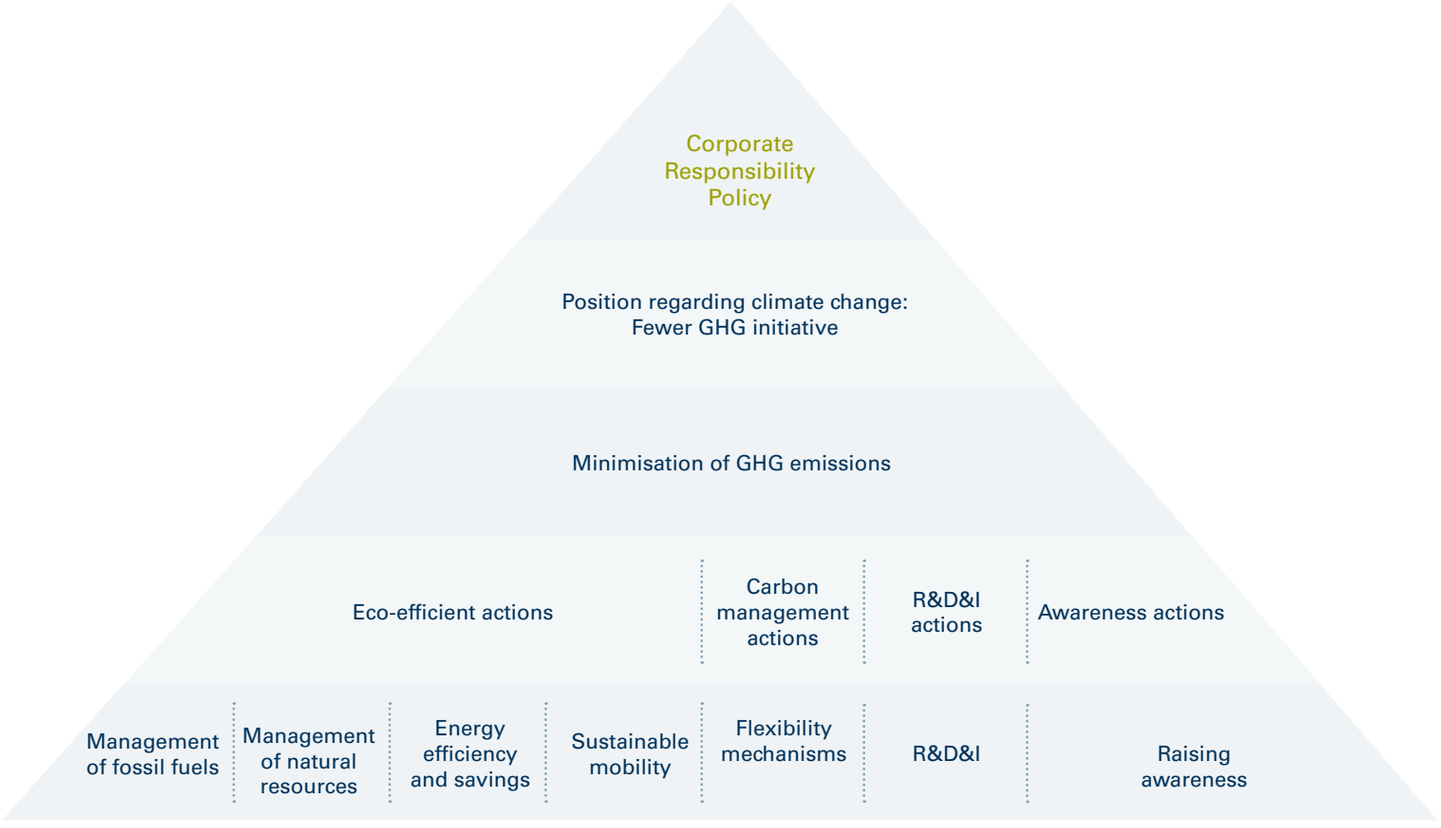
Gas Natural Fenosa's strategy for climate change is based upon:

- Giving value-added to carbon management.
- Identifying options and solutions to meet our obligation of complying with restrictions on GHG emissions at the lowest cost.
- Minimising risks arising from future restrictions in the emission of GHG emissions in light of legislative and political developments.
- Developing business opportunities created due to the need to mitigate global warming

This strategy revolves around four main points: Improving eco-efficiency, carbon management, R&D&i and raising awareness.

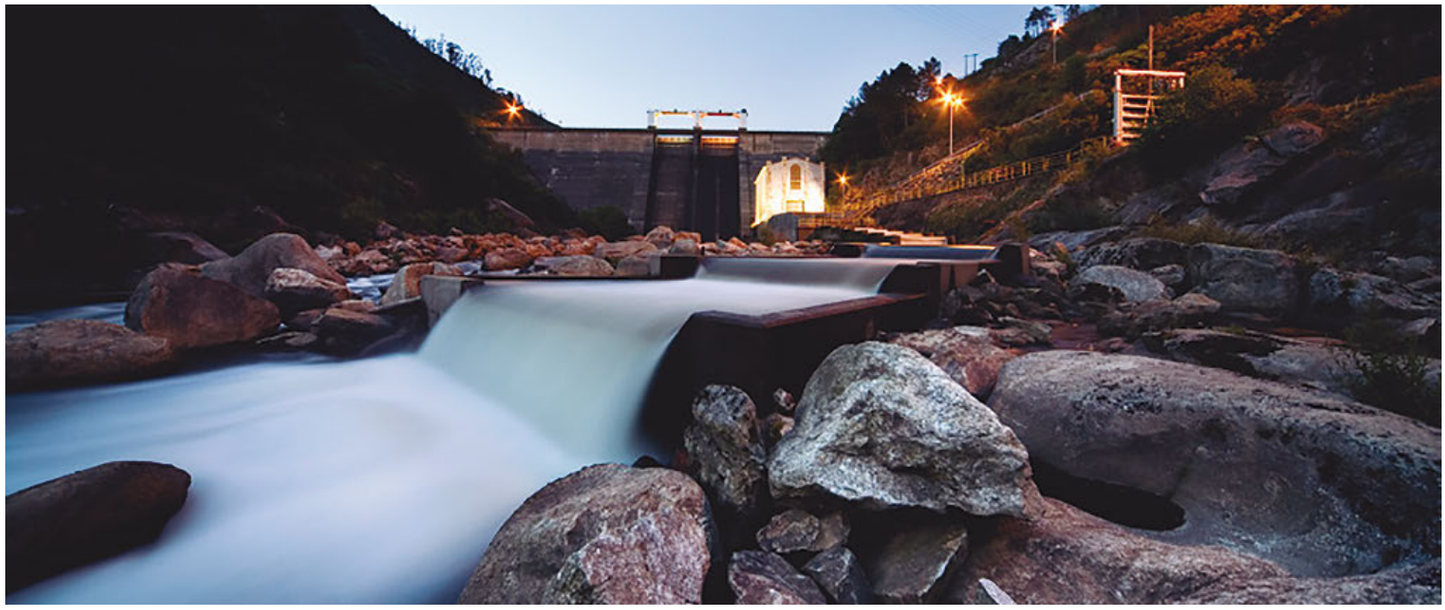
The strategy is based around four main pillars: eco-efficiency, carbon management, R&D&I and awareness

Gas Natural Fenosa strategic pyramid on climate change



Management of climate change at Gas Natural Fenosa in figures

- Total GHG emissions (scope 1 and 2) in 2014 were 20.5 $MtCO_2eq$, down 4.2% on 2013.
- Specific emissions of CO_2 from electricity generation in 2014 totalled 406 tCO_2/GWh, which represents 1.8% increase with regard to the previous year.
- The reduction of greenhouse gas emissions in emerging countries, through the Clean Development Mechanisms (CDM), was 1.01 $MtCO_2$, and we managed to reach, for the 2010-2014 period, a total of 4.7 $MtCO_2$.
- The emissions prevented, in 2014, through actions based on improving eco-efficiency and carbon management totalled more than 14.5 $MtCO_2$.
- Emissions of methane per kilometre of gas transportation and distribution network totalled 9.9 t CO_2eq/km.



Main indicators

	2014	2013	2012
Direct emissions of GHG ($MtCO_2eq$)	19.8	20.8	24.3
Emission factor (CO_2/GWh)	406	399	454
Emissions prevented ($MtCO_2eq$/year)	14.5	15.0	15.8
Emissions prevented by CDM projects ($MtCO_2eq$/year)	1.0	0.9	1.0
Emissions through leaks in networks (tCO_2eq/km grid)	9.9	9.9	11.5

For compilation of the greenhouse gas inventory we used the global heating potentials of greenhouse gases based on the 4th Assessment Report of the IPCC, pursuant to the criteria established by the United Nations for the third stage of compliance with the Kyoto Protocol regarding national inventories of emissions

Risks and opportunities in climate change

[G4-EC2]

The risks and opportunities associated with climate change at Gas Natural Fenosa are included in the company's corporate risk map. The measurement of risks and opportunities allows them to be integrated within the corporate strategy and for targets to be set with the aim of keeping risks to a minimum and maximising opportunities.

Response to investors with regard to climate change

In 2014, Gas Natural Fenosa was once again recognised by the CDP, an initiative driven by institutional investors worldwide to distinguish those companies that are climate performance leaders because of their strategy and behaviour in this field. Their reports The CDP Climate Performance Leadership Index 2014 and the 2014 Iberian 125 Climate Change Report give a top score of A-100, positioning the company as leader for the fourth year running, both in the worldwide classification of utilities as well as in the classification of the 125 largest companies of the Iberian market.

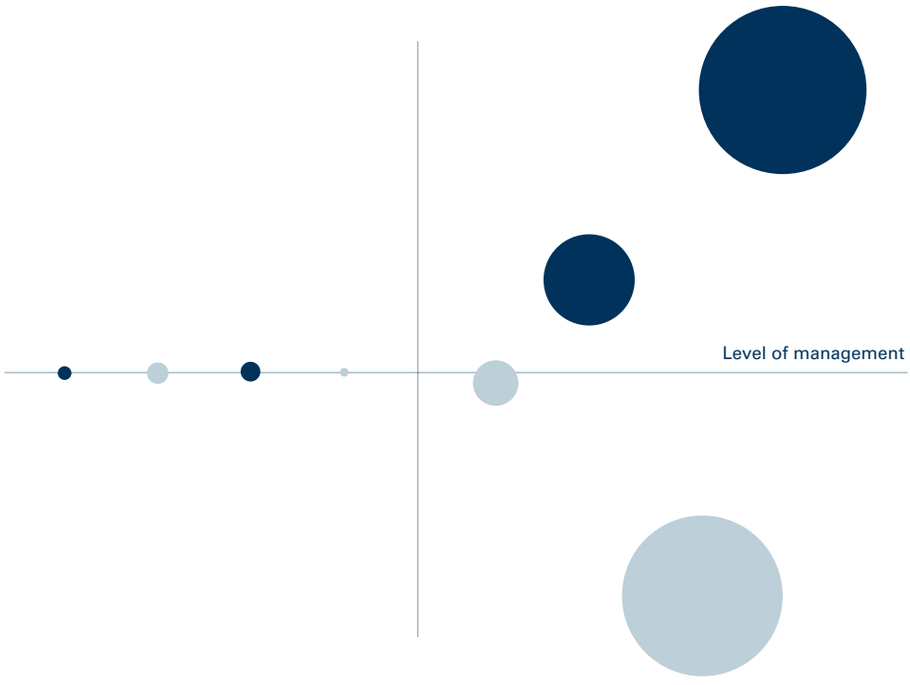
CDP™ CLIMATE DISCLOSURE LEADER 2014

CDP™ CLIMATE PERFORMANCE LEADER 2014

Categories of impact of the risk map

Category	Factors
Climate temperature	Demand for natural gas. Demand for electricity. Performance of combined-cycles.
Rainfall	Generation office. Wholesale market electricity price. Flooding.
Rise in sea level	Production losses.
Extreme meteorological events	VVariation in frequency and intensity of extreme meteorological events.
CO_2 markets	2008-2012 trade plan for emissions rights. 2013-2020 trade plan for emissions rights. Intervention of the European Commission. Introduction of CO_2 capture technology. Wholesale market electricity price. Thermal gap.
Renewable energies	Impact on the generation office. Sensibility regarding the wholesale market electricity price.
Energy efficiency	Demand for natural gas and electricity. Penetration of electric cars: rise in demand for electricity and more use of the installed power.
The company's reputation	Impact on the company's reputation.

Impact of the risks and opportunities of climate change on Ebitda in Gas Natural for 2013-2020 (millions of euros)



The risks and opportunities have been divided into four major types:

- **Physical parameters.** Defined by the Intergovernmental Panel on Climate Change: increase of temperature, modification of rainfall, rising sea level and extreme weather events.
- **Market.** Such as the existence of CO_2 markets like the EU-ETS, and the development of other possible markets with similar features.
- **Regulatory.** Development of energy policies to mitigate climate change and which revolve around fostering the use of renewable energies and promoting energy efficiency.
- **Reputational.** For the categories of risk in which random scenarios have been generated taking into consideration different physical parameters, the results obtained correspond to the differences between the values expected and those of risk under historic conditions, with regard to the values as a result of incorporating climate change. For the remaining risk categories, the findings refer to how they affect the different work scenarios with regard to the one defined as the baseline scenario.

Encouraging eco-efficiency

- **Fossil resources management:** the combined-cycles of gas represent the most efficient technology to produce electricity from fossil fuels, with a performance close to 60%.
  Gas Natural Fenosa is one of the leading combined-cycle operators in the world, as it has over 9,000 MW of installed power using this technology, enabling it to produce environmentally friendly energy.
- **Management of renewable resources:** as regards management of renewable resources, the group remains committed to the introduction of mature renewable technologies. Key milestones in 2014 included the construction and putting into operation of the 14 MW Montouto wind farm, in Galicia, and the 234 MW Bií Hioxo wind farm, in Oaxaca, Mexico.
- **Savings, energy efficiency and sustainable mobility actions:** we remain committed to the actions we perform at our own facilities and to the final use made of energy at the customer's premises.

In 2014, the company continued with the repowering of hydroelectric power stations, the renewal of equipment with SF_6 and pipes and connections in gas distribution, along with operational plans for energy efficiency at the coal-fired and combined-cycle power plants.

As regards the final use of energy, the efficiency solutions of Gas Natural Fenosa targeted at customers from the tertiary sector, public administrations and industry have played a major role in reducing CO_2e emissions through the replacement and renewal of boilers and of vehicular natural gas (VNG). Further key events in 2014 were the efficient Ledplus lighting solution, the sustainable mobility solutions based on natural gas, and the electric air conditioning solutions.

Emissions compensation plan of Gas Natural Fenosa

The Compensa2 initiative was launched in 2014 to gradually reduce the carbon footprint and turn Gas Natural Fenosa into a future company with a neutral impact on climate change. This initiative focuses on voluntary compensation of GHG emissions and on developing communications actions to encourage the reduction of these emissions.

In 2014, a total of 38,266 tonnes of CO_2 were compensated, corresponding to the electricity consumption at the work centres, business trips, the company's vehicle fleet and internal events.

Guarantees of Origin (GoO) from the national electricity market and Certified Emission Reduction (CERs) from a Clean Development Mechanism (CDM) project to capture methane from the do Recreio landfill in the city of Minas de Leao (Brazil) were used for the compensation.

Within the context of this initiative, we also carried out actions to raise awareness through internal and external events on the intranet, the corporate website and at the work centres.

Moreover, in 2014 we launched the Supply Chain initiative to analyse emissions associated to the supply chain. We received information from 46 suppliers, which account for 26% of the overall costs of non-energy supplies.

Carbon management

[EU5]

Gas Natural Fenosa performs integral management of its emissions rights portfolio for Stage III (2013-2020) of the Kyoto Protocol. Due to the absence of free allotment rights for electricity generation over this period (except the co-generators, which continue to receive a free of charge allotment for heat generation), Gas Natural Fenosa has to acquire 100% of the emission rights and credits required to achieve annual compliance through its active participation, both on the secondary market as well as primary projects and carbon funds.

In 2014, overall consolidated emissions of CO_2 of the coal-fired, combined-cycle and co-generator power plants of Gas Natural Fenosa affected by Directive 2003/87/EC, which sets up a regime for trading greenhouse gas emission rights, were 11.1 $MtCO_2$ versus the 11.7 $MtCO_2$, in 2013.

As regards the Clean Development Mechanisms (CDM), as part of the flexibility mechanisms of the Kyoto Protocol, Gas Natural Fenosa was the first Spanish company to achieve registration of this kind with the United Nations, with Los Algarrobos hydroelectric power, in Panama.

Since then, the company has carried out further CDM projects such as the small power plants of Macho de Monte and Dolega (Panama), the hydroelectric power plants of La Joya and Torito (Costa Rica), the Sombrilla project to capture methane (Colombia), the Quimvale project to switch from fuel to natural gas (Brazil), the project to recover methane gas from the Doña Juana landfill site, the hydroelectric power plant of Amaime (Colombia) and the Bií Hioxo wind farm (Mexico).

In 2014, the totality of CDM projects registered by Gas Natural Fenosa produced reductions of around 1,008 $MtCO_2$ and prevented the consumption of 3,485 TJ.

Research, development and innovation (R&D&I)

With regard to R&D&I, Gas Natural Fenosa targets major efforts on innovation in the development and incorporation of technological solutions that allow us to solve the challenges of sustainability, economy and reliability in the energy supply. The most relevant lines of work in 2014 were:

- Renewable gas: this particular line focuses on developing and refining processes that provide renewable gas, often using biogas, with a quality that enables it to be injected into the gas distribution grid mixed with natural gas.
- Sustainable mobility (sea and land): the company considers natural gas to be an efficient, real and viable option to reduce greenhouse gas emissions for both sea and land transport.
- Energy solutions: as regards energy solutions, the most relevant actions this year are those that have been carried out in a range of energy management systems, both in the residential sector as well as at SMEs.

Further details of the R&D&I initiatives can be seen in the chapter on "Sustainable Innovation" of this report.

Awareness

[G4-DMA] (Transport), and [G4-EN30]

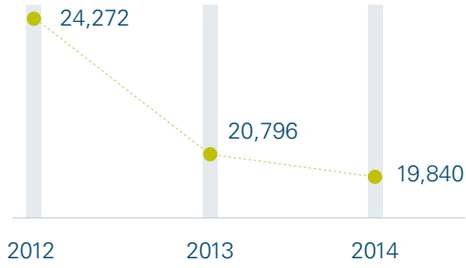
The Gas Natural Fenosa Foundation organises acts, courses and seminars to provide education and to raise environmental awareness. Its activity focuses mainly on the sphere of energy and the environment, addressing issues such as climate change, savings and efficiency in the use of energy, and sustainable mobility, among others. Of particular relevance among the many events organised by the foundation was the 13th International Seminar on Energy and the Environment

Gas Natural Fenosa was the first Spanish company to achieve the Clean Development Mechanisms (CDM) registration with the United Nations

Main actions and communications related to climate change

- Dissemination of the CO_2 emissions in Spain analysis and compliance with the Kyoto protocol through patronage of the Empresa y Clima Foundation.
- Publication of the fifth carbon footprint report.
- Plan for the voluntary compensation of greenhouse gases.
- Publication of "The Spanish energy sector and its contribution to society: the sector's contribution to the fight against climate change".
- Publication of the "Environmental declaration of the carbon footprint product and calculation guide".
- Adhesion to the Spanish group for Green Growth.
- Active participation at the Conama sessions.
- Participation at the COP20 in Lima, the Framework Convention of the United Nations on Climate Change, which aims to reduce the concentrations of greenhouse gases in the atmosphere. COP is the leading body of the convention.
- Registration of Gas Natural Fenosa's carbon footprint in the register of the Spanish office for climate change.

Direct GHG emissions. Total Gas Natural Fenosa ($ktCO_2eq$) [G4-EN15]



Direct GHG emissions. Total Gas Natural Fenosa ($ktCO_2eq$) [G4-EN15]

	CO_2	CH_4	N_2O	SF_6	HFC	PFC	**Total group**
Electricity generation	17,811.8	7,6	33.9	0.3	0.9	0.0	**17,854.4**
Gas distribution	20.7	1,267.1	0.0	0.0	0.0	0.0	**1,287.8**
Gas (infrastructures)	665.5	2.8	3.1	0.0	0.0	0.0	**671.4**
Electricity distribution	0.0	0.0	0.0	20.0	0.0	0.0	**20.0**
Mining	6.2	0.0	0.0	0.0	0.0	0.0	**6.2**
Total group	**18,504.2**	**1,277.5**	**37.0**	**20.3**	**0.9**	**0.0**	**19,839.9**

Direct emissions of CO_2. Electricity generation ($ktCO_2$) [G4-EN15]

	2014	2013	2012
Cogeneration plants	59	183	197
Specific atmospheric emissions (g CO_2/kWh)	676	525	585
Combined-cycle thermal power stations	11,419	12,333	13,512
Specific atmospheric emissions (g CO_2/kWh)	376	375	376
Coal-fired power plants	5,489	5,278	7,582
Specific atmospheric emissions (g CO_2/kWh)	1,018	998	1,002
Fuel oil-fired power stations	845	1,038	1,173
Specific atmospheric emissions (g CO_2/kWh)	623	628	657
Total electricity/thermal generation	17,812	18,832	22,464
Emission factor thermal mix (g CO_2/KWh)	479	468	493
Emission factor (g CO_2/KWh)	406	399	454

Indirect CO_2 emissions. Total Gas Natural Fenosa ($ktCO_2$) [G4-EN16] and [G4-EN17]

	2014	2013	2012
Fixed sources. Indirect CO_2 emissions. Scope 2	678	599	817
Emissions from natural gas sold to third parties. Scope 3	91,297	88,855	–
Emissions from coal extracted from the Kangra mine. Scope 3	4,349	5,650	–
Total	**95,646**	**95,104**	**–**

Ratio of energy emissions intensity by segment of activity 2014 [G4-EN18]

	Gas distribution	Electricity distribution	Electricity	Gas	Mining	**Total**
Emissions of GHG ($ktCO_2eq$)	1,288	20	17,854	671	6	**19,840**
Ebitda (millions of euros)	1,542	970	645	1,190	27	**4,374**
Ratio ($ktCO_2eq$/million euros of Ebitda)	0.8	0.02	27.7	0.6	0.2	**4.5**

Initiatives for reducing GHG emissions ($ktCO_2$) and associated energy savings (TJ) [G4-EN6], [G4-EN7] and [G4-EN19]

	Energy savings (TJ). 2014	Energy savings (TJ). 2013	Emissions prevented (kt CO_2eq). 2014	Emissions prevented (kt CO_2eq). 2014	Gases included in the calculation	Scope of emissions*
Electricity generation: combined-cycle plants	**43,026**	**46,652**	**9,750**	**10,394**	**CO_2**	**A1/A3**
Spain	19,140	21,682	5,792	6,440	CO_2	A1/A3
Mexico	23,886	24.970	3,958	3,954	CO_2	A1/A3
Electricity generation: renewables. Spain	20,186	19,098	1,721	1,628	CO_2	A1/A3
Wind farms, Spain	14,049	15,856	1,225	1,352	CO_2	A1/A3
Wind farms, Mexico	2,224	–	155	–	CO_2	A1/A3
Small hydro power stations	3,913	3,242	341	276	CO_2	A1/A3
Electricity generation: energy efficiency. Spain	**8,124**	**9,019**	**1,199**	**1,352**	**CO_2**	**A1/A3**
Repowering small hydro plants	2,817	2,307	246	197	CO_2	A1/A3
Boiler change Meirama	5,047	5,804	912	1,008	CO_2	A1
High-efficiency cogeneration	260	908	42	154	CO_2	A1/A3
Gas and electricity T&D: energy efficiency Spain	**1,235**	**1,235**	**526**	**526**	**CO_2**	**A1**
Replacements of pipes	1,235	1,235	526	526	CH_4	A1
End use of gas and electricity. Spain	**16,762**	**10,389**	**302**	**187**	**CO_2**	**A3**
Energy Services	16,762	10,389	302	187	CO_2	A3
Clean Development Mechanism (CDM).	**3,570**	**3,485**	**1,008**	**933**	**CO_2/CH_4**	**A1/A3**
Total	**92,902**	**89,878**	**14,506**	**15,027**	**CO_2/CH_4**	**A1/A3**

* A1: scope 1; A3: scope 3.

Methodology or standard used to calculate the foregoing table: The reductions achieved in 2014, expressed as fuel saving, total 92,202 TJ. These reductions are calculated as the difference between emissions from "with project" and "without project" scenarios. The "with project" scenario represents the real level of energy consumption and GHG emissions due to the implementation of the project. The "without project" baseline scenario represents the energy consumption and GHG emissions levels that would have been reached if the project had not been implemented.

Biodiversity

[G4-DMA] (Biodiversity) [EU13]

Commitment

Maintaining the value of ecosystems, on which the well-being of current and future generations depends, is a responsibility of individuals and organisations. In this regard, Gas Natural Fenosa acts in a committed and responsible way in the use and preservation of natural resources, adopting the measures required to mitigate environmental effects.

The company's commitment to preserving biodiversity can be seen in its corporate responsibility policy, and represents one of the key challenges of management, both in new projects as well as at those facilities that are already in operation.

Gas Natural Fenosa's commitment to preserving biodiversity

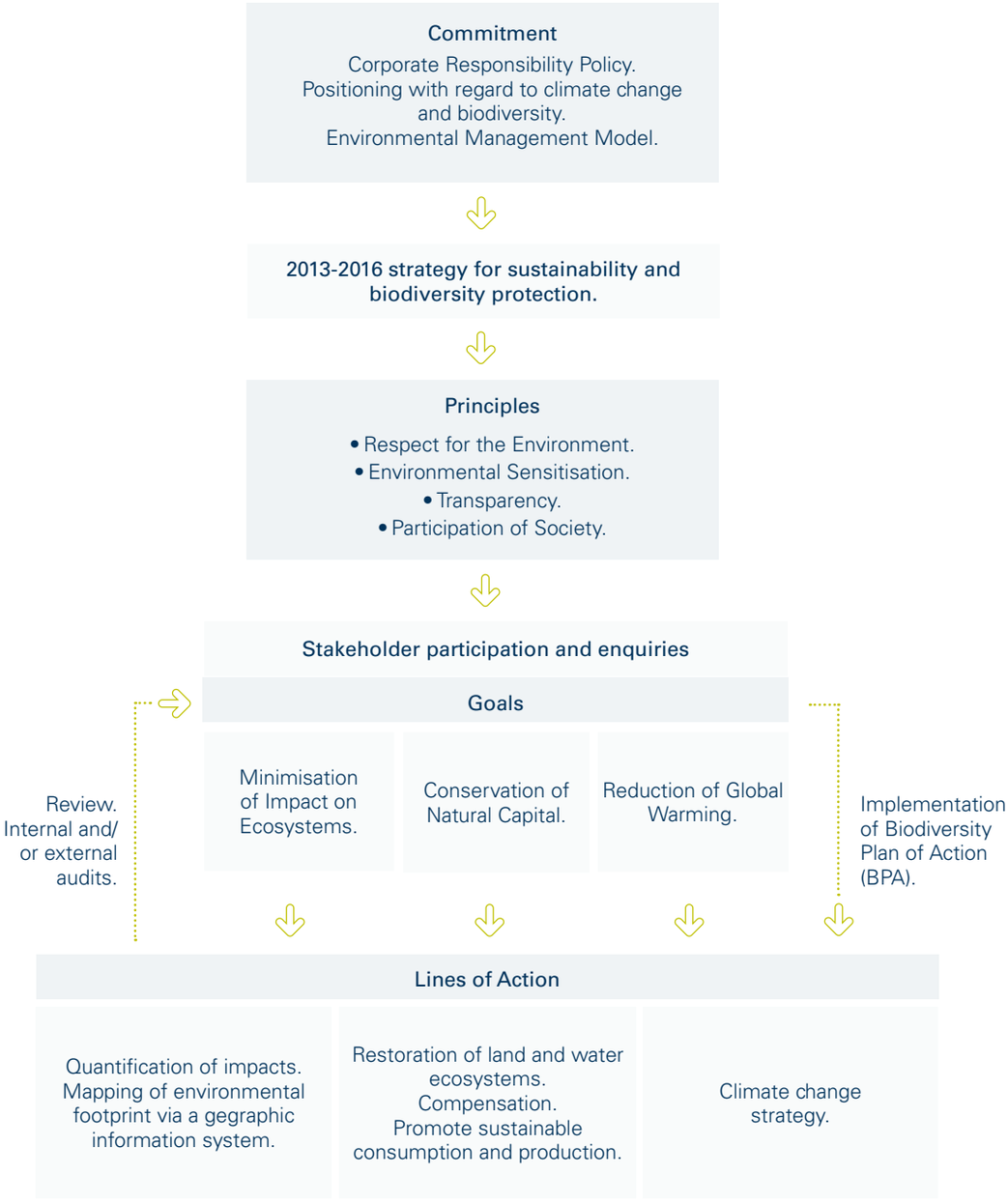
- Complying with nature protection laws and regulations.
- Promoting and cooperating in preserving biodiversity in the area surrounding its installations, paying special attention to protected spaces.
- Studying the environmental impact of its activities and projects, their effects on ecosystems and biological diversity, taking into account its stakeholders.
- Adopting measures to prevent and minimise possible adverse effects on biodiversity, restoring damaged areas and soils.
- Respecting the traditional ways of life of the indigenous communities to favour the preservation and sustainable use of the environment.

This commitment is instrumented through the 2013-2016 Biodiversity Action Plan (BAP), which sets out the different initiatives that the company performs to ensure proper protection of the environment, in particular in areas where there can be greater potential risk.

To this end, the company develops work tools and methods that provide greater knowledge of the natural spaces where our facilities are located, as a preliminary task for the subsequent design and introduction of the most appropriate preservation measures in each case. The company also takes into consideration the opinion of stakeholders for the purpose of maintaining existing biodiversity in those places where we perform our activities and projects.

This plan forms part of a broader sustainability strategy, which encompasses actions that the company undertakes in issues of protection and preservation of biodiversity, as well as mitigation global warming.

Strategy in sustainability



Indicators

[G4-EN12], [G4-EN27] and [OG4]

The development of Gas Natural Fenosa's business activities requires wide-ranging concerns for the land, whether this is on a temporary basis, during the construction of facilities, or permanently, once they are operational. In some cases, the terrains affected by these activities are of great value for biodiversity, which means that the company needs to adopt the measures required to minimise the risk of causing impacts and properly managing those that cannot be avoided, even when these are areas that do not have legal protection or facilities that existed before the location was designated as a protected area.

The areas that could be potentially affected have been calculated by increasing the surface area occupied by the facilities with a radius whose length is variable (from 10 m to 5 km), based on the type of facility under consideration.

Those facilities whose surface area is located, in full or in part, on terrains that have a level of protection are classified as interior; those that are located within the radius affecting the protected space are considered adjacent, and those whose surface area is not within a protected area and not within the radius have been classified as exterior.

As regards business activities, in countries where there is no reference mapping information on protected natural spaces or spaces of value for biodiversity, we have marked out the setting of the facilities and have located, on the list of natural spaces, the distribution areas of those species that enjoy some level of protection.

Description of land owned, leased, managed or adjacent to protected natural spaces or unprotected high biodiversity areas [G4-EN11]

Business	Type of operation	Location with regard to the protected area	Surface area/length of area affected	Value of biodiversity
Gas	Exploration	Interior	5 ha	SCI, SPA, PNS, RAMSAR, IBA
	Transport and distribution	Interior and adjacent	46 ha / 10,600 km	SCI, SPA, IBA, PNS
Electricity	Generation	Interior and adjacent	48,769 ha	SCI, SPA, PNS, RAMSAR, IBA, AICA (IBA), National Recreational Area
	Transport and distribution	Interior and adjacent	60 ha / 15,430 km	SCI, SPA, PNS, IBA, National Monument
Mining	Coal extraction	External	0	–

SCI: Sites of Community Importance. SPA: Special Protection Areas. PNS: Protected Natural Spaces. RAMSAR: wetlands classified through the Ramsar Convention. IBA: International Bird Area. AICA (IBA): important bird area in Mexico.

In all cases, the company complies with the demands laid down by the public authorities to minimise possible negative effects that the facilities could have on the surrounding species and habitats. In addition to the mandatory environmental impact studies and environmental vigilance plans, we often carry out voluntary actions that go beyond what is strictly established through environmental legislation.

However, there is always a risk, and in some cases there are incidents that are generally unavoidable and which normally involve compensation.

Main impacts on biodiversity of the activities carried out by Gas Natural Fenosa*

				Electricity generation			
		Upstream	Gas T&D	Thermal	Hydroelectric	Wind	Electricity T&D
Construction and operation of transport infrastructures	The building of transport and distribution (T&D) infrastructures may have a temporary impact on the flora and fauna present in the environment. The operation of electricity T&D grids may have a permanent impact on vegetation and birdlife.	●	●	●	●	●	●
Atmospheric pollution	Emissions from combustion may have an impact on the abiotic and biotic environments in the surroundings of the facilities.	●	●	●	●	●	●
Conversion of habitats	Changes in the use of land and the permanent presence of facilities in the natural environment may cause impacts on the populations of species present in the environment. Reservoirs associated with hydroelectric plants may have a significant impact (both positive and negative) on biodiversity.	●	●	●	●	●	●
Changes in ecological processes within their natural range of variation	Spills can have an impact on the aquatic medium. Reservoirs associated with hydroelectric plants may have a significant impact (both positive and negative) on biodiversity.	●	●	●	●	●	●

* In accordance with criteria established in GRI 4.

● Low impact. ● Medium impact. ● Significant impact.

To minimise these effects, the company applies operational control procedures and, at those facilities where there can be greater potential risk, we carry out environmental assessment studies and define environmental emergency plans to prevent the incident before it occurs, or to minimise any damage. We also regularly perform environmental emergency drills to test the procedures that have been defined.

In addition, as well as identifying potential risks to biodiversity, we identify the species of flora and fauna in the surrounding areas of facilities located in spaces of high natural value or close by. The information shown in the table below provides details on the number and name of the species that live close to the facilities, classified in accordance with their level of protection.

Number of species whose habitats are in areas affected by operations* [G4-EN14]

Type	Critically endangered species	Endangered species	Vulnerable species	Almost threatened species
Mammals	2	1	6	10
Birds	0	2	5	16
Reptiles	0	0	8	9
Amphibians	20	11	6	10
Fish	1	4	10	1

* According to the species catalogue of the International Union for the Conservation of Nature (IUCN red list).

Initiatives and actions

[OG4]

The company performs many and varied actions to preserve biodiversity, some of them in response to the requirements laid down by the environmental authorities and others of a voluntary nature. These actions can be consulted in detail through the initiatives map published on the corporate website of Gas Natural Fenosa (www.sostenibilidadybiodiversidad.gasnaturalfenosa.com). By way of an example, we include some of them below.

Protection of the capercaillie in Omaña, Alto Sil and El Bierzo (León)

At the beginning of the 1980s, the capercaillie still enjoyed more or less continuous existence along the Cantabrian Mountain Range –from Los Ancares to the Montes de Saja (Cantabria)– and the north of Palencia. But, at the beginning of the 21st century it disappeared from Palencia, most of Cantabria and a large part of the north-east of León, arriving in the more southern regions of Omaña, Alto Sil and Bierzo-Cepeda (León).

Due to this major drop, and in accordance with the criteria of the International Union for the Conservation of Nature, the Cantabrian capercaillie has been declared to be in danger of extinction in Spain and it is thought that it could become extinct over the next three decades.

The Birds of Spain Red Book, which assesses the conservation status of this species, says that to prevent this trend we need to carry out conservation measures such as monitoring the species, management of the habitat, protection of the species and raising social awareness.

Gas Natural Fenosa, through its Renewables division and together with the Regional Government of Castilla y León, has signed a multi-year partnership agreement with the Natural Heritage Foundation of Castilla y León.

The aim is to carry out works in harmony with those defined in the Red Book of Birds, to increase the capercaillie population in this area.

The following measures have been adopted:

- Field monitoring of the species, in partnership with environmental agents of the Junta de Castilla y León Regional Government, determining the areas where capercaillies currently exist. This monitoring has been carried out since 2011.
- Improving the habitats where the species exists, helping the capercaillie populations to settle, so that in the future they can act as an emitting source towards areas further south where the populations are smaller.
- Characterisation and improvement of high-quality habitats that can function as corridors, thus improving connectivity between the different subpopulations. These works are mainly carried out in pine, birch and oak woodlands.
- The provision of funds to compile a database of this species and acquire the material required to keep it under surveillance.

The current status of implementation of these conservation measures and the associated surveillance enable us to obtain relevant data on the use that the capercaillie is making of the area. In this regard, censuses, marking and radio-monitoring of capercaillies reveal that the populations prefer those habitats where improvements have been made. This information is of extreme value in allowing us to carry out future initiatives to spread the species.

- **Environmental studies .**
  The company voluntarily conducts studies within the sphere of the electricity generation facilities, to diagnose the ecological state of the land and water environment of the thermal and hydroelectric power plants. These involve sampling campaigns with which we determine the physical-chemical and biological quality of the rivers and reservoirs, as well as getting knowledge on the basic state of the environment and its evolution in order to assess the potential influence of atmospheric contamination on forestry masses. Recent studies confirmed the situation of normality observed in recent years, and concluded that the studied facilities had an acceptable impact on their environment.

- **Environmental actions.**
  [G4-EN13]
  Targeted at the conservation of species and natural spaces, whether of a voluntary nature or in response to the requirements established by environmental authorities and which stem from the performance of projects, from the operation of the facilities or once the activity has ceased. These actions are generally carried out close to the company's facilities. On occasions, we also carry out compensatory measures or measures of another kind in other areas of interest for biodiversity.

- **Education and awareness actions.**
  The aim is to raise environmental awareness of company employees, as well as other external stakeholders, in particular customers and consumers, and also schoolchildren. We organise environmental volunteer days, informal chats, publications of information brochures or training materials and Internet communication campaigns, among others.

- **Agreements and alliances with third parties.** For the purpose of supporting some of the initiatives included in the previous sections, we have different partnership agreements with third parties, in particular with conservation organisations and also with the public administrations, which provide the technical knowledge required to ensure the efficiency of the actions carried out.

Water

[G4-DMA] (Water)

Water is a scarce natural resource which is essential to ensure life and human development. This is why water, and water management, have become a priority for international institutions, agencies and authorities, in view of the growing pressure on water resources, and the uneven way in which it is distributed and made available. All this pressure can jeopardise the present and future supply of access to water in sufficient amounts and with the appropriate quality for the population and ecosystems.

Gas Natural Fenosa, whose unwavering commitment to society and the environment grows stronger day by day, and with its efficient management of natural resources, has developed and set up measures geared to broaden knowledge of water and to improve the way it is managed in its facilities.

Such initiatives are a starting point, but the company is fully aware of the need to structure the analysis and the control of its impact of its business activities on this precious resource, and it does this through a strategic document which is the company's global framework for action.

2014-2015 corporate environmental voluntary programme

Gas Natural Fenosa has commenced an environmental voluntary programme to encourage conservation of biodiversity among its employees, to enable participants in the different initiatives to perceive the relationship they have with nature and with their colleagues in a different way, giving them the opportunity to observe and to improve the environment. The company is partnered by the Global Nature Foundation, an organisation with lengthy experience in the conservation of spaces and species, as well as in restoring degraded ecosystems, with a special focus on wetlands.

Over 120 volunteers, employees of Gas Natural Fenosa and their relatives, took part throughout 2014 in several environmental conservation events in protected areas of Castilla-La Mancha (La Mancha Wetlands) and Catalonia (Garraf Nature Park and Serralada de Marina Nature Park). The areas selected are of huge natural value which, as well as reinforcing the importance of restoration actions, has allowed us to carry out supplementary activities related to biodiversity.

Among other tasks, volunteers took part in planting endemic species, birdwatching, and they analysed the importance of conservation of biodiversity both in the natural environment, such as that of birds, as well as through a visit to an ecological orchard.

Water strategy of Gas Natural Fenosa

The water strategy of Gas Natural Fenosa is enshrined in the group's corporate responsibility policy and is based on the following principle:

"Contributing to the sustainable development through eco-efficiency, the rational use of natural and energy resources, minimising environmental impact, encouraging innovation and using the best available technologies and processes".

This strategy is designed to provide Gas Natural Fenosa with a global and objective overview of the current management of this resource and to define a framework of action for the entire group.

In order to comply with this water strategy, and in consonance with the company's global strategy and its environmental strategy, Gas Natural Fenosa has developed an action plan for the 2014-2016 period, through which it shall develop a number of different actions arranged in global areas of action.

General principles	Our commitments	Global drivers
Efficiency	**1** Promoting efficient and responsible water usage in Gas Natural Fenosa. **2** Integrating global water management in the corporate culture and in the company's decision-taking process. **3** Going beyond strict observance of the applicable water laws. **4** Combining water usage with local conditions and needs.	**I.** Efficient and global water management.
Responsibility and commitment	**5** Safeguarding the environment and biodiversity. **6** Integrating risk management associated with water in the global risk management of Gas Natural Fenosa.	**II.** Complete management of risk associated with water.
Knowledge	**7** Promoting efficient and responsible water usage between suppliers and customers. **8** Interacting with the interested parties for carrying out initiatives, programmes, projects and awareness-raising campaigns. **9** Accurately reporting the water management carried out.	**III.** Raising awareness internally and externally about efficient water management.
Leadership	**10** Promoting continuous improvement and implementing the best practices relating to water management.	**IV.** Cooperating with leading water bodies.

Interest in people

[G4-DMA] (Employment)

Principles of responsible action with employees

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

- Providing employees with training and professional development opportunities.
- 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.

Value actions

Proposed actions 2014		Planned actions 2015
Expansion of the Extended University to Italy, Moldova and Panama.	●	Flexible remuneration for personnel to whom the collective wage agreement is applicable in Spain.
Extension of the scope of the training itineraries internationally.	●	Increased compliance with the General Disabled Persons Act, in Spain, with direct recruitment above the legal minimum.
Development of the Leaders programme, which will involve 3,000 people across the world as a result of the climate survey.	●	Extension of the employee attention service to other group companies such as Panama.
Cascade communications to ensure that every employee receives the key projects and to reform the essential role played by middle management as an in-house communicator.	●	Communication of the Smile project which consists of involving employees in a project to transform commercialisation and distribution processes.
International implementation of the Shared Services Centre and the eLearning Office.	●	Consolidation of the concentration and scale model of payroll processes in Latin America.

Level of fulfilment: ● High. ● Medium. ● Low.

The people of Gas Natural Fenosa: a world to be discovered

Interest in people is the inspiring principle of Gas Natural Fenosa and one on which its human resources strategy is constructed. A strategy in which we make constant progress every year. In 2014, the company redesigned the employee value proposal with the aim of attracting external talent and encouraging reward within the company. This process served to identify the special attributes which best describe the essence and the working environment of Gas Natural Fenosa.

The employee value proposal is summarised with the slogan "A world to be discovered", which is intended to appeal to the company's current and future employees, to invite them to grow in an organisation with an international presence, a place where talent finds challenges to address, in a wonderful working environment in a company which is committed to society.

During 2014, the company continued to roll out its Human and Social Development project. Its main objective is to promote a quality working environment, based on respect, diversity and personal and professional development and, through it, several action programmes were promoted and coordinated based on two essential pillars: equal opportunities and training as a driver to raise employee awareness about disability. As a result of this undertaking, the company and its Head of Human Resources, were awarded the National Alares Award for the Reconciliation of Professional, Family and Personal Life and Social Responsibility. This award acknowledges the company's long and outstanding track record of support for life/work balance and labour integration policies.

Four important reasons for joining the Gas Natural Fenosa team

1. Becoming part of a great international company.
2. Being able to accept challenges.
3. Having an excellent working environment.
4. Working in a company committed to communities.

During the 2014 year, the company also moved up several places in the most prestigious indices, such as Merco Personas, where Gas Natural Fenosa now stands at 16th in the ranking. The organisation also maintained its world leadership in the Dow Jones Sustainability Index (DJSI), having achieved the highest possible score in the "drawing and retaining talent" section and is also close to a top score in "development of human capital".

In 2015, its most important challenge is to consolidate international growth following the acquisition of the Chilean company Compañía General de Electricidad. The integration of the human team will be a vital part of this enterprise. An international auditing tool will be used to measure the cultural affinity between the employees and meet this target as well as other objectives.

Summary of awards obtained in 2014

Good company to work	merco PERSONAS; top EMPLOYER ESPAÑA 2015 CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS; universum España Top100 Empleador Ideal Puesto °31 Gas Natural Fenosa; universum España Top100 Empleador Ideal Puesto °7 Gas Natural Fenosa – Responsable con el medio ambiente; Actualidad Económica Las empresas más deseadas y como entrar a trabajar en ellas
Work-life balance	efr global; Fundación Aares; Capital Humano; Premio Empresa Flexible
Employee care	HRO Today Services and Technology Association; I Premio Entorno de Trabajo Saludable; EFMD CLIP Accredited
Diversity and equality	bequal plus
Human capital development	edipe Agrupación Centro; EFMD

People, key to the success of Gas Natural Fenosa

In 2014, the company successful concluded its Master Human Resources Plan which was set up in 2011, and through which operating plans have been continued to be rolled out to meet the targets set.

In this sphere, Gas Natural Fenosa developed the Leaders project, which is designed to enhance the current role of this group through a number of different programmes. The Savia programme is designed to improve leaders' sense of commitment and their motivation in order to improve processes and to prevent errors in the company's value chain, and to concentrate on the growth and expansion process to be consolidated in 2015.

During the 2014 year, the excellence and innovation of the Employee Care Service (SAE) were once again distinguished through the prestigious international Best Human Resources Programme of the Year award in the area of Europe, the Middle East and Africa (EMEA) in the HRO Today Awards, granted by the HRO Today Services and Technology Association, one of the world's most important associations in the field of innovation in human resources. This prize is used to reward innovation in human resources and in construction of technologies which provide value to companies and which help to meet the targets set in the human resources division and of the company's as a whole.

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Employee Care Service

The Employee Care Service of Gas Natural Fenosa is a focal point for the company's human resources in terms of personnel management, social benefits, internal mobility, training and remuneration. Processes can be resolved through a number of different channels: a phone service, self-management platform in the corporate intranet, web channel for employees and by email. Through this service, the employee can fully resolve all his doubts concerning these matters.

During the year, as part of the SAE global implementation project in Latin America, the platform was extended to employees in Mexico and Brazil, providing cover to around 18,000 employees and passive staff. In Spain, the service was used to respond to 44,627 queries, 73% of which were resolved in fewer than 24 hours. Employees' general rate of satisfaction with this service was 7.9 out of 10.

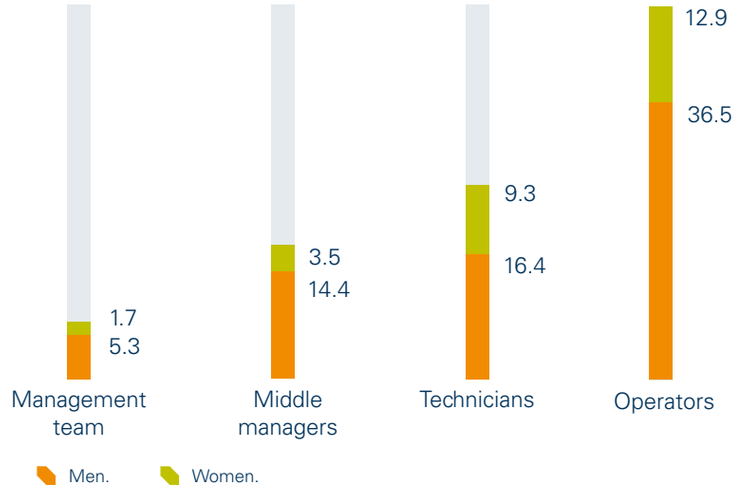
Team key items

[G4-9] and [G4-10]

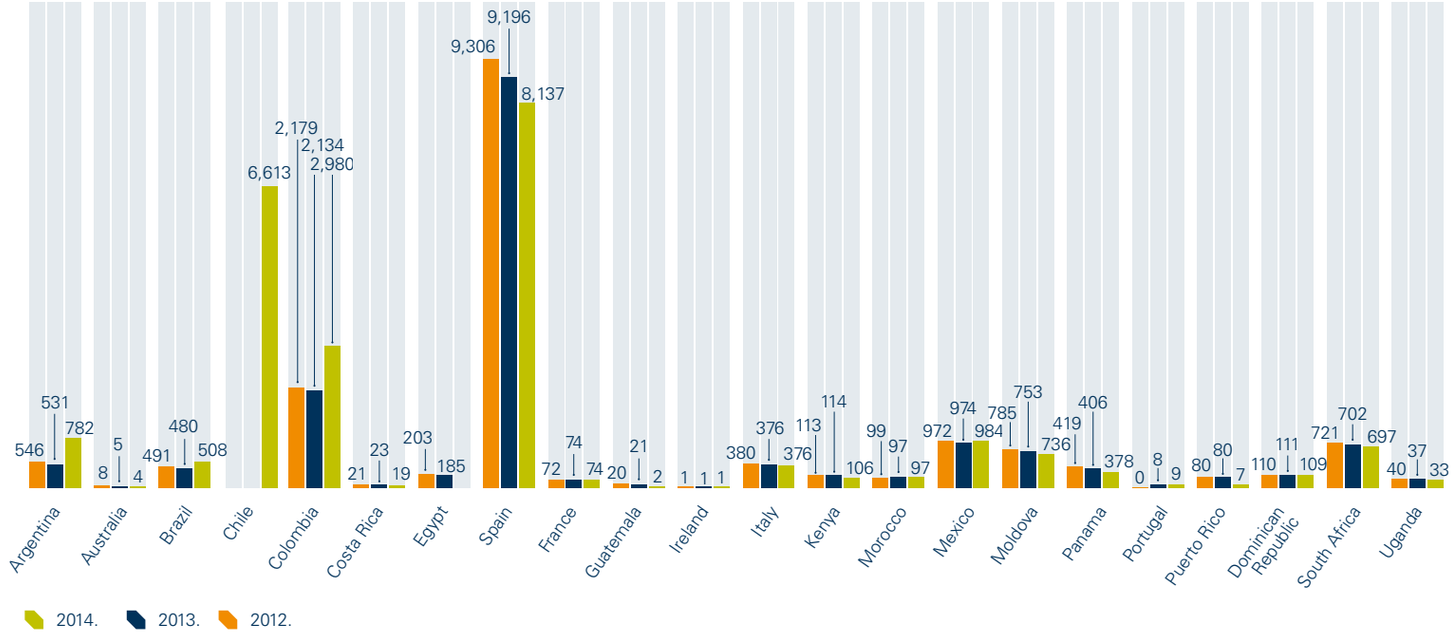
Gas Natural Fenosa carries out its activities in 30 countries. At the close of 2014, the company was operating through the direct involvement of 22,652[1] persons, of which 41.2% performed their activity in Europe, 54.7% in America and the remaining 4.1% in other continents. 27% of the workforce was made up by women and 73% by men, and had an average age of 42.3 years, with an average seniority of 12.3 years.

[1] This headcount figure is without considering 2,774 employees who are not included in the total because they work in joint ventures (IFRS standards).

Breakdown of staff according to professional category and gender (%)



Staff index (No. of employees)*



* Number of employees according to the new IFRS corporate criterion, which came into force in 2014. Companies which are joint ventures are not taken into account for the indicators indicated below; these companies account for a total of 2,774 employees distributed in the following way: 1,216 in Argentina, 103 in Chile, 355 in Colombia, 150 in Egypt, 876 in Spain and 74 in Puerto Rico. Figures for 2012 and 2013 include all the staff employed by group companies regardless of the parent company's management capacity or holding percentage.

Human and social development

Employment quality

Gas Natural Fenosa offers its employees stable, quality employment together with a solid, structured and attractive professional career, where 94% of the positions have open-ended contracts.

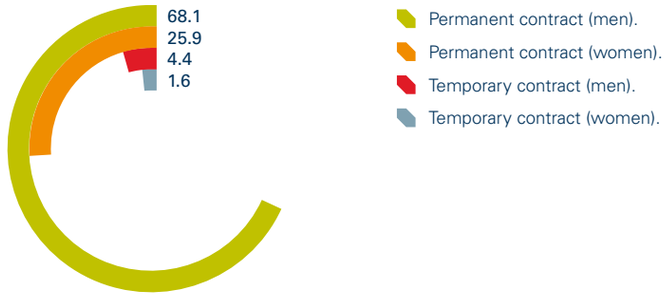
Furthermore, Gas Natural Fenosa is equipped with a uniform global external selection model for all the geographical areas in which it operates. By this means, it can guarantee a single employer strategy, with the same selection criteria and applying the same practices in the identification, acquisition and retention of the professional talent needed for it to develop its business activities.

New recruitments and mobility

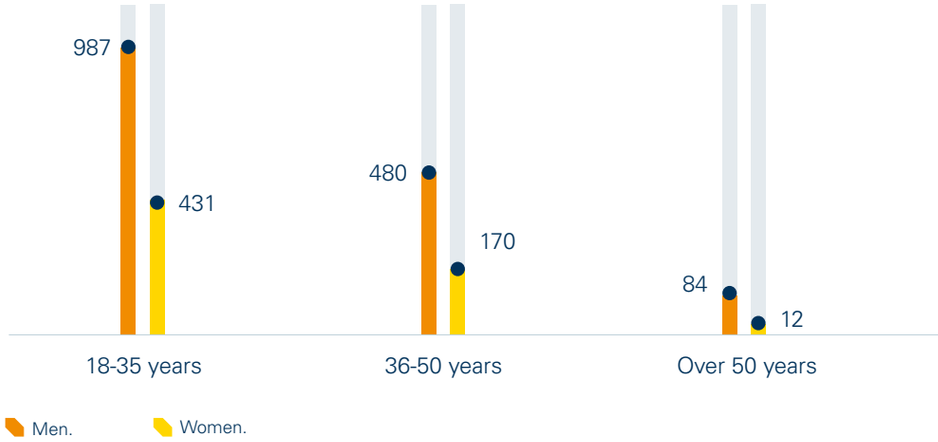
[G4-LA1]

In accordance with the above commitment and aware that employee satisfaction depends largely on the existence of opportunities for professional development, Gas Natural Fenosa offers all its employees the possibility of taking part in the Internal Mobility Programme. Through this programme, people can apply for any vacancy anywhere, regardless of the employee's location. Said programme is one of the pillars for revitalising the company's employees' professional development.

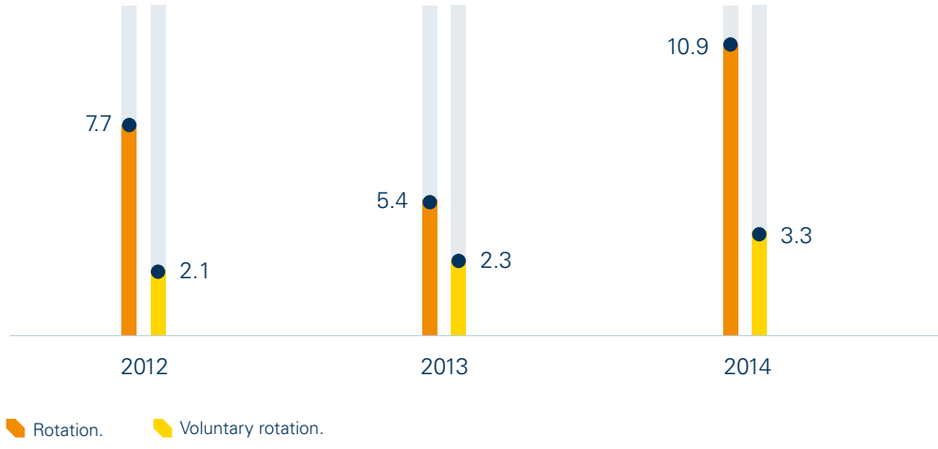
Type of contract (%)



New recruitments by gender and age group



Rotation index and voluntary rotation index (%)*



*Rotation: layoffs/average staff. Voluntary rotation: voluntary layoffs/average staff.

Rotation indices according to gender and age group (%)*

Age range		Rotation index	Voluntary rotation index
18-35	Men	3.49	1.3
	Women	1.64	0.6
36-50	Men	2.78	0.7
	Women	1	0.4
>50	Men	1.67	0.3
	Women	0.30	0.0

*Rotation: layoffs/average staff. Voluntary rotation: voluntary layoffs/average staff.
NB: the breakdown of this indicator according to geographic location is available in the appendix of this report.

Internal Mobility programme figures

- Rotation of over 20% in the management team.
- A total of 333 vacancies covered through internal promotion in Spain, 258 of them managed through the Internal Mobility programme. 148 of them were covered internally and the rest were transferred to external selection and recruitment.
- Internationally, 95 positions were covered by this procedure, with applications from 312 internal candidates totalling 345 applications.
- 5.9% of the workforce put themselves forward for vacancies (739 employees), generating 1,832 candidates, in other words, an average of 2.3 candidates per employee.

Diversity and equality

[G4-DMA] (Diversity and Equal Opportunities) and [G4-LA12]

Ethical behaviour, the promotion of respect, respect for people, occupational safety and prevention form part of the Gas Natural Fenosa's commitment to its employees. These principles are assumed as part of Gas Natural Fenosa's day-to-day management and they are provided expressly in its Code of Ethics, as well as in the 1st Collective Agreement, the Equality Plan and the Protocol for the Prevention of Mobbing, Sexual Harassment and Sexual Discrimination.

In 2014, significant progress was made in the Equality Plan, particularly in terms of communication, raising awareness, culture and leadership. Furthermore, the action protocol for mobbing and sexual harassment was defined and agreed, and a special equality space was created on the Intranet which is used to announce all the initiatives carried out by the company.

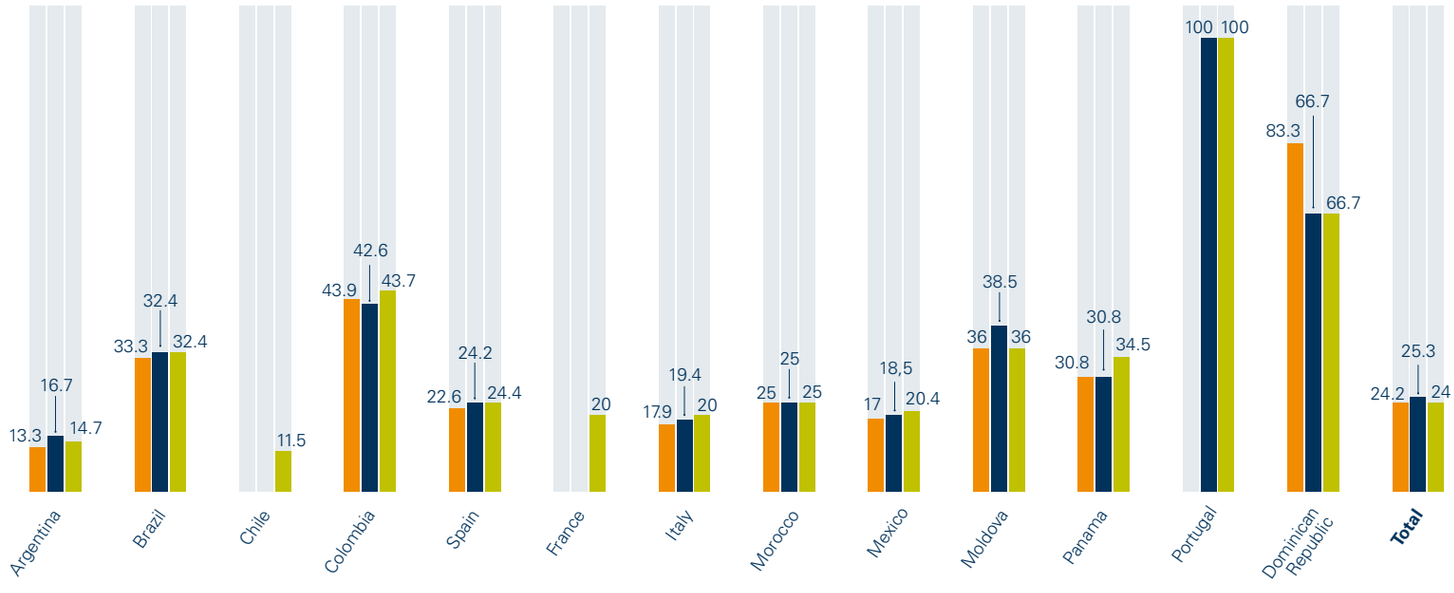
One of these actions was to define a corporate equal opportunities policy, a style guide with recommendations for the use of corporate language and image, and a common framework to assure that equality principles are complied with.

The company carried out a number of initiatives aimed at raising awareness, including an equal opportunities course for all the workforce in Spain, a review of all the language used in the company's standards and procedures; a support guide was also prepared for professionals who form part of the selection process to ensure that equality principles are followed.

With the aim of including equal opportunities principles in the Leadership Model, messages regarding these principles were included in the Savia programme, establishing the manager Decalogue in equal opportunities, in team management, which is regularly updated.

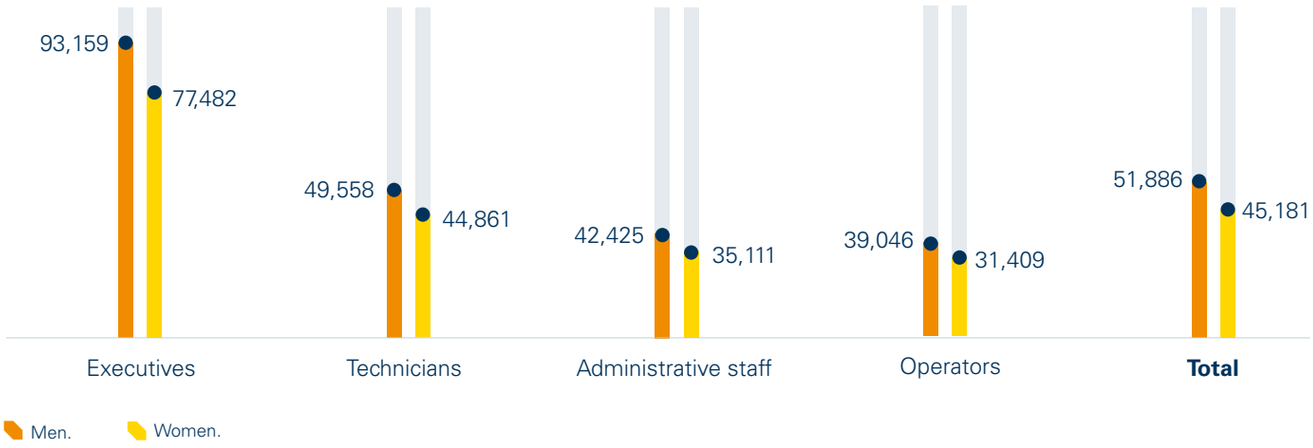
The workforce of Gas Natural Fenosa were also provided with special information about these subjects though the Equality Plan channel and the Intranet. This documentation is sent by email before any interview is made in any selection or mobility process, and underlines the importance of equal opportunities between men and women in the recruitment process.

Women in management posts (%)



NB: there are no executives in Australia, Costa Rica, Guatemala, Ireland, Puerto Rico and Uganda.

Average salary of men and women according to professional category (euros)



NB: data for Spain. The breakdown of this indicator according to geographic location is available in the appendix of this report.
The difference in salary shown by the results is in line with the context of the sector and generated mainly by the company's past gender make-up, which means greater average seniority of men in comparison with women.

Gas Natural Fenosa is committed to diversity and inclusion. Examples are the Capacitas and Aflora programmes, which were both launched with the aim of helping handicapped workers to be integrated in the workplace. Since these two projects were launched, a total of 105 special needs employees have received aid to help them find a place on the job market. In recognition of its inclusion policy, Gas Natural Fenosa was awarded the Bequal Plus certification for being a pioneering energy company in its commitment towards disability. During 2014, it also made a point of ensuring that all companies in Spain (a total of 17) had a minimum of at least 2% of disabled employees in their headcount, established by the General Disabled Persons Act.

Flexibility and support for the personal environment

[G4-LA2]

Gas Natural Fenosa promoted an appropriate life/work balance through a significant number of flexible employment measures, services and benefits adapted to employees' needs. This allows our professionals to organise their different life options in accordance with their development plans and with the company's interests.

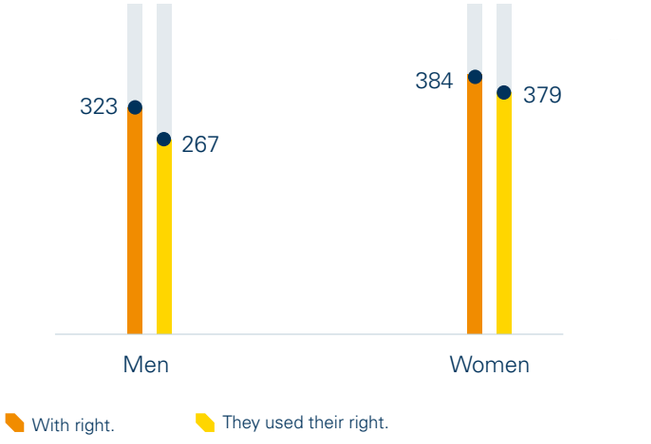
Furthermore, the legal entitlements to reduce the number of daily hours worked and the temporary limitations to them are extended by the company, including accumulating leave for breastfeeding and, in certain cases, increasing the terms of calculation. Female employees have also the possibility of avoiding travel that involves moving away from their homes during pregnancy or breastfeeding.

Similarly, employees who are responsible for relatives can apply for flexitime policies and the option for working closer to home. Priority is also placed on transfers requested by officially disabled individuals, persons who care for dependent individuals, pregnant women and women who are breastfeeding, with a focus on keeping the family group together and special circumstances that refer to illnesses that affect the collaborator, his/her spouse or, in-law spouse, children or parents.

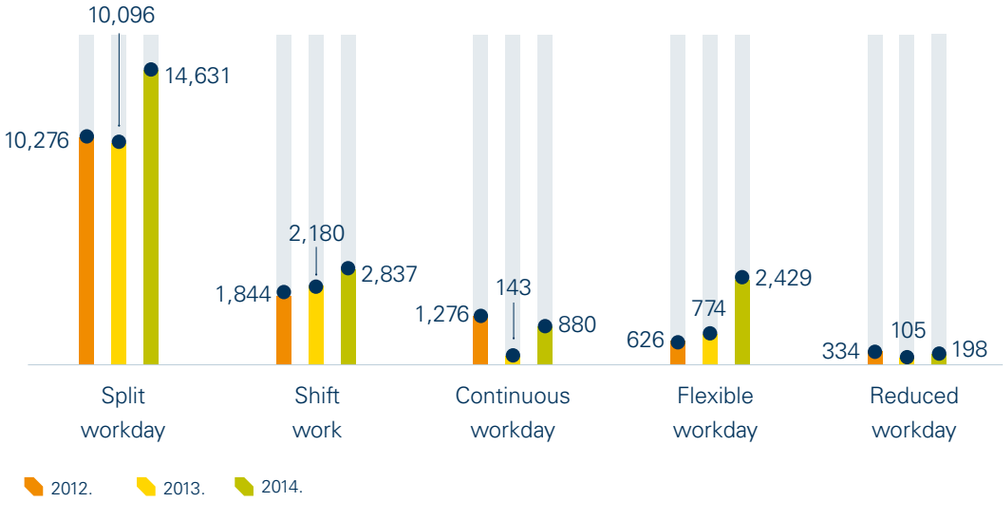
Employees with disabilities. Spain (%)

	2014	2013	2012
Employees with disabilities	2.26	2.06	1.58

Comparison of employees with maternity/paternity leave with those of who made use of this right **[G4-LA3]**



Flexibility and support for the personal environment



Talent management and leadership model

[G4-DMA] (Training and Education)

Gas Natural Fenosa's commitment to individual development and the evolution of its employees' professional careers is reflected in its Talent Management Model, which helps define the learning of every professional in a controlled and consistent manner to ensure that their development is in line with corporate requirements.

The Gas Natural Fenosa Talent Management Model is based on the 70-20-10 learning method for adults, whereby 70% of the knowledge acquired by the company's professionals should stem from practice and experience, 20% from teamwork with other areas and persons, and 10% from formal training.

Leadership model

In the Talent Management Model, a single leadership model was defined for all employees, made up of skills (observable, usual conduct that contributes to success in a function or task) focused on achieving a sound business balance and growth. The Leadership Model includes a new process for segmenting talent, which is used as a base for development and succession, so that professionals can be offered opportunities in accordance with their potential and profile.

By rolling out this model, the company has reinforced the talent identification process, technically validated with the design of a set of objective and reliable indicators, in order to improve talent management throughout the organisation. The model also includes a talent assessment process which measures aspects such as the target behaviour, the results obtained, their skills, learning and interest in making progress. What is more, a 360º multi-source skills assessment system was designed for deputy directors and heads of departments.

In 2014, we made progress in this area, and the Leadership Model was implemented in intermediate positions, integrated within the Leaders project. One of the key initiatives which took place during the year was to set the foundations to improve the feedback process, offering over 2,500 middle managers the chance of achieving an objective overview of their actions vis-à-vis Leadership Model skills, via standardised tests carried out in seven different languages.

Through the objective responses to these questionnaires, the company was able to offer each professional a tailor made report, which they can use to define their own individual action plan, using the different resources offered by the Corporate University.

The Savia programme, reinforcing agents for change

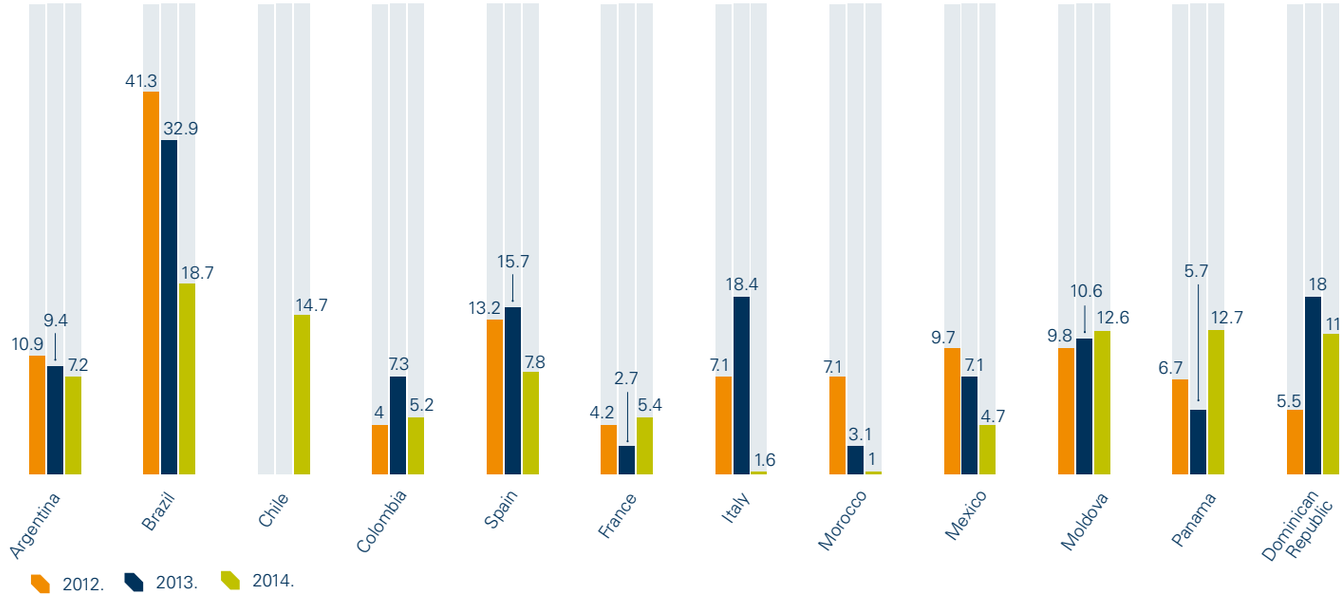
In view of the strategic challenges faced by Gas Natural Fenosa, the current role of the leaders, who should be the agents for change in the global implementation of the new processes, has to be reinforced. The Savia programme was created with that purpose in mind. Taking place within the scope of a larger project, the Leaders project, it is geared towards improving leaders' commitment and motivation and increasing quality of production, preventing possible errors in the value chain of Gas Natural Fenosa, making its operations safer and optimising operating costs.

The Savia programme is intended for around 2,500 Gas Natural Fenosa professionals who are responsible for employees and external workers, 1,400 of who are located in Spain. This programme consists of online and face-to-face training and an Individual Action Plan (IAP).

In online training, students engaged in 24,304 hours of learning (time used both for the elearning modules per se and to reading of texts and other associated activities). In the face-to-face sessions, which lasted five days, the participants explored two subjects in greater depth: operating excellence and the team management skills. The Savia programme is concluded with an Individual Action Plan which is aimed at transferring the knowledge acquired to the workplace.

A total of 49 sessions were carried out, 18 in Spain and 31 in other countries (Argentina, Brazil, Colombia, Italy, Morocco, Mexico, Moldova, Panama and the Dominican Republic). For the Savia programme, it was necessary to translate online courses as well as the associated documentation into six languages (French, English, Italian, Portuguese, Romanian and Russian), and to conduct the actual teaching in five (Spanish, French, Italian, Portuguese and Romanian). The general rate of satisfaction with this initiative was 8.9 out of 10. Participants also approved of the fact that the company considers this group to be so important, and the fact that management is actively involved in their professional development.

Staff promotions



NB: No promotions were made of staff in Australia, Costa Rica, Guatemala, Ireland, Portugal, Puerto Rico or Uganda in 2014.

Talent attraction

With the objective of continuously renewing and updating the company's talent, Gas Natural Fenosa forged ahead with the programme for the recruitment of new professionals from MBA programmes, on a rotational basis and also to cover vacancies. Through a new drive to these programmes designed to promote the internationalisation of these young profiles, individuals from seven different nationalities were recruited. The company also continued with the Summer Internship Programme, with students with different degree and postgraduate qualifications.

Corporate University

[G4-LA10]

The Talent Management and Corporate University Unit is responsible for developing all the professionals of Gas Natural Fenosa, at all organisational levels and for managing knowledge throughout the company. Staff training is one of the key success factors for any company given that it is these members of staff who reach business targets and who drive corporate strategies.

The Corporate University has an alliance network with academic institutions, both in Spain as well as the rest of the world. It also has an Advisory Board made up of universities, business schools and external agents such as the Polytechnic Universities of Barcelona and Madrid, the Monterrey Technological Institute, IESE, ESADE, Boston Consulting Group which, coupled with the internal units of Gas Natural Fenosa, can ensure a permanent connection between the company's strategy and the programmes carried out.

Training in Gas Natural Fenosa

	2014
Hours of training	756,145
Persons taking part in training	133,519
Average hours per attendee	57.4
Online hours	169,733
Employees who accessed the online platform (%)	83.4
Average hits per user	18
Average downloads per user	7
People who were trained through the online channel (%)	60.5

Training itineraries

Throughout 2014, the company continued implementing the learning itineraries which are used as a base for the employees' professional careers. These itineraries can be used to take advantage of training synergies and to cover the development needs of large groups of people, across the full breadth of the company and in a way which is more orderly, complete, stable and sustainable over time. They are made up of three blocks: contextual knowledge (general and common to all itineraries), functional knowledge (of the post or profile) and skills (based on the skills which are part of the Leadership Model).

This training model, which was initially rolled out in Spain, was extended to all the countries in which Gas Natural Fenosa has its own employees in place. Training throughout the company is currently managed using this model.

Training itineraries

	2014
Total itineraries implemented	**71**
Spain	52
Other countries	19
Training under this model (%)	28
Professionals who have their training itinerary	13,000

The 164 in-house experts who make up the corpus of teachers of the Corporate University taught 34.5% of training hours in 2014. In-house experts not only took part in teaching but also in preparing the training contents.

A number of 208,355 hours of the total training carried out in the Corporate University were taught on the learning itinerary basis. This ensures that the training employees receive is totally planned in accordance with their professional development.

Training roadmaps

Knowledge of context

In the Environment Classroom, 3,725 students were trained in different subjects with a total of 12,491 class hours.

In the Prevention Classroom of the Technical Institute, 215,000 training hours were taught in 13 countries.

In the Quality Classroom, 8,686 hours of training were conducted, with the participation of 2,157 students.

Functional knowledge

In the training conducted in combined-cycle plants, 145 professionals in Spain and Mexico spent 2,650 using training simulators to prepare for unusual one-off situations.

Over 1,000 hours were spent in Mexican power plants teaching a number of different courses on the subject of environmental risks and responsibilities.

Skills

2,624 students spent 22,167 training hours learning skills.

Management development

59 students, all of them deputy directors, took part in the Strategic Management programme, and spent 2,183 hours developing management skills and abilities required at the management level in Gas Natural Fenosa.

127 deputy directors took part in empowerment training activities, enhancing their skills so as to be able to assure that their teams are committed to the company.

Health and Safety Commitment Plan: leadership training in safety and internal communications campaign

Gas Natural Fenosa has committed itself to bringing about a significant improvement in health and safety levels, and accordingly, it is driving through a qualitative cultural change throughout the company's action perimeter. The Corporate University prepared a training programme structured into profiles and functions, so that each professional can be equipped with the skills, tools and knowledge which are most appropriate for their position. The programme combines onsite and virtual training and visits in the field (works, facilities, etc.)

During 2012 and 2013, the training was focussed to managers and middle managers of the operational areas. In 2014, it was carried out with the corporate managers and middle managers and the rest of the company's professionals. The 13,265 people who were trained throughout the programme amassed 92,000 hours of training regarding health and safety leadership, divided into 1,200 sessions. This activity completes the training arranged in the Health and Safety Commitment Plan, which has reached all Gas Natural Fenosa professionals in Germany, Argentina, Brazil, Colombia, Costa Rica, Spain, France, Netherlands, Italy, Kenya, Morocco, Mexico, Moldova, Panama, Peru, Dominican Republic and Uganda. Through a session carried out in Spain, expatriates working in Australia, India and South Africa, and other countries, received training.

At the end of the year, 95% of the Gas Natural Fenosa's staff had taken part in the training programme associated with this plan, taught by internal instructors of all the general divisions which were certified in 2013.

In 2015, training in safety leadership will be mandatory for anyone who joins the company or who changes job. The company will also continue carrying out online training sessions and contents and tools will be converted to digital format, so as make better use of existing materials.

A far-reaching internal communications programme is being carried out to achieve the targets for the project. It was launched in 2013, but it was in 2014 that the company promoted it to a greater degree, in order to raise awareness and extend best health and safety practices as well as disseminating basic health and safety principles of the company's Corporate Responsibility Policy.

In 2014, a number of informative campaigns were carried out underlining the challenges and goals to which we are committed, in the field of road safety, and emphasising how important it is for our partner companies to accept this undertaking.

Key training programmes

- Multinational organisation programme.

Analysing the way in which other leading companies carry out, knowing their business models and their strategies, learning from the best, helps Gas Natural Fenosa to develop the skills which set it apart. Under these premises, the training programme, carried out in a partnership with the IESE business school, were aimed at disseminating advanced organisation models of multinational companies within the Gas Natural Fenosa management team and to create a space for reflection about management leadership required by organisations such as our own. In 2014, 149 company directors took part in this training.

- Induction programmes for professionals recruited to the Systems area.

In order to be able to successfully overcome the strategic challenges set by Gas Natural Fenosa, it is essential to be equipped with solid information systems which cover all present and future technological needs, and all the human needs required for their management and deployment. For the changes which have already taken place and those which will take place, new specialised professionals were recruited to the company. The Technical Institute of the Corporate University, together with Talent Management, drew up a comprehensive plan for the induction of these new employees, divided into four phases: knowing, adapting, integrating and monitoring. Throughout 2014, 269 people spent 2,300 hours being trained in this new framework after they were recruited to the company.

Results of the Corporate University

The Corporate University is equipped with its own measurement model implemented in 11 countries: Argentina, Brazil, Colombia, Spain, France, Italy, Morocco, Mexico, Moldova, Panama and the Dominican Republic. The objective of the model is to measure how effective training is through satisfaction surveys, applying learning and managers' perception. To complete the training initiatives in the 11 countries in which the model is implemented, surveys are conducted to obtain participants' average

satisfaction levels. It is measured using a standard questionnaire which pinpoints areas for improvement in the training process. It is also used to evaluate the average application of knowledge and skills in the position. Lastly, perception is measured using surveys in which the directors assess the importance and satisfaction with training activities, infrastructures and the management team in the Corporate University.

The Corporate University is equipped with a certified Quality Management System in accordance with the ISO 9001:2008 certification, which covers all its activities. In 2014, AENOR audited the processes of the Corporate University, and no non-conformities were detected.

The Open University of Catalonia (UOC) included the experience of the Gas Natural Fenosa Corporate University, in measuring the quality of its training actions, in its Corporate Universities book, published in November 2014, and which highlights the best Spanish practices in this field.

Extended University

The Extended University helps to establish common planning and management model, to offer training to partner companies and to other agents which form part of the value chain. It also helps in carrying out the traceability of this training and making all available resources more efficient, obtaining synergies based on making use of learning contents, materials and itineraries, and, lastly, having in-depth information about training actions for third parties and their associated costs.

Corporate University's figures

	2014
Satisfaction surveys answered	26,110
Participants' average satisfaction (0-10)	8.9
Average degree of application of knowledge and skills in the job (%)	76.6
No. of programmes with evaluation of application	175
Average perception index (0-10)	8.1

Since 2012, the Extended University has been rolled out in Mexico, Brazil, Colombia and Spain, and in 2014, it was extended to Argentina, Italy and Moldova. Throughout 2014, the Extended University provided around 126,300 training hours to 14,192 people who took part belonging to partner companies. It is important to note the high level of satisfaction with training shown by attendees, a score of 8.9 out of 10, obtained from the feedback on the 1,484 courses taught.

Impact on business indicators

- Brazil: training was provided in the gas network construction, installation and maintenance areas, and the percentage of works or maintenance projects without defects, over total inspected works, increased from 84% in 2013 to 93% in 2014.
- Colombia: once the site manager course had been taught, the percentages of networks without defects was 99.4%, which is even higher than the proposed objective of 94%. Equally, the percentage of defects in residential facilities dropped 35%, from 4% to 2.6%.
- Mexico: after installers received training, they inspected 14.4% more facilities than in 2013.

The Extended University offers training to our partners and to other agents which form part of the our value chain, and is helpful in establishing a common planning and management model

Training indicators [G4-LA9]

	2014	2013	2012
Staff trained (%)	97.1	97.1	94.3
Training hours per employee	57.4	55.7	52.7
Total course hours	**756,145**	**752,901**	**782,462**
Men	572,246	553,375	578,472
Women	183,899	199,526	203,990
Annual investment in training (euros)	11,525,099	10,332,184	8,982,897
Investment in training per person (euros)	874.2	764.5	605.1
Attendees	133.519	92.117	68.809
Users of online training schemes over total staff (%)	60.5	62.0	58.6
Participants' degree of satisfaction (out of 10)	8.9	9.0	8.7

Training hours by areas of knowledge

Area of knowledge	Hours
Technical Institute	**628,392**
Business	**139,780**
Up & midstream and regulation	5,338
Generation	58,863
Energy markets	1,298
Gas distribution	29,312
Electricity distribution	33,441
Commercial	11,527
Processes	**359,660**
Occupational risk prevention	214,874
Quality and environment	21,105
Engineering and innovation	13,683
Information systems	37,066
Other corporate services	72,932
Internationalisation	**128,953**
Corporate culture and responsibility	47,413
Languages	81,540
Leadership Institute	**34,789**
Management and high potential	12,622
Skills school	22,167
Leaders programme	**92,963**
Savia programme	92,963
Yearly plan total	**756,145**

Training hours per employee and professional category

	Management team	Middle managers	Technicians	Operators
Staff trained (%)	99.0	98.9	94.8	97.1
Training hours per employee	90.0	80.2	55.4	41.7
Total course hours	**110,433**	**210,800**	**186,887**	**248,025**

Internal communication with employees

Internal communication strategy

The purpose of internal communication is to actively contribute towards achieving the objectives set out in the company's Strategic Plan, in close collaboration with the group's businesses and divisions, and to create feelings of belonging and motivation.

Bearing in mind this mission, the strategic objectives are focused on:

- Aligning employees with the company's strategic objectives.
- Encouraging corporate culture and values such as efficiency, safety, transversality and innovation.
- Improving the work environment, helping employees to feel proud of where they work.

Gas Natural Fenosa uses a range of channels to reach its employees; these include the corporate intranet, Naturalnet, the internal magazine, Natural, which is sent to all countries in different languages, and all those actions that foster face-to-face communication with managers and other work teams. In 2014, there were around 700 publications on Naturalnet and more than 70 videos, many of them from our own employees.

Awareness campaign

The internal communication campaigns enable us to present the company's key projects to employees. Campaigns for different projects, such as the Efficiency Plan, the internal branding project (a three-year programme whose aim is to increase employee and customer satisfaction through the standarisation and global improvement of distribution and commercialisation processes and systems), the Leaders project, the Health and Safety Commitment Plan or the Smile project, among others, have enabled us to provide employees with knowledge about those projects that have a direct repercussion on their daily work.

All these campaigns are disseminated through different communication actions, whether this involves informative publications on the intranet, posters put up at work centres, e-mails sent to employees, informative audiovisual material, conferences and other impact actions.

Emotional-type activities with employees

Some of the internal communication initiatives that we carry out are for the purpose of getting employees involved and participating with other teams and people either within their job setting or outside of work. Actions such as the annual Our Energy Awards, which encourage people to submit their innovative and work improvement ideas, photograph competitions or taking part in the Sports Club activities of Gas Natural Fenosa are good examples of this.

These actions serve to recognise personal involvement in corporate life, helping workers to feel proud of working for the company, as well as assessing and strengthening the value of innovation. In 2014, the prizes of the 3rd Our Energy Awards were given out.

Reinforcing proximity through direct communication

The Dialogue programme has been consolidated this year. The aim of the programme is to bring senior management and employees closer together through dialogue, communication and the transfer of information. These actions include "Breakfasts with the Directors"; "I have a Question", where questions are put to group managers; and "Talking about the Company", in which managers from the top 50 of the company offer hour-long informative sessions featuring previously compiled corporate content, as well as answering spontaneous questions from employees. These also include specific subject matters from their management area.

In 2014, we carried out 73 direct communication actions, as part of the Dialogue programme, featuring participation from almost 5,200 persons. Of those actions, 41 referred to "Talking about the Company", 3 to "Talking about the International Company", 8 to "Talking about the Company with regard to Generation", 17 to "Breakfast with the Directors" and 4 to "I have a Question for…".

Other actions, such as the Top 50 Annual Meeting and the functional meetings of divisions, enable people to align themselves with common business objectives, whilst simultaneously facilitating interrelationships between employees and the exchange of experiences.

At Gas Natural Fenosa we regularly provide channel-access statistics, satisfaction surveys and the internal communication annual audit, to measure the impact of these projects and employees' perception.

Internal Branding project (2014-2015)

The aim of the Internal Branding project is for all employees to understand what is behind the brand, what are it strategies and to understand that the brand is one of the company's most important intangible assets.

The project includes informative, educational and participatory actions, to enable all employees to connect with the company's values and to understand the importance of constructing and transmitting a strong and uniform brand.

The project enables us to show employees how brand values are built from within the organisation. It is therefore vital that all employees be aware of the brand strategy and principles to experience them, share them and help to transmit them. The underlying principles of the Gas Natural Fenos brand are efficiency, safety, well-being, innovation and proximity.

To achieve efficient brand management, all company employees have the Brandcentre application available, where they can find all the tools required to know, use and correctly apply the brand. This site provides clear orientation, so that any communication can be carried out based on the guidelines and contents of the same.

Lastly, we should highlight the fact that, according to a recent study, the brand value of Gas Natural Fenosa has increased 35% over the last two years, continuing the upward trend of previous years.

Compensation and remuneration

[G4-EC3]

Remuneration policy

Gas Natural Fenosa's remuneration policy is governed by equity on an internal scale and competitiveness from the market point of view. Moreover, the employee's remuneration depends on their inclusion in the collective bargaining agreement.

- The remuneration level of employees included in the collective bargaining agreement depends on the professional group and subgroup to which they belong.
- For managers and employees not included in the agreement, it is established on an individual basis according to the remuneration policy approved by the Board of Directors' Appointments and Remuneration Committee.

Variable remuneration

Variable remuneration, within the remuneration policy of Gas Natural Fenosa, is for the purpose of reinforcing employees'commitment and motivating them to perform to the best of their ability, aligning these functions with the company's long-term interests and those of its shareholders.

The annual variable remuneration assesses the contribution to achieving individual objectives in accordance with the job, related to economic-financial variables of efficiency and growth. It also considers issues such as quality and safety, as these are directly tied to achieving the objectives set out in the Management by Objectives Plan (MbO).

General principles of the remuneration policy

- Reward employees with a comprehensive offer of monetary and non-monetary components, which recognises and respects the diversity of their needs and expectations related to the professional environment, whilst serving as a tool to communicate the organisational purposes and business objectives.
- Foster a culture of commitment to the group's objectives, where individual contribution as well as teamwork is fundamental.
- Assess systematically and using uniform criteria of professional development the results of the action and the level of adaptation to the skills required at any given time.
- Provide fair and competitive remuneration. Fair, by recognising differences in accordance with the responsibilities and critical nature of the job or the person's worth for the group. Competitive, by applying a flexible market positioning adapted to the specific nature of local markets to be able to attract the best professionals and ensure they remain with the company.
- Guarantee application of the remuneration and reward criteria as a whole, unique and transparent for everybody, to ensure objective management.

Share in results

The Management by Objectives (MbO) and Variable Commercial Remuneration are methods in place at Gas Natural Fenosa as incentives for employee involvement in achieving the company's targets and direct share in results. Both of these are instrumented through two types of annual variable remuneration, depending on the group at which it is targeted:

- Management: based on management by objectives and assessment of performance. This applies to persons that belong to the management group and who are excluded from the bargaining agreement.
- Commercial: based on meeting commercial targets. This is aimed at those persons that hold a commercial function within the group.

The company also has monetary incentive schemes for all management personnel, on a three-year basis, tied to achieving medium-term objectives. The aim of these programmes is to help retain and motivate key personnel tied to these objectives and to achieve an alignment with maximising the value of Gas Natural Fenosa in a sustained way over time.

Breakdown of personnel costs (millions of euros)

	2014	2013	2012
Wages and salaries	694	657	707
Social Security costs	126	122	129
Defined contribution plans	36	39	32
Defined benefit plans	5	5	4
Work carried out for the company's fixed assets	(86)	(81)	(85)
Others	57	85	84
Total	**832**	**827**	**871**

Flexible remuneration and social benefits

The remuneration package of Gas Natural Fenosa employees is supplemented with a social benefits system, which includes a pension plan, the main vehicle of funding post-employment commitments.

By the same token, Gas Natural Fenosa provides a series of social benefits that complement the remunerative package of employees. The system of flexible remuneration, which has consolidated itself at the company since its launch in 2012 for management and technical personnel excluded from the collective bargaining agreement in Spain, enables the recipients to voluntarily design the composition of their remuneration package.

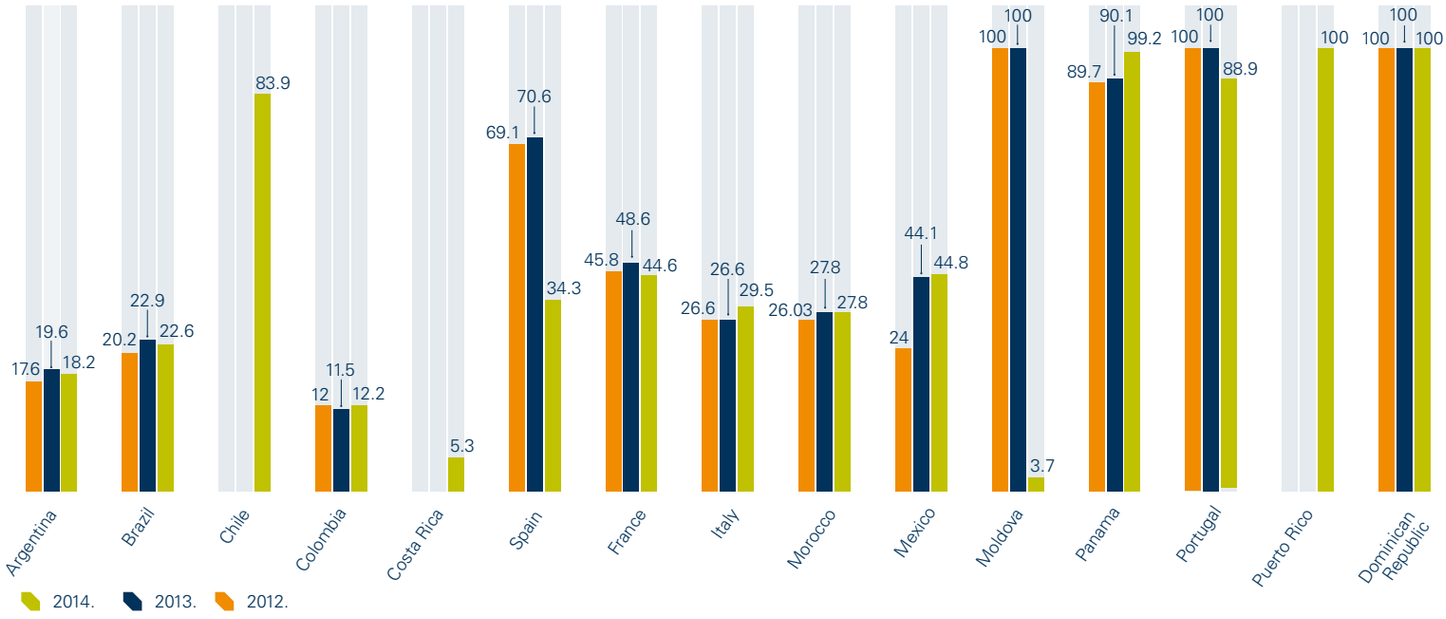
In 2014, the flexible remuneration system campaign received 25% more requests than in 2013. This percentage is indicative of the success of this remuneration system at the company.

In 2015, this system will be extended to all company personnel. As a consequence, the group of employees included in the bargaining agreement in Spain, who could not previously benefit from this system, will be able to access the products offered through the system and thus obtain the tax benefit.

Within the legal framework of each country and the individual values of the different cultures where the company performs its activity, Gas Natural Fenosa provides certain social benefits to its employees, based on scopes, countries and bargaining agreements.

Management by Objectives Evaluation System (MbO) Indicators*

[G4-LA11]



*Percentage of participants in the MbO system. The breakdown by gender for this indicator is available in the appendix of this report.
NB: In Australia, Costa Rica, Guatemala, Ireland and Uganda there is a workforce volume that is irrelevant for the purposes of this indicator.

Social benefits to employees

- Medical insurance and services (hospitalisation, care, medicines, ophthalmology assessment, dentistry plan and similar).
- Supplements to public welfare benefits in cases of temporary invalidity.
- Sponsorship of cultural, sport and leisure activities.
- Financial contributions to compensate meal expenses (luncheon vouchers, meal allowances, etc.).
- Family Plan, for relatives (parents, children, brothers and spouses) of Gas Natural Fenosa's employees with a level of disability equal to or greater than 33% and between 0 and 65 years of age.
- Aid and licences for the professional studies of employees and for scholarship programmes for their children, school subsidy and scholarship fund with different regulations and scope.
- Pension plans.
- Loans, advances and credit and insurance facilities for employees and their families.
- Electricity or natural gas consumption allowances.
- Preferential agreements with insurance companies and banks.
- Summer residences.
- Family allowance for the birth of a child, marriage, financial assistance for nurseries and crèches and for disabled children.

Labour relations **[G4-DMA] (Labor/ Management Relations, and Freedom of Association and Collective Bargaining) [G4-HR4]**

Respect for the right to freedom of association and union representation, in every country where Gas Natural Fenosa has a presence, is a key factor for the company. The companies in Gas Natural Fenosa have workers' representatives who are elected freely, with full respect for the principal of legality and trade union membership.

Likewise, and without prejudice to the provisions of current legislation, Gas Natural Fenosa promotes constant liaison with the union representatives of workers, preferably through union sections. In this regard, Gas Natural Fenosa maintains ongoing channels of communication with union representatives and social agents as an active part of its corporate policies. This is for the purpose of reaching new covenants and agreements, and in Spain we can highlight those reached for the purpose of developing and interpreting the matters regulated in the 1st Collective Bargaining Agreement of Employees of Gas Natural Fenosa Spain 2012-2015 (agreements reached on the Monitoring Board), as well as a range of implementation actions stemming from the Equality Plan of Gas Natural Fenosa.

Also of particular relevance are the agreements adopted unanimously on the Negotiation Board of the Joint Pension Plan for Employees of Gas Natural Fenosa in Spain:

- Designation of a new fund depository entity, CECABANK.
- Introduction of the plan at three new companies: Gas Natural Fenosa Ingeniería y Desarrollo de Generación S.L.U., Gas Natural Fenosa Generación S.L.U. and Gas Natural Madrid SDG, S.A.
- Approval of a new Specifications Regulation.

Employees of Gas Natural Fenosa have relevant and updated information available to them through the Naturalnet intranet, and they can also make direct requests, enquiries and report incidents through the Employee Attention Service (EAS). At 31 December 2014, there had been a total of 62,653 visits, enquiries and downloads of "Employment Information" on Naturalnet, and 7,423 enquiries, incidents and requests through the EAS, dealt with directly by the service or through Labour Relations.

Organisations and union representatives

- 33 organisations were represented in all spheres of operation, seven in Spain and 26 in the international business.
- In Spain, at 31 December 2014, there were 433 union representatives freely elected, at 171 work centres and 20 companies.

Indicator annex

			Argentina	Australia	Brazil	Chile	Colombia	Costa Rica	Spain	France
Breakdown of staff by age range (%). [G4-LA12]	18-35		15.73	25.00	33.07	41.21	28.62	31.58	16.41	71.62
	36-50		41.94	75.00	51.38	42.13	47.42	57.89	51.73	25.68
	>50		42.33	0.00	15.55	16.66	23.96	10.53	31.86	2.70
Breakdown of staff by gender (%). [G4-10]	Men		76.7	100.0	59.8	76.1	70.4	94.7	70.3	59.5
	Women		23.3	0.0	40.2	23.9	29.6	5.3	29.7	40.5
Women in management posts (%).[1]	2012		13.3	–	33.3	–	43.9	–	22.6	0.0
	2013		16.7	–	32.4	–	42.6	–	24.2	0.0
	2014		14.7	–	32.4	11.5	43.7	–	24.4	20.0
Senior managers from the local community (%). [G4-LA12]	2012		66.7	–	57.0	–	87.5	–	100.0	0.0
	2013		75.0	–	66.7	–	75.0	–	99.4	0.0
	2014		100.0	–	66.7	–	66.7	–	99.4	0.0
Breakdown of staff according to professional categories and gender (%). [G4-10]	Management team	Men	3.7	0.0	4.9	2.7	1.6	0.0	9.7	10.8
		Women	0.6	0.0	2.4	0.3	1.3	0.0	3.1	2.7
	Intermediate positions	Men	11.4	0.0	12.2	12.2	10.3	26.3	17.0	8.1
		Women	3.5	0.0	6.7	2.8	4.1	0.0	3.4	1.4
	Technicians	Men	11.0	100.0	18.1	18.6	12.0	10.5	17.1	40.5
		Women	3.8	0.0	13.4	7.4	10.7	0.0	11.1	27.0
	Operational Posts	Men	50.6	0.0	24.6	42.7	46.4	57.9	26.6	0.0
		Women	15.3	0.0	17.7	13.4	13.5	5.3	12.0	9.5

[1] NB: there are no executives in Australia, Costa Rica, Guatemala, Ireland, Puerto Rico and Uganda.

Guatemala	Ireland	Italy	Morocco	Mexico	Moldova	Panama	Portugal	Puerto Rico	Dominican Republic	Uganda	**Total**
0.00	0.00	14.10	17.53	43.90	25.27	30.16	33.33	28.57	33.03	63.64	**28.53**
50.00	100.0	64.36	61.86	48.88	41.58	30.42	66.67	57.14	54.13	36.36	**47.03**
50.00	0.00	21.54	20.62	7.22	33.15	39.42	0.00	14.29	12.84	0.00	**24.43**
0.0	0.0	77.7	85.6	74.3	71.3	67.2	33.3	71.4	81.7	81.8	**72.6**
100.0	100.0	22.3	14.4	25.7	28.7	32.8	66.7	28.6	18.3	18.2	**27.4**
0.0	–	17.9	25.0	17.0	36.0	30.8	–	–	83.3	–	**24.2**
0.0	–	19.4	25.0	18.5	38.5	30.8	100.0	0.0	66.7	–	**25.3**
–	–	20.0	25.0	20.4	36.0	34.5	100.0	0.0	66.7	–	**24.0**
0.0	–	0.0	0.0	0.0	50.0	50.0	–	0.0	50.0	–	**88.0**
–	–	0.0	0.0	0.0	50.0	50.0	–	0.0	–	–	**84.8**
–	–	0.0	0.0	16.7	50.0	66.7	–	0.0	–	–	**93.2**
0.0	0.0	6.4	3.1	4.4	2.2	5.0	0.0	42.9	0.9	0.0	**5.3**
0.0	0.0	1.6	1.0	1.1	1.2	2.6	11.1	0.0	1.8	0.0	**1.7**
0.0	0.0	12.8	37.1	17.3	18.5	23.0	0.0	0.0	19.3	42.4	**14.4**
50.0	0.0	2.1	2.1	3.4	5.2	9.0	0.0	0.0	6.4	6.1	**3.5**
0.0	0.0	15.4	11.3	22.9	6.0	13.8	11.1	14.3	7.3	12.1	**16.4**
0.0	100.0	7.4	1.0	9.6	6.3	9.5	55.6	0.0	8.3	0.0	**9.3**
0.0	0.0	43.1	34.0	29.8	44.7	25.4	22.2	14.3	54.1	27.3	**36.5**
50.0	0.0	11.2	10.3	11.7	16.0	11.6	0.0	28.6	1.8	12.1	**12.9**

Indicator annex

			Argentina	Australia	Brazil	Chile	Colombia	Costa Rica	Spain	France
Breakdown of workforce by contract type (%). [G4-10]	Permanent contracts	Men	76.7	100.0	59.8	74.1	47.8	94.7	70.0	59.5
		Women	23.3	–	40.2	23.5	21.1	5.3	29.5	40.5
	Temporary contracts	Men	–	–	–	2.0	22.6	–	0.3	–
		Women	–	–	–	0.4	8.5	–	0.1	–
Average salary of men and women according to professional category (euros).[1]	Executives	Men	65,551	–	72,827	120,790	62,479	–	93,159	100,386
		Women	52,738	–	63,283	88,189	55,033	–	77,482	45,674
	Technicians	Men	28,569	–	26,024	35,665	11,987	–	49,558	44,238
		Women	24,338	–	23,803	33,441	11,348	–	44,861	45,988
	Administrative staff	Men	21,833	–	19,499	22,965	5,789	–	42,425	26,028
		Women	20,411	–	19,164	19,653	5,918	–	35,111	29,795
	Operating	Men	24,254	–	15,002	14,276	5,155	–	39,046	–
		Women	27,707	–	20,737	11,590	5,001	–	31,409	–
Ratio between the standard minimum salary and the local minimum salary by country and gender.[1]	**Total**		**3.71**	**–**	**2.89**	**1.67**	**1.46**	**–**	**2.02**	**1.44**
	Men		3.73	–	2.70	1.64	1.50	–	2.02	1.44
	Women		3.68	–	3.07	1.69	1.42	–	2.02	1.44
Total annual ratio of the best paid person of the company with the total annual average remuneration of the workforce.[1/2] [G4-54]	2014		6.64	–	12.49	18.21	26.18	–	12.83	3.01
Ratio between the percentage increase of total annual remuneration of the best paid person of the company with the percentage increase of the total annual average remuneration of the entire workforce.[1/3] [G4-55]	2014		1.13	-	1.23	0.66	1.66	–	1.22	1.75

[1] NB: in Australia, Costa Rica, Guatemala, Ireland and Uganda there is a workforce volume that is irrelevant for the purposes of this indicator.
[2] NB: relationship between the total annual remuneration of the best paid person of the organisation in each country where significant operations are carried out with the average annual total remuneration of the entire workforce (without counting the best paid person) of the corresponding country.
[3] NB: relationship between the percentage increase in the total annual remuneration of the best paid person of the organisation in each country where significant operations are carried out with the percentage increase of the average annual total remuneration of the entire workforce (without counting the best paid person) of the corresponding country.

Guatemala	Ireland	Italy	Morocco	Mexico	Moldova	Panama	Portugal	Puerto Rico	Dominican Republic	Uganda	**Total**
–		77.4	85.6	64.7	70.8	67.2	33.3	71.4	81.7	81.8	**68.1**
100.0	100.0	22.1	14.4	22.5	27.7	32.8	66.7	28.6	17.4	15,2	**25.9**
–	–	0.3	–	9.6	0.5	–	–	–	–	–	**4.4**
–	–	0.3	–	3.3	1.0	–	–	–	0.9	3.0	**1.6**
–	–	70,686	75,578	43,609	16,726	35,282	–	–	44,917	–	**–**
–	–	60,233	68,182	38,997	28,100	36,156	70,049	–	72,333	–	**–**
–	–	34,935	29,245	16,537	7,013	13,808	32,314	–	17,739	–	**–**
–	–	36,514	25,489	15,334	6,854	15,169	32,718	–	20,560	–	**–**
–	–	28,704	10,530	8,296	7,384	14,956	–	–	11,053	–	**–**
–	–	27,247	11,783	10,232	8,982	14,493	30,000	–	8,720	–	**–**
–	–	29,244	14,376	6,715	4,253	10,488	–	–	10,062	–	**–**
–	–	–	–	6,424	4,379	11,549	–	–	–	–	**–**
–	**–**	**1.23**	**2.85**	**3.05**	**2.61**	**1.36**	**4.23**	**–**	**2.43**	**–**	**–**
–	–	1.23	2.49	2.95	2.74	1.34	4.42	–	1.60	–	**–**
–	–	1.22	3.20	3.14	2.47	1.38	4.04	–	3.25	–	**–**
–	–	3.91	3.27	8.52	26.86	15.32	2.45	–	7.10	–	**–**
–	–	0.27	1.63	0.87	0.92	0.84	0.80	–	1.14	–	**–**

Indicator annex

			Argentina	Australia	Brazil	Chile	Colombia	Costa Rica	Spain	France
Rotation index (%) (number of layoffs/ average staff). [G4-LA1]	2014		5.3	22.8	3.5	14.4	24.2	19.5	4.1	22.4
Voluntary rotation index (%) (number of voluntary layoffs/ average staff). [G4-LA1]	2014		2.9	22.8	2.3	6.1	3.3	4.9	0.6	19.6
Performance management and management by objectives indicators broken down by gender and professional category.[1] [G4-LA11]	Management team	Men	4.6	–	4.7	2.7	1.5	0.0	9.6	10.8
		Women	1.0	–	2.4	0.3	1.3	0.0	3.1	2.7
	Intermediate positions	Men	4.4	–	7.7	11.9	2.8	5.3	3.6	6.8
		Women	3.3	–	5.3	2.7	1.2	0.0	1.4	1.4
	Technicians	Men	3.1	–	1.0	14.7	2.8	0.0	7.5	8.1
		Women	1.4	–	1.6	5.8	2.7	0.0	4.0	14.9
	Operators	Men	0.2	–	0.0	35.6	0.0	0.0	3.3	0.0
		Women	0.2	–	0.0	10.1	0.0	0.0	1.9	0.0
	Total	**Men**	**12.4**	**–**	**13.4**	**64.9**	**7.0**	**5.3**	**23.9**	**25.7**
		Women	**5.8**	**–**	**9.3**	**19.0**	**5.2**	**0.0**	**10.3**	**18.9**
Staff promoted (%).[2]	2012		10.9	–	41.3	–	4.0	–	13.2	4.2
	2013		9.4	–	32.9	–	7.3	–	15.7	2.7
	2014		7.2	–	18.7	14.7	5.2	–	7.8	5.4
Employees with collective bargaining agreement. [G4-11]	Not covered by collective bargaining agreements		18.8	0.0	24.2	17.8	46.1	0.0	26.1	66.2
	Covered by collective bargaining agreements		81.2	100.0	75.8	82.2	53.9	100.0	73.9	33.8
Trade union membership (%).	2012		48.2	–	20.2	–	47.5	–	26.6	–
	2013		47.3	–	12.7	–	49.5	–	22.7	–
	2014		47.8	–	12	–	58.01	–	24.8	–

[1] NB: in Australia, Costa Rica, Guatemala, Ireland and Uganda there is a workforce volume that is irrelevant for the purposes of this indicator.
[2] NB: no promotions were made of staff in Australia, Costa Rica, Guatemala, Ireland, Portugal, Puerto Rico or Uganda in 2014.

Guatemala	Ireland	Italy	Morocco	Mexico	Moldova	Panama	Portugal	Puerto Rico	Dominican Republic	Uganda	**Total**
176.4	0.0	2.4	1.0	7.6	7.4	13.4	11.5	0.0	3.7	17.1	10.9
0.0	0.0	0.5	1.0	5.0	2.0	3.8	11.5	0.0	0.0	14.2	3.3
–	–	5.1	3.1	4.3	2.2	5.0	0.0	42.9	0.9	–	5.3
–	–	1.1	1.0	1.1	1.2	2.6	11.1	0.0	1.8	–	1.6
–	–	5.1	9.3	11.3	0.3	22.8	0.0	0.0	19.3	–	7.4
–	–	2.1	2.1	2.5	0.0	9.0	0.0	0.0	6.4	–	2.2
–	–	8.5	11.3	13.1	0.0	13.8	11.1	14.3	7.3	–	9.5
–	–	7.2	1.0	4.6	0.0	9.3	44.4	0.0	8.3	–	4.5
–	–	0.5	0.0	4.4	0.0	25.4	22.2	14.3	54.1	–	15.0
–	–	0.0	0.0	3.6	0.0	11.4	0.0	28.6	1.8	–	4.7
–	**–**	**19.1**	**23.7**	**33.0**	**2.4**	**66.9**	**33.3**	**71.4**	**81.7**	**–**	**37.2**
–	**–**	**10.4**	**4.1**	**11.8**	**1.2**	**32.3**	**55.6**	**28.6**	**18.3**	**–**	**13**
–	–	7.1	7.1	9.7	9.8	6.7	–	–	5.5	–	–
–	–	18.4	3.1	7.1	10.6	5.7	–	–	18.0	–	–
–		1.6	1.0	4.7	12.5	12.7	0.0	–	11.0	–	–
0.0	0.0	1.9	33.0	75.1	0.0	59.3	0.0	57.1	1.8	0.0	27.5
100.0	100.0	98.1	67.0	24.9	100.0	40.7	100.0	42.9	98.2	100.0	72.5
–	–	47.1	69.0	21.9	68.0	38.7	–	–	–	–	–
–	–	43.6	69.4	22.1	66.0	35.7	–	–	–	–	45.9
–	–	40.2	67	21.4	66.2	38.6	–	–	–	51.5	

Indicator annex

		Argentina	Australia	Brazil	Chile	Colombia	Costa Rica	Spain	France
Employees at retirement age within five years (%). **[EU15]**	Management team	11.8	–	5.4	9.0	6.9	–	2.8	0.0
	Intermediate positions	7.8	–	5.2	3.7	4.2	0.0	7.4	0.0
	Technicians	5.2	0.0	3.8	3.0	2.2	0.0	3.3	0.0
	Operators	18.0	–	2.3	5.3	12.2	0.0	10.2	0.0
	Total	**14.3**	**0.0**	**3.5**	**4.6**	**8.6**	**0.0**	**6.7**	**0.0**
Employees ten years from retirement age (%). **[EU15]**	Management team	29.4	–	13.5	23.0	20.7	–	11.6	0.0
	Intermediate positions	29.3	–	17.7	9.0	16.5	0.0	20.7	0.0
	Technicians	13.8	0.0	6.3	7.4	9.0	0.0	11.8	0.0
	Operators	38.4	–	9.3	12.9	32.8	0.0	30.7	14.3
	Total	**33.0**	**0.0**	**10.2**	**11.2**	**24.7**	**0.0**	**20.9**	**1.4**
New employees. **[G4-LA1]**	2012	26	0	32	–	85	0	239	33
	2013	14	–	26	–	55	2	94	11
	2014	26	0	45	890	844	0	176	16
No. of employees with maternity or paternity leave entitlements.[1] **[G4-LA3]**	Men	6	0	5	16	15	0	191	5
	Women	11	0	14	170	30	1	99	2
	Total	**17**	**0**	**19**	**186**	**45**	**1**	**290**	**7**
No. of employees who took maternity/ paternity leave. **[G4-LA3]**	Men	6	0	5	16	15	0	158	5
	Women	11	0	14	170	30	0	99	2
	Total	**17**	**0**	**19**	**186**	**45**	**0**	**257**	**7**
No. of employees who did not return to work once their maternity/ paternity leave was complete. **[G4-LA3]**	Men	0	0	0	–	0	0	1	0
	Women	2	0	0	–	0	0	3	0
	Total	**2**	**0**	**0**	**–**	**0**	**0**	**4**	**0**
Ratio of employees who returned to their position following paternity / maternity leave and continue in the company one year after their leave (%). **[G4-LA3]**	Men		–	100	–	100	–	99.38	100
	Women	100	–	100	–	92.86	–	97.56	75.00
	Total	**100**	**–**	**100**	**–**	**94.59**	**–**	**98.60**	**80.00**

[1] NB: the concept of maternity/paternity leave and the related social benefits present specifics that are connected to the labour laws in force in each of the countries where Gas Natural Fenosa operates and must be taken into account when interpreting this information. For instance, legislation in Moldova determines that women have the right to maternity leave of 126 days 100% paid by the Social Security system. After this period, they have the right to take maternity leave of absence for up to 3 years, with 30% payment by the social security system, and from three to six years of unpaid leave, which explains why the number of people who did not return to work after their leave was complete was so high for this country.

Guatemala	Ireland	Italy	Morocco	Mexico	Moldova	Panama	Portugal	Puerto Rico	Dominican Republic	Uganda	**Total**
–	–	0.0	0.0	1.9	12.0	17.2	0.0	33.3	0.0	–	4.5
0.0	–	1.8	7.9	3.4	17.2	19.8	–	–	7.1	0.0	14.0
–	0.0	1.2	8.3	2.5	11.1	13.6	0.0	0.0	0.0	0.0	10.3
0.0	–	1.5	0.0	2.7	25.1	37.9	0.0	0.0	11.5	0.0	4.4
0.0	**0.0**	**1.3**	**4.1**	**2.7**	**21.1**	**24.9**	**0.0**	**14.3**	**8.3**	**0.0**	**7.0**
–	–	0.0	50.0	11.1	24.0	31.0	0.0	33.3	33.3	–	14.6
0.0	–	8.9	36.8	6.4	31.0	34.7	–	–	14.3	0.0	36.8
–	0.0	4.7	25.0	4.4	15.6	22.7	0.0	0.0	0.0	0.0	6.2
100.0	–	12.3	18.6	11.5	39.4	58.6	0.0	0.0	16.4	0.0	32.0
50.0	**0.0**	**9.0**	**27.8**	**8.1**	**34.0**	**40.5**	**0.0**	**14.3**	**13.8**	**0.0**	**18.4**
4	0	31	0	126	36	48	–	5	10	19	725
2	–	13	–	85	31	22	–	–	7	8	373
0	0	9	1	87	38	25	2	1	2	2	2164
0	0	6	10	34	28	0	0	0	4	3	323
0	0	13	2	22	12	4	0	0	4	0	384
0	**0**	**19**	**12**	**56**	**40**	**4**	**0**	**0**	**8**	**3**	**707**
0	0	6	10	34	5	0	0	0	4	3	267
0	0	13	2	22	10	4	0	0	2	0	379
0	**0**	**19**	**12**	**56**	**15**	**4**	**0**	**0**	**6**	**3**	**646**
0	0	0	0	0	1	0	0	0	0	0	2
0	0	0	0	0	8	0	0	0	0	0	13
0	**0**	**0**	**0**	**0**	**9**	**0**	**0**	**0**	**0**	**0**	**15**
100	–		100	94.29	–	–	100	–	100	100	98.68
	–	100	–	76.92	92.86	–	–	–	100	100	95.05
100	**–**	**100**	**100**	**89.58**	**92.86**	**–**	**100**	**–**	**100**	**100**	**96.97**

Health and safety

[G4-DMA] (Occupational Health and Safety)

Principles of responsible action in health and safety

Health and safety at work is a strategic and unwavering commitment at Gas Natural Fenosa, as reflected in its Code of Ethics, in the Corporate Responsibility Policy and the Human Rights Policy, and is based on the following principles:

- Guarantee that health and safety are non-delegable duties, and that they are taken on by senior management through a visible commitment, proactively accepted and implemented by the entire organisation, and by our suppliers and partner companies.
- Establish health and safety as an individual responsibility and as a condition of employment at Gas Natural Fenosa and of the activity of its partner companies.
- Ensure that any potential situations of risk that may affect employees, customers, the general public and the safety of facilities are brought to attention, assessed and managed in the appropriate manner.
- Establish learning as the driver of change towards a safety culture, by means of ongoing training, accident and incident analysis and the dissemination of lessons learnt.
- Incorporate health and safety criteria into business processes, new projects, activities, facilities, products and services, and in the selection and assessment of suppliers and partner companies, non-compliance with which will condition the commencement or continuity of their activity.
- Provide the resources and necessary means to enable compliance with established safety standards at all times.

Safety as a strategy at Gas Natural Fenosa

The company is aware that the most important thing is the planning, development and implementation of its health and safety activities. Therefore, Gas Natural Fenosa follows standards that are higher than the legal obligations in each country where it operates.

Gas Natural Fenosa works rigorously to extend its culture in health and safety, not only to employees but also to suppliers, collaborating companies, customers and other stakeholders, in order to eliminate accidents and damage to health.

As a key objective for further progress in this line, Gas Natural Fenosa is surrounded by collaborating companies who share this vision. To this end, the company uses the integrated management model for collaborating companies.

The challenges of Gas Natural Fenosa are geared towards the implementation of global strategies for health and safety as a means to improve working conditions. Therefore, the strategic approaches of recent years are maintained:

- Achieving a solid culture of health and safety through the development and implementation of the Health and Safety Commitment Plan, with the latest phase: safety management of processes.
- Consolidating accident rate monitoring tools to identify areas for improvement and reduce occupational accidents.
- Standardising safety management.

We work rigorously to extend our culture in health and safety, not only to employees but also to suppliers, collaborating companies, customers and other stakeholders

Value actions

Proposed actions 2014		Planned actions 2015
Extended accident measurement with OHSAS and ILO indicators.	●	Establishment of the overall management tool of the company, which unifies all prevention efforts.
Development and implementation of tools for integrated safety management.	●	Establishment of regular top down safety meetings targeting all levels of the company and creation of safety and health committees in all departments.
Launch of the Safety Observatory to provide an overview of safety and health, contributing from their own experiences and others to create a true safety culture.	●	Definition of a framework of internal and external audits to ensure the correct implementation of all the tools in all units.
Launch of the Road Safety Plan.	●	Accident reduction plan in electrical regulated businesses where there are more accidents with fatal consequences.
Implementation of the system established for training on safety and health worldwide.	●	Implementation of the healthy company model progressively at an international level.

Level of fulfilment: ● High. ● Medium. ● Low.

Health and Safety Commitment Plan

Progress continued in the Health and Safety Commitment Plan, launched in 2012. In 2014, it included activities geared towards training, information, and raising awareness about health and safety, at all levels and throughout the company.

During 2014, the roadmap established in the project continued, reaching milestones related to the identified drivers: leadership, employees, collaborating companies and facilities and processes. Likewise, the tools relating to people, attitudes and safety behaviours were established, and the foundations were laid to begin working in the safety management of the processes, which is the last stage in developing the project.

In 2014, its efforts in three particular fields were particularly noteworthy:

- **Accident rate:** a key management area which reflects the company's concern to ensure that things are done well first time round. The group works to eradicate accidents. Therefore, specific action plans were developed to eliminate accidents.
- **Training and awareness:** training of own staff in leadership helps to promote a cultural change with regard to health and safety. Over 14,000 company employees were trained, and awareness programmes were launched for partner companies through the promotion of leadership and awareness workshops.
- **Communication:** through campaigns for the entire group. Campaigns in the specific fields of ergonomics, road safety and collaborating companies stood out in 2014. Also noteworthy are the new communication channels by sending weekly lessons learned from accidents and safety contacts throughout the company and dissemination of content in safety and health through the Commitment to Health and Safety Mailbox.

Progress in the Health and Safety Commitment Plan

The Health and Safety Commitment Plan is based on developing four drivers: leadership, employees, partner companies and installations and processes, which are the levers which will shape the cultural transformation of Gas Natural Fenosa and allow its commitment towards health and safety to be extended and to have greater cover.

In the first phase of the project, a diagnosis was conducted to find out the situation, in safety and health management within the company.

The next phase, developed over 2013 and 2014, aimed to introduce a new culture of safety and health in the company. To this end, Gas Natural Fenosa created a design and implementation network structure coordinated by a central project team.

Four drivers for change in Gas Natural Fenosa

The development of the Health and Safety Commitment Plan has provided the necessary progress that draws the company closer to its ultimate goal: to make Gas Natural Fenosa a leader in health and safety through a cultural change in the area of health and safety and that is extended to other fields of activity of the company.

For the company, it is not enough to combat accidents, it is necessary to eradicate the root, anticipate possible risks and manage them properly. Therefore, during 2014, new tools were launched, online courses and classroom training were conducted, and prevention campaigns and communications for the entire group were performed.

Leadership

One of the principles established in the project is that safety is a responsibility of management. Therefore, it is important to point out Rafael Villaseca, CEO of Gas Natural Fenosa's message on safety: "Despite everything that is already being done, it is imperative to redouble efforts to achieve our goal of zero accidents".

For Gas Natural Fenosa, the key factor for project success is leadership, i.e. the involvement and commitment of the different business departments.

For effective safety management, commitment needs to be integrated at all levels of the company. Accordingly, the management of Gas Natural Fenosa plays a crucial role in constructing and developing this safety commitment, marking the level required, standardising the implementation of the new culture and taking responsibility for the success of this plan.

Leadership is the driver of cultural change in the company. It means efforts have to be made at all organisational levels, and is promoted by the management, with a visible, solid and firm commitment in taking all business decisions, with safety paramount at all times.

With the firm belief that leadership in health and safety provides a more stable base to build a new culture, Gas Natural Fenosa is strongly committed to quality training in this field, headed by personnel with responsibility in the company and geared towards all its employees.

Health and safety culture among employees

Gas Natural Fenosa's goal of zero accidents can be achieved with a change in the health and safety culture by:

- Participation and involvement of all staff on the health and safety management.
- The evolution of the behaviour of people to understand that safety is a first-level priority.

Culture change in response to the highest standards

Gas Natural Fenosa conceives people's health and safety as the first priority and understands it as a standard of excellence. This responsibility extends to the entire organisation, own staff and partners and in all areas and activities, in an effort that requires the involvement and active participation of everyone.

In terms of improving the health and safety at work, and from an analysis of minimum health and safety requirements to meet internationally, Gas Natural Fenosa felt the need to establish a system of health and safety standards assuming the values and principles of an organisational culture and the promotion of sustainable and safe working environment.

In 2014, within the Corporate Responsibility Policy framework, Gas Natural Fenosa launched and implemented new health and safety standards that apply to all processes and activities of the company. Enforceable, published standards were as follows:

- Work permits.
- Prior control, documented inspections and coordination meetings with collaborating companies.
- Penalties applicable to collaborating companies.
- Red safety lines.
- Health and Safety Management Committees.
- Driving safely.
- Management and use of personal protective equipment.
- Offices.
- Working at heights.
- Confined spaces.
- Motivation and recognition programme of achievements in health and safety.

Risk Management

The health and safety commitment has been strengthened with the establishment and consolidation of Prosafety, the software tool for global safety management in the company.

The application of this tool covers the management needs of many of the tools developed such as Preventive Safety Observations (PSO), Documented Safety Inspections (DSI), Personal Action Plan (PAP), Scorecard, Zero Tolerance, Accidents and Incidents Research and monitoring of actions.

To ensure proper use and operation of the overall management tool, it is being monitored in detail in all countries, providing support through established channels to consolidate and successfully complete the implementation of the new system. All users have guidance videos, replacing the classic user manuals in Spanish, Portuguese, Italian, French and Romanian, available in the Corporate University.

In later stages, and parallel to the progress of the project, new modules will be incorporated such as risk assessment, audits, non-conformities, training and registration of sanctions and monitoring safety meetings and business committees.

Also, another management tool is being developed that, with the collective involvement, detects and reports any unsafe behaviour. And so, under approval by the Gas Natural Fenosa Management Committee and as provided in the Code of Ethics the Red Safety Lines are launched, which must notify employees in the event of a breach of any of them.

The identification, risk assessment and planning of preventive activity are the base for efficient management of health and safety in the workplace.

The evolution of preventive actions tends to increase the performance of the regular monitoring of working conditions, of consultation and participation and those aimed at the health and safety of collaborating companies. This was possible by using the following preventive tools at a group level: preventive safety observations, documented inspections and zero tolerance, among others.

Action plans

The Health and Safety Commitment Plan continued to develop its firm objective to spread best safety practices and ensure that there are zero accidents. To do this, training sessions and new tools that focus on learning as a method of prevention were implemented.

In 2014, Gas Natural Fenosa continued to work with the design and implementation networks, formed by multidisciplinary teams with their own mission, vision and goals, formed by representatives of different functions or business. In these networks, work includes defining strategies, measuring progress and ensuring the achievement of the goals for which they were created.

Networks performances

Organisational model

- Developing a systematic management of regular health and safety meetings in all units.
- Establishing a framework for the establishment and development in each department of their own health and safety management committees.

Communication (transversal network)

- Developing and implementing the communication plan in 2014 to ensure adequate communication on health and safety for all workers of the company through dynamic, short and continuous messages.
- Developing an awareness plan aimed at contractors.

Training (transversal network)

- Planning and providing training on leadership.
- Supporting identified training as necessary, in each of the design and implementation networks.

Systems

- Developing software application for consolidation of the overall management in the prevention of occupational hazards.
- Designing new tools and deployment throughout the organisation: scorecard, accident investigation of pilot project and pilot mobility projects.

Collaborating companies

- Selection of collaborating companies: definition of criteria and strategies, and preparation of a document classifying purchasing subfamily group with risk criticality.
- Definition of criteria for the award of contracts.
- Guidance and information for collaborating companies.

Global policies and standards

- Designing, developing and publishing health and safety standards binding on all company activities.

Visible commitment

- Developing methodologies for promoting compliance of personal action plan goals, preventive safety observations and zero tolerance.
- Developing valuable records through initiatives to improve safety.

Operating Indicators

- Extending the use of scorecards for health indicators.
- Defining indicators of preventive safety observations and documented inspections that allow results to be analysed and actions to be defined to improve the overall management tool.

Behaviour management

- Launch of the Motivation and Recognition Programme of Achievements with the definition of a catalogue of motivational actions.
- Launch of a single, transversal standards plan, coordinated with published standards and standards of a more local character.

Management of knowledge and experience

- Training in investigating accidents and incidents.
- Development of learning management procedure and experiences.

Process Safety Management

- Launch and establishment of the new work team to manage process safety.

Employee Involvement

[G4-LA5] and [G4-LA8]

Gas Natural Fenosa participates in shaping key elements of prevention, establishing channels of information, consultation and appropriate participation. Employee involvement is an essential element in managing health and safety in the company.

In Gas Natural Fenosa, 89% of employees are represented on Health and Safety Committees. During 2014, meetings were held with workers' representatives. The most relevant preventive issues that were consulted were as follows:

- Health and Safety Commitment Plan.
- Analysis of accidents in the period.
- Analysis of the situation of the allocation of vehicles.
- Prevention campaign of work traffic accident.
- Healthy company.

Training and awareness

In 2014, Gas Natural Fenosa went to great lengths to standardise management methods and dynamics for health and safety training in the country.

The company gave 214,874 training hours in health and safety for 51,578 people as part of 3,605 training sessions. The average number of training hours per employee was 15.15.

Internal trainer alignment day

In Madrid, a day was held for the leadership courses trainers for the work done since 2013 within the Health and Safety Commitment Plan. This event also served to provide alignment in the new contents of the courses that were developed in 2014. More than 60 internal trainers participated, plus several special guests.

Under the theme of leadership, information was revealed on the most important aspects of the training, knowledge was exchanged and best practices were shared, and the methodology of Preventive Safety Observations (PSO) in offices was debated.

In 2014, the deployment of leadership training was completed in business lines and corporate areas of all countries. The next milestones are directed at the specific training that each of the design and implementation networks need to associate to the developed management tools.

Gas Natural Fenosa establishes a new paradigm in training led from within the company, promoting direct communication at all levels of the group.

In leadership training a total of 13,265 executives and middle managers of the whole group participated, reaching 92,000 hours of training in Leadership in Safety.

Specific information on Leadership in Safety is available in the "Interest in people" chapter of this report.

Participation and results in satisfaction surveys for health and safety training

	Attendees surveyed	Response %	Satisfaction
Total per countries	**26,110**	**92.9**	**8.8**
Risk Prevention Classroom	12,998	94.6	8.8
Spain total	**14,543**	**93.4**	**8.6**
Risk Prevention Classroom	7,413	96.3	8.5

In 2014, Gas Natural Fenosa went to great lengths to standardise management methods and dynamics for health and safety training in the country

Training in Leadership in Safety is one of the keys to achieving success in the Health and Safety Commitment Plan at all levels of the organisation. It is performed on a cascade basis to heighten individual commitment. In 2013, this programme was taught to executives, intermediate management staff and employees with leadership capacity on own staff or that of our partner companies. Throughout 2014, it was also rolled out to the other groups working within the organisation.

Summary of preventive actions

	2014	2013	2012
Extraordinary activities hazards assessment	8,758	7,837	10,896
Regular control of work conditions	87,287	78,765	71,777
Emergency-related actions	1,435	1,004	1,367
Other actions	19,732	14,626	4,264
Total	**117,212**	**102,232**	**88,304**

Safety training

	2014	2013	2012
Attendees in terms of total staff (%)	96.15*	70.26	44,24
Training actions completed	3,605	2,464	1.610
Training hours per employee	16.32	14.46	8,81

* Percentage of total staff managed for policies to prevent occupational hazards that, at 31 December 2014, represented 13,168 people in Argentina, Brazil, Colombia, Spain, France, Italy, Morocco, Mexico, Moldova, Panama, Puerto Rico, Dominican Republic and Uganda.

Accident indicators **[G4-LA6]**

	Target 2015	Target 2014	2014			2013			2012		
			Total	Men	Women	**Total**	Men	Women	**Total**	Men	Women
Accidents requiring medical leave[1]	106	144	**118**	102	16	**152**	129	23	**157**	137	20
Days lost[2]	2,732	3,975	**3,035**	2,887	148	**4,184**	3,524	660	**3.547**	3,361	186
Mortalities[3]	0	0	**1**	1	0	**0**	0	0	**2**	2	0
Frequency rate[4]	3.54	4.82	**3.93**	4.82	1.80	**5.07**	6.10	2.61	**4.96**	6.18	2.11
Severity rate[5]	0.09	0.13	**0.10**	0.14	0.02	**0.14**	0.17	0.07	**0.11**	0.15	0.02
Incidence rate[6]	7.49	10.03	**8.32**	10.21	3.81	**10.56**	12.69	5.43	**10.25**	12.78	4.35
Absenteeism rate[7]	1.77	1.61	**1.86**	–	–	**1.70**	–	–	**2.14**	–	–

[1] Accidents requiring medical leave: number of accidents in the workplace leading the employee to take medical leave.
[2] Days lost: days not worked due to medical leave caused by accidents at work. Calculated from the day following the day the medical leave is received and considering calendar days.
[3] Mortalities: number of workers who died due to accidents at work.
[4] Mortalities: number of accidents with medical leave occurring during the working day for every million hours worked.
[5] Severity rate: number of days lost as a result of occupational accidents for every 1,000 hours worked.
[6] Number of occupational accidents for every 1,000 employees.
[7] Absenteeism rate: absence of employees from their jobs.

Accident indicators according to country

	Accidents requiring medical leave	Days lost	Mortalities	Frequency rate	Severity rate	Incident rate	Absenteeism rate
Argentina	7	279	0	6.92	0.28	13.34	3.57
Australia	–	–	–	–	–	–	1.98
Brazil	0	0	0	0.00	0.00	0.00	2.04
Colombia	44	273	1	7.30	0.05	19.96	0.78
Costa Rica	1	9	0	26.21	0.24	50.00	0.36
Spain	37	1,781	0	2.59	0.12	5.09	2.2
France	0	0	0	0.00	0.00	0.00	1.67
Italy	4	48	0	6.72	0.08	10.59	1.7
Kenya	0	0	0	0.00	0.00	0.00	1.45
Morocco	0	0	0	0.00	0.00	0.00	0.66
Mexico	17	382	0	8.47	0.19	17.32	0.97
Moldova	2	39	0	1.34	0.03	2.67	2.5
Panama	2	50	0	2.62	0.07	5.44	1.13
Dominican Republic	1	87	0	3.90	0.34	8.32	1.85
South Africa	3	87	0	1.89	0.05	4.30	2.72
Uganda	0	0	0	0.00	0.00	0.00	1

NB: Ireland, Portugal, Peru and Puerto Rico did not have accidents with medical leave.

Accidents and incidents management

Learning from mistakes is essential to avoid repeating them. This is the basis on which the new group accident tool is based.

One of the main concerns of the company is to reduce accidents. The result of this concern, and in the actions referred to in the Health and Safety Commitment Plan, two standards were published that directly connects with the principle that all accidents can be avoided:

- "Process of communication, research and monitoring accidents and incidents".
- "Classification of incidents."

The main purpose of both is to report all accidents and incidents to identify gaps, to address and avoid them. The main features of these standards are:

- They apply to the entire group and its staff.
- They cover all accidents and incidents: work, industrial and environmental.
- They are directly registered using a computer application.
- They are immediately applicable.

In order to reduce accidents, apart from the actions included in the Health and Safety Commitment Plan, the following actions were conducted and are expected to be carried out:

Actions to reduce accidents

Initial shock plan

In 2013, an initial shock plan was carried out, which included the development of a consolidated accident scorecard and the implementation of new methodologies for recording and investigating accidents.

Specific accident action plan

In 2014, a specific accident action plan was introduced focusing on:

- Carrying out comparative benchmarking with major companies in the sector.
- Countries or businesses with increased mortality and serious accidents: specific acts focused on the safety of the electricity business in Spain, Colombia, Moldova and Panama.
- Type of risks that produce greater accident risk: such as falls on the same level and road safety.
- Specific bottom up business actions, such as the development of Analysis, Planning and Control (Anplac): for those accidents and incidents, of personnel and contractors, of a significant nature where the measures resulting from the area must be transferred to all territories where the company operates.

General plans

In 2015, general plans on overexertion and falls on the same level are to be carried out.

Road safety campaign: complete simulator training in pending countries. Developing lessons learned and safety contacts related to road safety. Implementing rescue sheet in vehicles. Developing an online road safety course as a reinforcement to face-to-face training.

Tracking and monitoring accident indicators in the whole group. Detailed analysis of the casuistry of events in relation to different dimensions (organisational, geographical, functional, etc.). Determination of the action plans derived from the results of previous analysis. Development and approval of safety standard with OSHAS accounting criteria and deployment to countries for implementation.

Development of new comparative study with major multinational companies, including those in the sector. Preparation of the action plan arising from the conclusions of the study.

Road Safety Plan: the safety of employees is a priority and a commitment to the company worldwide

Awareness and education are the keys of Gas Natural Fenosa campaigns to prevent accidents arising from the displacement of workers.

Coinciding with the Global Road Safety Day, on 10 June, Gas Natural Fenosa launched a series of communication initiatives aimed at ensuring that employees, in different countries, travel safely as drivers and pedestrians.

In July, the Road Safety, Everyone's Responsibility workshop was held in Madrid to raise awareness on the most important aspects of road safety. The objective is to consolidate the company as a world leader in health and safety, according to the recommendations of institutions such as the European Parliament, WHO, the UN and the International Labour Organisation (ILO), among others.

Likewise, Gas Natural Fenosa has an agreement with RACE. This initiative is targeting over 16,000 company employees worldwide, in collaboration with RACE and its partners internationally, and involves the deployment of information campaigns, awareness and road safety training.

With this initiative, the Road Safety, Everyone's Responsibility campaign aimed at employees of the group and whose content is made available to collaborating companies, will help ensure that Gas Natural Fenosa is established as a benchmark for safety.

As evidence of this global approach, the campaign will be supported by other international automotive clubs like the ACC of Colombia, ACI of Italy and ACM of Moldova.

During 2014, we carried out various activities to publicise the Road Safety Plan with the following goals:

- Sensitise workers about the risks of road safety that involved in their work displacements.
- Inform workers about specific and seasonal, risks, defensive driving methods, innovations in road safety, new traffic laws and traffic in the workplace.
- Drastically reduce the volume of work accidents/incidents from travelling with regard to the entire company.
- Position Gas Natural Fenosa as a leader in road safety.

Certifications

The Gas Natural Fenosa prevention system is included in the integrated quality management, environment and health and safety system.

In 2014, there were 18 successful audits of the management system according to OHSAS by the AENOR entity. The health and safety certification for the first time in the gas business in Mexico should be highlighted.

It should be noted that in the gas business in Colombia, the ICONTEC (Institute of Technical Standards and Certification) certification was attained.

Occupational health [G4-LA7]

Occupational health forms part of Gas Natural Fenosa's commitment to offering its employees a healthy working environment and well-being. The Integral Health and Well-being Unit contributes to achieving this goal and improve working conditions, the working climate, productivity and performance, with a positive impact in terms of costs and profitability.

Healthcare Management Plan

The Healthcare Management Plan defines the strategic guidelines and establishes the general framework for action of Gas Natural Fenosa in the field of healthcare, ergonomics and psychology/sociology at national and international level.

This document applies to all companies with majority shareholding and those companies or entities in which it has responsibility for operation and/or management.

The responsibilities under the plan correspond to each and every one of the business areas and countries within the group. In addition, comprehensive health services act as advisors for the development, monitoring and control of the plan in each of the areas.

The overall goals defined by the plan are as follows:

- Ensuring the health of workers, developing standardised actions respecting differences inherent in each country.
- Monitoring compliance with the relevant regulations to each area in health.
- Coordinating the development of activities by external collaborators and establish monitoring and control measurements.
- Defining the indicators necessary to assess the implementation and development of the Healthcare Management Plan, as well as all of the involved activities.
- Ensuring continuous training of professionals in the activity, information about the latest technological developments and promoting creativity for innovation.

Furthermore, the deployment of these objectives involves the implementation of specific actions in the following areas:

The Comprehensive Health and Welfare Unit carries out ergonomics and applied social psychology activities, campaigning for health promotion, designed after studying the epidemiological data of workers and analysing gaps and needs in matters of health and performing medical examinations as one of the main tasks according to the specific risks of workers at work.

In 2014, we continued to develop prevention campaigns and health promotion in order to sensitise and mobilise workers to generate a culture of prevention of disease, promote healthy lifestyles and control risk factors to significantly reduce the incidence of various diseases.

During 2014, as in previous years, the usual campaigns were carried out in addition to four new campaigns related to migraine prevention and detection of abdominal and muscle pathology and temporomandibular dysfunction.

The company also annually monitors the health of employees who carry out particularly dangerous activities, such as work involving exposure to ionising radiation, with compressed, liquefied or dissolved gases or significant use of them, and those with high voltage electrical hazards.

In terms of major diseases, the medical services of the company, coordinated with work health insurance companies, manage the provision of care, hospitalisation and treatment of children affected by cancer or serious illnesses. In these cases, the company offers reduced working hours by at least 50%.

Your Health Always on your Agenda

The campaign Your Health Always on your Agenda, driven by the Gas Natural Fenosa health services, forms part of the Health and Safety Commitment Plan and affects everyday issues such as cardiovascular health, nutrition and sport.

The aim of the campaign is to educate people working in Gas Natural Fenosa and their families about the importance of protecting their health and prevention to ensure future quality of life, under the view that the welfare of the company employees is also the welfare of those around them.

In this regard, Gas Natural Fenosa provides tips for healthy eating through information on the Intranet, healthy cooking classes, chats on effective nutrition, and tips for summer. During 2014, specific campaigns on the following topics were held: functional foods, exercise, sleep, cardiovascular disease prevention and positive management of emotions.

It also supported the initiative incorporated as a collaborating company to support the campaign We Manage Stress, dedicated to promoting healthy work environments.

Healthy company model

Gas Natural Fenosa is the first energy company in Spain that is certified as a healthy company. This certification establishes the requirements of a management system for organisations committed to the principles and existing international recommendations for healthy companies that want to promote and protect continuously, health, safety and welfare of workers and sustainability in the working environment of their workers, their families and the community in which the business operates.

The healthy company model helps to:

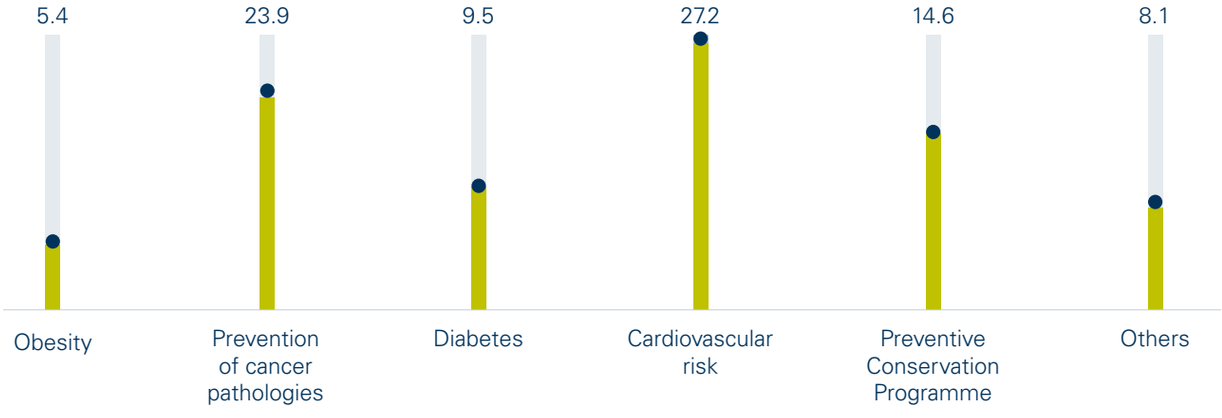
- Improve the health, welfare and safety of employees and their families in a sustainable way.
- Reduce accidents and diseases on an ongoing basis.
- Systematise the key aspects of healthy work environments: physical and psychosocial environment, health resources and participation of the business community.
- Legal compliance.
- Improve the company image.
- Comply with the requirements of customers.
- Improve the competitive advantage of the company.
- Integrate with other systems.
- Improve the motivation of the employees.

In November 2014, Gas Natural Fenosa won the "Healthy Workplace" Award in the Large Business category. This award is an initiative of the Human Resources Observatory (OHR) to recognise the commitment of companies who practice and assess their policies for managing people with full integration in the strategic plan with a focus on the long-term.

Participants in occupational health campaigns

	2014	2013	2012
Prevention and/or early detection campaigns	12,568	25,165	20,077
Vaccination campaigns	3,822	3,023	4,182
Medical check-ups	14,008	12,583	11,765
Medical assistance	35,449	33,621	24,932

Staff taking part in prevention campaigns (%).



Involvement of collaborating companies

[EU17] and [EU18]

Gas Natural Fenosa understands that a safety culture is only achieved when the commitment to it is also assumed by collaborating companies. In 2014, 3,947 collaborating companies were registered with a total of 56,022,695 hours worked between contractors and subcontractors.

During 2014, Gas Natural Fenosa designed and implemented tools to ensure that the commitment to safety also reaches its collaborating companies.

Following the principle that nothing is more important than health and safety, Gas Natural Fenosa is committed to work with the best companies in this regard. Therefore, tools were implemented to ensure:

- The selection of leading companies and key players concerning safety,
- The correct planning of work.
- Implementing operational discipline on the work.
- Correct supervision and management of all tasks.
- Compliance with all procedures and/or basic safety rules applicable to work.

The role of Gas Natural Fenosa as a leader in health and safety becomes visible:

- Adopting proactive preventive policies.
- Leading by example.
- Transferring all principles in prevention at all levels of the organisation.
- Enhancing the role of middle management as a cornerstone in the application of the preventive principles.
- Exercising zero tolerance for unsafe acts and behaviours by the chain of command in the control and supervision of work.

Gas Natural Fenosa is evolving towards a contracting model that establishes health and safety as a key element in the contractual relationship with its collaborating companies.

Integrated management model of collaborating companies

Selection of collaborating companies

Selection of collaborating companies considering the assessment of their commitment to health and safety. Those companies that do not meet the health and safety requirements of Gas Natural Fenosa will not be invited to the selection process.

Preparation of contract

Integration of the global aspects of health and safety applicable to all collaborating companies (single type of documentation for the whole group, specific requirements for country, specific conditions and penalty system).

Awarding the contract

Health and safety is an exclusive and distinctive element in the Gas Natural Fenosa process of assessing and awarding. Therefore, once analysed all the constraints involved in the purchasing process, specifically analysing the solution of health and safety proposed by the collaborating companies.

Guidance and training

Promotion of cultural change in Gas Natural Fenosa through dissemination, awareness and awareness on health and safety. Among other information sessions, leadership and awareness workshops stand out.

Work management

Development of uniform regulatory criteria for the whole group and applicable to collaborating companies, as well as disseminating and making the learning of Gas Natural Fenosa available to collaborating companies. The company also develops specific plans of action in businesses and countries with the highest accident rates.

After-contract assessment

Performance analysis for health and safety of collaborating companies using predefined indicators:

- Accident rate.
- Documented inspection rate.
- Occupational health and safety documentation rate.
- Health and safety implementation rate at work.
- Infraction and sanctions rate.

In 2014, additional backup activities were carried out with contractors in the area of hazards prevention, including the following:

- 9,858 activities relating to the coordination of preventive activities with contractors, most of which were coordination meetings.
- 3,627 meetings with representatives of businesses, contractors and the Prevention Service.
- 1,159 meetings with health and safety coordinators in construction sites.
- 30,268 work supervision inspections by contract companies.

In terms of training, Gas Natural Fenosa's contracts include the requirement whereby all its suppliers and contractors must certify that their employees were given specific training in occupational hazards prevention and safety for the work with which they were commissioned, as laid down in the contracting conditions.

Accident indicators (contractors and subcontractors) [EU17]

	2014			2013		
	Total	Men	Women	**Total**	Men	Women
Accidents requiring medical leave[1]	**948**	872	76	**788**	720	68
Days lost[2]	**8,258**	7,522	736	**7,312**	6,681	631
Mortalities[3]	**6**	6	0	**10**	10	0
Frequency rate[4]	**16,92**	17,11	15,04	**18,24**	19,77	15,11
Severity rate[5]	**0,15**	0,15	0,15	**0,17**	0,18	0,14
Incident rate[6]	**35,71**	36,19	30,93	**12,51**	12,84	9,81

[1] Accidents requiring medical leave: number of accidents in the workplace leading the employee to take medical leave.
[2] Days lost: days not worked due to medical leave caused by accidents at work. Calculated from the day following the day the medical leave is received and considering calendar days.
[3] Mortalities: number of workers who died due to accidents at work.
[4] Mortalities: number of accidents with medical leave occurring during the working day for every million hours worked.
[5] Severity rate: number of days lost as a result of occupational accidents for every 1,000 hours worked.
[6] In 2012, another two workers from collaborator companies died due to a natural disaster. As a result of their cause, they were not considered as occupational accidents.

During 2014, the company designed and implemented tools to ensure that the commitment to safety also reaches its collaborating companies

Accident indicators by country (contractors and subcontractors)

	Accidents requiring medical leave	Days lost	Mortalities	Frequency rate	Severity rate	Incident rate
Argentina	19	316	0	12.27	0.20	24.08
Brazil	15	129	0	4.13	0.04	10.00
Colombia	624	4674	2	22.62	0.17	60.05
Costa Rica	35	377	0	20.44	0.22	44.14
Egypt	0	0	0	0.00	0.00	0.00
Spain	149	1,964	2	11.16	0.15	18,08
France	0	0	0	0.00	0.00	0.00
Italy	4	nd	nd	nd	nd	nd
Kenya	0	0	0	0.00	0.00	0.00
Morocco	0	0	0	0.00	0.00	0.00
Mexico	20	217	0	11.26	0.12	12.00
Moldova	14	256	0	7.44	0.14	13.32
Panama	67	250	2	37.82	0.14	72.83
Puerto Rico	0	0	0	0.00	0.00	0.00
Dominican Republic	0	0	0	0.00	0.00	0.00
South Africa	1	75	0	0.46	0.03	1.08
Uganda	0	0	0	0.00	0.00	0.00

Safety in installations and processes

The diagnosis made in the first phase of implementation of the Health and Safety Commitment Plan identified that the technical standards, procedures and guidelines of Gas Natural Fenosa manage that field activities of the company comply and in some cases exceed, legal requirements. Also in the company, there are systems designed to ensure the safe operation of facilities and processes, and Gas Natural Fenosa has experienced professionals who manage to operate without significant deviations even where the system presents opportunities for improvement.

Hazard management at industrial facilities

Industrial risk management is included in the preventive activity of Gas Natural Fenosa. The company has clearly defined that safety takes precedence over profits.

In risk management, the main objectives of Gas Natural Fenosa are the detection and minimisation of hazards affecting activities, products and services that may have an effect on the company's facilities or its environment, causing economic, environmental and social damages.

To do this, the company has an Industrial Technical Safety Unit, with the mission to assist in the reduction of industrial risks in the company. For compliance the following conceptual scheme is used.

Hazard management at industrial facilities

This conceptual model, in coordination with the industrial businesses, is based on six levers:

- Risk Map.
- Security audits and diagnostic processes.
- Actions in terms of technology and investigation of incidents and accidents.
- Fire protection.
- Training activities.
- Awareness and support activities.

During 2014, Gas Natural Fenosa analysed each of the levers in more depth from a continuous improvement standpoint and within a process, which is fed with the experience of day to day life, in tune with the various industrial businesses in the company.

Risk Map

In its commitment to innovation, Gas Natural Fenosa designed a map of industrial risks, with its own methodology, in order to prevent and minimise impacts, with an overview of the main facilities of the company.

This allows the monitoring of facilities and risks with periodic assessments detecting possible improvements.

Today, the Maghreb pipeline model, the electrical substations and the liquefied natural gas satellite plants are operational and the combined-cycle power generation plants is finished, pending final testing only.

Additionally, we work with a global risk map, a tool that geographically shows the overall risks to which the industrial facilities of the group are exposed. It also identifies the areas, activities and assets (business processes) that could be affected by an event and reveals the risk factors thereof.

The main aim of global risk management is to guarantee the correct identification, assessment and management of the most important risks. It is possible to geographically represent an overview of the risks of the main facilities of the group, in all its businesses and internationally.

Safety audits and process diagnostics

Safety audits are performed for the different technical processes of the group to verify compliance with relevant national standards and regulations, the technical procedures established by the group and the internal regulations of the business unit. They also cover the control of operational risks relating to technology, accidents and breakdowns and impacts on the environment, and relevant management parameters. The main goal is to bring value to the business lines and assist in the continuous improvement of processes.

Also, technical processes diagnosis are performed at the request of the different business units. They show the degree of control of the process monitoring mechanisms and, if anomalies are found, the appropriate actions for correction can be carried out.

Audits and diagnosis are performed by specialist audit teams in the technical processes of gas and electricity generation. During 2014, audits were conducted on maintaining transportation and gas distribution systems; electrical high voltage networks and thermal generation plants in Latin America and the operation and maintenance of underground gas storage facilities; the operation of transportation and gas distribution systems; and household operations on gas facilities in Spain.

Further diagnosis procedures performed in Spain related to the development of guidelines for regulatory inspections and maintenance, among others, various renewable generation facilities, vehicular natural gas stations, LNG satellite plants, energy management facilities and company buildings.

It also assessed the implementation of the Seveso III Directive in the underground gas storage centres.

Actions in terms of technology and investigation of incidents and accidents

As a preventive strategy, Gas Natural Fenosa incorporates the investigation of accidents and incidents and identifies their root causes as a basis for the formulation of improvement measures with the aim of increasing the safety of facilities and processes and prevent their recurrence. In particular, actions that stand out include the definition of standards for the classification of incidents, development of a course for accident investigation, review of standards maintenance of the network and the development of an industrial safety observatory that identifies the most relevant news in the field of industrial safety.

Fire protection

Within the plan to improve safety in facilities and processes, is the development of the fire protection model (PCI) for the management and control of these security systems.

The necessary procedures were developed for the management and technical documents for the implementation of passive (or structural protection) and active (detection and suppression) protection technologies and the most appropriate emergency measures according to the risk analysis of facilities and/or risk objects involved.

According to the model, there were activities that improve the safety of people and facilities such as the improvement in fire protection in all combined-cycle plants in Spain and Mexico, the analysis in the plant of generation engines in the Dominican Republic (Palamara-La Vega power plant) and in critical electrical substations in Colombia, as well as the dissemination of procedures in Latin America.

Training, awereness and support activities

In 2014, we developed training actions related to industrial safety especially targeting electricity distribution businesses and those operating liquefied natural gas (LNG). Important features included the implementation of technology training modules in fire protection, the seminar NFPA 921 on a Guide for Fire and Explosions Investigations, led by experts from the National Fire Protection Association (NFPA) to further research Fire and explosions investigation methods, as well as training in audits for industrial safety processes.

In terms of awareness and support initiatives, Gas Natural Fenosa actively participates and works with the key associations in the sector such as the Spanish Gas Association (Sedigas) and the Aenor Technical Standardisation Committee in the gas sector. Furthermore, in 2014, it took the chair of the National Consumer Goods and Industrial Safety Association (Bequinor).

Safety among customers and society

[G4-DMA] (Customer Health and Safety)

Gas Natural Fenosa conducts accident prevention campaigns for customers of the company, through giving advice that is communicated through the global communication channels (television, radio, press, etc.).

Additionally, the company uses the bills as a direct communication channel with customers. They contain awareness campaigns and information on correct action to take in risky situations.

These campaigns are conducted every year so that the energy that the company distributes is perceived by the user with confidence, but without losing sight of situations of risk to be avoided.

In relation to the distribution assets and according to the records of the various group companies, there were 233 accidents involving the general public, causing 275 injuries and 55 deaths. At the end of the year, three legal actions were brought against Gas Natural Fenosa for these causes. During 2014, there were no serious safety incidents at the premises of the company, resulting from the high involvement of all staff in this area.

No. of accidents involving the general public due to Gas Natural Fenosa activities **[EU25]**

	Accidents	Injuries	Deaths	Legal actions
Gas business	71	154	10	1
Electricity business	162	121	45	2
Total	**233**	**275**	**55**	**3**

Commitment to society

[G4-DMA] (Local Communities)

Principles of responsible action with society

Social commitment is one of the aspects laid down in the Gas Natural Fenosa Corporate Responsibility Policy and is based on the following principles:

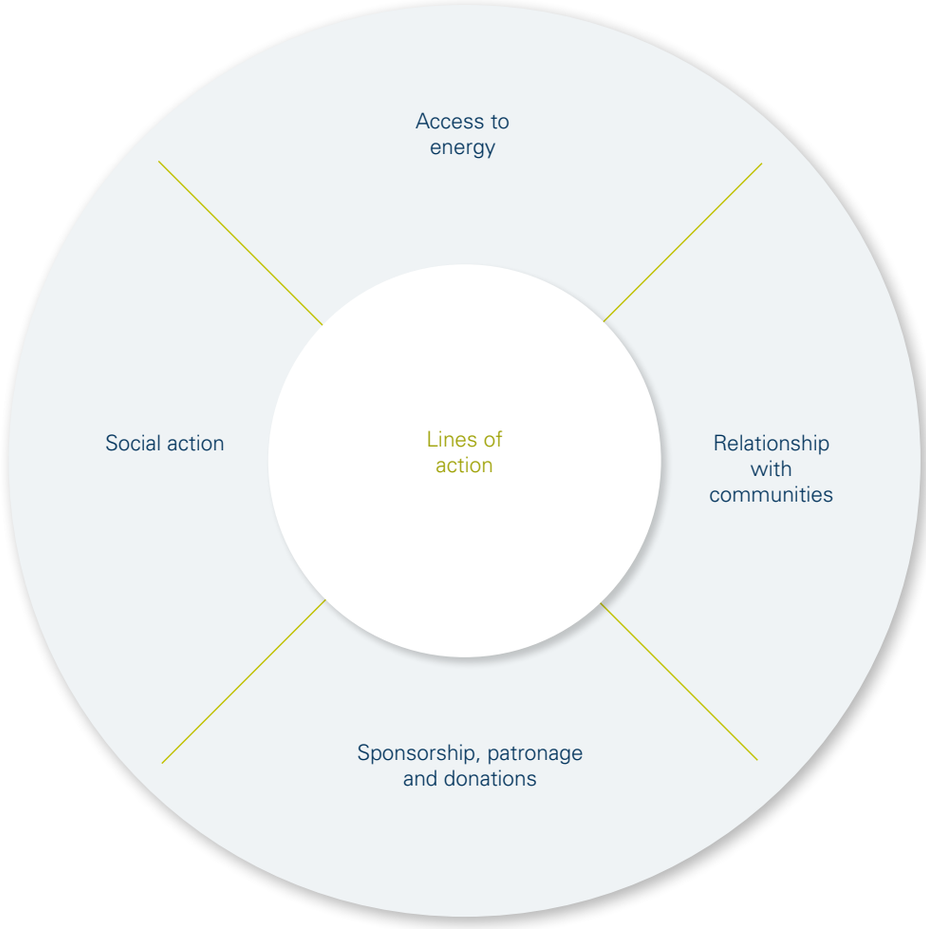
- Positive integration in the society of the countries where we carry out our activities, respecting the culture, rules and setting.
- Generation of value by our own activities and by collaborating with NGOs, local communities and other social players in all of the countries in which we operate.
- Promotion of education, training, cultural wealth and the inclusion of the more underprivileged collectives through social investment.

Creation of wealth and well-being where the company operates

[G4-16]

Gas Natural Fenosa develops its commitment to society through four main lines of action that are aligned with their core activities.

- **Access to energy:** providing and facilitating access to this basic service by those populations with limited resources, in areas where the company performs its activity.
- **Relationship with communities:** ensuring fluid dialogue and to be aware of the social impact the company's business has.
- **Social action:** developed through the Latin America Integrated Operational Centre (COIL) through the strong presence the company has in this area. Three model social action programmes have been defined. The idea is for them to be aligned with the company's business as well as catering to the different stakeholders with which the company has relations.
- **Sponsorship, patronage and donations:** through which the company supports projects and initiatives that generate value for society and, in turn, strengthen the company's social commitment. These values are based on support for culture, social causes and the environment. The adoption of these values is channelled through the different sponsorship and activity initiatives, both of the Gas Natural Fenosa Foundation and the Gas Natural Fenosa Contemporary Art Museum.



Through the sponsorship, patronage and donation initiatives, the company supports projects that generate value for society and strengthen its social commitment

Lines of action

Sponsorship, patronage and donations

Cultural	Social	Energy and environment	Foundation and Contemporary Art Museum

Social Actions. Latin America Integrated Operational Centre (COIL)

Value for suppliers	Responsible use	Relatives of employees

Relationship with communities. Social impact

Corporate Governance	Environmental management	Infrastructure	Products and services
Employment	Skills and training	Suppliers	Taxes

Access to energy. Inclusive businesses in underprivileged neighbourhoods

Inclusive Model of Comprehensive Gasification (Argentina)	Energía Social (Colombia)

Gas Natural Fenosa also fulfils its commitment to society by actively collaborating with prestigious sector and business institutions on both a national and international scale, to which it provides its experience, know-how and resources.

Among others, it is part of the governing bodies of the business federations for the electricity and gas sectors, Unesa and Sedigas respectively, of the International Chamber of Commerce (ICC) and the Spanish Energy Club.

In the field of corporate responsibility, Gas Natural Fenosa is a member of Forética and of the Spanish Association for the UN Global Compact. The company also takes part in the Foundation for Renewable Energy & Environment and in the Corporate Excellence-Centre for Reputation Leadership.

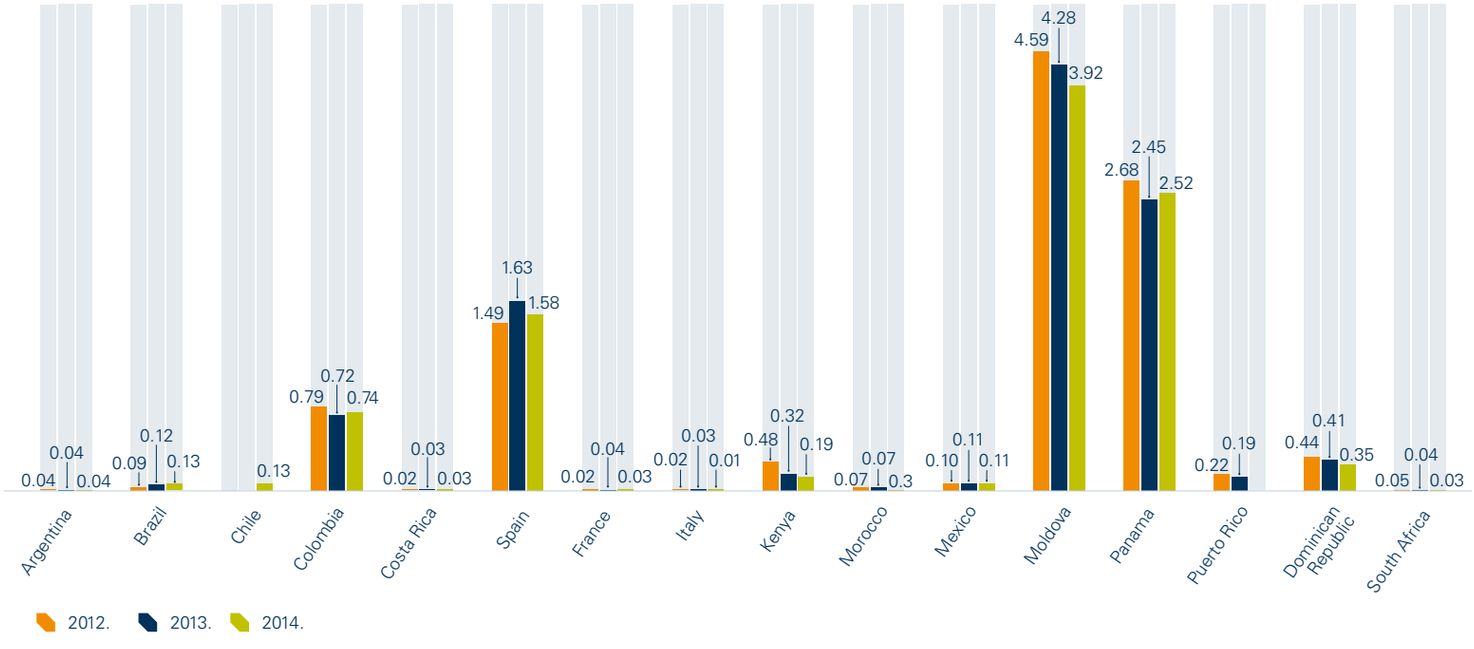
Value actions

Proposed actions 2014		Planned actions 2015
Launch of an initiative for the general public related to the dissemination of energy efficiency and responsible energy use through far-reaching communication platforms.	●	Extending the Cinergía initiative and bringing it closer to the brand values and all stakeholders, working transversely on energy efficiency and the development of a social strategy to encourage the participation of young talent in the project.
Developing actions in company social networks to encourage the participation of users and to facilitate free access to various industry initiatives.	●	Developing an action plan for social networks in order to generate content and activities of general interest in line with the support of culture and energy efficiency.
Extending the social impact assessment of new investment projects.	●	Continuing to spread the social impact assessment to new investment projects.

Level of fulfilment: ● High. ● Medium. ● Low .

Contribution to society (millions of euros)

Contribution to GDP by country (%)



Taxation

Fiscal policies and fiscal risk management

[G4-EC4]

Gas Natural Fenosa is committed to acting with fiscal responsibility in managing its businesses and to complying with its fiscal obligations in the areas in which it operates, maintaining appropriate relations with the pertinent tax administrations.

Thus, since 2010, Gas Natural Fenosa has subscribed to the Code of Good Tax Practices drawn up by the Large Enterprises Forum together with the Spanish tax authorities. The aim of this initiative, which is promoted by the Spanish Government, is to promote transparency, good faith and cooperation with the National Tax Authority in corporate fiscal practice and in the legal security in the application and interpretation of tax laws.

Indeed, the company has expressly undertaken to avoid any opaque structures with tax purposes, to cooperate with tax administrations, to regularly inform the Board of Directors about fiscal policies applied and to apply fiscal criteria which are in accordance with administrative doctrine and case law.

In order to assure that the tax practices of Gas Natural Fenosa are based on these principles, the group uses a General Good Tax Practices Procedure.

It also has a risk map in place in which fiscal risks and controversial questions concerning the interpretation or application of the fiscal legal framework are specifically identified.

Information about the most important fiscal actions and the company's position for each one of them is set out in the "Litigation and Arbitration" section of Note 33 of the Consolidated Annual Accounts.

The Board of Directors is informed of the fiscal consequences of important or particular operations when such consequences are relevant. The Board of Directors should be informed of the creation or acquisition of holdings in companies which are registered in countries or territories which are considered to be tax havens, through the Audit and Control Committee.

Pursuant to Spanish laws which determine which countries are considered to be tax havens (Royal Decree 1080/1991 of 5 July and Royal Decree 116/2003 of 31 January), Gas Natural Fenosa has five shareholdings in companies incorporated in those territories:

- The holdings of 95% in Buenergía Gas & Power, Ltd, of 47.5% in Ecoeléctrica Holding, Ltd and of 47.5% in Ecoeléctrica Limited, are all registered in the Cayman Islands. They are companies which directly or indirectly own a single industrial shareholding which carries out the electrical generation activity by gas combined-cycle plant in Puerto Rico (Ecoeléctrica, L.P.), which pay tax on their income in this country and which do not offer any kind of tax advantage for Gas Natural Fenosa.

- The holdings of 31.1% in Gasoducto del Pacífico (Cayman), Ltd. and of 54.8% in Gasco Grand Cayman, Ltd., are both registered in the Cayman Islands. These are companies which do not engage in business activities and which were included in the group as a result of the acquisition of the CGE group, and as such do not offer any type of tax advantage to Gas Natural Fenosa.

Intra-group operations carried out with these companies concern dividends received amounting to 17,581,000 euros, as indicated in the Annual Corporate Governance Report.

In 2014, the company received official capital grants of 12.5 million euros mainly for municipality gasification or electrification agreements, for which Gas Natural Fenosa has complied with all the established conditions.

Fiscal contribution

Gas Natural Fenosa is acutely aware of its responsibility towards the economic development of the countries in which it operates. Accordingly, it pays special attention to complying with its tax obligations in accordance with laws applicable in each territory.

Paying taxes is a question of significant economic importance and implies a high level of commitment towards compliance with formal obligations and cooperation with the tax authorities.

The total fiscal contribution of Gas Natural Fenosa in 2014 amounted to 3,741 million euros

(3,550 million euros in 2013). The following table shows the total tax paid by Gas Natural Fenosa, broken down according to those which are an effective expense for the group (referred to as own taxes) and those which are retained or passed on to the final taxpayer (called third-party taxes):

Total of taxes actually paid (millions of euros)

Millions of euros	2014	2013	2012
Spain	**2,759**	**2,746**	**1,904**
First-party taxes[1]	940	896	418
Third-party taxes[2]	1,819	1,850	1,486
Latin America	**663**	**556**	**583**
First-party taxes[1]	480	296	304
Third-party taxes[2]	183	260	279
Others	**319**	**248**	**201**
First-party taxes[1]	106	93	100
Third-party taxes[2]	213	155	101
Total	**3,741**	**3,550**	**2,688**

[1] Basically includes payments for corporate income tax, environmental taxes, local taxes and social security paid by the company.
[2] Basically includes Value Added Tax, special taxes, employee withholdings and social security paid by the employee.

Breakdown of taxes actually paid by categories and country

Country	Profit tax[1]	Energy taxes	Local taxes	Others[2]	**Total**	VAT	Taxes on hydrocarbons	Others[3]	**Total**	**Total**
Spain	402	257	145	136	**940**	1,257	356	206	**1,819**	**2,759**
Argentina	7	6	1	23	**37**	9	1	15	**25**	**62**
Brazil	86	–	13	53	**152**	67	–	3	**70**	**222**
Colombia	84	–	24	72	**180**	9	–	26	**35**	**215**
Chile[4]	5	–	–	–	**5**	4	–	2	**6**	**11**
Mexico	51	–	–	3	**54**	30	–	9	**39**	**93**
Panama	32	–	1	6	**39**	–	–	3	**3**	**42**
Rest of Latin America	12	–	1	–	**13**	2	–	3	**5**	**18**
Italy	26	–	–	5	**31**	37	28	5	**70**	**101**
Others	10	1	–	64	**75**	120	17	6	**143**	**218**
Total	**715**	**264**	**185**	**362**	**1,526**	**1,535**	**402**	**278**	**2,215**	**3,741**

[1] Corporate income tax actually paid during the year. Does not include amounts accrued. Information regarding the reconciliation between the registered Corporate Income Tax and that which would arise from applying the nominal rate of the tax applicable in the country of the parent company (Spain) on the pre-tax result is indicated in Note 20. Fiscal status of consolidated annual accounts.
[2] Basically includes Social Security for the contribution paid by the company and other specific own taxes of each country.
[3] Basically includes withholdings on employees and Social Security for the employee's contribution.
[4] Refers to the period of December 2014 as the result of the business combination performed on 30 November 2014.

Economic contributions

[G4-15]

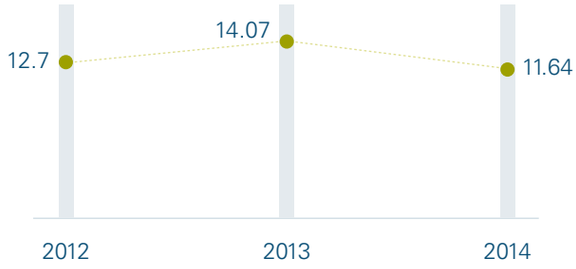
Economic contributions to social investment programmes are another important part of the company's commitment. In 2014, they totalled 11.6 million euros.

The programmes to which these resources are allocated form part of the business development strategy and the aim is to generate a higher corporate commitment to society.

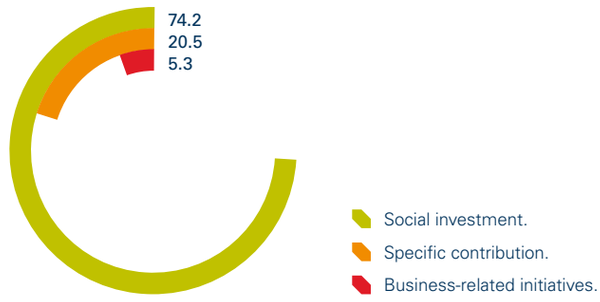
In order to measure the results, Gas Natural Fenosa has tools for assessing the reputation of the social programmes it carries out. In this regard, as in previous years, in 2014 it continued to use the London Benchmarking Group methodology (LBG), which offers an overall view of social investment and enables a comparison of the results obtained with those of other companies.

In 2014, the total fiscal contribution of Gas Natural Fenosa amounted to 3,741 million euros.

Evolution of contributions (millions of euros)

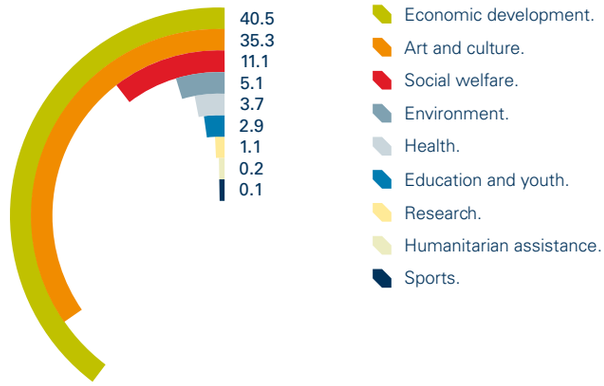


Motivation for initiatives (%)*



*London Benchmarking Group methodology (LBG).

Area of action (%)*



*London Benchmarking Group methodology (LBG).

Gas Natural Fenosa has tools for assessing the impact of the social programmes it carries out on its reputation

Access to energy

Gas Natural Fenosa performs its activity in areas where the energy supply does not reach the entire population. Being able to help people that live in these areas is a priority for the company, and this is why it actively works in developing its distribution networks to offer these populations a service under safe conditions.

Gas Natural Fenosa has a extensive experience in this area. Accordingly, the projects carried out through its commercialisation company Energía Social in Colombia or the project carried out at Cuartel V in Argentina made it possible to provide access to clean and reliable energies to tens of thousands of people. In the medium- and long-term the development of these programmes allows to increase the number of customers and supply points; and, on the other, to acquire the experience the company needs to expand its business to other areas in a similar situation.

More information on energy access programmes can be found in the section titled "Access to Energy", in the "Sustainable Opportunities" chapter of this report.

Relationship with communities

[G4-HR9], [G4-SO1], [G4-SO2] and [OG9]

Gas Natural Fenosa, under its Policy on Human Rights, has made a firm commitment to the respect of local communities. To achieve this commitment, the social impact that company activities may have on affected communities and contributing to improving the living conditions of these communities are key aspects.

Gas Natural Fenosa has a method based on the Measuring Impact methodology of the World Business Council for Sustainable Development (WBCSD) and the aim is to define initiatives and programmes for the effective management of social impacts associated with the company's business.

Bujagali hydroelectric plant (Uganda)

During 2014, we continued with the implementation and development of programmes derived from social impact assessment conducted in 2012 in the hydroelectric power plant operated by a subsidiary of Gas Natural Fenosa, Operación y Mantenimiento Energy.

Programmes deriving from the project at the Bujagali hydroelectric power station (Uganda)

Local procurement programme

It aims to encourage people to buy from local suppliers, taking into account sustainability criteria in their selection and assessment. During 2014, we developed a broad base of local suppliers that provide products and services necessary for the operation of the plant.

Suppliers development programme

Gas Natural Fenosa provides training and advice to local suppliers to adapt the quality of services and products that provide for the needs of the company. In 2014, contracts with four companies that participated in this programme were established. The initiative launched in 2013 to improve road safety, has continued to develop and has resulted in a decrease in road accidents.

Healthcare and life insurance programme

It aims to improve the resources available to meet the health needs of plant employees and the community, and simultaneously reducing days missed due to health, thus, increasing productivity. The programme is aimed at raising awareness on issues related to health, prevention and early detection of diseases. In 2014, 76% of plant staff received some kind of awareness on health issues, and 90% benefited from a specific programme. The first medical camp was organised for the local population in the area where training and diagnosis of diseases activities were conducted; more than 1,000 people benefited from this initiative.

Training programme

In collaboration with local educational institutions, the aim is to provide access to training programmes for young people in the area, in order to improve their qualifications and simultaneously have people in the catchment area of the plant with the training and skills in line with the needs of Gas Natural Fenosa. In the past two years, over 50 students have benefited from this programme.

Fight against energy poverty

Programme to address one of the main demands of the community. Since it is not possible to directly provide the electricity produced in the area to its inhabitants, agreements were established with certain organisations, to provide renewable generation sources such as sunlamps. In 2014, 74 more families were able to access this programme.

Bií Hioxo wind farm (Mexico)

The Bií Hioxo wind farm is a project of 234 MW in Juchitan de Zaragoza (Oaxaca, Mexico). It began commercial operations in October 2014.

Gas Natural Fenosa, according to its firm commitment to respect for human rights and specifically the traditional ways of life, has consistently worked with the affected community and additionally to the project itself, generating wealth, and implementing actions that contribute to improving the living conditions of the inhabitants of the area.

Having identified the needs of the community affected by the project, the company is developing several programmes for various stakeholders based on different lines of action.

Programs derived from the Bií Hioxo wind farm project (Mexico)

Support for education and culture

It includes initiatives such as providing ten schools in the area with a computer classroom that will benefit more than 3,400 students, rehabilitating schools or sponsoring the Venti Nuovo exhibition which emphasises the harmony between the future of wind in the region and its historic past.

Commitment to health. Wind and Life campaign

In partnership with the Mexican Foundation for Education in Prevention and Opportune Detection of Breast Cancer (FUCAM), the programme is aimed at detecting and preventing breast cancer among poor women of Juchitan.

Contribution to improving community infrastructure

Providing resources for the rehabilitation of a water well that will allow 3,000 families to benefit from access to drinking water.

Reforestation of areas of the community

Planting more than 4,000 native trees in the area in collaboration with the Foro Ecológico Juchiteco, A. C.

Direct support to the community directly affected by the project

Contribution to the development of fishing activity in the area and cooperating with the landowners.

Nairobi thermal power plant (Kenya)

Since 1997, Gas Natural Fenosa participates in the electricity production market in Kenya through the Nairobi South power plant that has 109 MW of installed capacity.

In addition to the management of the plant, the company has a community action programme in low-income neighbourhoods surrounding the centre, known as slums.

In 2014, the company continued to collaborate with neighbouring districts to continue the implementation of the programmes. The collaboration between local authorities and neighbourhood committees has been key to the success of the projects.

These programmes have continued to improve the view that local residents have of the company, progressively appreciating the importance of a clean environment.

Construction of the Torito hydroelectric power plant (Costa Rica)

Gas Natural Fenosa is developing in Costa Rica, a 50 MW hydroelectric generation power plant, which, when in operation will supply over 55,000 families. As a result of the cooperation agreement signed with communities in 2013, the company continued to develop several programmes to meet the needs of the population affected by the project.

Programmes derived from the thermal power plant project in Nairobi (Kenya)

Educational initiatives

The company provides grants to students without resources to go to university and donates books for subjects in higher education. In 2014, seven students enjoyed one of these grants.

Annually, there is also the possibility of internships for 26 students in the plant.

Health

Campaigns focusing on improving the health of employees and their families were conducted, such as the diagnosis and prevention of diabetes, cancer and cardiovascular disease, awareness days and nutrition programmes campaigns.

Environmental protection

Involvement in conservation, cleaning and awareness. Through planting trees, cleaning up the slums around the plant and awareness of environmental protection and waste separation.

Promotion of local art and culture

Collaboration through an annual donation to the Kenya National Youth Orchestra made up of young musicians in the country.

Programmes derived from the construction of the Torito hydroelectric power plant (Costa Rica)

Improved infrastructure and technology

Investment exceeded 500,000 dollars and included initiatives such as the construction of sewage, road repair and construction of an aqueduct in Yama, which has given the population access to drinking water. These programmes included the completion in 2014 of projects to improve facilities in schools and community halls and the improvement of equipment for the Pavones and Tres Equis healthcare centres.

Cultural and social initiatives

Since 2013, we have participated closely with the community and entities of the Government of Costa Rica in cultural and artistic activities and those benefiting the environment, such as the Festival of Arts, the Science Fair, the Environmental Fair and reforestation projects, among others.

Social action

Gas Natural Fenosa believes that its community investment programmes have to focus on the geographical areas where it has a presence and must develop in tandem with the corporate activity. To meet this target, the Latin America Integrated Operational Centre (COIL) for Management of Community Investment Programmes was created. Under the motto "Energy to Grow", it implements three kinds of projects.

Types of COIL projects

Value for Suppliers programme

This programme aims to provide training and expert advice for free to companies that form part of the value chain of the company. The programme is implemented through high-level seminars and later, participants have the opportunity to personalised consultations with speakers. In 2013, suppliers and partners participated in the business training and technical installers offered the technical training. Since 2014, the organisation of this training is done through the Extended University.

Responsible Use programme

This programme aims to train children and adults about the efficient and safe use of natural gas and electricity, and the prevention of accidents from improper use of these resources. It is carried out through lectures and workshops in schools, parks, fairs and shopping malls, among others. New for 2014, the responsible use of water and waste management was incorporated into the courses. In addition, the contents are available in an interactive version on the website of the company in Argentina, Brazil, Colombia, Mexico and Panama.

Programmes for employee families

Set of three programmes for children of company employees in Latin America:

- Training for Leadership programme offers the possibility of receiving a leadership training course, taught by the Corporate University of Gas Natural Fenosa, to the children of employees who are finishing their university education.
- Planning your Future programme provides a financial grant or those who are starting college.
- The Natural Vocation and Summer Internship programmes in Argentina offer participants a vocational career advice or the possibility of work experience in the company in the summer months.

Social innovation programmes

	Total since the beginning	2014
Responsible use (trained children)	888,464	309,114
Responsible use (trained adults)	772,087	270,736
Value for Suppliers (trained and advised companies)	4,728	1,552
Staff families[1]	74	21

[1] Includes the Training for Leadership, Planning your Future, Natural Vocation and Summer Internship programmes.

Sponsorship, patronage and donations

Sponsorship and donations constitute occasional economic support for specific projects for social development through the promotion of culture, art, science and other disciplines. As general compensation, Gas Natural Fenosa improves its image and attraction for the general public.

Through the General Regulations on Sponsorship and Donations, the general management principles are established for sponsorships and donations by the company and to define the processes that regulate and control its development. Similarly, activities related to sponsorship and donations are subject to a process of 100% transparency. The regulations also provide priorities, which can be summarised in social action, culture and energy and the environment.

Educational initiatives

The educational initiatives for young persons represent one of the main activities of Gas Natural Fenosa as part of its commitment to society, particularly with regard to the good use of energy and to sustainable development.

The company implemented a wide range of collaboration, participation and sponsorship initiatives with different educational entities in Spain, Moldova and some Latin American countries.

Social action focused on underprivileged groups

Gas Natural Fenosa drives and supports projects that help reduce social inequality and integrate the most vulnerable social collectives. It therefore collaborates financially with foundations and associations whose corporate purpose is to help eradicate or mitigate these problems in some of the countries where it performs its activity.

Promotion of health and research

The company also has a line of action in its sponsorship and donations programme designed to support health and research. It may help improve the quality of life of many people.

The various programmes in which Gas Natural Fenosa participates in this regard include research to improve the quality of life of patients and their families; research of cardiovascular diseases, which are the leading cause of death worldwide, through the Pro CNIC Foundation and the Spanish Society of Cardiology (SEC); and child nutrition programmes in Mexico and Argentina, or collaboration with the Regional Metropolitan Health Service in the Dominican Republic.

Promotion of music, theatre and films

Gas Natural Fenosa also maintained its commitment to collaborate with the world of film, music and theatre, by providing support to festivals, musical events and concerts.

By supporting the world of film, it collaborated with one of the industries most affected by the crisis, particularly in the case of festivals, which in recent years have suffered important cutbacks in the public aid they used to receive.

Activities related to sponsorship and donations are subject to a process of 100% transparency. Priorities are also provided, which can be summarised in social action, culture and energy and the environment

Cinergía: energy efficiency through film

Gas Natural Fenosa launched in 2014, the Cinergía initiative aimed at bringing energy efficiency through cinema and fostering talent in the Spanish film industry.

This project involved film production with four short films related to energy efficiency and the company's products and service, equipment maintenance, efficiency at home, work efficiency and sustainable mobility. The storyline of the short films revolves around inefficient and irresponsible habits and attitudes and their consequences.

Through Gas Natural Fenosa's available channels, the public can learn ways to make more efficient use of energy.

The results obtained were as follows:

- **Positioning as the main sponsor of cinema in Spain,** with over 20 initiatives linked to this sector.
- **Public participation:** the number of participants increased in the actions organised by the company around the major film festivals by more than 80% over the previous year, surpassing 46,500 participants.
- **Positioning on social networks:** social networking spaces of Gas Natural Fenosa already have over 43,000 followers and the videos in the space At the cinema and at Home has exceeded 947,000 views. In this regard, 15 online promotions were conducted with a total of 20,000 participants and over 160,000 visits were received to the website www.cine.gasnaturalfenosa.es
- **Increased brand and company awareness:** media appearances increased by almost 70% and return reached 218%. This represents almost 20% more than in 2013, with over 30 million people affected by the short films.

Fostering cultural enrichment

An important part of the company's cultural investment is carried out through the Gas Natural Fenosa Contemporary Art Museum (MAC). This is an exhibition space located in A Coruña that has been open for more than 19 years. The museum offers exhibitions, staged, informative and leisure events, as well as taking part in activities to favour social integration of people with any form of disability.

Likewise, the company supports other institutions, such as the National Art Museum of Catalonia (MNAC), the Contemporary Art Museum of Barcelona (MACBA), the Valladolid Science Museum and the Royal Association of the Queen Sofia National Art Gallery and Museum.

Corporate volunteers and employee participation

Gas Natural Fenosa encourages its employees to participate in community investment programmes of the company.

These actions include the Solidarity Day initiative, created in 1997 and managed by the employees. It involves participants voluntarily donating a one-day fraction of their annual salary to projects targeted at promoting education and teaching children and young persons in those countries in which Gas Natural Fenosa operates.

For the Solidarity Day event, the company donates an amount equal to the amount donated by employees and assumes all management costs, so that 100% of the amount raised can be used for the annual selected project. Close to 2,000 employees around the world took part in the initiative.

Since it was created, through its scholarship programmes the Solidarity Day has funded the education of more than 3,000 children and young persons at primary & secondary level as well as technical and university studies in Argentina, Bolivia, Brazil, Colombia, the Philippines, Guatemala, Kenya, Morocco, Mexico, Moldova, Mozambique, Nicaragua, Panama, Portugal and the Dominican Republic.

Moreover, since 2013, the association is carrying out some extraordinary social and educational projects in Spain, given the difficult economic situation the country is experiencing. All projects aim to meet the basic needs of those most affected, such as people who are at risk of social exclusion, unemployed and families with serious economic problems.

In 2014, Solidarity Day raised 455,500 euros, which will go towards the implementation of educational projects in Colombia.

All projects of the Solidarity Day initiative aim to meet the basic needs of those most affected, such as people who are at risk of social exclusion, the unemployed and families with serious economic problems

Gas Natural Fenosa Foundation

The Gas Natural Fenosa Foundation is a nonprofit institution founded in 1992 by Gas Natural Fenosa, with a vocation for training and improving society awareness. It is an operating foundation that conceives and implements projects aligned with its mission, whose backbones are based on training and awareness on energy and the environment. Its main objective is to promote the rational use of energy resources and promote sustainable development.

It also promotes cultural activities aimed at preservation and dissemination of the historical and cultural heritage of the gas and electricity industry, through its Gas Museum which has a large collection of artefacts, and historic archives.

The Gas Museum combines the organisation of exhibitions with conferences, an educational programme for schools, activities for young and old, film and music cycles. Its permanent exhibition shows the significance that gas has in the development and modernisation of society and also raises the energy challenges of the future.

First Export programme

This is an initiative of the Gas Natural Fenosa Foundation which aims to provide free training and advice to SMEs of any sector wishing to make their first exportation.

This programme started in Argentina in 2001, and since its launch more than 40,000 Argentine companies have benefited from it when the country was going through its worst socio-economic crisis. Backed by the success in Argentina, it has has been recognised and valued by the business sector and has received 32 awards.

In June 2014, it was launched in Spain, with a total of eight seminars in different towns of the country and a total of 520 companies participated in the programme.

The programme consists of a free training plan that includes classroom and online training sessions and advice and personalised tutorials where topics such as international marketing, business management and price formation, among others, are discussed.

The initiative is a new step in the commitment of Gas Natural Fenosa, which contributes to economic, industrial and business development in the regions generating wealth, employment and progress through its foundation.

To enrol in the programme contact:
fundacióngasnaturalfenosa.org, primeraexportaciongnf@gasnatural.com

The museum activities are spread throughout Spain, which has involved 29,000 students and has had more than 94,000 users.

The headquarters of the foundation moved, in 2012, to the modernist building called "La Energía" (the energy), owned by Gas Natural Fenosa, built in 1899 by the architect Juli Batllevell and remodelled by the foundation. The building obtained, in 2014, the Leed Gold certification from the U.S. Green Building Council, which ensures that the entire building has been designed and built to reach the highest standards of sustainability.

As in previous years, the Gas Natural Fenosa Foundation came, in 2014, in first place in the ranking of transparency annually carried Compromiso y Transparencia Foundation.

During 2014, the foundation held more than 19 events across the country, with more than 2,500 participants. Also, more than seven million gas and electricity customers were informed about the First Export programme in Spain.

The international activities of the foundation were developed in nine countries: Argentina, Algeria, Brazil, Colombia, Costa Rica, Italy, Mexico, Morocco and Moldova. 16 programs were developed, which benefited more than 10,600 people and more than 4,380 companies and institutions.

For more, up-to-date information about the Gas Natural Foundation, please visit the foundation's website, www.fundaciongasnaturalfenosa.com.

Activities of the Gas Natural Foundation. Spain

	2014	2013	2012
Active agreements with autonomous regions	23	20	20
Seminars/courses held	19	17	18
PPE programme days held	15	0	0
Budget allocation in acts (% out of total)	45	32	29
Publications	1	1	3
Environmental education fact sheets	1	1	1
Information sheets	9	9	9

International activities of the Gas Natural Fenosa Foundation

	2014	2013	2012
Activities	16	14	13
International activities budget (% out of total)	22	14	17
Countries in which it operates	9	8	7

Integrity

[G4-DMA] (Human Rights Grievance Mechanisms, Grievance Mechanisms for Impacts on Society, Anti-corruption).

Principles of responsible action at the company

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

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

Integrity is key to the company's success

[G4-56]

From the beginning of its activity, the growth attained by Gas Natural Fenosa has been based on social commitment, integrity and ethical conduct which have formed part of the corporate culture and its vocation to service for customers and the society in which it participates. Indeed, ethics and honesty are the fundamental pillars of the declaration of the company's mission, vision and values, its strategic plans and the Corporate Social Responsibility Policy. They are also commitments assumed by the highest body of government.

Gas Natural Fenosa believes that operating on the basis of integrity directly contributes to achieving business targets and sustainable business management. Proceeding in an ethical way, as recognised by many reference institutions in these areas, such as the World Economic Forum or Transparency International, reduces operating costs, avoids the risk of violating legislation, promotes the retention of talent and favours the correct operation of the market and the distribution of business profits.

These principles are even more important in the present context. The economic crisis has affected the trust of many players in the correct operation of the markets and the capacity of enterprise to achieve the sustainable growth of society as a whole. Faced with this situation, the company's priorities are twofold:

- Strengthening the confidence of its key stakeholders, mainly institutions, shareholders, investors and customers, in the markets on which it operates and based on its ethical principles.

- Extending the way it works to new international environments that offer the company opportunities for growth. The maintenance of integral conduct to help local institutions grow stronger and guarantee the development of a competitive local business fabric is a basic focus that enables the company to take advantage of the great opportunities that can be found.

Gas Natural Fenosa faces challenges regarding integrity through a management approach based on various policies and procedures and specific tools. These elements seek to ensure that the company's activities and those of its employees comply with applicable standards and laws in every country in which it operates. They also seek to ensure that all the units and organisations behave impeccably in accordance with ethical values and formal commitments to conduct, and to preventing and detecting any breach in the appropriate time and manner.

Gas Natural Fenosa put in place various corporate integrity programmes to guarantee the above targets:

- Code of Ethics Management Model.

- Crime Prevention Model.

- Antifraud and Anticorruption Policies.

- Human Rights Policy.

These programmes give rise to indicators that can be used for the management, control and supervision of the company's ethical conduct, which makes it possible to measure the effectiveness of the programmes that are in place and develop new improvement plans adapted to the specific needs of the business.

Value actions

Proposed actions 2014		Planned actions 2015
Recurring process for compliance with the Code of Ethics through the automatic workflow.	●	Management and monitoring of compliance with the Code of Ethics and Anticorruption Policy through the automatic workflow.
Approval of the Anticorruption Policy and update of the group's anti-fraud and anti-corruption regulations.	●	Launch of a training course on the Crime Prevention Model. Updating the Code of Ethics and Anticorruption Policy update of Gas Natural Fenosa.
Adaptation of the Human Rights Policy to the United Nations Guiding Principles.	●	Awareness of Code of Ethics to suppliers. In the context of human rights policy, defining an independent complaints mechanism.

Level of fulfilment: ● High. ● Medium. ● Low.

Code of Ethics Management Model

[G4-57], [G4-58], [G4-HR9], [G4-HR12], [G4-SO5] and [G4-SO11]

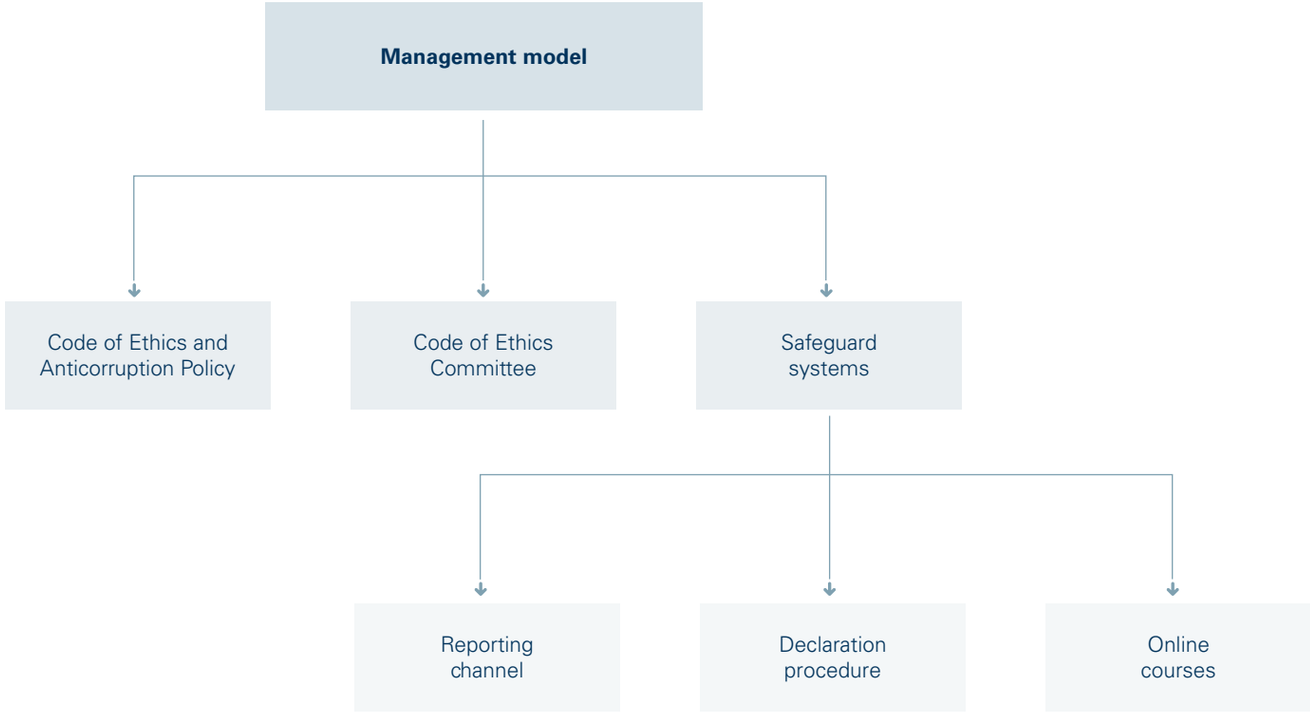
The Code of Ethics formulated and approved by the Board of Directors, is the document that establishes guidelines that must govern the ethical behaviour of managers and employees of the company, in their daily work, with regard to relationships and interactions with all its stakeholders. The principles for the company's employees are related to corruption and bribery, respect for people, professional development, equal opportunities, relation with collaborating companies, occupational health and safety, and caring for the environment, among others.

Since 2005, when it was adopted, the code has been renewed regularly to adapt it to the new situations that affect the company. In 2014, the Code of Ethics of Gas Natural Fenosa was updated in order to adapt it to the changes in the regulation and laws which affect the group, changes in standards and internal procedures, and the best corporate responsibility practices. The code sets out the undertakings entered into by the company in the fields of good governance, corporate responsibility and questions of ethics and regulatory compliance.

In turn, this year the new Anticorruption Policy of the group was passed, which is an extension of Chapter 4.7 on "Corruption and Bribery" in the Code of Ethics. Gas Natural Fenosa thus forges ahead with its best practices, using the Anticorruption Policy to set out the principles which must be used to guide the conduct of all employees and administrators of the companies of Gas Natural Fenosa with regard to the prevention, detection, investigation and correction of any corrupt practice within the organisation.

Gas Natural Fenosa also has a Code of Ethics and Anticorruption Policy Management Model managed by the Internal Audit Department, Internal Compliance and Control, whose targets are to ensure the knowledge, application and fulfilment of the code.

This management model includes the following



- The Code of Ethics and Anticorruption Policy provide essential tools to act in an honest, responsible and transparent manner.

- The Code of Ethics Committee, chaired by the Director of Internal Auditing, Compliance and Control that ensures its objectiveness and independence, is responsible for guaranteeing the dissemination and fulfilment of the code through the supervision and control of the safeguard systems. It has local committees in the countries in which the company carries out its major activities.

- Safeguard systems are the company's mechanisms for ensuring the dissemination and fulfilment of the Code of Ethics. They are as follows:

  - Reporting channel, through which all the employees and suppliers can send queries or notify breaches of the code, in good faith, in a confidential manner and without fear of reprisal.

  - Annual declaration procedure, through which all the employees repeatedly declare that they have read, understood and comply with the code.

  - Online course with training on the issues included in the Code of Ethics and the Anticorruption Policy, mandatory for all employees.

The Code of Ethics and the Anticorruption Policy Management Model also provides that the Audit and Control Committee of the Board of Directors and the Management Committee must receive regular reports from the Code of Ethics Committee on the most relevant issues related to this area such as fraud, audits, decisions on accounting processes and internal control. During 2014, 17% of complaints received, relating to corruption and bribery and respect for the law, human rights and ethical values, were related to alleged fraud, none of which had any significant impact.

Mention should also be made of the fact that the committee did not receive any complaints of incidents taking place in the Gas Natural Fenosa related to labour or child exploitation or in relation to the rights of the corresponding local communities and human rights. 33% of the notifications were related to the principle of respect for people, and they were all solved appropriately. No notification was related to discrimination.

Queries and notifications to the Code of Ethics

	2014	2013	2012
Queries	33	30	10
Notifications	56	49	37
Total	**89**	**79**	**47**
No. of messages received per 200 employees	**1.35**	**0.97**	**0.53**

Gas Natural Fenosa expects a high level of commitment in fulfilling its Code of Ethics and Anticorruption Policy of all its employees. Therefore, emphasis is placed on transmitting a culture of integrity of the company. Its breach is analysed according to internal procedures, legal regulations and existing agreements. During 2014, Gas Natural Fenosa managed various disciplinary situations from complaints made to the Code of Ethics Committee, or from situations covered in the Code of Ethics or the Anticorruption Policy. In total, 46 misdemeanours, 65 serious offences and 45 serious offences, of which 25 have resulted in layoffs were handled.

It is noteworthy that, of the total complaints received in 2014 by the Code of Ethics Committee, 1.8% resulted in layoffs and 5.4% in employee warnings.

The Code of Ethics Committee also has a multi-year work plan with the ultimate goal of extending the code to the highest possible number of activities and people at the company. It includes actions in the short- and medium-term to improve integrity management at Gas Natural Fenosa.

In 2014, the annual work plan of the Code of Ethics Committee included, among others, the following actions:

- Review of the Code of Ethics and submission of a proposal for approval by the Board of Directors of Gas Natural Fenosa.
- Development of the Anticorruption Policy for approval by the Board of Directors of Gas Natural Fenosa.
- Updating the Code of Ethics Committee regulations.
- Definition of the "Declaration of Fulfilment" workflow.
- Training and information activities aimed at company employees.
- External informative actions.
- Activities for extending the Code of Ethics to suppliers in Spain and abroad.
- Monitoring of the implementation of the code in relations with suppliers.

The actions planned by the Code of Ethics Committee in 2015 include the following:

- Awareness of Code of Ethics to suppliers.
- Declaration in 2015 of all employees that they have read, understand and comply with the Code of Ethics.
- Updating Code of Ethics and Anticorruption Policy space on the Intranet of the company.
- Continuity of the actions drawn from the requirements suggested in the reform of the Penal Code.
- Approval of updating the Code of Ethics Committee regulations.
- Specific training actions to inform people about the antifraud and anticorruption programme.

In 2014, the committee held four working meetings, and the local committees held 15.

The company set up local committees in Argentina, Brazil, Colombia, Italy, Mexico, Moldova and Panama. With a structure similar to that of the Code of Ethics Committee, the main mission is to make everyone aware of the Code of Ethics and the Anticorruption Policy and to reproduce the functions the committee carries out in Spain in each country to cover the company's entire area of action. Accordingly, the company guarantees the existence of safeguard procedures in the different countries in which it operates.

Gas Natural Fenosa expects a high level of commitment in fulfilling its Code of Ethics and Anticorruption Policy of all its employees

Code of Ethics chapter to which notifications refers (%)

	Queries	Notices	**Total**
Respect for the law, human rights and ethical values	15	5	**8**
Respect for the individual	9	33	**25**
Professional development and equal opportunities	3	14	**10**
Cooperation and dedication	–	–	**–**
Health and safety at work	–	–	**–**
Corruption and bribery	3	12	**9**
Use and protection of assets	–	–	**–**
Corporate image and reputation	–	–	**–**
Loyalty to the company and conflicts of interest	67	–	**24**
Processing of information and knowledge	–	–	**–**
Customer relations	–	22	**14**
Relations with collaborating companies and suppliers	3	14	**10**
Respect for the environment	–	–	**–**
Total	**100**	**100**	**100**

Received complaint management

	Type of impact	2014
Complaints about negative impacts presented through formal mechanisms	Environment	0
	Labour practices	28
	Company	28
	Human rights	0
Complaints received, investigation opened	Environment	0
	Labour practices	28
	Company	28
	Human rights	0
Complaints received that were solved	Environment	0
	Labour practices	27
	Company	23
	Human rights	0
Complaints about negative impacts filed before 2014 and that were resolved in 2014	Environment	0
	Labour practices	4
	Company	1
	Human rights	0

Average time for resolving correspondence (days)

	2014	2013	2012
Queries	14	18	15
Notices	53	44	48
Total	**38**	**34**	**41**

Crime Prevention Model

The company introduced, in 2011, a Crime Prevention Model which is updated annually. This model incorporates the already established Gas Natural Fenosa internal control structure. Its purpose is to effectively prevent the occurrence of offences under the Organic Law 5/2010 governing the Amendment of the Penal Code. This modification introduces in Spain the criminal responsibility of artificial persons in cases in which they do not exercise due control over the systems of individuals subject to their authority. The model was designed and implemented by the Legal Services Department and is annually supervised by the Audit and Control Committee through the Internal Auditing, Compliance and Control Area.

The model contains 21 crimes that have been identified, together with definitions of their probabilities of occurrence, mechanisms for their control and minimisation, and responsibilities with regard to their fulfilment. It is one of the company's factors of differentiation in the area of integrity, enabling it to prevent crimes that could give rise to legal or other kinds of problems.

Each year, the model is assessed by an independent third party. In 2014, it issued a satisfactory report on its design and effectiveness.

Internationally, in Argentina, Brazil, Colombia, Italy, Mexico and Panama, the Crime Prevention Model is defined for crimes that could have a major impact on the group (corruption, work safety and environment).

Gas Natural Fenosa, being aware of the importance of having a tool to ensure adequate control of the management of this model, administers and uses the SAP GRC Process Control, for the comprehensive management of documentation, assessment and oversight of the model.

On 19 and 22 May 2014, the Court of Palermo notified Gas Natural Distribuzione Italia S.p.A, Gas Natural Vendita Italia S.p.A. and Gas Natural Italia S.p.A. two resolutions issued within an investigation to prevent possible infiltration of organised crime through certain contractors.

This is a preventive and temporary measure to protect companies mentioned against the risk of infiltration. The management of these companies has been assumed by the administrators appointed by the court, although ordinary business activities are still managed by the management team of Gas Natural Fenosa.

Gas Natural Fenosa is cooperating closely and does not believe that the preventive measure adopted will have any impact on the activities or results of these companies.

Antifraud and anticorruption plans and policies

[G4-SO4] [G4-SO5]

Although fraud and corruption are covered in the crime prevention system, the company worked to amend its internal regulations and define specific protocols and mechanisms in this area.

As mentioned above, in 2014, the new Anticorruption Policy of the group was passed. The Anticorruption Policy is an extension of chapter 4.7. "Corruption and Bribery" of the Code of Ethics and in order to comply with national and international legislation on corruption and bribery, and mainly that dictated by the Spanish Penal Code. Currently, several countries have specific regulations in this area, which establish relevant sanctions for non-compliance.

This policy has the object of establishing the principles which must be used to guide the conduct of all employees and administrators of the companies of Gas Natural Fenosa with regard to the prevention, detection, investigation and correction of any corrupt practice within the organisation. It covers all the actions in this area and avoid conduct that may give rise to fraud or corruption and lead to situations that are damaging for Gas Natural Fenosa from a legal point of view or in relation to its reputation.

The Anticorruption Policy of Gas Natural Fenosa establishes 14 principles of action, including aspects such as promoting integrity and transparency in the processing of information, money laundering, conflicts of interest and relationships with third parties.

The focus of the Gas Natural Fenosa programme covers three key areas:

- Establishment of an antifraud and anticorruption culture through training and awareness.
- Implementation of proactive measures to assess the risk of fraud, monitoring and controls.
- Development of measures and response plans in the event of situations that constitute fraud. These plans and measures include the investigation of the episodes, the definition of solutions and the establishment of disciplinary measures.

Also, in all operations involving risk, the company conducts due diligence processes systematically, both for high-risk suppliers, and company relationships with third parties (partners, joint ventures, etc.).

The counterpart due diligence procedure aims to ensure that, across the board, reputational risk and corruption are analysed and assessed efficiently and in a standard way when third parties intervene in business relationships of the companies forming the group.

Human Rights Policy

[G4-DMA] (Assessment and Security Practices) [G4-HR4] and [G4-HR7]

Since 2011, Gas Natural Fenosa has had a Human Rights Policy approved by the Management Committee, which was drawn up following a consultation period with third sector organisations specialised in this field.

The development and approval of this policy is the company's response to growing local requirements, especially in areas in which the protection of human rights is particularly important.

The policy is particularly applicable in locations in which local legislation does not provide a sufficient level of protection for human rights. In these cases, Gas Natural Fenosa undertakes to guarantee a level of protection equivalent to the other areas in which it carries on its business.

The policy establishes ten commitments, which were determined on the basis of the main risks that affect human rights in the company and accepts the UN Guiding Principles on Business and Human Rights.

Human Rights Policy Principles

1	Avoiding any practices which are discriminatory or which might compromise people's dignity.
2	Eradicating the use of child labour.
3	Helping to ensure freedom of association and collective negotiation.
4	Protecting people's health.
5	Offering dignified employment.
6	Ensuring commitment towards people linked to suppliers, contractors and collaborating companies.
7	To support and publicly promote respect for human rights.
8	Respecting indigenous communities and traditional ways of life.
9	Protecting facilities and people on the basis of respect for human rights.
10	Helping to fight corruption.

In the 2014 year, the policy was exhaustively analysed in order to ensure that it was completely in line with the UN Guiding Principles on Business and Human Rights. In this sense, in the medium-term, we will work to strengthen the channel of complaints regarding breaches of the policy to ensure the management of any complaints by an independent third party.

Knowledge of and compliance with the policy are strengthened at the company through the communication and training plan, which includes an online course that is mandatory for all employees. Towards the end of 2014, the number of people who had completed the course on the Human Rights Policy at the Virtual University totalled 12,568.

It is also important to note that, in 2014, 811 security officers provided an active service across the group, and 721 of them (88.9%) took part in the various refresher courses on private security. Regarding training and fulfilling the contractual article concerning the updating of knowledge and forms of action in respect of human rights, in 2014, 665 security guards (82%) participated in courses of this nature, totalling 2,727 hours.

Training on human rights for security guards

Gas Natural Fenosa has hired security guards services in Argentina, Brazil, Colombia, Spain, Mexico, Moldova, Panama and the Dominican Republic. In all these countries, the company contractually requires the completion of continuing education by security guards.

Thus, training provided during the year is planned and coordinated with the security companies. The training is mandatory by law, with particular emphasis on the Corporate Responsibility Policy of the company, within the framework of respect for human rights.

Therefore, best practices are adopted, taking as reference initiatives such as the Voluntary Principles on Security and Human Rights, and the UN Basic Principles on the Use of Force and Firearms for staff belonging to surveillance and security companies that the company hires.

Training on human rights focuses on the characteristics of each of the countries in which Gas Natural Fenosa has contracted the services of security guards and the activities performed by the company in each of them, allowing a more specific and effective training.

Non-compliances and fines

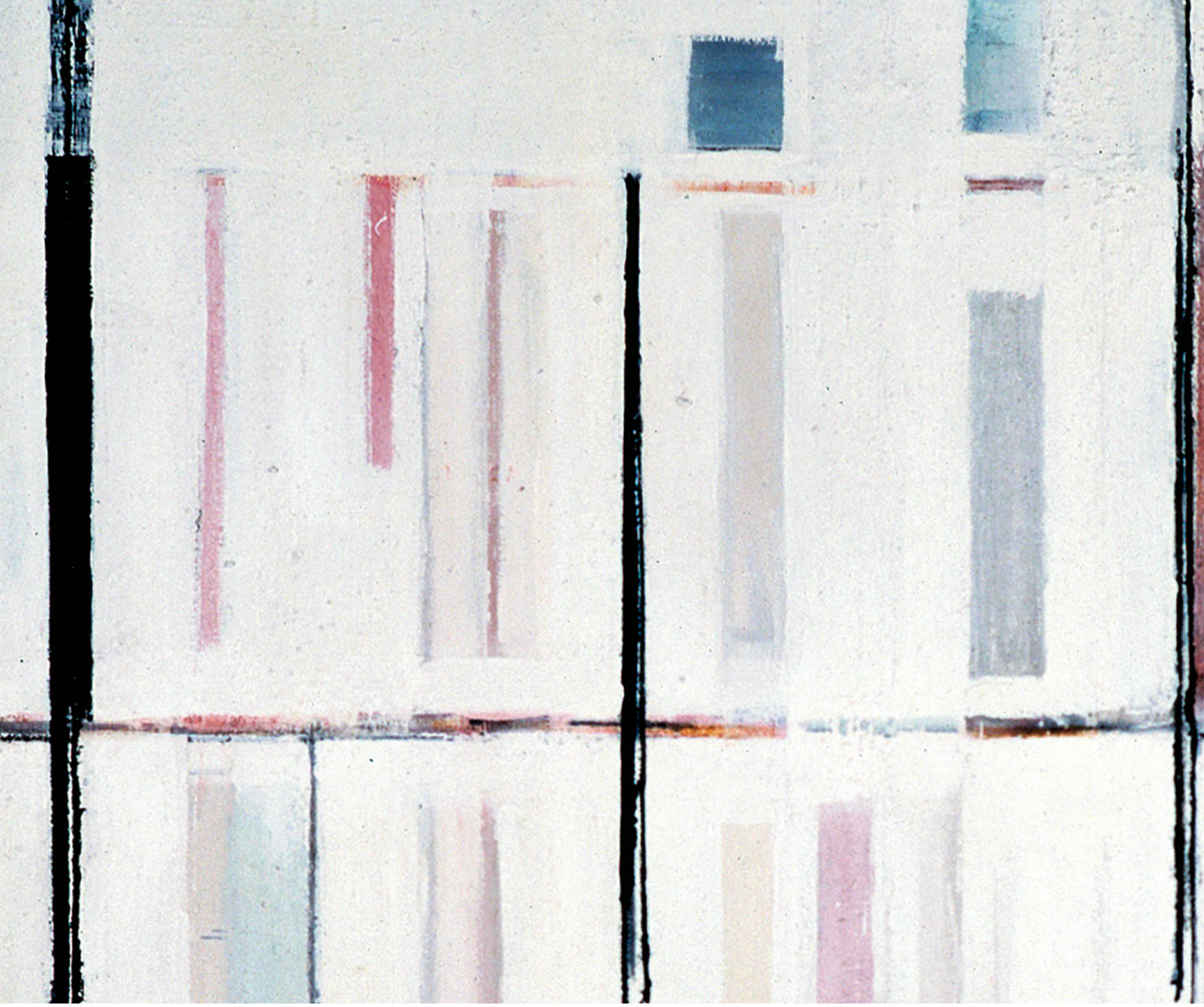
[G4-PR4]

Gas Natural Fenosa works actively towards carrying out its business activities in accordance with applicable laws. For that purpose, the company carries out preventive actions with executives and areas of greatest risk and implements the corrective actions necessary to prevent occurrences which could breach the regulations of each one of the countries in which the company operates.

In 2014, in Spain, the company was fined 600,001 euros for an infringement on hydrocarbons. This resolution was challenged in administrative conflicts and is awaiting sentencing. There were also two sanctions imposed on the owners of the Trillo and Almaraz power plants, amounting to 3,000,000 euros each. The impact for Gas Natural Fenosa was 1,000,035 and 339,000 euros respectively, in view of the percentage of ownership it has in each of the plants. It also received a fine for 100,000 euros for the breach of various formalities related to customer service. In addition, it received a penalty of 200,000 euros for breach of rules governing the electrical connections and another of 600,000 euros for breach of duty of information and communication, both were contentious appeals.

In Latin America, in Brazil, CEG and CEG Rio received fines of 568,049 and 540,613 euros relating to non-investment of an amount that has been promised. Also, CEG was fined 69,295 euros for the misuse of equipment and safety hazards. In Colombia, a court order was issued to the company worth about 70,500 euros. Its main aim was to declare the company responsible for one death from poisoning in 2005. An appeal, which is pending is underway. Meanwhile, Electricaribe received a penalty of 92,495 euros for failing to provide electricity services efficiently and continuously, and a conviction of 90,181 euros for pecuniary and non-pecuniary damages.

In 2014, the company registered no fines for monopolistic practices or for breach of regulations on marketing communications, including advertising, promotions and sponsorship.



Additional information

Mercedes Valcárcel.
IV galerías 4.
1991.
200 x 200 cm.
Mixed technique on canvas.
Museum of Contemporary
Art of Gas Natural Fenosa.

GRI contents index for the exhaustive "in accordance" option with G4 Guidelines

General Standard Disclosures

General Standard Disclosures	Page	Omissions	External Assurance
Strategy and Analysis			
G4-1	page 6	Not applicable	Yes. Pages 261-264
G4-2	pages 83, 85 and 87	Not applicable	Yes. Pages 261-264
Organizational Profile			
G4-3	page 6	Not applicable	Yes. Pages 261-264
G4-4	page 16	Not applicable	Yes. Pages 261-264
G4-5	Back cover	Not applicable	Yes. Pages 261-264
G4-6	page 10	Not applicable	Yes. Pages 261-264
G4-7	page 15	Not applicable	Yes. Pages 261-264
G4-8	pages 10 and 16	Not applicable	Yes. Pages 261-264
G4-9	pages 16, 114 and 171	Not applicable	Yes. Pages 261-264
G4-10	pages 171, 188 and 190	Not applicable	Yes. Pages 261-264
G4-11	page 192	Not applicable	Yes. Pages 261-264
G4-12	pages 124 and 128	Not applicable	Yes. Pages 261-264
G4-13	page 10	Not applicable	Yes. Pages 261-264
G4-14	pages 83, 85 and 87	Not applicable	Yes. Pages 261-264
G4-15	page 222	Not applicable	Yes. Pages 261-264
G4-16	page 217		Yes. Pages 261-264
EU1	page 18		Yes. Pages 261-264
EU2	page 19		Yes. Pages 261-264
EU3	page 109		Yes. Pages 261-264
EU4	page 21		Yes. Pages 261-264
EU5	page 157		Yes. Pages 261-264
Identified Material Aspects and Boundaries			
G4-17	2014 IAR Consolidated Accounts, pages 223-224	Not applicable	Yes. Pages 261-264
G4-18	pages 34, 39 and 45	Not applicable	Yes. Pages 261-264
G4-19	page 38	Not applicable	Yes. Pages 261-264
G4-20	page 39	Not applicable	Yes. Pages 261-264
G4-21	page 39	Not applicable	Yes. Pages 261-264
G4-22	page 44	Not applicable	Yes. Pages 261-264
G4-23	pages 34, 39 and 44	Not applicable	Yes. Pages 261-264

General Standard Disclosures	Page	Omissions	External Assurance
Stakeholder Engagement			
G4-24	page 99	Not applicable	Yes. Pages 261-264
G4-25	page 100	Not applicable	Yes. Pages 261-264
G4-26	page 100	Not applicable	Yes. Pages 261-264
G4-27	page 100	Not applicable	Yes. Pages 261-264
Report Profile			
G4-28	page 44	Not applicable	Yes. Pages 261-264
G4-29	year 2013	Not applicable	Yes. Pages 261-264
G4-30	page 46	Not applicable	Yes. Pages 261-264
G4-31	page 47	Not applicable	Yes. Pages 261-264
G4-32	page 45	Not applicable	Yes. Pages 261-264
G4-33	page 47	Not applicable	Yes. Pages 261-264
Governance			
G4-34	pages 72, 75 and 77	Not applicable	Yes. Pages 261-264
G4-35	page 77		Yes. Pages 261-264
G4-36	page 77		Yes. Pages 261-264
G4-37	page 79		Yes. Pages 261-264
G4-38	page 75		Yes. Pages 261-264
G4-39	page 75		Yes. Pages 261-264
G4-40	2014 IAR Consolidated Management Report, pages 316-317		Yes. Pages 261-264
G4-41	2014 IAR Consolidated Management Report, pages 316-317		Yes. Pages 261-264
G4-42	pages 75 and 77		Yes. Pages 261-264
G4-43	page 77		Yes. Pages 261-264
G4-44	2014 IAR Consolidated Management Report, page 318		Yes. Pages 261-264
G4-45	pages 77 and 81		Yes. Pages 261-264
G4-46	pages 77 and 81		Yes. Pages 261-264
G4-47	pages 77 and 83		Yes. Pages 261-264
G4-48	page 75		Yes. Pages 261-264
G4-49	page 77		Yes. Pages 261-264
G4-50	page 80		Yes. Pages 261-264
G4-51	page 77		Yes. Pages 261-264
G4-52	page 77		Yes. Pages 261-264
G4-53	page 77		Yes. Pages 261-264
G4-54	pages 190		Yes. Pages 261-264
G4-55	pages 190		Yes. Pages 261-264
Ethics and Integrity			
G4-56	page 232	Not applicable	Yes. Pages 261-264
G4-57	page 234		Yes. Pages 261-264
G4-58	page 234		Yes. Pages 261-264

Specific Standard Disclosures

Information on the Management Approach and Indicators	Page	Omissions	External Assurance
Category: Economic			
Aspect: Economic Performance			
G4-DMA	page 133		Yes. Pages 261-264
G4-EC1	page 15	Not applicable. No information is available about point b. For a better assessment of local economic impacts, breakdown of direct economic value generated and distributed by country, region or market, when it is significant. Explain the criteria which have been used for defining their significance. The information systems of the company do not allow this information to be reported.	Yes. Pages 261-264
G4-EC2	page 154		Yes. Pages 261-264
G4-EC3	page 185		Yes. Pages 261-264
G4-EC4	page 220		Yes. Pages 261-264
Aspect: Availability and Reliability			
EU10	page 31		Yes. Pages 261-264
Aspect: System Efficiency			
EU11	page 19		Yes. Pages 261-264
EU12	page 21		Yes. Pages 261-264
Aspect: Procurement Practices			
G4-DMA	pages 124, 128 and 130-131		Yes. Pages 261-264
G4-EC9	page 127		Yes. Pages 261-264
Category: Environmental			
Aspect: Materials			
G4-DMA	pages 140 and 150		Yes. Pages 261-264
G4-EN1	page 150		Yes. Pages 261-264
G4-EN2		Not applicable. The company's principal products and services cannot be manufactured using recycled materials.	Yes. Pages 261-264
Aspect: Energy			
G4-DMA	pages 140 and 150		Yes. Pages 261-264
G4-EN3	page 151		Yes. Pages 261-264
G4-EN4	page 151		Yes. Pages 261-264
G4-EN5	page 151		Yes. Pages 261-264
G4-EN6	page 159		Yes. Pages 261-264
G4-EN7	page 159		Yes. Pages 261-264
OG2	page 54		Yes. Pages 261-264
OG3	page 19		Yes. Pages 261-264
Aspect: Water			
G4-DMA	pages 140, 148 and 165		Yes. Pages 261-264
G4-EN8	page 149		Yes. Pages 261-264
G4-EN9	page 148		Yes. Pages 261-264
G4-EN10	page 148		Yes. Pages 261-264

Information on the Management Approach and Indicators	Page	Omissions	External Assurance
Category: Environmental			
Aspect: Biodiversity			
G4-DMA	pages 140 and 160		Yes. Pages 261-264
G4-EN11	page 162		Yes. Pages 261-264
G4-EN12	page 161		Yes. Pages 261-264
G4-EN13	page 165		Yes. Pages 261-264
G4-EN14	page 163		Yes. Pages 261-264
EU13	page 160		Yes. Pages 261-264
OG14	pages 161 and 164		Yes. Pages 261-264
Aspect: Emissions			
G4-DMA	pages 140 and 146		Yes. Pages 261-264
G4-EN15	page 158		Yes. Pages 261-264
G4-EN16	page 159		Yes. Pages 261-264
G4-EN17	page 159		Yes. Pages 261-264
G4-EN18	page 159		Yes. Pages 261-264
G4-EN19	page 159		Yes. Pages 261-264
G4-EN20	page 146		Yes. Pages 261-264
G4-EN21	page 146		Yes. Pages 261-264
Aspect: Effluents and Waste			
G4-DMA	pages 140 and 147		Yes. Pages 261-264
G4-EN22	page 149		Yes. Pages 261-264
G4-EN23	pages 147 and 148		Yes. Pages 261-264
G4-EN24	page 142		Yes. Pages 261-264
G4-EN25		Not fully applicable. Gas Natural Fenosa administrates its hazardous waste as generated by the company's activities through authorised handlers, in accordance with current legislation in each country. Consequently, it does not transport said waste itself.	Yes. Pages 261-264
G4-EN26	page 148		Yes. Pages 261-264
Aspect: Products and Services			
G4-DMA	page 140		Yes. Pages 261-264
G4-EN27	page 161		Yes. Pages 261-264
G4-EN28	page 148		Yes. Pages 261-264
Aspect: Transport			
G4-DMA	pages 140 and 157		Yes. Pages 261-264
G4-EN30	page 157		Yes. Pages 261-264
Aspect: Supplier Environmental Assessment			
G4-DMA	page 130		Yes. Pages 261-264
G4-EN32	page 130		Yes. Pages 261-264
G4-EN33	page 130		Yes. Pages 261-264

Information on the Management Approach and Indicators	Page	Omissions	External Assurance
Category: Social			
Sub-Category: Labor Practices and Decent Work			
Aspect: Employment			
G4-DMA	page 167		Yes. Pages 261-264
G4-LA1	pages 172, 192 and 194		Yes. Pages 261-264
G4-LA2	page 175		Yes. Pages 261-264
G4-LA3	pages 176 and 194		Yes. Pages 261-264
EU15	page 194		Yes. Pages 261-264
EU17	page 210		Yes. Pages 261-264
EU18	page 210		Yes. Pages 261-264
Aspect: Labor/Management Relations			
G4-DMA	page 187		Yes. Pages 261-264
G4-LA4	Gas Natural Fenosa, in all spheres, has permanent channels of communication with union representatives and social agents as an active part of its corporate policies, particularly in those cases in which there are organisational changes that entail substantial modification, and the company reports this as expeditiously as possible.		Yes. Pages 261-264
Aspect: Occupational Health and Safety			
G4-DMA	page 196		Yes. Pages 261-264
G4-LA5	page 202		Yes. Pages 261-264
G4-LA6	page 204		Yes. Pages 261-264
G4-LA7	page 206		Yes. Pages 261-264
G4-LA8	page 202		Yes. Pages 261-264
Aspect: Training and Education			
G4-DMA	page 176		Yes. Pages 261-264
G4-LA9	page 182		Yes. Pages 261-264
G4-LA10	page 178		Yes. Pages 261-264
G4-LA11	pages 186 and 192		Yes. Pages 261-264
Aspect: Diversity and Equal Opportunities			
G4-DMA	page 173		Yes. Pages 261-264
G4-LA12	pages 76, 173 and 188		Yes. Pages 261-264
Aspect: Supplier Assessment for Labor Practices			
G4-DMA	page 130		Yes. Pages 261-264
G4-LA14	page 130		Yes. Pages 261-264
G4-LA15	page 131		Yes. Pages 261-264

Information on the Management Approach and Indicators	Page	Omissions	External Assurance
Category: Social			
Sub-Category: Human Rights			
Aspect: Freedom of Association and Collective Bargaining			
G4-DMA	page 187		Yes. Pages 261-264
G4-HR4	pages 187 and 239		Yes. Pages 261-264
Aspect: Security Practices			
G4-DMA	page 239		Yes. Pages 261-264
G4-HR7	page 239		Yes. Pages 261-264
Aspect: Assessment			
G4-DMA	page 239		Yes. Pages 261-264
G4-HR9	pages 223 and 234		Yes. Pages 261-264
OG9	page 223		Yes. Pages 261-264
Aspect: Supplier Human Rights Assessment			
G4-DMA	page 130		Yes. Pages 261-264
G4-HR10	page 130		Yes. Pages 261-264
G4-HR11	page 130		Yes. Pages 261-264
Aspect: Human Rights Grievance Mechanisms			
G4-DMA	page 232		Yes. Pages 261-264
G4-HR12	page 234		Yes. Pages 261-264
Sub-Category: Society			
Aspect: Local Communities			
G4-DMA	page 216		Yes. Pages 261-264
G4-SO1	page 223		Yes. Pages 261-264
G4-SO2	page 223		Yes. Pages 261-264
EU22	All individual travel was avoided in 2004 as a result of the company's infrastructures development projects.		Yes. Pages 261-264
OG10	No record of incidents of this type.		Yes. Pages 261-264
OG11	No record of incidents of this type.		Yes. Pages 261-264

Information on the Management Approach and Indicators	Page	Omissions	External Assurance
Category: Social			
Sub-Category: Society			
Aspect: Anti-corruption			
G4-DMA	page 232		Yes. Pages 261-264
G4-SO3	page 88		Yes. Pages 261-264
G4-SO4	page 238		Yes. Pages 261-264
G4-SO5	pages 234 and 238		Yes. Pages 261-264
Aspect: Supplier Assessment for Impacts on Society			
G4-DMA	page 130		Yes. Pages 261-264
G4-SO9	page 128		Yes. Pages 261-264
G4-SO10	page 130		Yes. Pages 261-264
Aspect: Grievance Mechanisms for Impacts on Society			
G4-DMA	page 232		Yes. Pages 261-264
G4-SO11	page 234		Yes. Pages 261-264
Sub-Category: Product Responsibility			
Aspect: Customer Health and Safety			
G4-DMA	page 215		Yes. Pages 261-264
G4-PR1		Not applicable. The impact on consumers' health and safety caused by the company's most significant products and services are not shown, as it has been determined that they do not have any impact of this kind on consumers.	Yes. Pages 261-264
G4-PR2	No incidents have occurred due to non-compliance of regulations and voluntary codes concerning the impacts of products and services on health and safety.		Yes. Pages 261-264
EU25	page 215		Yes. Pages 261-264

Information on the Management Approach and Indicators	Page	Omissions	External Assurance
Category: Social			
Sub-Category: Product Responsibility			
Aspect: Product and Service Labeling			
G4-DMA	page 106		Yes. Pages 261-264
G4-PR3	The general terms and conditions of contracting for the services provided by Gas Natural Fenosa provide customers with the appropriate information about their rights and obligations and about the features of the services provided (gas and electricity). There are no records of breaches of agreements regarding the legal obligations required in each country in which the company operates in this area.		Yes. Pages 261-264
G4-PR4	page 241		Yes. Pages 261-264
G4-PR5	page 120		Yes. Pages 261-264
Electric Utilities Sector Disclosures			
Aspect: Access			
G4-DMA	pages 115 and 118		Yes. Pages 261-264
EU26		Not available. The information systems of the company do not allow access to this information.	No
EU27	page 122		Yes. Pages 261-264
EU28	pages 112 and 122		Yes. Pages 261-264
EU29	pages 112 and 122		Yes. Pages 261-264
EU30	page 20		Yes. Pages 261-264
Oil and Gas Sector Disclosures			
Aspect: Involuntary Resettlement			
G4-DMA	No record of resettlements in the operations performed by the company.		Yes. Pages 261-264
OG12	No record of resettlements in the operations performed by the company.		Yes. Pages 261-264

Glossary of Indicators

Indicator	Description
General Standard Disclosures	
Strategy and Analysis	
G4-1	Chairman's statement.
G4-2	Description of key impacts, risks and opportunities.
Organizational Profile	
G4-3	Name of organization.
G4-4	Primary brands, products and services.
G4-5	Location of the organization's headquarters.
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant.
G4-7	Nature of ownership and legal form.
G4-8	Markets served (including the geographical breakdown sectors served, and types of customers and beneficiaries).
G4-9	Scale of the organization: number of employees, number of operations, net sales, market cap and quantity of products or services provided.
G4-10	Number of employees broken down by contract type and gender.
G4-11	Percentage of total employees covered by collective bargaining agreements.
G4-12	Description of the organization's supply chain.
G4-13	Significant changes which have taken place during the reported period regarding the organization's size, structure, ownership, or the supply chain of the organization.
G4-14	Information on how the organization addresses - if applicable - the precautionary principle.
G4-15	List of charters, principles or other external economic, environmental and social initiatives which the organization subscribes or which it has endorsed.
G4-16	List of associations and national or international advocacy organizations to which the organization belongs.
EU1	Installed capacity, broken down by primary energy source and by regulatory regime.
EU2	Net energy output, broken down by primary energy source and by regulatory regime.
EU3	Number of residential, industrial, institutional and commercial customer accounts.
EU4	Length of above and underground transport and distribution lines by regulatory regime.
EU5	CO_2 allocations of emissions allowances or equivalent, broken down by carbon trading framework.
Identified Material Aspects and Boundaries	
G4-17	Entities included in the consolidated financial statements of the organization and other equivalent documents.
G4-18	Process for defining the report content and the Aspect Boundaries, and how the organization has implemented the Reporting Principles for Defining Report Content.
G4-19	List of the material Aspects identified in the process for defining report content.
G4-20	For each material Aspect, Aspect Boundary within the organization.
G4-21	For each material Aspect, Aspect Boundary outside the organization.
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements.
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.

Indicator	Description
General Standard Disclosures	
Stakeholder Engagement	
G4-24	List of stakeholder groups engaged by the organization.
G4-25	Basis for identification and selection of stakeholders with whom to engage.
G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group.
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.
Report Profile	
G4-28	Reporting period.
G4-29	Date of most recent previous report (if any).
G4-30	Reporting cycle.
G4-31	Contact point for questions regarding the report or its contents.
G4-32	"In accordance" option with the Guide chosen by the organization, GRI Index of the chosen option and reference to the external assurance report.
G4-33	Policy and valid practices of the organization with regard to the external assurance of the report.
Governance	
G4-34	Governance structure of the organization.
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.
G4-36	Executive positions or with responsibility in economic, environmental and social questions, and whether these persons report directly to the highest governance body.
G4-37	Consultation processes between stakeholders and the higher governance body for economic, environmental and social questions.
G4-38	Composition of the highest governance body and of its committees.
G4-39	Information on whether the person who chairs the highest governance body also has an executive position.
G4-40	Processes for appointing and selecting the highest governance body and its committees, and the criteria used for appointing and selecting the members of the former.
G4-41	Process whereby the highest governance body prevents and manages possible conflicts of interest.
G4-42	Duties of the highest governance body and of the senior management in the development, approval and updating of the purpose, values and the mission statements, the strategies, policies and objectives relating to the economic, environmental and social impacts of the organization.
G4-43	Measures which have been adopted to develop and improve collective knowledge of the highest governance body in relation to economic, environmental and social matters.
G4-44	Process for evaluation of the performance of the highest governance body in relation to governance of economic, environmental and social matters.
G4-45	Function of the highest governance body in identifying and management of economic, environmental and social impacts, risks, and opportunities.

Indicator	Description
General Standard Disclosures	
Governance	
G4-46	Duty of the highest governance body in analysing the efficiency of risk management processes of the organization with regard to economic, environmental and social matters.
G4-47	Frequency with which the highest governance body analyses economic, environmental and social impacts, risks and opportunities.
G4-48	Committee or position of highest importance which reviews and approves the sustainability.
G4-49	Process for conveying important concerns to the highest governance body.
G4-50	Nature and number of important concerns conveyed to the highest governance body; also describe the mechanisms which were used to address and assess them.
G4-51	Remuneration policies for the highest governance body and senior management.
G4-52	Process whereby the remuneration is decided.
G4-53	How stakeholders' views are sought and taken into account regarding matters of remuneration, including, if applicable, the results of the votes on policies and proposals relating to this question.
G4-54	Relationship between the total annual remuneration of the best paid person of the organization in each country where significant operations are carried out with the average annual total remuneration of the entire workforce (without counting the best paid person) of the corresponding country.
G4-55	Relationship between the percentage increase in the total annual remuneration of the best paid person of the organization in each country where significant operations are carried out with the percentage increase of the average annual total remuneration of the entire workforce (without counting the best paid person) of the corresponding country.
Ethics and Integrity	
G4-56	Values, principles, standards and rules of the organization, such as codes of conduct or ethical codes.
G4-57	Internal and external mechanisms for assessing ethical and legal conduct, and for consulting matters relating to the organization's integrity, such as helplines or advice lines.
G4-58	Internal and external mechanisms for reporting unethical or illegal conduct and of matters relating to the integrity of the organization, such as escalation through line management, whistleblowing mechanisms or hotlines.
Specific Standard Disclosures	
Category: Economic	
Aspect: Economic Performance	
G4-DMA	Disclosures on management approach.
G4-EC1	Direct value generated and distributed.
G4-EC2	Economic implications and other risks and opportunities for the organization's activities arising from climate change.
G4-EC3	Coverage of the organization's obligations arising from its benefit plan.
G4-EC4	Financial aid granted by government authorities.

Indicator	Description
Specific Standard Disclosures	
Category: Economic	
Aspect: Procurement Practices	
G4-DMA	Disclosures on management approach.
G4-EC9	Percentage of expenditure in areas with significant operations corresponding to local suppliers.
Aspect: Availability and Reliability	
EU10	Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory system.
Aspect: System Efficiency	
EU11	Average generation efficiency of thermal plants by energy source and by regulatory regime.
EU12	Transport and distribution losses as a percentage of total energy.
Category: Environmental	
Aspect: Materials	
G4-DMA	Disclosures on management approach.
G4-EN1	Materials by weight or volume.
G4-EN2	Percentage of materials used that are recyclable.
Aspect: Energy	
G4-DMA	Disclosures on management approach.
G4-EN3	Internal energy consumption.
G4-EN4	External energy consumption.
G4-EN5	Energy intensity.
G4-EN6	Reduction in energy consumption.
G4-EN7	Reductions in energy requirements for products and services.
OG2	Total amount invested in renewable energy.
OG3	Total amount of renewable energy generated by source.
Aspect: Water	
G4-DMA	Disclosures on management approach.
G4-EN8	Total water collection by source.
G4-EN9	Water sources significantly affected by water collection.
G4-EN10	Percentage and total volume of water recycled and reused.

Indicator	Description
Specific Standard Disclosures	
Category: Environmental	
Aspect: Biodiversity	
G4-DMA	Disclosures on management approach.
G4-EN11	Own operating, leased and adjacently managed facilities, containing or located in protected and unprotected areas of high biodiversity value.
G4-EN12	Description of the most significant impacts on biodiversity in protected areas or unprotected areas high in biodiversity, relating to the activities, products and services.
G4-EN13	Habitats protected or restored.
G4-EN14	Number of species included in the IUCN Red List and national conservation lists with habitats in areas affected by operations, according to how endangered the species is.
EU13	Biodiversity of offset habitats compared to the biodiversity of the affected areas.
OG4	Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored.
Aspect: Emissions	
G4-DMA	Disclosures on management approach.
G4-EN15	Direct greenhouse gas emissions (scope 1).
G4-EN16	Indirect greenhouse gas emissions to generate energy (scope 2).
G4-EN17	Other indirect greenhouse gas emissions (scope 3).
G4-EN18	Intensity of greenhouse gas emissions.
G4-EN19	Reducing greenhouse gas emissions.
G4-EN20	Emissions of ozone-depleting substances.
G4-EN21	NO_x, SO_x and other significant air emissions.
Aspect: Effluents and Waste	
G4-DMA	Disclosures on management approach.
G4-EN22	Total water discharge, according to quality and destination.
G4-EN23	Total weight of waste, according to type and disposal method.
G4-EN24	Total number and volume of significant spills.
G4-EN25	Weight of transported, imported, exported or treated waste deemed hazardous under annexes i, ii, iii and viii of the Basel 2 agreement, and percentage of transported waste shipped internationally.
G4-EN26	Identification, size, protected status and biodiversity value of water bodies and related habitats significantly affected by discharges and runoff from the organization.
Aspect: Products and Services	
G4-DMA	Disclosures on management approach.
G4-EN27	Degree of mitigation of environmental impacts of products and services.
G4-EN28	Percentage of products sold and their packaging materials that are recovered at the end of its useful life by product category.
Aspect: Transport	
G4-DMA	Disclosures on management approach.
G4-EN30	Significant environmental impacts of transporting products and other goods and materials used for the organization's activities, as well as the transport of personnel.
Aspect: Supplier Environmental Assessment	
G4-DMA	Disclosures on management approach.
G4-EN32	Percentage of new suppliers that were examined according to environmental criteria.
G4-EN33	Significant, actual and potential, negative environmental impacts in the supply chain, and action taken.

Indicator	Description
Specific Standard Disclosures	
Category: Social. Sub-Category: Labor Practices and Decent Work	
Aspect: Employment	
G4-DMA	Disclosures on management approach.
G4-LA1	Number and average rate of contracting and employee turnover, by age group, gender and region.
G4-LA2	Social benefits for full-time employees that are not offered to temporary or part-time employees, by major activity locations.
G4-LA3	Return-to-work and retention rates in after maternity or paternity leave, by gender.
EU15	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region.
EU17	Days worked by contractor and subcontractor employees involved in construction, operation & maintenance activities.
EU18	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training.
Aspect: Labor/Management Relations	
G4-DMA	Disclosures on management approach.
G4-LA4	Minimum notice periods of operational changes and possible inclusion of these in collective agreements.
Aspect: Occupational Health and Safety	
G4-DMA	Disclosures on management approach.
G4-LA5	Percentage of workers that are represented in formal health and safety committees for management and employees, established to help monitor and advise on occupational health and safety.
G4-LA6	Type and rate of work-related injury, occupational diseases, lost days, absenteeism and fatalities, by region and gender.
G4-LA7	Workers whose profession has a high incidence or risk of disease.
G4-LA8	Health and safety issues covered in formal agreements with trade unions.
Aspect: Training and Education	
G4-DMA	Disclosures on management approach.
G4-LA9	Average hours of training per year per employee, by gender and job category.
G4-LA10	Skills management and lifelong learning programmes that foster employability and help workers manage the end of their careers.
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and professional category.
Aspect: Diversity and Equal Opportunities	
G4-DMA	Disclosures on management approach.
G4-LA12	Composition of governance bodies and breakdown of employees by professional category and gender, age, minority group membership and other indicators of diversity.
Aspect: Supplier Assessment for Labor Practices	
G4-DMA	Disclosures on management approach.
G4-LA14	Percentage of new suppliers that were examined according to criteria relating to labour practices.
G4-LA15	Significant, actual and potential, negative impacts on labour practices in the supply chain, and action taken.

Indicator	Description
Specific Standard Disclosures	
Category: Social. Sub-Category: Labor Practices and Decent Work	
Aspect: Labor Practices Grievance Mechanisms	
G4-DMA	Disclosures on management approach.
G4-LA16	Number of complaints about labour practices that have been filed, addressed and resolved through formal grievance mechanisms.
Category: Social. Sub-Category: Human Rights	
Aspect: Freedom of Association and Collective Bargaining	
G4-DMA	Disclosures on management approach.
G4-HR4	Identification of significant centres and suppliers in which the freedom of association and right to collective bargaining may be infringed or threatened, and measures taken to defend these rights.
Aspect: Security Practices	
G4-DMA	Disclosures on management approach.
G4-HR7	Percentage of security personnel who have been trained on the organization's human rights policies and procedures relevant to operations.
Aspect: Native Population's Rights	
G4-DMA	Disclosures on management approach.
G4-HR9	Number and percentage of centres that have undergone tests or assessments on impacts on human rights.
OG9	Operations where indigenous communities are present or affected by activities and where specific engagement strategies are in place.
Aspect: Supplier Human Rights Assessment	
G4-DMA	Disclosures on management approach.
G4-HR10	Percentage of new suppliers that were examined according to human rights criteria.
G4-HR11	Significant, actual and potential, negative impacts on human rights in the supply chain, and adopted measures.
Aspect: Human Rights Grievance Mechanisms	
G4-DMA	Disclosures on management approach.
G4-HR12	Number of human rights complaints that have been filed, addressed and resolved through formal grievance mechanisms.
Category: Social. Sub-Category: Society	
Aspect: Local Communities	
G4-DMA	Disclosures on management approach.
G4-SO1	Percentage of centres that have implemented development impact assessment and participation of the local community programmes.
G4-SO2	Operating centres with significant, potential or actual, negative impacts on local communities.
EU22	Number of people physically or economically displaced and compensation, broken down by type of project.
OG10	Number and description of significant disputes with local communities and indigenous peoples.
OG11	Number of sites that have been decommissioned and sites that are in the process of being decommissioned.

Indicator	Description
Specific Standard Disclosures	
Aspect: Anti-corruption	
G4-DMA	Disclosures on management approach.
G4-SO3	Number and percentage of centres that have assessed the risks related to corruption and identified significant risks.
G4-SO4	Policies and procedures for communication and training on anti-corruption.
G4-SO5	Confirmed cases of corruption and actions taken.
Aspect: Supplier Assessment for Impacts on Society	
G4-DMA	Disclosures on management approach.
G4-SO9	Percentage of new suppliers that were examined based on criteria related to social impact.
G4-SO10	Significant, potential negative impacts for society in the supply chain and measures taken.
Aspect: Grievance Mechanisms for Impacts on Society	
G4-DMA	Disclosures on management approach.
G4-SO11	Number of complaints about social impacts that have been filed, addressed and resolved through formal grievance mechanisms.
Category: Social. Sub-Category: Product Responsibility	
Aspect: Customer Health and Safety	
G4-DMA	Disclosures on management approach.
G4-PR1	Percentage of product categories and services whose significant impact on health and safety services have been assessed to promote improvements.
G4-PR2	Number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services on health and safety during their life cycle, by type of outcomes.
EU25	Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases.
Aspect: Product and Service Labeling	
G4-DMA	Disclosures on management approach.
G4-PR3	Type of information required by organizational procedures relating to information and labeling of their products and services, and percentage of significant products and services subject to such requirements.
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.
G4-PR5	Results of surveys measuring customer satisfaction.

Indicator	Description
Electric Utilities Sector Disclosures	
Aspect: Access	
EU26	Percentage of population unserved in licensed distribution or service areas.
EU27	Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime.
EU28	Power outage frequency.
EU29	Average power outage duration.
EU30	Average plant availability factor by energy source and by regulatory regime.
Oil and Gas Sector Disclosures	
Aspect: Involuntary Resettlement	
OG12	Operations where involuntary resettlement took place, the number of households resettled in each and how their livelihoods were affected in the process.

Independent Review Report

[G4-33]

Free translation from the original in Spanish, in the event of a discrepancy, the Spanish language version prevails.

INDEPENDENT REVIEW REPORT ON THE 2014 CORPORATE RESPONSIBILITY REPORT

To the Management Committee of Gas Natural SDG, S.A.

Scope of the work

We have carried out a review of the following aspects of the 2014 Corporate Responsibility Report (hereon 2014 CRR) of Gas Natural SDG, S.A. and its Group of Companies (hereon Gas Natural Fenosa) for the year ended 31 December 2014:

- The adaptation of the contents of the 2014 CRR with the Guide for the Preparation of Sustainability Reports of the Global Reporting Initiative (GRI) version 4 (hereon GRI-G4), and validation of indicators included in the general and specific standard disclosures proposed in that Guide and in the Electric Utilities and Oil and Gas Sector Supplements referenced to the chapter "GRI contents index" of the 2014 CRR and the "Key Corporate Responsibility Indicators" (included on pages 22-24 of the 2014 CRR), in accordance with the reporting criteria of Gas Natural Fenosa.
- The adaptation of the contents of the 2014 CRR with the principles of inclusivity, materiality and responsiveness of the AA1000 AccountAbility Principles Standard 2008 issued by AccountAbility, Institute of Social and Ethical Accountability (hereon AA1000APS (2008)), as described in the paragraph "Compliance with the reference standards".
- The information provided concerning the actions carried out in 2014 for each corporate responsibility commitment (specified in pages 73, 92, 107, 134, 139, 168, 197 and 218 of the 2014 CRR).

Responsibility of the Gas Natural Fenosa Management

The preparation of the 2014 CRR and its content are the responsibility of the Management of Gas Natural Fenosa, whom is also responsible for defining, adapting and maintaining the management and internal control systems from which information is obtained and the systems for the application of the AA1000APS (2008) principles.

Our responsibility

Our responsibility is to issue an independent assurance report based on the procedures applied in our review, exclusively referred to the information of 2014. This report is issued in accordance with the terms in our engagement letter.

This review was performed with the following scopes:

- Reasonable assurance for the key indicators of "Commitment to results" and "Integrity" for 2014, included in the "Key Corporate Responsibility Indicators" of the 2014 CRR.
- Limited assurance for:

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– indicators included in the general and specific standard disclosures of the GRI-G4 Guide for 2014 included in the "GRI contents index" of the 2014 CRR and in the Electric Utilities and Oil and Gas Sector Supplements of the guide and the rest of indicators included in the "Key Corporate Responsibility Indicators".
– actions performed in 2014 for each corporate responsibility commitment.

Criteria and procedures applied to carry out the review

We carried out our review in accordance with the Standard ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). This standard lays down two levels of review, a lower or limited level of assurance ("Limited Assurance Engagement") and another more advanced, a reasonable level of assurance ("Reasonable Assurance Engagement"). In both cases, it is necessary to obtain sufficient evidence to support the information presented. In the case of reasonable assurance, the scope of the review processes is greater in order to reduce the risk of omission or error in the information presented to an acceptably low level.

We have also carried out our work in accordance with AA1000 Assurance Standard 2008 of AccountAbility under a moderate type 2 assurance engagement.

Our review work consisted of enquiries of management and various units of Gas Natural Fenosa that have participated in the preparation of the 2014 CRR and the application of certain procedures which are generally described below in order to obtain reasonable or limited assurance, as appropriate:

a) Work performed for the information under reasonable assurance:

- Meetings with Gas Natural Fenosa personnel for the analysis of the processes of data compilation, validation and consolidation at corporate and country level.
- Analysis and documentation of processes through flow-diagrams, indicating key controls for subsequent validation.
- Assessment of IT internal control systems in relation with the information systems that support the design and preparation of the selected indicators.
- Testing, through sampling, of reported data and validation of key controls identified.
- Verification through substantive review testing of the consistency and reasonableness of the quantitative and qualitative information of the indicators and their adequate compliance.

b) Work performed for the information under limited assurance:

- Meetings with Gas Natural Fenosa personnel to know the reporting process and obtain the necessary information for external review.
- Analysis of the processes to compile and validate the data presented in the 2014 CRR.
- Analysis of the adaptation of 2014 CRR content to GRI-G4 Guide and GRI Electric Utilities and Oil and Gas Sector Supplements of GRI, and AA1000APS (2008) standard principles.
- Analysis of the documentation and actions carried out in relation to the application of the principles of inclusivity, materiality and responsiveness of AA1000APS (2008) standard with respect to the information included in the 2014 CCR on the basis of the different stakeholders' requirements.
- Verification, through analytical review and substantive tests, on the basis of a sample selection, of the consistency and reasonableness of quantitative and qualitative information

of the indicators on GRI-G4 Guide and key indicators of corporate responsibility for 2014, included in the 2014 CRR, and their appropriate compilation on the basis of the data provided by the information sources of Gas Natural Fenosa.

- Analysis of the information relative to the actions performed in 2014 by Gas Natural Fenosa for each corporate responsibility commitment.

Independence

We have carried out our work in accordance with the independence rules laid down by the Code of Ethics of the International Federation of Accountants (IFAC).

PwC applies the International Standard on Quality Control 1 (ISQC 1) and, consequently, our firm has a global quality control system which includes documented policies and procedures on the compliance of ethical requirements, professional standards and applicable statutory requirements.

The work was carried out by a team of specialists on corporate social responsibility and on social, environmental and economic performance of the company with broad experience in the review of this type of reports.

Conclusion

As a result of the work performed we can conclude that:

- With respect to the reasonable assurance work, the information reported on the key indicators of "Commitment to results "and "Integrity" for 2014, included in the section on "Key Corporate Responsibility Indicators" (pages 22-24) of the 2014 CRR, has been prepared appropriately and reliably in all significant respects, in accordance with the reporting criteria of Gas Natural Fenosa.

- With respect to the limited assurance work we have identified no significant departure or omissions with respect to:
  - the reasonableness and consistency of the information reported in the 2014 CRR relating to the "Key indicators" and the indicators included in the general and specific standard disclosures and in the Electric Utilities and Oil and Gas Sector Supplements of GRI-G4 Guide.
  - the information on actions performed in 2014 for each of the corporate responsibility commitments, specified in pages 73, 92, 107, 134, 139, 168, 197 and 218 of the 2014 CRR.

- Similarly, we have not identified any significant departures or omissions in the preparation of the 2014 CRR in accordance with the principles of inclusivity, materiality and responsiveness laid down in AA1000APS (2008). Specifically:
  - with respect to the basic principle of inclusiveness, no significant departure or omission has been identified in the information presented by the management of Gas Natural Fenosa concerning attentiveness to processes of stakeholder engagement and participation.
  - with respect to the principle of materiality, no significant departure or omission has been identified in the information presented by the management of Gas Natural Fenosa in regards of the existence of an equilibrated comprehension of the relevant sustainability matters for the organization and its stakeholders.
  - with respect to the principle of responsiveness, no significant departure or omission has come

to light in the information presented by the management of Gas Natural Fenosa in regards of the existence of a process to develop de appropriate answers to the relevant matters and expectations of the stakeholders or a communication system with stakeholders in relation to the set-up, management and monitoring of sustainability policies and objectives.

Recommendations

During the verification process, certain observations and recommendations have come to light that are submitted to the management of Gas Natural Fenosa in an internal document. Set out below is a summary of the main recommendations concerning improvements in the application of the principles of inclusivity, materiality and responsiveness, which do not alter the conclusion expressed in this report.

Inclusivity

The Gas Natural Fenosa 2014 CRR answers the relevant aspects that the organization has identified and presents the informative and engagement actions performed with stakeholders. It is recommended to keep developing both the internal and external dialogue to incorporate the stakeholders' expectations in every business decision and prioritize the dialogue actions that allow the direct implication of stakeholders in the development of a strategic answer to sustainability.

Materiality

Gas Natural Fenosa has performed a materiality analysis in order to determine the relevant aspects of the organization and during 2014 has contrasted the analysis with different corporate and business areas. It is recommended to homogenize the materiality analysis in the different countries and to continue progressing on the incorporation of the internal vision of the different business units. It is also suggested to contrast with the main internal and external stakeholders the relevance given to those aspects and its prioritization on the corporate responsibility report.

Responsiveness

Gas Natural Fenosa has a Corporate Responsibility Policy approved by the Board of Directors, through which the organization assumes a series of commitments with its main stakeholders. It is recommended to develop a systematic approach, on the basis of the materiality analysis performed, to monitor the performance level against these commitments, involving the main business and corporate areas of the organization.

PricewaterhouseCoopers Auditores, S.L.

Mª Luz Castilla
8 May 2015

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