

Corporate Responsibility Report

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Summary

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Letter from the Chairman



We are pleased to present you with this new edition of the Gas Natural Group's Corporate Responsibility Report. For the sixth consecutive year, we seek to help our stakeholders, the markets and society in general to form a fair view of the Gas Natural Group and its social function, as well as its identity, successes and aspirations.

Corporate responsibility and sustainability form part of our business model and our culture as a company. Our activity contributes to satisfying the needs for energy, progress and improved life quality of the societies of the countries in which we operate. We do this mainly through the supply, distribution and commercialisation of natural gas, a clean and efficient energy that contributes to reducing the effects of the climatic change and enables progress in the European commitment to compliance with the Kyoto Protocol.

Accordingly, this report summarises the actions we have carried out to improve our employees' satisfaction, create customer loyalty and strengthen our commitment to the environment and social contribution, features of our Group's work that cannot be expressed fully in the cold figures of a financial statement.

Besides the commitments assumed and the results achieved, this report includes the Company's strategy on the various aspects of corporate responsibility, as well as the activities it has carried out to extend the Code of Conduct through the entire value chain. It also contains relevant information on its participation in technologically advanced projects that offer significant environmental benefits, such as the introduction of compressed natural gas (CNG) in public and private transport fleets and, for the first time in this report, its quantitative targets in the area of health and safety.

Of all this information, special mention must be made of our 2008-2012 Strategic Plan, which lays down our philosophy and sets new milestones as an individual and collective challenge for everyone at the Gas Natural Group. To achieve these targets, we have defined action principles based on the premises of corporate responsibility and sustainability that will significantly help strengthen both the organisation and its corporate culture.

This report has been verified by PricewaterhouseCoopers, the Gas Natural Group's financial auditor, and drawn up in accordance with the recommendations and principles laid down in the "Sustainability Reporting Guidelines" issued by the Global Reporting Initiative (GRI). We understand that the report is a balanced and reasonable presentation of our performance, and that it includes the areas of corporate responsibility that comply with our

characteristics and those of the sector in which we operate. Its preparation has also taken into account some of the main stakeholders' perceptions and valuations of the Group's performance in the area of corporate responsibility. As a result, the Gas Natural Group's 2007 Corporate Responsibility Report includes additional contents with regard to previous years.

Our Company remains part of the most highly respected selective corporate responsibility indexes in the world, such as the Dow Jones Sustainability Index and the FTSE4Good, as well as the KLD Global Climate 100 Index, which has been designed to promote investment in companies whose activities show a higher potential for reducing the immediate and long-term causes of the climatic change.

We believe that good results always come to companies that are well governed and managed, that have a clear business model and that understand that business success is not possible when the needs of the societies in the areas in which it operates are ignored. Accordingly, in 2007, the Gas Natural Group's net profit was up 12.3% on the previous year, reaching the figure of 959 million euros and its gross operating profit (Ebitda) grew by 19% to the figure of 2,277 million euros. These excellent figures not only allow us to increase the dividend again –16.3% up on the previous year– but also to renew the trust our shareholders have in the Company's progress and its growing, sustained profitability.

I would like to make particular reference to everyone in our Group, who, with their enthusiasm, commitment and efforts, help make the Gas Natural Group a company that is better, more efficient, more customer-focused, more responsible and, in short, more respected every day.

I hope this Corporate Responsibility Report gives you a better understanding of our Group's culture, of the targets we set ourselves and of the challenges we face. I also hope it transmits the sound and sincere nature of our commitment to society.



Salvador Gabarró Serra
Chairman of the Board of Directors

Scope and focus of report

The report has been drawn up on the basis of the third version of the "Sustainability Reporting Guidelines" issued by the Global Reporting Initiative (GRI-G3) and on the principles of the AA1000 AccountAbility standard.

The information which appears includes gas and electricity distribution and commercialisation operations, international gas supplies and transportation, and activities carried out by the Gas Natural Group in Spain, France, Italy, Morocco, Algeria and Latin America.

The Gas Natural Group in the world



	Gas						Energy commercialisation	Electricity generation	Multi-product offer
	Exploration	Production	Transport	Distribution	Storage	Regasification			
Algeria	•								
Argentina				•					
Brazil				•					
Colombia				•					
France							•		
Italy				•			•		•
Mexico				•				• ⁽¹⁾	
Morocco	•		•						
Puerto Rico						•		•	
Spain	•	•	•	•	•		•	•	•

(¹) The effective control of the combined-cycle power plants in Mexico came to light on 28 December 2007.

The information collected refers to the year 2007, including, as far as possible, data from previous years. The indicators shown in this report include the results of the last three years except for those included for the first time in this publication, which refer only to the previous year.

The companies that make up the Gas Natural Group are fully listed in the Annual Report published by the Company.

The combined-cycle power plants of Mexico have not been included in the scope given that the effective control came to light on 28 December 2007. Similarly, consideration has not been given to the minority shares in Petroleum Oil & Gas España.

Verification

In order to ensure the integrity and credibility of this report, the Gas Natural Group has incorporated a number of policies and procedures into its internal control system to ensure the correct presentation of the indicators and information it includes.

In the said policies and in accordance with the GRI recommendations, the Gas Natural Group commissions the annual external verification of the contents of the Corporate Responsibility Report. This verification is made by an independent expert, PricewaterhouseCoopers, which reviews the adaptation of the contents of the Corporate Responsibility Report to the provisions laid down in the GRI-G3 Guidelines and the AA1000 standard. In addition, it prepares an Independent Review Report that includes the targets and scope of the process, as well as the verification procedures used and its conclusions (see section on "Independent Review Report").

Principles for drafting this report

The GRI-G3 Guidelines lays down the principles to be used for the definition of the contents of the report: materiality, stakeholder participation, sustainability context and exhaustiveness.

The Gas Natural Group performed a materiality study based on the AccountAbility AA1000 standard to identify the issues that are of relevance in corporate responsibility

- **Materiality.** "The information contained in the report should cover those aspects and indicators that reflect the significant impacts of the organisation or those that could exercise substantial influence over the evaluations and decisions taken by the interest groups".

Before drafting the report, the Gas Natural Group performed a materiality study based on the AccountAbility AA1000 standard to identify the relevant corporate responsibility issues on which to report (the information is considered material if its omission or distortion in a report can influence the reporting organisation's stakeholders' actions or decisions). The

2007 Materiality Study Report Relevant issues, by spheres

Economic Scale

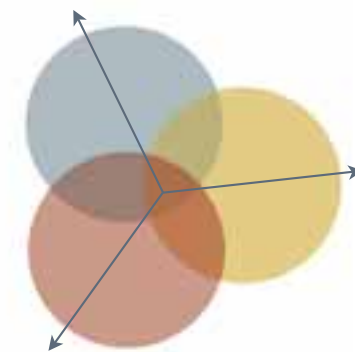
- Corporate Governance.
- Risk Management.
- Codes of Conduct/Corruption.
- Customer Relationship Management.
- Market Opportunities.

Environmental Scale

- Eco-efficiency.
- Environmental Management Systems.
- Environmental Performance.
- Storage, Transportation and Distribution Infrastructures.
- Infrastructure projects.
- Climate Strategy.
- Biodiversity.

Social Scale

- Labour Relations.
- Human Capital Development.
- Talent Attraction and Retention.
- Corporate Citizenship.
- Stakeholder Engagement.
- Health and Safety.





study consists of the identification and categorisation of the issues, comparing their maturity between the companies in the sector and their relevance for the company in accordance with the importance allocated by institutional investors, sectorial prescribers, the media and opinion prescribers.

- **Stakeholders inclusiveness.** "The reporting organisation should identify its stakeholders and describe how they have responded to their expectations and reasonable interests in the report".

The establishment of active dialogue with stakeholders is a fundamental principle of the Group's strategy. The Company has defined its stakeholders, identified its expectations and defined actions to establish dialogue. This process is explained in the section on "Dialogue with interest Groups".

- **Sustainability context.** "The reporting organisation should situate its operations within the wider context of sustainability".

Owing to the strategic importance of corporate responsibility for the Gas Natural Group, the report has sought to analyse the Company's performance in the context of the economic, environmental and social requirements of its social and market environment.

- **Exhaustiveness.** "The coverage of the indicators and material aspects and the definition of the coverage of the report must be sufficient to reflect the significant social, economic and environmental impacts and to enable the stakeholders to assess the informing organisation's record during the period covered by the report".

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

Ethos Chair and dialogue with stakeholders

In 2007, the Gas Natural Group, in collaboration with the Ethos Chair of Ramon Llull University, developed a consultancy group for discussing possible improvements to the Company's Corporate Responsibility Report.

The session was held in Barcelona and involved representatives from the Company itself, the Chair and the aforementioned University, as well as from other academic and business organisations of relevance, such as ESADE, AGBAR, DKV and Ernst & Young.

The session began with a presentation by the Gas Natural Group and, during the subsequent debate, various issues related to the content and form of the

report were discussed. The experts gave a positive valuation to various sections, such as the description of the Company's risk management system and its relation to material issues of corporate responsibility.

As improvements for future reports, the experts proposed the publication of three-year targets in the key indicators. They also proposed the strengthening of the information on the applicable standards in the Company's supply chain.

This initiative shows the Gas Natural Group's intention to gather opinions from its concurrent stakeholders to improve its practices in information transparency, among others.

Materiality study

Its aim is to help focus the report on the issues that are of the greatest relevance for the Gas Natural Group, dealing with its characteristics and particularities, the sector in which it operates and, in short, the matters that may represent a direct risk for its reputation and the trust of its stakeholders.

The materiality study is a sequential analysis that uses various approaches to determine the importance of the different matters related to corporate responsibility:

- The sector challenges, as posed by institutional investors concerned with corporate responsibility practices.
- The corporate responsibility information published by companies in the sector.
- The attention paid by sector associations to the different questions regarding corporate responsibility.
- The corporate responsibility issues that appear in the media.
- Key service issues for Internet prescribers.

The results identified throughout the analysis were valued in accordance with two variables:

- Maturity, understood as the level of service provided for a certain issue by the companies in the sector.
- Relevance or risk, resulting from the level of service provided by the institutional investors, sector associations, the press and Internet prescribers.

The previous analysis resulted in a map of the Gas Natural Group's material issues categorised according to their maturity and risk.

The conclusions drawn from the study confirmed the importance for the Gas Natural Group of issues such as health and safety, the climatic change and the management of its impact on the environment and the places where it operates.

Material issues for Gas Natural Group



After the results of the said study and the internal consultancy work provided by the Subdepartment of Corporate Reputation, the following have been included in this report for the first time:

- Corporate Governance: public positioning against corruption and bribery.
- Code of Conduct: information on the extension of the code along the value chain.
- Internal Audit: details of the analysis of the main operational risks.
- Corporate Responsibility Governance: details of the corporate responsibility management systems and their results.
- Customers: telephone service ratios.
- Employees:
 - Inclusion of health and safety targets.
 - Improvement of internal communication and diversity indicators.
- Suppliers: extension of information on health and safety.
- Society: report on the social investment figures in accordance with the LBG (London Benchmarking Group) method, which allows comparisons between enterprises.
- Sustainability: further details of the actions taken in the fight against the climatic change.
- Verification: adaptation of the verification process to the relevant indicators included in the "Guide to the preparation of sustainability reports" issued by the Global Reporting Initiative (GRI).
- Drafting of Report: breakdown of the issues detected as material issues.

Reporting principles

The preparation of this report has also followed the principles laid down in the G3 Guidelines to define the quality of the information given in the report: balance, comparativeness, precision and clarity, frequency and reliability.

- **Balance:** the report ensures balance by showing both positive and negative issues to allow a reasonable assessment of the Company's general performance.
- **Comparability:** with a view to presenting consistent information in such a way that stakeholders can analyse the changes undergone by the Company, for most of the indicators, the report includes the evolution of the figures for previous years.
- **Accuracy and clarity:** information given in this report is sufficiently clear and precise for readers to be able to assess the Gas Natural Group's activity and development during the year 2007.

The Company has excluded technical terms or any other type of language that may be unfamiliar to its stakeholders.

With the same purpose of accuracy and clarity, the report includes graphs, diagrams, tables and qualitative and quantitative indicators whose purpose is to help gain a better understanding of the impact of its activities in the areas of economy, society and the environment.





Queries and additional information

The Gas Natural Group has also published the Annual Report, the Corporate Governance Report and the Audit and Control Committee Report pertaining to 2007, and offers a website (www.gasnatural.com) with up-to-date information regarding the Company.

In addition, readers also have a glossary available on the Gas Natural Group website with the technical terms used most frequently in this report.

Any further queries or information can be obtained by writing to the following email:
reputacioncorporativa@gasnatural.com.

- **Timeliness:** so that stakeholders can take decisions in coherence with the period during which the report is prepared, the Gas Natural Group has sought to bring the publication of the report as forward as possible so that the information given can be relatively recent with regard to the period on which it is reporting.
- **Reliability:** the reliability of the figures given in this 2007 Corporate Responsibility Report has been verified by PricewaterhouseCoopers, the company that has carried out the verification process.

The preparation of this report has taken into account the three principles required by the AccountAbility AA1000 standard on the materiality or relevance of the issues being reported; whether or not they are exact and complete and whether or not they meet stakeholders' requirements and concerns.

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The Gas Natural Group

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Organisation Profile

The Gas Natural Group is an energy services multinational whose activities focus on supplying, distributing and commercialisation of natural gas in Spain, Latin America, France and Italy, where it has over eleven million customers. It is also a leading operator in the electricity business in Spain, Mexico and Puerto Rico, and in the marketing of other energy services and products.

The 2008-2012 Strategic Plan confirms the Company's vocation to becoming an integrated, global and leading energy group in the gas chain, based on four fundamental pillars:

- Consolidation of its position in Spain, Italy and Latin America.
- Vertical integration in upstream and midstream.
- Exportation of the Spanish model to other markets.
- Continued emphasis on efficiency.

The Group's growth beyond Spanish borders was set in train in 1992 and enabled it to widen and enhance its sphere of activities, thereby boosting economies of scale and underpinning its position as a multinational group.

The Gas Natural Group is now the leading natural gas distribution operator in Latin America

The Gas Natural Group is thus now the leading distributor of natural gas in Latin America, where approximately half of its customers are spread over Argentina, Brazil, Colombia and Mexico.

In the electricity generating business, the Group's strategy focuses on having a balanced, competitive and environmentally-friendly mix.

The Gas Natural Group continues to increase its combined-cycle power plants, progressing from the 6,500 MW installed at present to 10,000 MW by 2012, with the wind power installed reaching up to 900 MW.

The Group has eleven natural gas distribution companies in Spain operating in twelve autonomous regions. In the



deregulated market the Group markets energy through the companies Gas Natural Comercializadora and Gas Natural Servicios, and generates electricity.

The Company is majority shareholder in Metragaz and EMPL, companies that operate and carry out the maintenance on the Moroccan section of the Maghreb-Europe gas pipeline linking the Algerian Hassi R'Mel fields with the Iberian Peninsula.

Various gas-related and other support companies round off this major energy services group.

Gas Natural sdg, the Gas Natural Group's parent company, is a public limited company. At 31 December 2007 its core shareholders were the following:

- Criteria CaixaCorp: 33.06%.
- Repsol YPF: 30.85%.
- Suez: 11.30%.
- Caixa d'Estalvis de Catalunya: 3.03%.

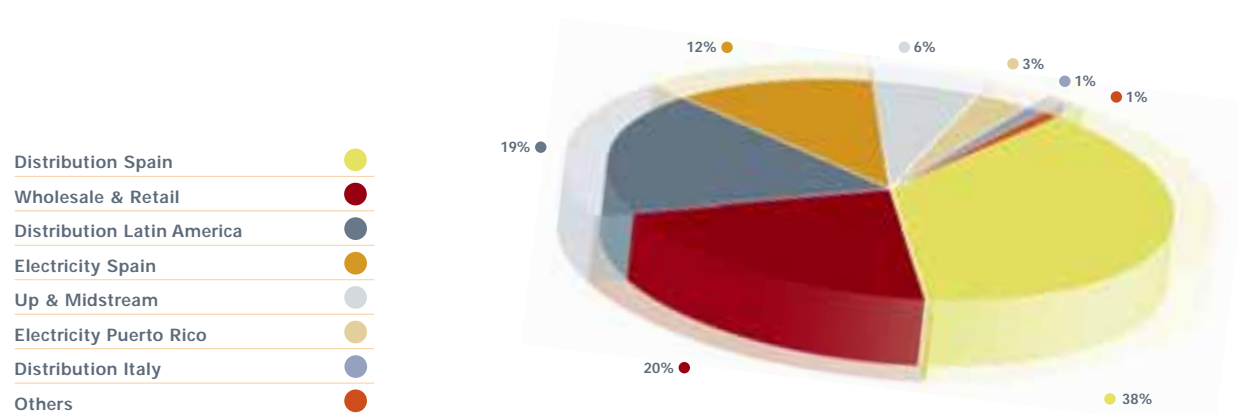
For detailed information on the Gas Natural Group's activities and the 2007 results, please see the Annual Report and the corporate website at (www.gasnatural.com).

The Gas Natural Group in the world



The Company's investments totalled 2,323 million euros in 2007, which represents an increase close to 100% in comparison with the previous year

Contribution to Ebitda by activity. 2007

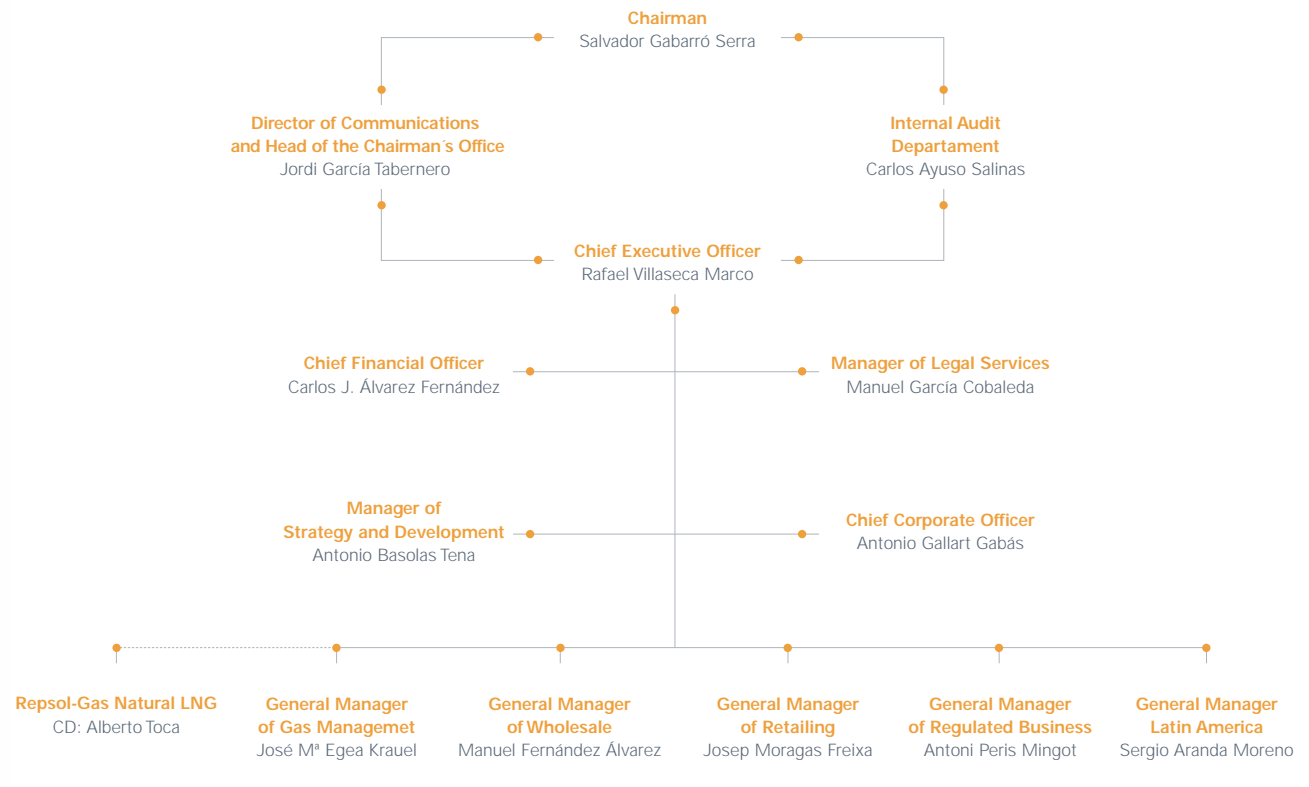


The Gas Natural Group: main figures

Operations	2007	2006	2005
Gas supply (GWh)	292,730	294,451	305,324
Gas transportation/EMPL (GWh)	124,150	129,499	145,923
Gas distribution supply points, in thousands	11,115	10,662	10,179
Gas distribution network (km)	109,759	104,528	100,149
Electricity generated (GWh)	18,700	19,514	10,466
Contracts per customer in Spain	1.37	1.43	1.47
Personnel	2007	2006	2005
No. of employees (at 31/12)	6,699	6,686	6,717
Financial (millions of euros)	2007	2006	2005
Net turnover	10,093	10,348	8,527
Gross operating profit (Ebitda)	2,277	1,912	1,519
Operating profit	1,567	1,263	969
Total investments	2,323	1,164	1,484
Profit attributable to the Group	959	855	749
Stock information (euros/share)	2007	2006	2005
Share prices as at 31 December	40.02	29.99	23.66
Profit	2.14	1.91	1.67
Dividend	1.14	0.98	0.84

Gas Natural Group management structure

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



Mission, Vision and Values

Mission

The Mission of the Gas Natural Group is to satisfy society's energy requirements, providing its customers with environmentally-friendly quality services and products, offering its shareholders a growing and sustainable return, and its employees the chance of developing their professional skills.

Vision

The Group's Vision is to be a leading energy and services group reporting continuous growth at international level, which is differentiated by offering its customers excellent service quality, providing a sustained return to its shareholders, a wider horizon for the professional and personal development of its employees, and making a positive contribution to society, with a commitment to global citizenship.

Values

The Gas Natural Group's approach is shaped by the following values:

- Customer focus.
- Commitment to results.
- Sustainability.
- Interest in people.
- Social responsibility.
- Integrity.

For further information on the Gas Natural Group's Mission, Vision, Values and Action Principles, please visit the corporate website at (www.gasnatural.com).

Strategy of the Gas Natural Group 2008-2012

The Gas Natural Group is present in eleven countries. It holds a position of leadership as an LNG operator and in the convergence between gas and electricity.

The new 2008-2012 Strategic Plan was presented in 2007 and is based on the following principles:

Support principles for the Strategic Plan

For the fulfilment of the Strategic Plan, the organisation must be ready to face new challenges as they arise. Accordingly, the Gas Natural Group has defined four action principles that are to help strengthen the organisation and its culture to achieve the ambitious targets it pursues:

- Strengthening the Company's real situation as an international energy services group, leader in Spain with lengthy experience in customer service.
- Strengthening a company culture based on responsibility, teamwork and professional development.
- Increasing the Gas Natural Group's capacity for innovation and its presence in new technologies and businesses.
- Basing the Company's business activity in any country or region in the world on social responsibility, economic development and environmental sustainability.



Internal communication campaign for the 2008-2012 Strategic Plan: "We grow by integrating markets"

In October 2007, the Gas Natural Group launched the communication campaign for its 2008-2012 Strategic Plan, which included specific actions for the various internal collectives. The aim was to consolidate the identification of all the collaborators with the Plan's targets. Similarly, the aim sought the involvement of managers, country managers and the managers of the Spanish distribution subsidiaries to guarantee the correct diffusion of the document and the involvement of all the Group's units.

The Company based the communication strategy on three main areas: diffusion, communication and association. The key messages were defined, mechanisms were created to obtain feedback from collaborators and emotional elements were developed to complement the messages and achieve internal identification.

From the actions carried out during the last quarter of 2007, it is important to note the following:

- Creation of the campaign logo and slogan "We grow by integrating markets", which summarises the Strategic Plan.
- Anticipation campaign prior to the presentation of the Strategic Plan, using multimedia.
- Event for the presentation of the 2008-2012 Strategic Plan to managers.
- Design of a micro-site on the Group's intranet where, since the launch of the Plan, every employee can access updated information about it.
- Launch of the Opinion Channel to collect employees' suggestions and respond to their queries.
- In-person information sessions led by managers, the country managers and the managers of the respective teams.

With these actions, the Company ensured the awareness of the new Strategic Plan, as well as the interiorisation of the targets and action principles posed by the new strategy.



Our Brand

A great brand for a great group

In the Gas Natural Group, the brand is one of its most valuable and enduring assets, and is particularly important in the present context of growing international activity and a wide offer of products and services. Together with the Company's history, the brand appears to be unchanging and gives a sense of permanence.

Through its brand, the Gas Natural Group gives voice to its values, beliefs and rules of conduct. It is a Company focused on growth and committed to the sustainable progress of the communities in which it operates. It has an integrating and participatory internal management which is able to attract and keep the most highly skilled professionals and collaborators, as well as having a projection capacity assuring its shareholders of the success of its business project.

The quality conveyed by the brand is a clear indicator of the soundness of the companies making up the Gas Natural Group, setting the companies apart in terms of relevance, differentiation and credibility against its rivals.



Our corporate identity

The corporate identity of the Gas Natural Group is the dimension which gives the brand force, conveying its values and associating it with concepts such as dynamism, experience, innovation and safety.

Commitment to and respect for the environment is one of the Group's most permanent commitments, and customer focus is the principal business objective. These two values are reflected and enhanced through the brand.

Brand structure and architecture

The high degree of penetration and recognition by the different interest groups mean it is a leading brand in the sector, a link between the Group companies and their public.

The "Gas Natural" brand is built around a powerful parent brand which provides cover to the other Group brands, establishing a monolithic structure which creates a strong sense of belonging through its components: name, symbol, colours and script.

Corporate Governance

Aware of the importance of guaranteeing the transparency and effectiveness of highest corporate governance bodies, the Gas Natural Group has assumed advanced corporate governance practices.

Accordingly, in 2007, the Company modified the Organisation and Operation Regulations of the Board of Directors and its Committees, with two purposes: on the one hand, to adapt it to the recommendations laid down in the Unified Code of Good Governance of Listed Companies; and, on the other, to introduce technical improvements to specify the areas to be dealt with expressly by the Board of Directors or one of its Committees owing to their particular quantitative, qualitative or strategic importance.

In addition, the Group continued to work to adapt the other internal regulations to the advanced practices that are best suited to the Company's interest and that of its shareholders. Always based on the vocation of maintaining the Gas Natural Group among the most advanced companies in the area of good corporate governance and information transparency.

The practices of corporate governance form part of the Group's culture. They are described in various annual reports, drawn up internally and regularly raised to the General Meeting of Shareholders for its awareness or approval. They include the Corporate Responsibility Report, the Annual Corporate Governance Report and the Annual Audit and Control Committee Report, among others.

Within the scope of their respective competencies, the documents drawn up by the Company in the area seek to provide third parties with the most relevant figures related to the activity, their forms and procedures, as well as the criteria that justify the decisions taken. Information transparency with regard to the markets constitutes one of the Gas Natural Group's basic principles.

The aforementioned information may be viewed on the corporate website: (www.gasnatural.com).

The development of good governance practices include the participation of the General Meeting of Shareholders, the Company's highest decision-taking body, as well as the Board of Directors and its Committees: the Executive Committee, the Appointments and Remuneration Committee and the Audit and Control Committee. The Management Committee also plays a relevant role from the viewpoint of management.

The above committees meet on a regular basis to take decisions on their respective areas of responsibility in search of a sustained optimisation of the Company's economic and social value. In 2007, the following meetings were held:

- Board of Directors: thirteen meetings.
- Executive Committee: twelve meetings.
- Appointments and Remuneration Committee: eleven meetings.
- Audit and Control Committee: seven meetings.
- Strategy, Investment and Competence Committee: two meetings (this committee was closed in February 2007 and its competencies were assumed by the Executive Committee).
- Management Committee: monthly meetings.

As far as the diversity of the Board of Directors is concerned, 22% of the Directors are younger than 55 the ages of, 33% are between the ages of 55 and 60 and the remaining 45% are over 60.

The Board and its Committees and the Management Committee operated as expected during the year, fully exercising their competencies without interference and in full observance of current legislation and the applicable standards for the operation of the Regulations for the Organisation and Operation of the Board of Directors and its Committees.

Composition of the Board of Directors and Committees (at 31 December 2007)

	Board of Directors	Executive Committee	Audit and Control Committee	Appointments and Remuneration Committee	Type of Director
Chairman	Mr. Salvador Gabarró Serra	Chairman			Executive
Deputy Chairman	Mr. Antonio Brufau Niubó	Board Member		Board Member	Proprietary member
Chief Executive Officer	Mr. Rafael Villaseca Marco	Board Member			Executive
Board Member	Mr. Enrique Alcántara-García Irazoqui				Proprietary member
Board Member	Caixa d'Estalvis de Catalunya, represented by Mr. José María Loza Xuriach				Proprietary member
Board Member	Mr. José Arcas Romeu			Chairman	Independent
Board Member	Mr. Santiago Cobo Cobo	Board Member			Independent
Board Member	Mr. Demetrio Carceller Arce ⁽¹⁾	Board Member			Proprietary
Board Member	Mr. José Luis Jové Vintró ⁽²⁾	Board Member	Board Member		Proprietary
Board Member	Mr. Carlos Kinder Espinosa	Board Member			Proprietary
Board Member	Mr. Emiliano López Achurra				Independent
Board Member	Mr. Carlos Losada Marrodán	Board Member			Independent
Board Member	Mr. Fernando Ramírez Mazarredo		Board Member		Proprietary
Board Member	Mr. Enrique Locutura Rupérez ⁽³⁾				Proprietary
Board Member	Mr. Miguel Valls Maseda		Chairman	Board Member	Independent
Board Member	Mr. Jaime Vega de Seoane Azpilicueta				Independent
Board Member	Mr. José Vilarasau Salat				Proprietary
Non-Director Assistant Secretary	Mr. Felipe Cañellas Vilalta	Assistant Secretary	Assistant Secretary	Assistant Secretary	

⁽¹⁾ Mr. Demetrio Carceller Arce joined the Board of Directors on 29 June 2007.

⁽²⁾ Mr. José Luis Jové Vintró joined the Audit and Control Committee on 29 June 2007.

⁽³⁾ Mr. Enrique Locutura Rupérez joined the Board of Directors on 29 June 2007.

Remuneration of the Board of Directors (in thousands of euros)*

	Position	Board	Executive Committee	A&CC	A&RC	SI&CC	Total
Mr. Salvador Gabarró Serra	Chairman	550	550	-	-	-	1,100
Mr. Antonio Brufau Niubó	Deputy Chairman	127	126	-	12	-	265
Mr. Rafael Villaseca Marco	Chief Executive Officer	127	126	-	-	-	253
Mr. José Vilarasau Salat	Board Member	127	-	-	-	-	127
Mr. Enrique Alcántara-García Irazoqui	Board Member	127	-	-	-	-	127
Mr. José Luis Jové Vintró	Board Member	127	126	6	-	-	259
Mr. Carlos Kinder Espinosa	Board Member	127	126	-	-	2	255
Mr. Nemesio Fernández-Cuesta Luca de Tena ⁽¹⁾	Board Member	69	-	-	-	-	69
Mr. Enrique Locutura Rupérez ⁽²⁾	Board Member	58	-	-	-	-	58
Mr. Guzmán Solana Gómez ⁽¹⁾	Board Member	69	69	6	-	-	144
Mr. Demetrio Carceller Arce ⁽²⁾	Board Member	58	57	-	-	-	115
Mr. Fernando Ramírez Mazarredo	Board Member	127	-	12	-	-	139
Caixa d'Estalvis de Catalunya ⁽³⁾	Board Member	127	-	-	-	-	127
Mr. Carlos Losada Marrodán	Board Member	127	126	-	-	2	255
Mr. Santiago Cobo Cobo	Board Member	127	126	-	-	2	255
Mr. Emiliano López Achurra	Board Member	127	-	-	-	-	127
Mr. Miguel Valls Maseda	Board Member	127	-	12	12	-	151
Mr. Jaime Vega de Seoane Azpilicueta	Board Member	127	-	-	-	-	127
Mr. José Arcas Romeu	Board Member	127	-	-	12	-	139
Total		2,582	1,432	36	36	6	4,092

⁽¹⁾ Resigned from the post as from 29 June 2007.

⁽²⁾ Appointed on 29 June 2007.

⁽³⁾ Represented by Mr. José María Loza Xuriach.

* During 2007, the amounts received by the members of the Board of Directors of Gas Natural SDG, S.A. totalled €5,812 thousand, where the said figure included the amounts attributed for sitting on the Board of Directors and the various committees thereof, as well as those which correspond, where applicable, to the labour relations or direct responsibilities they may have at various executive levels.



Risk Management System

The context in which the Gas Natural Group carries out its activity places it on a scenario subject to a variety of inherent risk factors.

Identifying, characterising and determining the risk profile

In recent years, the Company has made a firm commitment to understanding, characterising and determining the levels of uncertainty associated with the development of its business. It has progressed significantly in the overall management and control of the most relevant risks, gaining in-depth knowledge of the said risks in both the daily management of the various businesses and in the strategic planning and reflection processes.

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

Type of risk

Business risks

- Gas price.
- Electricity price.
- Gas volume.
- Electricity volume.
- Regulatory.
- Estrategic.

Financial risks

- Interest rate.
- Exchange rate.
- Liquidity.

Credit risk

- Retail.
- Wholesale.

Operational risks

- Legal/contractual.
- Human Resources.
- Fraude.
- Processes.
- Information systems.

Identifying, characterising and measuring the most substantial risks make it possible to know at any given time what the Gas Natural Group's overall risk profile is resulting from the joint effects of its different risk categories. On the basis of such knowledge, the Company is through its governing bodies in a position to establish what the maximum acceptable risk exposure is and manage it by assigning various limits, by risk category and in general terms, thereby establishing the overall target risk profile.

Tracking 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.

Process for identifying, characterising and determining the risk profile

	Total Risk profile determination	Business unit limit proposals	Risk management and control	Identifying new positions	Information on position and risk	Risk and position assessment	Alternative proposal	Approval
Governing Bodies	●							●
Heads of Total risk profile		●						
Head of risk measurement and control			●			●	●	
Heads of Risk Management and Scope of operation			●	●	●	●	●	

The tools that guarantee the continuous improvement of the process for identifying, characterising and determining the Group's risk profile include the Risk Committee, the General Risk Standard, the Corporate Risk Map and the Risk Measurement System.

Risk Committee

The purpose of this committee is to ensure the protection of the stakeholders through the correct determination and review of the Gas Natural Group's target risk profile, guaranteeing its congruence with the strategic positioning required at any given time. It is also responsible for ensuring that the entire organisation understands and accepts its responsibility in identifying, appraising and managing the most significant risks.

General Risk Standard

This came into effect in 2007 and its main aim is to lay down the general principles and behaviour guidelines to guarantee the appropriate identification, information, assessment and management of the Gas Natural Group's exposure to risk. The Risk Committee ensures the appropriate implementation of the principles laid down in the standard through updates in accordance with the real situation at any given time, and by encouraging the development of the standard as necessary.

Corporate Risk Map

The preparation and updating of the said map is the responsibility of the Financial-Economic Department in collaboration with the Internal Audit Department and the business units. It must be updated at least once a year.

The map is an integrated reflection of the Group's exposure to the different risk categories. It is discussed by the Management Committee, which presents its conclusions to the Risk Committee, the Audit and Control Committee and, where applicable, the Board of Directors as a whole.

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

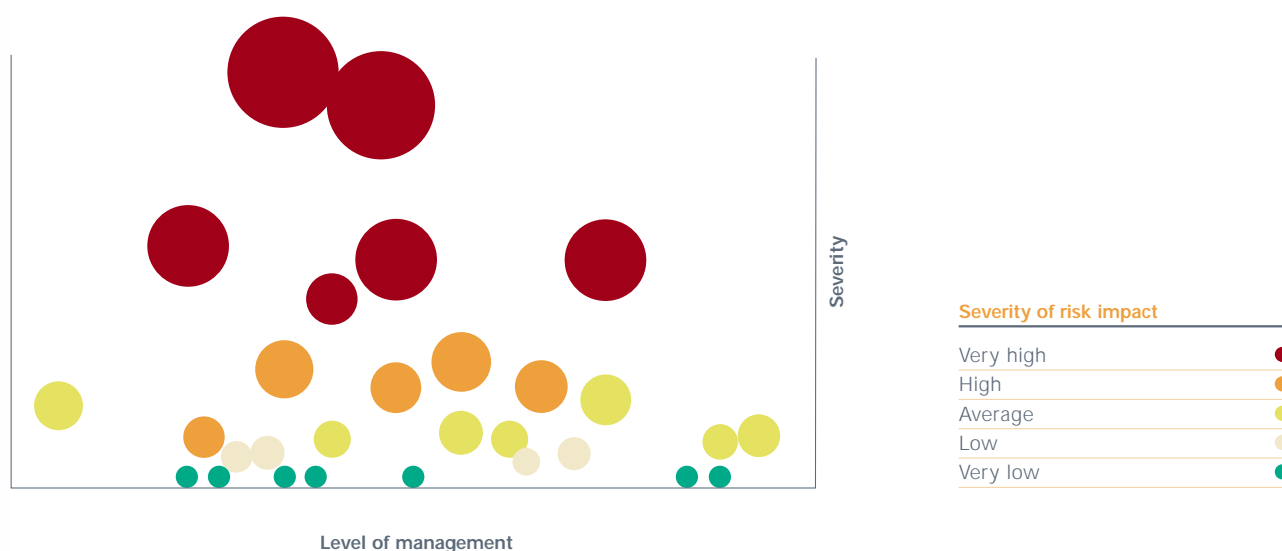


The various risks are characterised in absolute and relative terms and illustrated in graph format.

Each review of the map analyses the dynamics of the evolution of the most relevant risks with regard to the previous version.



Risk Map



The system is under continuous development and evolution. This is possible thanks to the flexibility with which it was designed, which makes it possible to respond to the growing complexity of the energy markets on which the Gas Natural Group is present.

All this has allowed us to successfully deal with the challenge of quantifying the exposure of the Gas Natural Group's results for particularly long uncertainty time horizons. This is the case of the new 2008-2012 Strategic Plan, which has allowed us to set ambitious targets with the guarantee that the Gas Natural Group's patrimonial solvency and the interests of the concurrent stakeholders are not at risk under any circumstances.

Identification and assessment of environmental issues

The Gas Natural Group has established a method for identifying and assessing the environmental issues associated with processes (activities or services), work centres and the vehicle fleet to determine those which have or may have significant impacts on the environment and to establish their control.

The purpose of the assessment of environmental issues is to determine those which may have a significant impact on the environment. The said assessment is made on the basis of the following criteria:

- Environmental requirements.
- Relative quantity/volume generated/consumed.
- Quantitative and qualitative criteria.
- Score and classification.

The assessment of environmental issues in potential emergency situations involves two factors:

- Frequency with which the situations occur.
- Seriousness of the consequences.

The product of both gives the risk, which allows the assessment and structuring of potential environmental issues.

On a regular basis (at least once every three years) and whenever changes occur in activities, facilities or their use, applicable legislation or standards or whenever other

changes occur requiring review and updating. This method for structuring the Gas Natural Group's hazards has integrated the principle of management precaution and the planning of activities.

The Gas Natural Group's Risk Committee and the General Risk Standard

The target pursued by the Company with the implementation of the General Risk Standard and the creation of the Risk Committee is to guarantee that it approaches its business targets with a known, controlled level of uncertainty.

The Risk Committee meets on a quarterly basis and is responsible for reviewing and developing the Group's General Risk Standard, which is subject to a permanent improvement process.

Accordingly, the standard includes a clear allocation of roles with regard to risk measurement, control and

management. The clarity in the distribution of responsibilities, together with the role played by the Risk Committee, makes it possible to guarantee efficiency in decision-taking and provides the assumption of the risk as a key element in the creation of value.

As a result of the implementation of both tools, there has been a sustained improvement to the results, with a very significant reduction of the exposure to the market risk. All despite the ups and downs of the year 2007 on the energy and foreign exchange markets.

Internal Audit

The Gas Natural Group carries out internal audit activities as a means of independent and objective assessment. The Internal Audit Department depends directly on the Audit and Control Committee, reporting in turn to the Chairman and Chief Executive Officer of Gas Natural spg.

It is responsible for guaranteeing the supervision and continuous assessment of the effectiveness of the Internal Control System of the Gas Natural Group, providing a systematic and stringent approach for process monitoring and improvement and for the assessment of operational risks and controls relating thereto.

The Internal Audit Department has established a methodology for assessment of the operational risks based on the conceptual framework of the COSO Report (Committee of Sponsoring Organisations of the Treadway Commission), and taking as a point of departure the type of risks defined in the Corporate Risk Map. This methodology complies with recommendations of the Unified Code of Good Corporate Governance published by the National Securities Commission.

As part of its activity, the Internal Audit Department verifies compliance of all the policies, regulations and controls established by senior management for preventing and identifying weaknesses in the internal control system,

including those related to corruption and bribery. In accordance with the results obtained, an action plan is then designed focused on implementing corrective measures.

In 2007, 102 internal audit projects were developed, 28 of which corresponded to the review of processes associated with the main operational risks of the business departments in the Gas Natural Group. No significant incidents were discovered with regard to fraud, corruption or bribery. However, the implementation of preventive measures for each process was proposed in order to reduce possible risks.

In addition, given its organisational position of independence and transverse nature, the Internal Audit Department takes part in or leads the relevant projects from the point of view of compliance with internal codes of conduct as the chairman of the Code of Conduct Committee.

Code of Conduct

In 2007 the Gas Natural Group carried out an intensive communications and awareness campaign to help employees understand and comply with the Code of Conduct. This work has been led by the Code of Conduct Committee.

The Committee began operation in July 2005 with the order from senior management to promote the diffusion, awareness and fulfilment of the Code. It is chaired by the Internal Audit Department to ensure its objectivity and independence. It comprises five members, who represent internal units with relevant responsibilities for the diffusion, implementation and safekeeping of the Group's Code of Conduct. The units present on the Committee are Internal Audit, Labour Relations, Investor Relations, Corporate Reputation and the Customer Service Guarantee Office. The Committee receives support from a secretary provided by the Human Resources Department.

Under the dependence of the Code of Conduct Committee, there are other committees with similar missions and structures in Argentina, Brazil, Colombia and Mexico.

One of the main tasks assigned to the Committee by the Group's senior management is the supervision of the consultation and notification procedure of the Code of Conduct. This is an open channel of communication for all employees of the Gas Natural Group to deal with the issues concerning the Code of Conduct. They may also use the procedure to notify the Committee in good faith, confidentiality and without fear of reprisal, of conduct that is contrary to the principles laid down in the Code. This communication channel, which in other organisations is referred to as the "ethics channel" fulfils one of the recommendations laid down in the Unified Code of the National Securities Market Commission.

All communications between the Code of Conduct Committee and Gas Natural Group employees are confidential, pursuant to the restrictions set forth in Organic Law 15/1999, governing the Personal Data Protection Act. The Chairman of the Code of Conduct Committee is the sole member, at the initial stage, authorised to be aware of all the information from all the enquiries and notifications received through the consultation and notification procedures.

Notifications concerning fraud, auditing or faults in accounting or internal control processes are likewise sent directly to the Audit and Control Committee of the Company's Board of Directors.

The Gas Natural Group's corporate intranet includes a specific area dedicated to the Code of Conduct so that employees can consult the Code in any of the eight languages in which it has been published. The area also contains the functions and composition of the Code of Conduct committees, as well as instructions on how to use the notification and query procedure.

The Code of Conduct Committee issues regular reports on its activities to the Management Committee and the Audit and Control Committee, and it reviews the reports drawn up by the local committees.

The Code of Conduct Committee held nine work meetings in 2007, during which the notifications received from the employees were analysed and channelled accordingly.

During this year, the Committee did not receive any notifications revealing incidents related to child labour or exploitation at work or in relation to the rights of local workers.

In addition, the Committee adopted an Action Plan for several years aimed at extending the Code of Conduct. The plan's targets included the following:

- Drawing up a calendar for the updating of the Gas Natural Group's Code of Conduct.
- Improving employee awareness of the Code through training and publicity actions.
- Extending the Code of Conduct to suppliers in both Spain and the other countries in which the Group operates.
- Verifying the security of the electronic channel used as a medium for the Gas Natural Group's notification and query procedure.

At the end of the year, the Code of Conduct Committee had developed, with varying levels of progress, actions aimed at achieving the above targets. Accordingly, it raised a proposal to adapt the Code to the recent modification of the Hydrocarbons Act. The Board of Directors of Gas Natural sdc approved the said proposal at the beginning of 2008. In addition, the Committee plans to raise a global proposal for the review of the Code of Conduct to the Management Committee during 2008.

During 2007, the Code of Conduct Committee received a total number of 22 communications, of which eight were queries and fourteen were notifications, thereby creating a ratio of 0.66 communications per 200 employees.

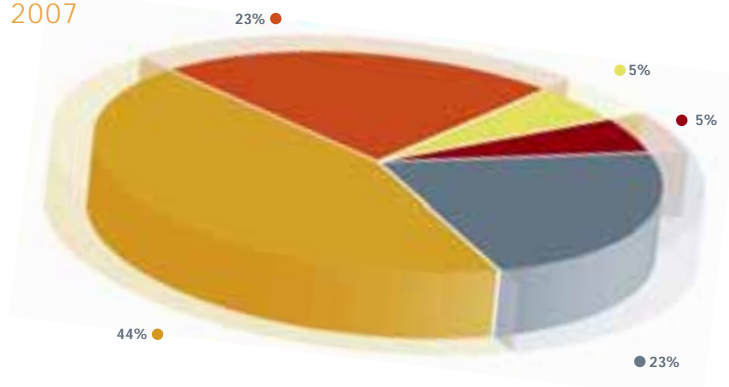
During its launch, the Code of Conduct was distributed to all employees and is included in the welcome documents given to new recruits. Furthermore, in 2008 it shall be included in the Company's Training Plan as a complement to the documentation available on the Code of Conduct online channel.

In 2007, the actions for extending the Code of Conduct to suppliers were launched. The main aim was to provide information on the commitments assumed by the Company and notify the existence of the notification and query procedure for use by suppliers. During the year, the suppliers in Argentina, Colombia and Italy were informed, and it is to be extended to the collaborating companies in Spain in 2008.

The system implemented by the Company to publicise and ensure the fulfilment of its Code of Conduct is among the most advanced in the world. Indeed, in this area, the Gas Natural Group was given the highest score of those awarded to the companies in its sector by the Dow Jones Sustainability Index.

Geographical origin of communications. 2007

Argentina	●
Brazil	●
Colombia	●
Spain	●
Italy	●
Mexico	●




Code of Conduct chapter to which communications refer. 2007 (%)

	Queries	Notifications	Total
Respect for the legitimacy and ethical values	-	19	15
Respect for other persons	-	26	21
Professional development and equal opportunities	14	19	18
Health and safety at work	29	-	6
Loyalty to the Company and conflicts of interest	43	22	26
Treatment of information and knowledge	-	4	3
Relations with external partner companies and suppliers	14	10	11
Total	100	100	100

Average time for dealing with communications. 2007

	Days
Queries	30
Notifications	49
General	42

Responsibility and the Gas Natural Group Corporate Responsibility and the Gas Natural Group Corporate Respons



Corporate Responsibility and the Gas Natural Group

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The Gas Natural Group Contribution to Development

Having a safe, sustainable and efficient energy supply is one of the necessary conditions for development. Energy is the driving force behind prosperity; in its absence, the standards of living reached by certain societies would not be possible.

The Gas Natural Group is an essential player in energy safety and supply on the markets on which it operates. Its activities focus on the supply, distribution and commercialisation of natural gas and electricity.

In its vision, the Company includes the commitment to positively contributing to society as a commitment to global citizenship. Accordingly, the contribution to development and well-being is one of the Group's signs of identity.

In addition, the Company also understands that its contribution to development consists of providing excellent customer service, offering sustained profitability for its shareholders and providing its employees with opportunities for personal and professional development.

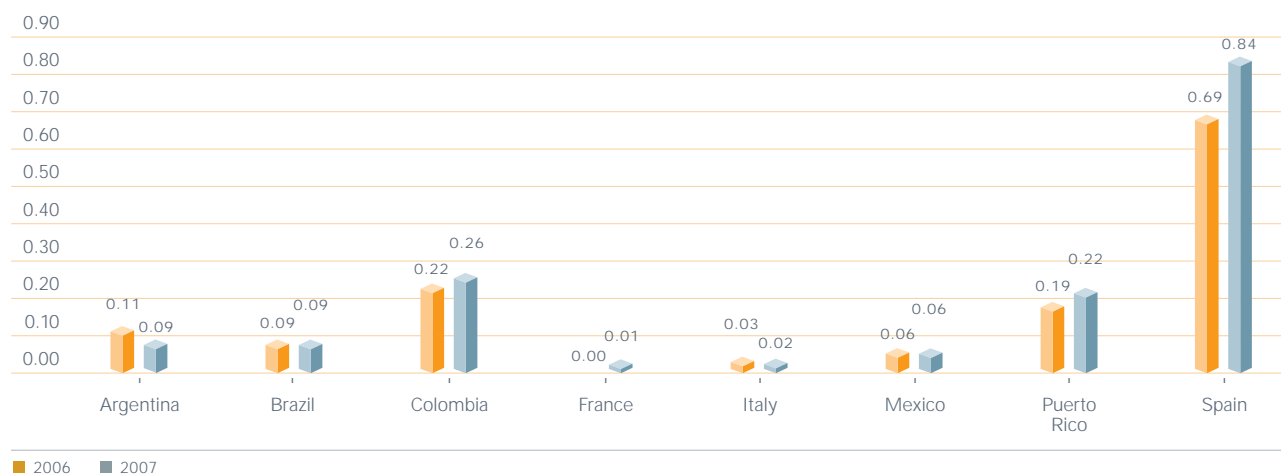
In addition and thanks to the investments, the payment of salaries and suppliers, the Gas Natural Group generates wealth for its entire value chain. This created wealth also has a leverage effect: it catalyses resources for the community, generating direct and indirect employment and revitalising the economy.

The Company is a source of economic resources that help maintain the public services in the societies in which it is present. It contributes to public funds in two ways: directly, through the payment of taxes and other economic obligations; and indirectly, through the contributions made by the Company's employees in fulfilment of their tax obligations. Personnel expenses totalled 308 million euros in 2007.

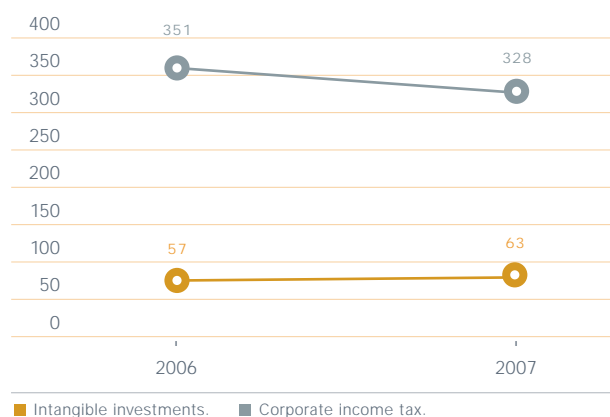


Contribution to GDP by country (%)

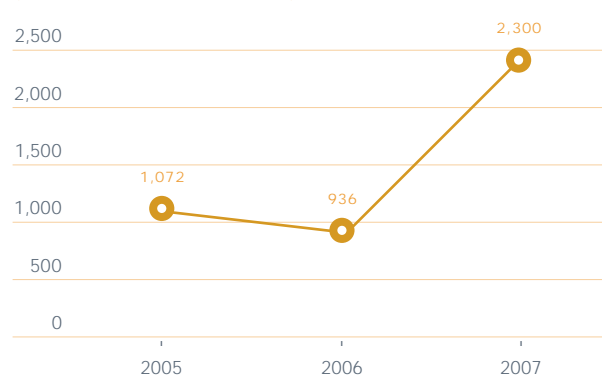
Net turnover/Nominal GDP



Contribution to society (in millions of euros)



Total purchase volume awarded (in millions of euros)



Total purchase volume awarded by country, 2007

	Argentina	Brazil	Colombia	Italy	Mexico	Morocco	Spain
Total purchase volume awarded (in millions of euros)	28	106	56	85	58	13	1,954

Furthermore, special mention must be made of the fact that natural gas, the core of the Group's activities, is a fuel with a high environmental value-added whose impact on the environment is lower than that of other energy alternatives.

The global concern for the climatic change, a priority on political and social agendas all over the world, emphasises the environmental benefits of natural gas in comparison with fossil fuels and largely explains the progressive expansion of its consumption around the world.

Natural gas allows the use of more efficient technologies, which, together with its very characteristics, leads to a total balance of the energy chain that is better than other fossil fuels.

With regard to greenhouse-effect gases, the CO₂ and N₂O emissions of natural gas are much lower than that of any other fossil fuel for equivalent technologies. The CH₄ emission factors of natural gas are lower than coal (20%) and electricity (40%), with the latter considered as energy provided to the user and used directly by the Joule effect. In addition, natural gas absorption cooling cycles (using ammonia-water or lithium bromide-water mixtures) contribute to the international policy for the abolition of the use of CFC.

Natural gas prevents the acidification of atmospheres and formation of acid rains due to the absence of SO₂ emissions in comparison with other fuels and electricity and due to the fact that it has NO_x emission factors that are lower than other fossil energies.

With regard to the destruction of the stratospheric ozone, the most positive aspects of natural gas come from its emission factors for NO_x and N₂O, since they are lower than other fossil fuels and electricity. Accordingly, it contributes to reducing the effects of the so-called nitrogen oxide cycle in the mechanism that destroys the stratospheric ozone. Cooling by absorption with gas allows the measures adopted for eliminating the CFC used in compression cooling cycles. Absorption users coolants with zero Ozone Depletion Potential (ODP) with regard to the ozone layer.

In relation to the photochemical contamination of urban atmospheres, natural gas limits the formation of this type of contamination thanks to its low NO_x emission factors, since it has considerably lower emissions of non-methane hydrocarbons, especially in relation to all oil by-products. Since transport by combustion or diesel engine vehicles is one of the sectors that makes the highest contribution to urban contamination through tropospheric ozone, the

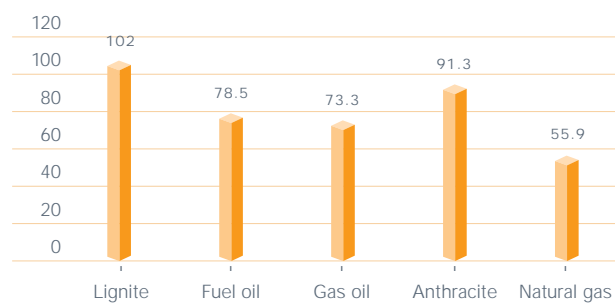
replacement of oil fuels with biofuels or natural gas notably favours the reduction of this type of pollutants. This is joined by the indirect contribution through the channelled distribution of natural gas, which prevents the use of vehicle transport for taking the fuel to users.

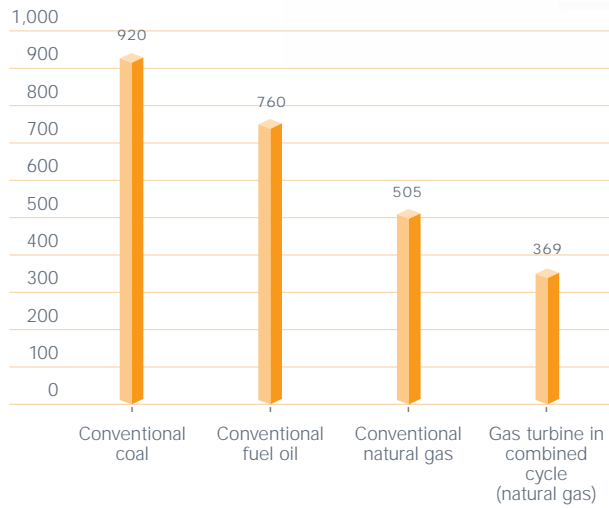
As far as atmospheric turbidity is concerned, natural gas contributes to cleaning and reducing atmospheric dirt due to the absence of ash, particles, fumes and unburnt parts in its combustion.

Natural gas is one of the energy sources that makes sustainable economic growth most compatible with the conservation of the environment

By 2030, natural gas will be the energy that will have increased most in the world mainly due to the continuous increase in the number of users in every sector, the progressive extension of the gas pipeline network and the increase in the volume of gas used to generate electricity. For all these reasons, natural gas emerges as the source of energy which can best make sustainable economic growth compatible with conservation of the environment, thanks to its high energy efficiency and its low environmental impact.

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



CO₂ emissions by technology (kg/MWh)

Clean Development Mechanism: Biogás Doña Juana

In consortium with GRS Valtech, a member of the Veolia Group, the Gas Natural Group created the company Biogás Doña Juana S.A., ESP for the extraction, processing and energetic use of biogas in the Doña Juana de Bogotá rubbish dump (Colombia), which, with 2 million tonnes of waste deposited per year is one of the largest in Latin America. The aim of the project is to reduce the environmental impact attributed to the uncontrolled emission of methane gas, one of the main components of biogas generated by the decomposition of urban waste.

The collection and processing of the methane contributes to the prevention of global warming, since methane is an important greenhouse effect gas. This project will reduce 15 million tonnes of these gases over the next 21 years, as well as the energetic use of biogas for approximately 250,000 MWh PCI/year.

The commitments assumed by this new company include the delivery of biogas for use as a fuel in local industry. This action allows the substitution of coal, which has greater environmental repercussions. Accordingly, Gas Natural S.A., ESP will be responsible for building, distributing and commercialising the gas from the dump. The project is developed by applying one of the flexibility mechanisms established by the Kyoto Protocol, more specifically, the Clean Development Mechanism (CDM).

Besides the benefit provided in the fight against the climatic change, this project provides notable social benefits for the population near the dump:

- Improved waste management in the Capital District.
- Reduction of environmental impact by avoiding problems in the community, such as bad smells from the emission of biogas into the atmosphere.
- Increase in safety since it reduces the risk of explosions and favours the stability of the waste at the dump.
- Local economic development thanks to the transfer of technology and the local creation of employment.
- Modernisation of processes for companies using the energy from the dump.

In addition, the Special Public Services Administrative Unit, the organisation responsible for administrating the project, will allocate specific resources for the development of the local community estimated at more than 2.3 million euros per annum for the following:

- Social investment and productive development in the area of influence of the dump.
- Strengthening of the District Recycling Programme.
- Technological research and development for sustainable waste management.

Corporate Responsibility Commitments

Social trust is an essential asset for the success of companies on the market. Among other benefits, it reduces transaction costs, provides flexibility for adapting to the changing conditions of the environment and improves the impact of corporate communication.

Social trust is of particular importance for companies like the Gas Natural Group whose customer base is the same as public opinion. Trust is an asset awarded to companies by public opinion and, in particular, by their stakeholders.

The Gas Natural Group understands corporate responsibility as the set of actions developed to establish relations of trust with its concurrent stakeholders that are stable, sound and of mutual benefit. This way of understanding and relating to the environment is a priority strategy; it is essential for the generation of value, for ensuring the Company's profitability and for guaranteeing its long-term sustainability.

The Gas Natural Group has assumed commitments to the lines of action opened to strengthen and build relations with each of its stakeholders. It is based on the analysis of the social and environmental expectations regarding the Company and, among others, it helps define the Company's focus in the area of corporate responsibility.





Commitment to customers

1. Improve the quality of the business divisions to increase customer satisfaction and meet customers' expectations.
2. Ensure the supply of a range of products and services which covers all the customers' energy requirements.
3. Establish effective communication with customers to anticipate their needs.

Commitment to shareholders and investors

1. Work towards giving shareholders a growing and sustained return.
2. Establish communication channels with shareholders allowing their demands and needs to be met.
3. Inclusion in the leading socially responsible investment indices.

Commitment to employees

1. Guaranteeing a physically and psychologically secure working environment which helps the quality of life of the employees.
2. Ensuring the work environment is conducive to adding value to the business and that it fosters the professional development of employees, providing conditions for a better balance between their private and professional lives.
3. Establishing communication mechanisms allowing friendly and transparent dialogue and conducive to participation.

Commitment to suppliers

1. Maintain long-term relations based on trust to improve the quality of the products and services with a view to suitably meeting customer demands.
2. Establish objective supplier selection mechanisms to optimise the relationship with suppliers through open and transparent dialogue.
3. To require compliance with safety, quality and environmental criteria, so that the Group actions have a positive impact on processes and the environment.

Commitment to society

1. Contribute to the development of the local communities in which the Gas Natural Group operates.
2. Cooperate and maintain a permanent dialogue with the associations to improve society.
3. Establish transparent communication channels to respond to citizens' needs.

Commitment to environmental sustainability

1. Design and application of measures to reduce greenhouse gases produced by its activities.
2. Rationalising energy consumption in all of the activities of the Gas Natural Group.
3. Identification and minimisation of other environmental impacts.
4. Promotion of environmental management systems throughout its entire value chain.

Management of Corporate Responsibility

Governing Bodies

Corporate responsibility is integrated in the corporate strategy established by the Gas Natural Group's Board of Directors. Senior management and the governing bodies have been commissioned with extending the commitment to corporate responsibility to all the Company's areas of management.

The said task falls mainly to the Executive Committee, the Audit and Control Committee and the Management Committee, as well as the Internal Audit Department and the Vice-Secretary of the Board of Directors and Matters of Corporate Governance, and the Communications Department and Chairman's Office.

In addition, the Gas Natural Group also has a Corporate Reputation Committee and a Code of Conduct Committee, which have been given the general functions of guaranteeing the effective implementation of the corporate reputation strategy and the Code of Conduct strategy, respectively, in all the Company's areas of action.

Corporate Reputation Committee

Chaired by the Communications Department and Chairman's Office, it is composed of representatives from the departments that are most directly involved in corporate reputation management.

Functions of the Corporate Reputation Committee

Implement corporate 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.

Similarly, the Corporate Reputation Committee is the body responsible for developing and drawing up corporate responsibility policies, preparing the Annual Corporate Responsibility Report and its verification by an independent third party.

The Corporate Reputation Committee informs the Management Committee and the Audit and Control Committee of its activities.

Code of Conduct Committee

The Code of Conduct of the Gas Natural Group was approved by the Board of Directors and subsequently presented at the General Meeting of Shareholders during the first half of 2005.

In July 2005, the Code of Conduct Committee was constituted with the mission of contributing to the effective implementation of the Code of Conduct throughout the Group.



Functions of the Code of Conduct Committee

Promoting the distribution and awareness of the Code of Conduct.

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

Contributing to the solution of disputes concerning the application of the Code of Conduct.

The Committee is chaired by the Internal Audit Department, which guarantees its independence, and is made up of representatives from various departments and units involved in monitoring the Code of Conduct.

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

For further information, see the section on the "Code of Conduct".

Corporate responsibility governance structure



Members of the Corporate Reputation Committee

HR Services and Remunerations
Internal Audit
Investor Relations
Accounting and Consolidation
International Corporate Affairs
Communications Department and Chairman's Office (Committee Chair)
Corporate Reputation
Customer Service Guarantee Office
Contracting and Resources
Risk Control and Management
Assistant Secretary of the Board of Directors and Matters of Corporate Governance
Quality and Environment
Industrial Safety and Prevention
Engineering and Technology
Strategy

Members of the Code of Conduct Committee

Internal Audit (Chair of the Committee)
Customer Service Guarantee Office
Corporate Reputation
Investor Relations
Labour Relations
Executive Development (Secretary)

Composition of local committees ⁽¹⁾

Argentina - Brazil - Colombia - Mexico

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

⁽¹⁾ The queries and notifications from France, Italy, Morocco and Puerto Rico are processed by the Code of Conduct Committee.

Management Systems

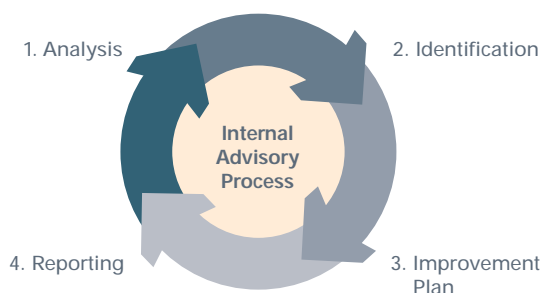
Internal consultancy in corporate responsibility

In 2006, the Gas Natural Group launched a continuous improvement process that includes all areas and subsidiaries to consider corporate responsibility management practices in detail. One fundamental pillar of this is the personalised consultancy services provided by the Subdepartment of Corporate Reputation to all the units in the Company that are interested.

This consultancy work is based on four areas, adapted to each area under analysis:

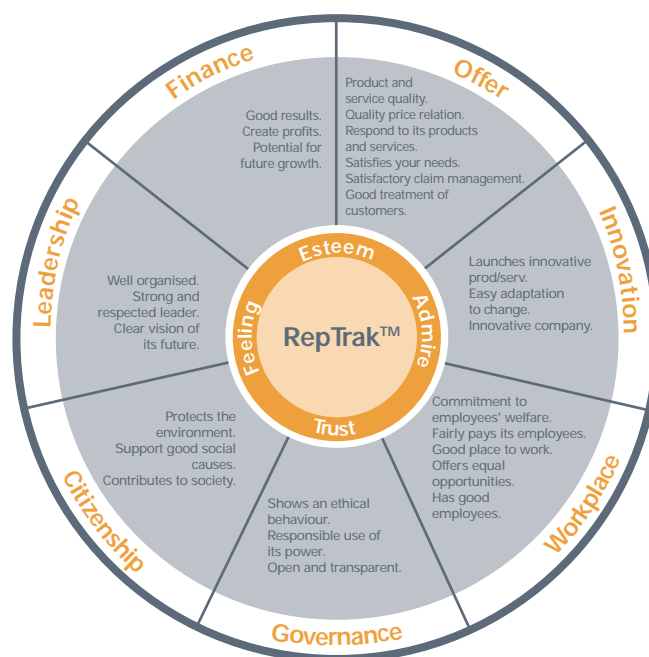
1. Context analysis.
2. Identification of risks and opportunities.
3. Action Plan.
4. Communication.

In 2007, 16 internal consultancy services were provided to eight different departments, seven more than in 2006.



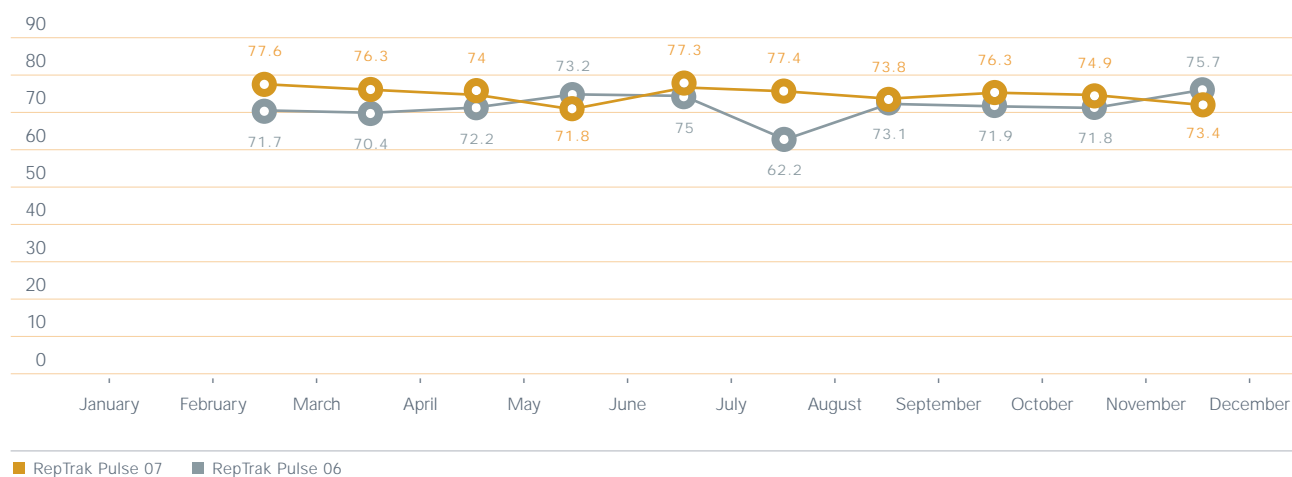
RepTrak

The RepTrak tool is of particular importance in corporate responsibility management in the Gas Natural Group. Developed by the Corporate Reputation Forum and the Reputation Institute, the RepTrak model provides systematic information on reputation through direct interviews that consider parameters that include the esteem, admiration and trust generated by the Company using the model.



Source: Reputation Institute.

RepTrak: the Gas Natural Group's corporate reputation according to public opinion



The tool breaks down reputation into seven key dimensions: offer, innovation, workplace, governance, citizenship, leadership and finance. The model considers continuous assessment, which makes it possible to apply specific measures for improving the management of the key dimensions of the Company's reputation.

The Gas Natural Group started using the RepTrak tool in 2007. It forms part of the analyses used by the Corporate Reputation Committee and the internal consultancy method provided by the Corporate Reputation Department.

Dialogue with Interest Groups

For the Gas Natural Group, dialogue is a key part of the process for generating trust among stakeholders. Among other matters, interaction with stakeholders makes it possible to improve the management of operative and reputational risks, it helps gain a better understanding of an environment that is constantly changing and, finally, enables the early identification of opportunities associated with new social demands.

The Company divides the dialogue actions and consults with stakeholders in:

- **Consultancy actions**, two-way, where the Group and its interlocutors exchange information and expectations quickly. The results are considered for improving the Company's processes and, in particular, selecting content for the Corporate Responsibility Report.
- **Informative actions**, one-way, where the Company transmits information through participation in a variety of bodies, among other channels.



The following is a description of the main actions in this area carried out by the Gas Natural Group in 2007.

Consultancy actions

Customers

Customer surveys aimed at assessing the satisfaction provided by the Company's different services and identifying needs and expectations. They also assess the perception of the Group's main processes and the improvements to products and services.

Customer queries to analyse their level of satisfaction, awareness and acceptance of the Company's social investment programmes.

Creation, in Colombia, of the Customer Service Guarantee Office.

Shareholders and investors

One-on-one meetings with investors.

Continuous service for the request for information from analysts who follow the Company's evolution and other queries sent to the Investor Relations Unit.

Employees

Setting up an Internal Communications Consultative Group as a tool for detecting and assessing employee communication needs.

Meetings between the Labour Relations Department and workers' representatives from the Group's various companies and with union sections and federations and Health and Safety committees.

Internal survey to sound out workers' perceptions and levels of satisfaction with the Health-Watch Service and other areas.

Suppliers

Meetings with collaborator companies to find out their concerns and look for solutions to speed up processes.

Survey on operations suppliers to find out their perceptions and expectations in their relations with the Group.

Society

Continuous monitoring of corporate reputation among public opinion using RepTrak.

Queries on the Corporate Responsibility Report through the Ethos Chair of Ramon Llull University to include improvements in this report.



Informative actions

Customers

Diffusion of gnSolar through participation in various publicity events and specific publications.
Inclusion in the bill of information on energy efficiency, savings measures and other content of interest to customers.

Shareholders and investors

Retransmission over the Internet of quarterly presentations of results.
Specific presentations by members of the Group's senior management.
Multi-conference held after the acquisition of energy assets in Mexico.
Presentation of the new 2008-2012 Strategic Plan.

Employees

Diffusion of the letter from the Chairman for the express adoption of the Millennium Goals by the Group.
Communication programme of 2008-2012 Strategic Plan.
Development of a campaign for the prevention of osteomuscular injuries.
Regular drafting and submission, to the Group's senior management, of an assessment and monitoring report on health and safety.

Suppliers

Publication of the Gas Natural Group's environment and quality policies.
Distribution of the Gas Natural Group's Code of Conduct.
Presentation of the document on good environmental practices in the construction of gas networks.

Society

Development of dialogue between enterprises, NGO, universities and business schools on matters related to corporate responsibility, the principles of the UN Global Compact and the Company's Code of Conduct. These actions were carried out by the Executive Committee of ASEPAM, Carolina Foundation, IESE and the CSR committees of the CEOE and Fomento de Trabajo. Meetings with various consumer associations, such as FACUA, UCA, UCE, CECU and OCUC, to develop the collaboration commitments laid down in the agreement signed with each one.

Interest Groups and Environmental Sustainability Interest Groups and Environmental Sustainability Interest Groups

Interest Groups and Environmental Sustainability

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Customers and the Gas Natural Group

The main social function of the Gas Natural Group is to contribute to satisfying the energy demand on the markets on which it operates. Having an efficient, sustainable and safe energy supply is an essential condition for the economic and social development of the country, as well as for maintaining the high levels of prosperity already reached in advanced societies.

For the Gas Natural Group, the basic of its commitment with customers is the awareness, detection and satisfaction of needs related to energy, with the continuous improvement of product quality and safety, providing excellent service.



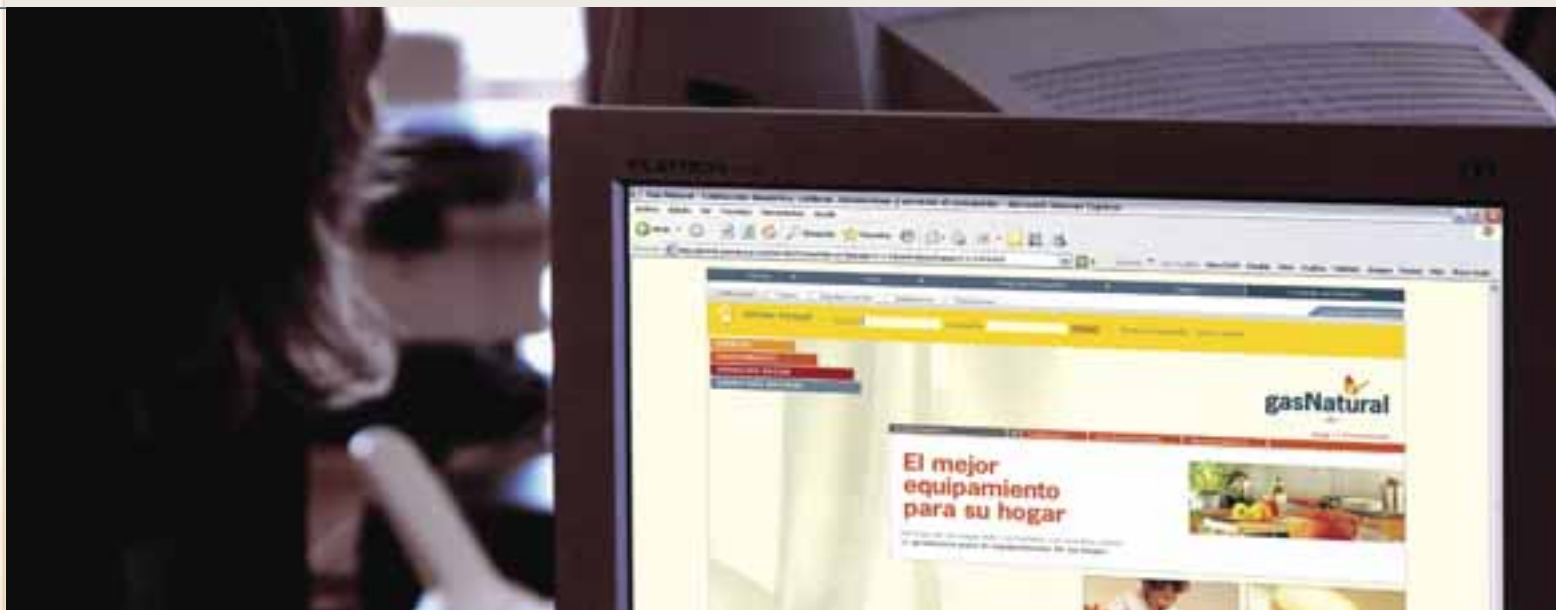
The Gas Natural Group establishes two customer categories:

- Retail customers, comprising domestic and commercial customers with an annual consumption of less than 1 GWh/year.
- Industrial customers, consuming more than 1 GWh/year under medium pressure, or any high pressure consumption.

The Company boasts over eleven million customers in Europe and Latin America, more than half of which are located in Spain. It has increased its distribution network by more than 19% in comparison with the previous year.

The year 2007 represented a significant milestone in the context of the deregulation of the Spanish gas sector. The adoption of the European Directive on natural gas provides that, as from 1 July 2008, all customers will be with marketing companies in a completely deregulated environment.

In this new market environment, the Company set the target of adapting its processes and informing and preparing its customers for the change in legislation.



Commitments and actions

1. Improve the quality of the business areas to increase customer satisfaction and meet customers' expectations

Proposed actions for 2007	Results 2007	Actions for 2008
Eight improvement projects in different spheres of the organisation the Six Sigma methodology.	Carrying out planned projects in regulated and retail business processes. ●	Consolidation of methods and improvement projects in new areas.
Maintain the measurement of external and internal customer satisfaction in the different service procedures, and incorporate perception targets of internal customers.	Maintaining of the measurement of external and internal customer satisfaction. Objective enhancement pending. ●	Consolidation of internal customer measurement regarding support services.
Drive the systematisation of self-assessment procedures at the Group's subsidiaries in Argentina and Colombia, and commence the process at CEG (Brazil).	Development of self-assessment of Regulated Business and Metragaz (Morocco). ●	Carrying out self-assessment at CEG (Brazil), in Italy, and at least one other business line of the Group.

2. Ensure that a range of products and services is offered to cover all customers' energy requirements

Proposed actions for 2007	Results 2007	Actions for 2008
Implementation of improvements to the maintenance products via the launch of T-Solventa.	Greater weight is given to each product instead of grouping them together under a common concept. ●	Improve the service and customer satisfaction ratios for all products, particularly for ServiHogar Direct.
Actions to be carried out to promote the knowledge of gas safety measures.	Development of safety information programmes and training courses, and the distribution of material to encourage energy saving. ●	Distribution of new information and advice on safety.
Renewal of customers' obsolete household appliances.	Collaboration with the Renove Plans put in place by the regional governments of Madrid, Catalonia, Castilla y León, Galicia and Valencia. ●	Maintenance of the collaboration in force and creation of new agreements with other regional governments in Spain.

3. Establish effective communication with customers to anticipate their needs

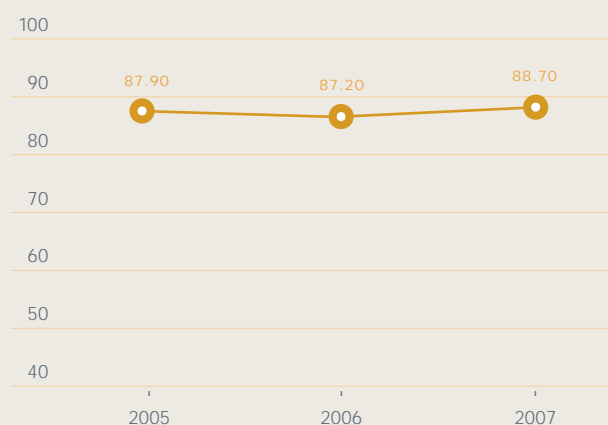
Proposed actions for 2007	Results 2007	Actions for 2008
Publication of the "Useful Guide for the Consumer".	Guide preparation and publication of informative material. ●	Publication of the "Useful Guide for the Consumer" for access to all customers.
Launch of Service Review project. Channel permitting review of customer complaints considered by them to not have been handled correctly.	Service design and definition of action criteria. Courses on customer service and dealing with complaints. ●	Launch of service and contacting customers to inform them of the new channel.
Information campaign to all customers of the regulated market concerning the transfer to the liberalised market in January 2008.	Inclusion of information with bills regarding market liberalisation and possibilities for customers to choose their retailer. ●	Continuity of the information campaign to all customers regarding market liberalisation.

Level of compliance: High ● Average ● Low ●

Main indicators

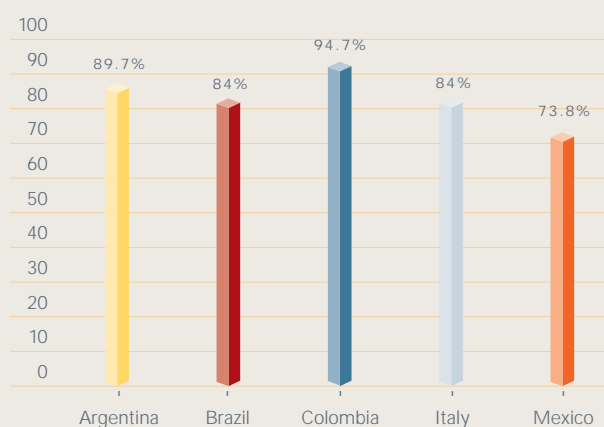
Satisfied customers (%)

Global service quality (Spain)



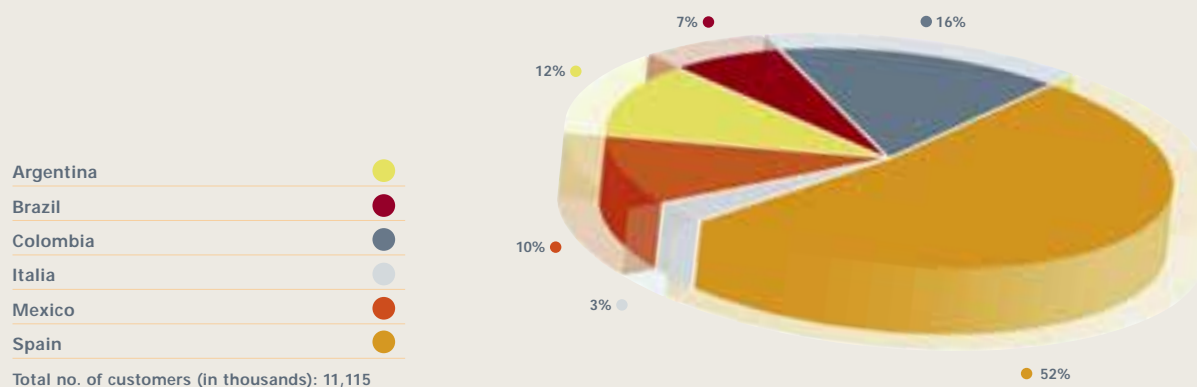
● Spain

Global service quality (International)



In 2007, the Group progressed in the homogenisation of the measurement systems used in Spain and Latin America.

Customers by country. 2007 (%)



Telephone Customer Service. Spain

Customer Service ratios	2007	2006
Customer requests solved immediately (%)	95	-
Level of customer satisfaction with the Telephone Customer Service (%)	78.2	76.5
Average time for solving requests (days)	7.9	8.4
Calls answered within 10 seconds (%)	90	81

Responses of the Gas Natural Group to its customers

Improve the quality of the business divisions to increase customer satisfaction and meet customers' expectations

Throughout 2007, the Gas Natural Group continued to work on various projects and improvement actions as part of the Strategic Quality Plan launched in 2004.

Strengthening customer focus and service quality

The Company continues to adapt its processes, activities and services to satisfy customer requirements as efficiently as possible. The main improvement actions carried out in 2007 include those implemented in the emergency service in Spain, the billing process in Italy and the project developed in Mexico under the title of "Let's get to know our customer" to study customer requirements and expectations.

Aligning the organisation with quality objectives

In 2007, the incorporation of quality targets into the Human Resources Department's Management by Objectives System continued. In particular, targets were set for the quality of personalised service at gas centres for commercial delegates. The ultimate aim is to strengthen the commitments of individuals to the continuous improvement of the service at the said centres.

As part of the 2007 Training Plan, the actions aimed at highlighting the importance of management by processes was also strengthened in Spain, understood as a tool for promoting the continuous improvement of the products and services provided to customers.

In addition, the culture of customer-internal supplier of various services not for the end client was continued. Accordingly, various perception studies were carried out in areas such as the information systems help desk service or the health monitoring services and occupational risk prevention.

In Brazil, a Customer Service Committee was set up with representatives from all the areas involved in order to achieve the continuous improvement of the service. In addition, in order to develop the internal focus on quality targets, a project was launched where employees work for one day in the call center, which affords them in-depth knowledge of the process.

Developing quality management within the Group

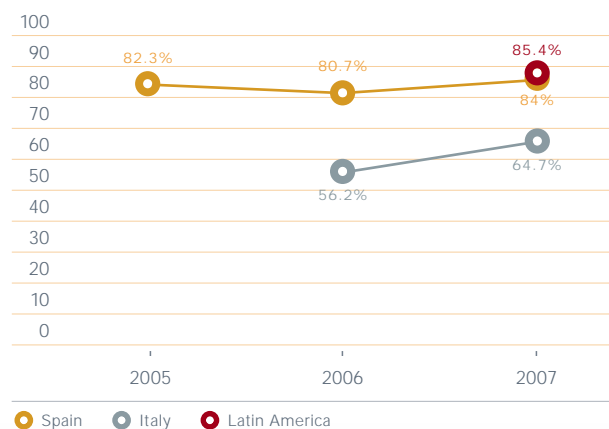
The Gas Natural Group continued to develop actions aimed at integrating quality management into its business model. During 2007, progress was made in the generation management system certification process as part of the Wholesale Business. The quality and environment certificate is to be obtained for the Arrúbal combined-cycle power station (La Rioja) in 2008.

Other outstanding actions in 2007 include the following:

- Extension of the Certified Quality System for the Gas Natural Group's marketing and distribution companies. In Spain, besides the activities carried out for the certification of electricity generation at combined-cycle power plants, the quality and environment certificate was obtained by Gas Natural Comercializadora, together with the extension of the processes certified at Gas Natural Servicios. In Italy, new offices and work centres were also certified.
- With regard to self-assessment processes, in accordance with the EFQM Excellence Model, 2007 saw the deployment of the said processes in the Regulated Business Department and Metragaz (Morocco), where both cases were used to develop the respective integrated improvement plan under the name of LICEO (Leadership, Innovation, Change/Quality/Growth, Efficiency/Effectiveness, Opportunity).
- In Colombia, progress was made in the modernisation of the emergency management system, which involved a reconsideration of the process. This review led to the incorporation of stricter criteria in the technical standards applied to guarantee installation safety.

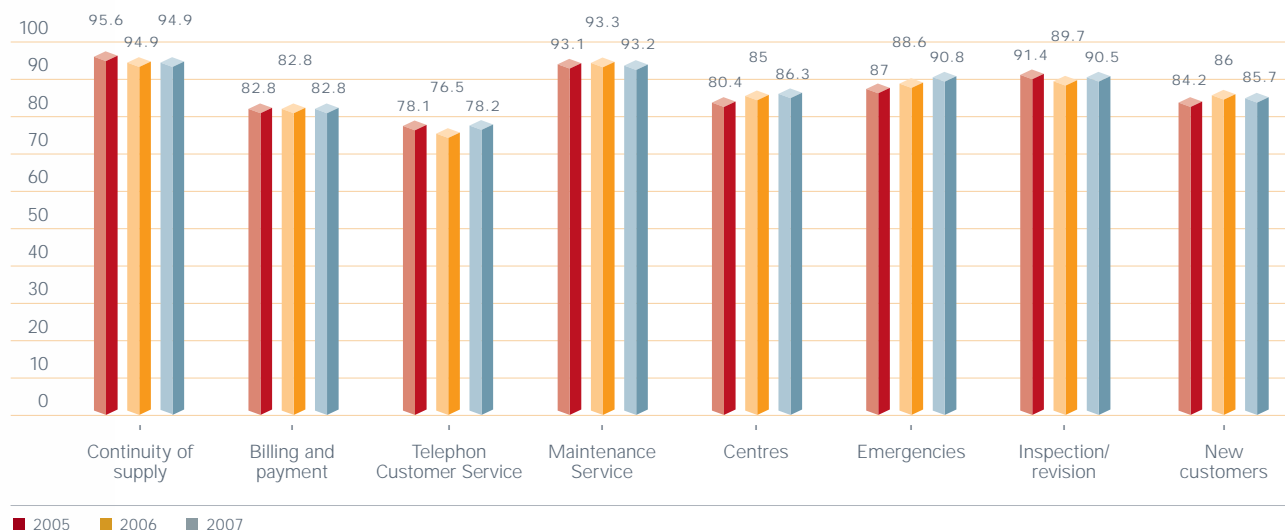
Corporate image

(% Total responses good or very good image)



Satisfaction rate with main processes. Spain

(% Total responses from highly satisfied or somewhat satisfied customers)

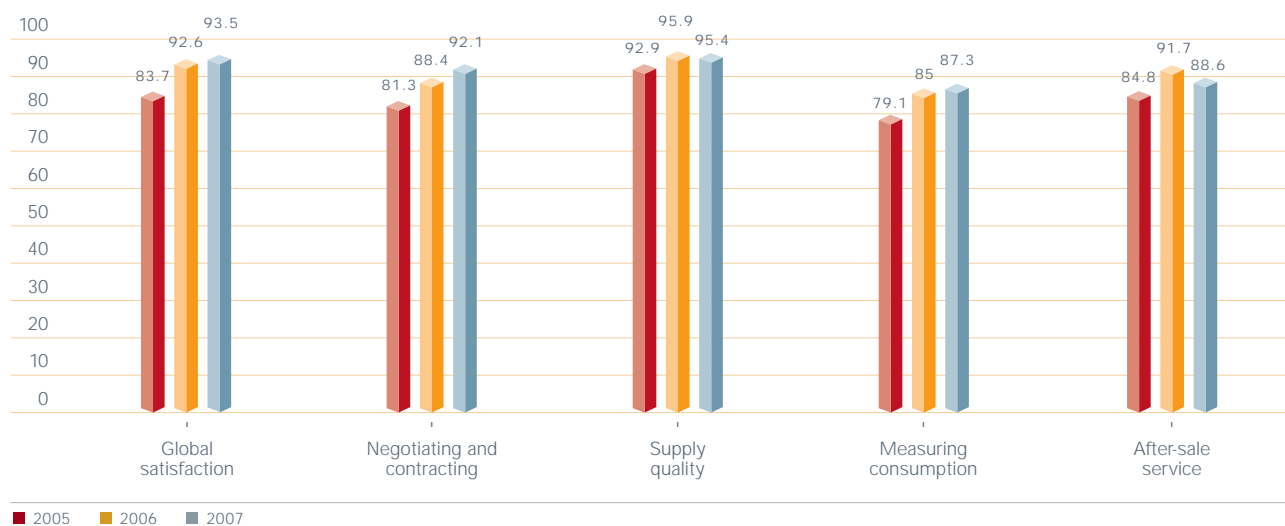


Satisfaction rate with main processes. International (%)

	Argentina	Brazil	Colombia	Mexico	Italy
Continuity of supply	94.4	93	94.9	85.9	95.2
Billing and payment	82.9	99.6	93.6	77.6	76.8
Telephone Customer Service	88.2	88	75.8	71.0	85.9
Centres	90.3	94.9	87.9	72.8	-
Emergencies	-	89.2	86.4	-	95.9
Inspection/revision	-	-	92	-	-
New customers	-	-	83.1	89.7	-
Contracting	-	92.8	-	-	-

Satisfaction rate with industrial customers. Spain

(% Total responses from highly satisfied, satisfied or somewhat satisfied customers)



Quality management method: Six Sigma

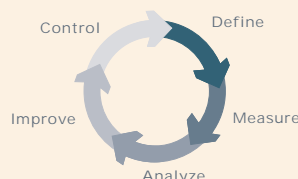
The need for promoting continuous improvement arose from within the framework of the Gas Natural Group's Strategic Plan and with a view to improving efficiency and increasing customer satisfaction.

It is based on the creation of a quality system that enables the establishment of improvement targets, the detection of deviations from indicators and the in-depth knowledge of customers' requirements. Furthermore, there must be a structured method to enable the management of the improvement process.

From among the various methods available for quality management, the Gas Natural Group adopted the so-called Six Sigma due to the fact that it considered it complete and effective.

Six Sigma is a method designed for managing and improving processes. It focuses the organisation on customer requirements, analytical rigour, alignment with processors and the improvement of efficiency.

The Six Sigma improvement cycle comprises five phases focused on excellence in this field:



With the application of the Six Sigma method, the Gas Natural Group seeks to develop a model that systematises the continuous improvement process in the Company's various lines of business. To achieve this, throughout 2007 projects were developed and applied to various processes that represented a reduction of 26% in the disappointed customers of ServiGas and 19% in the Emergency Service.

The target for 2008 is to consolidate the programme in the various lines of business. Accordingly, the Company is training people to contribute to the deployment of the method in the Group.

Ensure that a range of products and services is offered which covers all the customers' energy requirements

In 2007, the Group launched a range of natural gas tariffs on the market that seek to offer the best alternative to the various customer segments with a view to satisfying their requirements.

The tariffs offered are as follows:

- Mini gas, for new customers whose natural gas consumption is anticipated as low.
- Basic gas, for customers without heating.
- Optimum gas, for customers with heating.
- Family gas, for customers whose gas consumption is high, normally with heating in a cold area or large families.
- Business gas, for small businesses whose natural gas consumption is high.

In addition, the Online Saving Plan was launched, offering discounts to customers who carry out their procedures with the Gas Natural Group using the Company's website.

In 2007, advertising campaigns were also carried out to offer the fuel changeover for central heating systems that still use coal, offering homeowners associations the Energy Management service.

And to improve the quality of its offer in Spain, the Gas Natural Group uses the ServiGas and ServiElectric services, guaranteeing integral assistance in gas and electricity supply. The function of both services is prevention: they are designed to anticipate any problem the customer may have. They are also involved in boosting the performance of their gas and electricity installations while at the same time promoting energy saving.

The Group continued to promote gnSolar, a product focused on the installation of solar plates and their maintenance

In 2007, the implementation of natural gas as a fuel for taxis, buses and other vehicles was also developed. Accordingly, special mention must be made of the agreements reached with General Motors and the Metropolitan Taxi Institute of Madrid.

The Group continued working to inform developers, architects and installers of gnSolar, a product focused on the installation of solar plates and their maintenance.

General customer indicators. 2007

	Argentina	Brazil	Colombia	Italy	Mexico	Spain	Total
Gas activity sales (GWh)	74,055	46,253	15,664	2,800	43,342	271,057	453,172
Network renewal (km)	1.2	12.7	0.61	-	45.7	47	107.21
Distribution network (km)	21,855	5,635	16,555	4,775	15,510	45,429	109,759
Increase vs. 31/12/2006 (km)	369	248	498	763	281	3,065	5,224
Regulatory inspections	84,384	-	301,541	-	42,426	1,197,166	1,625,517
Network overhauled (km)	13,245.97	3,596	3,366	2,357	14,097	21,632	58,293.97
Renewal of connections (km)	11,797	731	(*)	9	4,579	2,587	19,703
No. of calls to Telephone Customer Service	1,247,866	848,996	1,409,000	336,929	1,053,000	7,286,905	12,182,696

(*) In Colombia, connections are owned by customers.

Customer indicators. Spain

	2007	2006	2005
New municipalities supplied	69	56	49
No. of electricity contracts	127,689	305,621	476,108
No. of preventive maintenance inspections	1,081,056	1,159,168	1,163,854

Non-fulfilments and fines

In 2007, certain fines were applied in Spain in various areas related to customers.

The information provided comes from the lists that are available in the Legal Services Department. The references to cases are those which are in possession of the said department.

In 2007, there were no incidents related to:

- Monopoly practices or practices against free competition.
- Breaches of legislation or the voluntary codes related to the impact of products and services on customer health and safety.
- Breaches of legislation regarding the supply and use of the Company's products and services.
- Matters related to marketing, including advertising and sponsorship, among others.

The Gas Natural Group complies with the current legislation of each country in which it operates, particularly with regard to the type of information it has to publish on its products and services.

In addition, the Gas Natural Group is a member of Autocontrol, a non-profit association that manages the Spanish advertising self-regulation system. The self-regulation system is the response of all the players in the industry to the social demand for guarantees of trust and credibility in advertising.

The Autocontrol controversy resolution system has been recognised by the European Commission owing to the fact that it observes and fulfils the principles of independence, transparency, contradiction, effectiveness, legality, freedom of choice and right to representation by the consumer, as laid down in Recommendation 98/257/CE.

Total number of non-compliance with of the regulation and the voluntary codes related to the information and labelling of products and services, distributed in accordance with the type of result of the said incidents. 2007

Type of non-fulfilment	Company	Total fines (in euros)	No. of reports
Change of reading system	Gas Natural Servicios SDG, S.A.	12,000	1
Not replying to requirements	Gas Natural Andalucía, S.A.	400	1
	Gas Natural Andalucía, S.A.	600	1
	Gas Natural Andalucía, S.A.	2,000	1
	Gas Natural Servicios, S.A.	900	1
	Gas Natural La Coruña, S.A.	500	1
	Gas Natural SDG, S.A.	4,700	2
Penalty proceedings	Gas Natural Servicios, S.A.	1,200	1
	Gas Natural SDG, S.A.	360	1
	Gas Natural Servicios, S.A.	600	1
Stone extraction	Gas Natural Cegas, S.A.	601.02	1
Installation without certificate	Gas Galicia SDG, S.A.	1,000	1
Dumping of rubble	Gas Natural Distribución SDG, S.A.	300	1
Works without licence	Gas Natural Cegas, S.A.	150.25	1
Breach of maintenance contract	Gas Natural Servicios, S.A.	1,000	1
Lack of systematic review	Gas Natural Andalucía, S.A.	3,000	1
Right to data access	Gas Natural SDG, S.A.	No economic fine	1

Total number of duly founded claims regarding the respect for privacy and the leakage of customers' personal details. 2007

Type of non-fulfilment	Company	Total fines (in euros)	No. of reports
Right to data access (AEDP)	Gas Natural SDG, S.A.	No economic fine	1

Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations. 2007

Type of non-fulfilment	Company	Total fines (in euros)	No. of reports
Targets and improvements of the contract for the concession-reduction of gas losses	CEG (Brazil)	221.624,41	1
Lack of regular servicing of the installation	Gas Natural S.A., ESP (Colombia)	17.334	1
Lack of coordination with the fire service in emergencies	Gas Natural S.A., ESP (Colombia)	3.953	1
Not having sent and informed the competent government body of the documents showing the payment agreements signed by and between the customers and the company	Gas Natural S.A., ESP (Colombia)	12.120	1

gnSolar

gnSolar is one of the Gas Natural Group's main commitments to satisfying the current and future requirements of a constantly changing energy market. The solar-gas binomial is the most efficient and environment-friendly solution for complying with the new Technical Building Code.

The Group offers three different modalities that adapt to the specific requirements of each customer and helps them obtain maximum profitability from their installations.

Through gnSolar, developers and constructors have a comprehensive collaboration and consultancy

service for the execution and maintenance of the installations.

In addition, the Gas Natural Group drew up a technical guide for its collaborators so that the experience gained by the Company can be applied to the design and operation of the solar installations.

Gas Natural Soluciones also offers the possibility of the developer agreeing the execution of the turnkey solar installation with the Company so that all the phases required for obtaining a quality installation can be coordinated by the Gas Natural Group with the consequent convenience and service for the customer.

Establish effective communication with customers to anticipate their needs

Maintaining efficient communication with customers to detect and anticipate their requirements is one of the Gas Natural Group's priorities. Accordingly, the Company devotes efforts and resources to the continuous improvement of its communication channels and to developing and implementing actions focused on gaining in-depth knowledge about its customers.

Communication with customers always takes place guaranteeing the confidentiality of the data and information supplied by them, the Company committing itself to responsible use, pursuant to the guidelines set by the Personal Data Protection Act. In addition, through the Data Protection Committee, the Group regularly reviews the measures that ensure its effectiveness implementation.

90% of the calls received by the Telephone Customer Service in 2007 were answered within ten seconds

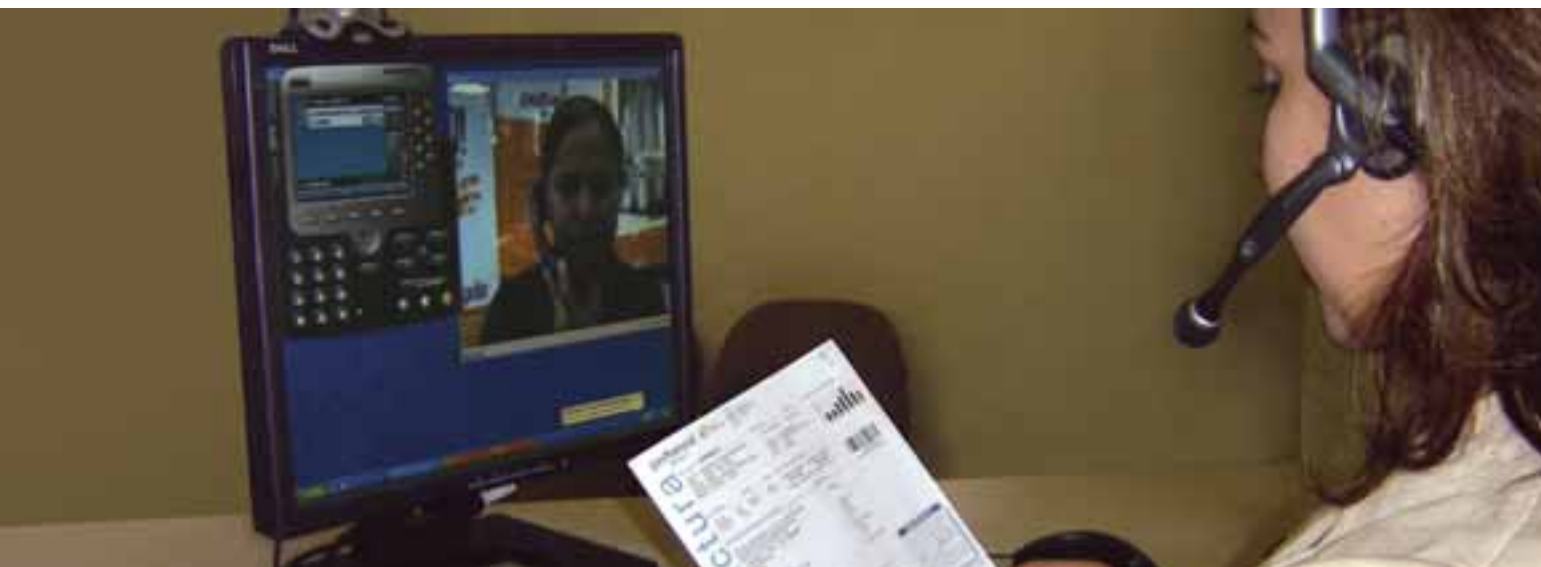
At the end of 2007, as a result of the bad practice of an employee of the company subcontracted by the Gas Natural Group, a customer received a bill in which his/her surname had been replaced by offensive words. The company apologised in writing to the said client and launched an investigation to detect the source of the

incident. Once identified, the Gas Natural Group filed a lawsuit for the damages caused to both the customer and the company's reputation.

Furthermore, in 2007, great efforts were made to ensure maximum transparency in the process for adaptation to the full deregulation of the gas market. Accordingly, the Company set up communication mechanisms with consumers to inform them of the changes taking place in legislation.

The communication channels are designed to receive customers' requests, listen to their claims, and establish a more effective relationship with them. The main actions carried out in this area throughout 2007 are as follows:

- Establishment of new automatic mechanisms for collecting online readings.
- Updating and improvement of the Gas Natural Group's portal, incorporating new tools for processing the most common transactions.
- Development of improvements to customer identification through the implementation of a system that provides greater customisation, speed and efficiency.
- Promotion of awareness and the creation of a culture for prevention and safety in the use of gas through the following:
 - The inclusion on the gas bill of materials with advice on safety.
 - Development of seminars and training courses on matters related to natural gas and its efficient, safe use.
 - Educational and awareness programmes in schools and universities.



- In Spain, Gas Natural Servicios joined the Regional Consumer Arbitration System in the regions of Cantabria, Castilla-La Mancha, Madrid and Navarre. Its aim is to provide customers with a free and impartial method for solving the conflicts that may arise with the Company.
- Development of specific communication actions with large customers, including the launch of a new telephone service in Mexico.

The Gas Natural Group website indicators (in thousands)

	2007	2006	2005
No. of customers registered at the end of the year	490	400	127
No. of online transactions at the Virtual Office	2,650	2,300	1,631

Cuartel V gasification project

The Gas Natural Group is committed to the development of the local communities in which it operates through initiatives such as Cuartel V, a project whose aim is to supply natural gas to an area with low resources in Buenos Aires.

The initiative consists of increasing the domestic gas network to five areas in the town of Cuartel V through a concession known as Solidarity Net Trust Fund administrated by the Pro Vivienda Social Foundation, an institution that works to improve the housing and infrastructures in the said location.

The Group's purpose is to favour access by the most underprivileged collectives to public services and contribute to reducing poverty. Accordingly, the Company undertakes to create a new social management model in which residents, local collectives, non-profit organisations and enterprises join forces to achieve a gasification system that is accessible to communities in the low-income bracket.

Since it was implemented in September 2003, the project has achieved 70,000 meters of distribution network and supplied around 4,000 plots of land, which implies an increase in life quality for more than 15,000 people.

Shareholders & Investors and the Gas Natural Group



The Gas Natural Group strives to offer its shareholders a growing and sustained return, showing the highest transparency in each one of its activities.

Accordingly, as an essential part of its corporate responsibility policy, the Company undertakes to guarantee management processes that focus on the creation of value. The aim is to combine responsibility, efficiency and transparency to achieve sound, profitable and sustained growth.

The Gas Natural Group has a diverse shareholder structure with more than 30,000 shareholders. The main investors include Criteria CaixaCorp, with 33% of the capital; Repsol YPF, with 31%; Suez, with 11%; and Caixa d'Estalvis de Catalunya, with 3%.

The Group also has a large number of minority shareholders that hold around 6% of the share capital. Its shareholder structure also includes Spanish and international institutional investors, which hold 10% and 6% of the share capital, respectively.

The General Meeting of Shareholders adopted an agreement for the derivative acquisition of own shares. At present, Gas Natural sgg does not hold own shares either directly or through owned companies.



Commitments and actions

1. Work towards giving shareholders a growing and sustained return

Proposed actions for 2007	Results 2007		Actions for 2008
Maintain the continuity of the dividend policy (pay-out between 52% and 55%).	Pay-out 2007: 53.2%.	●	Pay-out 2008: 52-55%. New objective for the period 2008-2012: 55-60%.
Continue efforts to reach an Ebitda in 2008 of at least 2,500 million euros and annual accumulated growth of net profit of at least 10%.	Ebitda of 2,277 million euros.	●	Reach an Ebitda of 2,500 million euros in 2008, and 3,900 million euros in 2012.

2. Establish communication channels with shareholders allowing their demands and needs to be met

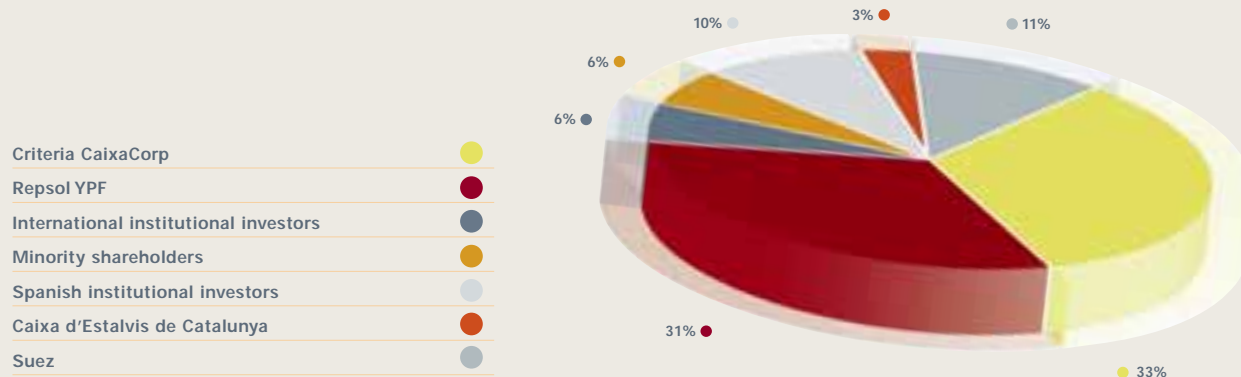
Proposed actions for 2007	Results 2007		Actions for 2008
Ongoing updating of the distribution list of releases to analysts and investors.	Maintaining and improvement of the distribution list thanks to the road shows performed.	●	Improvement in distribution list.
Complete the schedule of presentations with other subjects in accordance with needs.	Presentation of new Strategic Plan and of the acquisition of assets in Mexico.	●	Re-design of the presentation programme with others areas of interest, in accordance with needs.
Make greater efforts in the US and Canada with regard to the schedule of visits to international investors.	Seven visits made to the US and Canada.	●	Consolidación of the effort made with the programme of visits to investors.

3. Inclusion in the leading socially responsible investment indexes

Proposed actions for 2007	Results 2007		Actions for 2008
Improve the global ranking on the indices where the Group has a presence.	Increase of 5% in the DJSI World classification. The Group is leader in environmental issues for FTSE4Good.	●	Improvement in the assessment of the areas which have a low sector score.
Implementation of an action plan to reinforce areas of improvement.	Inclusion of the questions analysed by the indices in the internal advice on corporate responsibility.	●	Increase of areas of the Company advised in corporate responsibility.
Increase recognition from other appraisal agencies by dealing with their requests.	Presence in KLD Global Climate Change 100, Triodos and ECPI Ethical Index Euro.	●	Inclusion of new questions assessed by the indices in the recommendations for improvement resulting from advice on corporate responsibility.

Main indicators

Shareholders and investors (at 31/12/2007)



Stock market indicators

	2007	2006	2005
No. of shareholders (in thousands)	32	40	42
Share prices at 31/12 (euros)	40.02	29.99	23.66
Profit per share (euros)	2.14	1.91	1.67
Dividend per share (euros)	1.14	0.98	0.84
Share price-profit ratio	18.7	15.7	14.1
Share capital (no. of shares)	447,776,028	447,776,028	447,776,028
Stock market capitalisation (millions of euros)	17,920	13,429	10,594

Communication channel indicators

	2007	2006	2005
Meetings with shareholders and investors	140	200	292
Analysts' meetings	35	34	27

Responses of the Gas Natural Group to its shareholders and investors

Work towards giving shareholders a growing and sustained return

In 2007, the Gas Natural Group adapted a policy of consolidating and developing its activities both geographically and by business area:

- Geographical growth. In 2007, the Gas Natural Group extended the geographical base of its activities. Its most relevant actions were as follows:
 - It continued its expansion on the Spanish market, increasing the network of municipal districts with natural gas distribution by 69.
 - It became the second-largest private operator on the Mexican electricity-generation market, with the purchase of five combined-cycle power plants and one gas pipeline.
 - It took over the gas group Italmeco, extending its area of distribution in Italy to 31 new towns.
- Growth by lines of business. In 2007, the Gas Natural Group reorganised its strategic participations, and extended its activities and services. Its most relevant actions were as follows:
 - The publication of the new 2008-2012 Strategic Plan, which aims to consolidate the Gas Natural Group's current business in Spain, Latin America and Italy and includes the purchase of assets and entry on new markets.
 - Tangible investments totalling 1,148 million euros, used mainly for increasing the Company's gas distribution network and electricity generation projects.
 - Increase of 453,000 gas supply points, outstripping the figure of 11.1 million.
 - Increase up to 3,600 MW in operation in electricity generation installations with combined cycles, as well as 400 MW under construction and more than 800 MW at an advanced permission stage.
 - The sale of the share in Naturgas Energía to Energías de Portugal (EDP) for 122 million euros.

The Gas Natural Group's activities in 2007 led to value being created for shareholders. The market value of the Company's shares closed the year at 40.02 euros, up 33% on the same date of the previous year.

The effective volume traded reached 14,736 million euros, up 84% on the previous year. Stock market capitalisation rose to 17,920 million euros, the twelfth highest of the Ibex 35 index, with a weighting of 2.05%.

The Gas Natural Group's aim is to combine responsibility, efficiency and transparency to achieve sound, profitable and sustained growth

The gross dividend charged to results in 2007 was 1.14 euros per share, which represents an increase of 16.3% in comparison with the previous year and a payout of 53.2%. This dividend represents a profitability of 2.8% at 31 de December de 2007. In total, 521.3 million euros were used for shareholder dividend payments.



Together with the evolution of the Company's main indicators, the above figures consolidate the Group as one of the safest values on the Ibex 35.

Financial ratios (%)

	2007	2006	2005
ROACE ⁽¹⁾	17.7	14.50	12.50
ROE ⁽²⁾	16.4	15.40	15.00
Borrowing ⁽³⁾	36.5	33.99	38.50
Ebitda/Net financial results	10.1x	7.2x	6.9x
Net debt/Ebitda	1.6x	1.6x	2.4x
P/E	18.7x	15.7x	14.1x

(1) Return on average capital employed.

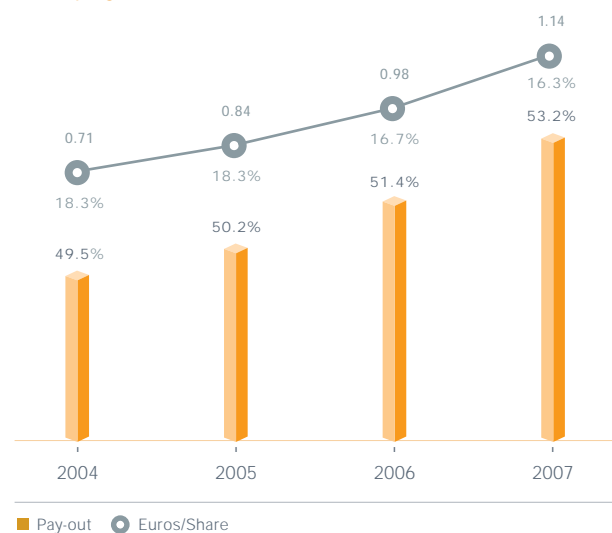
(2) Return on equity.

(3) Net financial debt (Net financial debt + Net worth + Minority interests).

Profit index (in millions of euros)

	2007	(%) 2007/2006
Net profit Gas Natural Group	959.4	12.3

Evolution of dividends and pay-out



Group expansion: the Gas Natural Group's investments in Mexico

In recent years, the Gas Natural Group has expanded significantly to incorporate new customers in countries in Europe and Latin America.

In 2007, after winning the international tender announced by the French Group EDF, the Gas Natural Group purchased generation assets and a gas pipeline in Mexico for the value of 1,019 million euros. The transaction positions the Group as the leading private energy operator and the second-largest electricity operator in Mexico. With this action, the company receives concessions to distribute in nine of the country's states, including the capital, Mexico DF, where it currently has 1.1 million customers and a distribution network of over 15,500 km.

The transaction grouped together five combined-cycle power plants and a gas pipeline with a length of 54 km

for the value of 1,019 million euros. In addition, the takeover of the operation, maintenance and support services company for the combined cycles was also approved. It is the largest transaction completed by the Company to date.

Overall, the Mexican plants total an installed power of 2,233 MW. After the Mexican transaction, the Gas Natural Group has 6,373 MW in combined cycles in Spain (3,600 MW), Puerto Rico (540 MW) and Mexico. Furthermore, there are another 1,200 MW under construction in Spain.

From the efficiency viewpoint, the Group will operate these power stations in accordance with the best operation and maintenance practices it applies to its other generation assets, optimising their management on a technical scale.

Establish communication channels with shareholders allowing their demands and needs to be met

The Gas Natural Group believes that in order to offer the best services to its shareholders, it is necessary to establish two-way communication channels which allow their demands and needs to be met.

In its relations with its shareholders and in keeping with the commitments acquired in all areas, the Gas Natural Group's basic premise is information transparency.

In addition, the Group has established mechanisms to enable the appropriate processing of the information received from its shareholders in order to gain further knowledge of their concerns and expectations, and offer them a better service.

The Group has also opened other communication channels with shareholders and investors:

- **Investor relations.** The Group wishes to provide consistent information to institutional and minority investors in accordance with the principles of equal treatment and simultaneous diffusion. Accordingly, special mention must be made of the Shareholder Assistance Office, which deals with daily operations with minority shareholders in response to the Group's commitment to meeting their requirements adequately.

- **Communication programme with institutional investors and financial analysts.** The aim of this programme is to optimise relations with both groups and inform them of the Group's corporate reality and business project.

- **Corporate website.** The website contains a specific section for shareholders and investors, where they can access economic and management figures, the latest results and other reports, as well as the documentation required by the Transparency Act and other concordant provisions.

The corporate website also offers the main economic indicators for recent years, presentations and financial reports on performance of businesses, information addressed in Meetings of Shareholders, as well as the Group's financial calendar, information on the Group's credit rating and other matters relating to corporate governance.

Furthermore, with regard to the efforts made by the Group to strengthen its communication with investors, mention must be made of the following activities:

- Meetings with investors and analysts in the world's main financial locations to report relevant events related to the Group's activities.
- Taking part in conferences and seminars, basically of sectors.
- Sending of information related to specific events of interest to analysts and investors who follow the Gas Natural Group's activity.
- The possibility of voting electronically, enabled for the first time during the Group's last General Meeting of Shareholders.

In addition, the Gas Natural Group performed two shareholder identification studies to establish the profile of the typical investor with a view to focusing actions on potential investors.

The Gas Natural Group maintains its commitment to satisfying the demands and requirements of its shareholders and investors all over the world. Accordingly, it regularly holds road shows and visits institutional investors in some of the main cities to inform them about the Company's current affairs. In 2007, the road shows were also used as a vehicle for presenting the 2008-2012 Strategic Plan.

Inclusion in the leading socially responsible investment indices

Socially responsible investment is that which, when constructing investment portfolios, adds social, environmental and ethical criteria to the traditional financial criteria. Accordingly, a growing number of investors understand that good practices in the various areas of corporate responsibility constitute a good indicator for a company's management quality and governance practices. These investors also understand that investing in companies that are well positioned in these areas represents a minimisation of risk and an additional indicator for sustained profitability.

The Gas Natural Group has formed part of socially responsible investment indices since 2001

Accordingly, in 2007, the Gas Natural Group maintained its presence on the most prestigious socially responsible international investment indices. The Company was listed on the Dow Jones Sustainability World Index and increased its score by approximately 5% in comparison with the previous year. The Dow Jones Sustainability Index score revealed the Gas Natural Group's leadership in certain key areas of corporate responsibility, including risk management systems, codes of conduct, information on corporate responsibility, and social action and sponsorship practices.

For its part and for the fifth year running, the FTSE4Good Index included the Gas Natural Group among the companies that were most highly valued for their economic, social and environmental management. It also awarded the Group the distinction of FTSE4Good Environmental Leader, which recognises companies with advanced environmental performance.

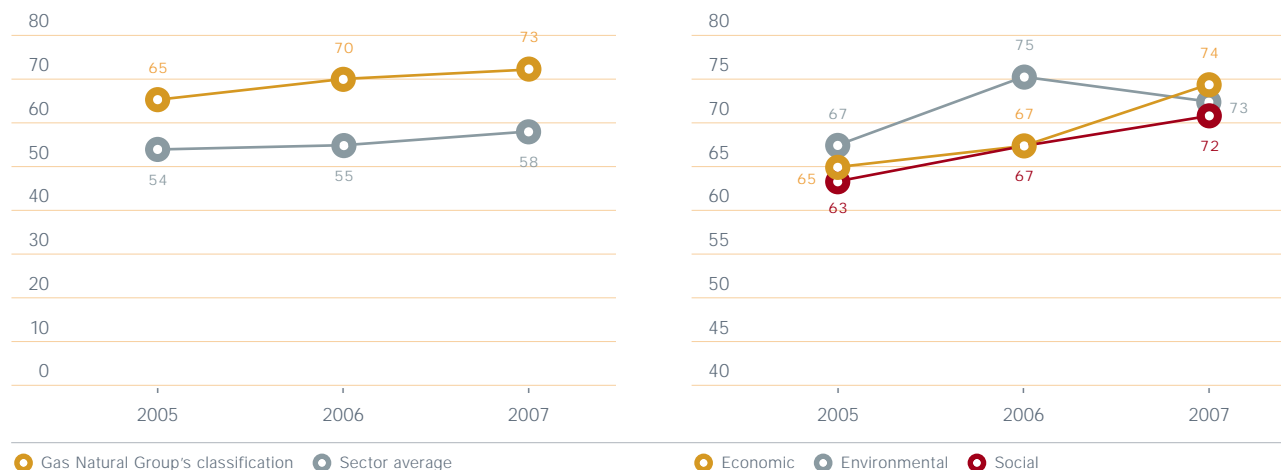
Accordingly, the Group was included among the small number of companies present in both the FTSE4Good and DJSI World.

Mention must also be made of the Gas Natural Group's presence on the KLD Climate Change 100 Index, which recognises the companies that are better positioned regarding the climatic change. The Group also forms part of the ECPI Ethical Index Euro and the Triodos Bank ethical investment universe.

The Group's presence on the above indices represents explicit recognition and market validation of the Company's approach in the area of corporate responsibility and information transparency.



Evolution of the Gas Natural Group's classification on the DJSI



Continued presence on DJSI and FTSE4Good

The Gas Natural Group's approach in the area of corporate responsibility is closely linked to the evolution of socially responsible investment indices.

The only two Spanish companies that joined in 2001, the FTSE4Good Index at the beginning included Gas Natural sng, which was the only company from the energy sector. Recognition of the efforts which the Company's managers have always shown for obtaining excellence in social, environmental and ethical issues.

In 2004, the Gas Natural Group joined the selective European Dow Jones Sustainability Index. Since its first

inclusion, the Company has increased its score by more than 30% and, in 2007, it was leader in seven of the main assessment areas. This progress has enabled the Gas Natural Group to maintain its position as one of the four best companies in its sector in the world in areas related to corporate responsibility.

Its continued presence on these indices encourages the Company to continue innovating in corporate responsibility management. Accordingly, some of the determining factors in the coming years will be the Company's contribution to an economy with a low carbon content and the extension of best practices to the entire value chain.

Employees and the Gas Natural Group



Employees are the most important asset of the Gas Natural Group. Consequently, one of the Company's governing principles, after formalising the new Strategic Plan is to develop a culture based on responsibility, teamwork and professional development.

The Gas Natural Group is made up of 6,699 employees, spread over nine countries: Argentina, Brazil, Colombia, Spain, France, Italy, Morocco, Mexico and Puerto Rico.

Human resources strategy

The Gas Natural Group's human resources strategy is based on the criteria set out in its Mission, Vision and Values, which states its interest in offering its employees a working environment that helps them grow as both people and professionals.

The Group encourages transversality as a tool for strengthening a common culture, the development of people and increasing their involvement. Accordingly, the Company fosters employee participation and commitment to a common project that focuses on achieving three basic objectives for the business: quality, profitability and growth.

The Gas Natural Group's main guidelines in human resources are as follows:

- Adapt the human team and labour framework to the competitive and regulatory environment.
- Develop and consolidate human resources management systems.
- Build new training areas and systems.
- Continue international development in Europe and Latin America, furnishing the necessary resources for the internationalisation of the Group.
- Promote the spirit of the Group.

Although there are development itineraries and tools for identifying and assessing professionals, the Gas Natural Group model is also open and flexible. This is the result of the need for having proactive individuals who are capable of adapting to the strategic changes of the Company and its environment. The aim is also to encourage a style among the Group's individuals that invites them to think about their targets and skills, placing resources at their disposal that enable them to develop their talent and make the most of the opportunities offered to them by the Company.



Commitments and actions

1. Guarantee a physically and psychologically supportive working environment that enhances the quality of life of its employees

Proposed actions for 2007	Results 2007	Actions for 2008
Foster a culture of prevention among employees, collaborators and customers of the Gas Natural Group.	Creation of a Labour Risk Management Management Index (LRMI) and publication of Risk Information Fact Sheets. ●	Development of a sensitising project for prevention in respect of risk activities and launch of an informative bulletin on health and safety.
Adoption and development of principles and techniques improving health and safety conditions in the workplace in the Gas Natural Group.	Approval of a plan for submitting to yearly external auditing the risk prevention system and internal satisfaction surveys. ●	Start of process to draw up health and safety risk map. Incorporation of improvement measures detected in the surveys.
Development of corporate policies and and technical criteria regarding health and safety issues.	Creation of web for likelihood of accidents and publication of the "Global Decalogue for Health Surveillance for the Gas Natural Group". ●	Strengthening of the accident investigation model for the generating of good practices and publication of data on the likelihood of accidents on the Group website.

2. Ensuring the work environment is conducive to adding value to the business and that it foments the professional development of employees, providing conditions for a better balance between their private and professional lives

Proposed actions for 2007	Results 2007	Actions for 2008
Within the framework of the segregation of Spain Commercial Services, creation of a collective bargaining agreement and pension plan for the new company, with the uniform conditions and definition of the commercial variable remuneration.	Signing of first Collective Agreement of Gas Natural Comercial and the Pension Plan for Gas Natural Comercial. Integration into the plan of Group employees. ●	Materialisation of the Pension Plan and monitoring thereof.
Defining of the HR Process Map, pursuant to the new organisational model.	Defining of levels 1 and 2 of the HR Process Map. ●	Establishing of agreements on a service level for the monitoring of processes and to prioritise identified improvements.
Actions for the professional promotion of the Group employees in Morocco.	Increase in salaries, bonuses and of the employees in Morocco. ●	Climate Survey and Equality Plan in Latin American companies.

3. Establish the communication mechanisms that enable fluid, transparent dialogue and encourage participation

Proposed actions for 2007	Results 2007	Actions for 2008
Set up communication actions to facilitate consultation and monitoring of actions.	Optimum size of employee opinion channels. ●	Improvement in existing communication channels, international co-ordination and re-launch with new functionalities.
Design, implementation and coordination of an Integration Plan for new staff members.	Updating of Integration Plan. ●	Start-up of new Integration Plan in Spain and international launch of base procedure.
Launch of the new NaturalNet.	Redesign of NaturalNet in co-ordination with corporate systems. ●	Increase in use of NaturalNet through new functionalities.

Level of compliance: High ● Average ● Low ●

Main indicators

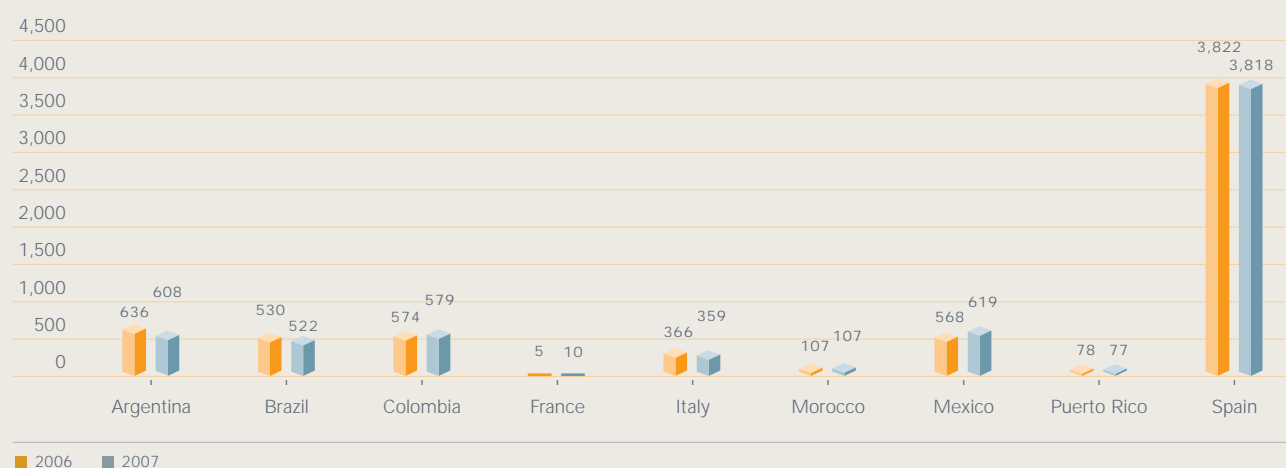
The Gas Natural Group's employee general indicators

	2007	2006	2005
No. of employees	6,699	6,686	6,717
Average employee age	40.9	40.6	40.2
Men/Women (%)	68/32	69/31	70/30
No. of executives	479	442	316
Personnel costs (in millions of euros)	308	277	252

Accident rate

Frequency rate	5.85	7.28	7.53
Seriousness index	0.12	0.19	0.14
Absenteeism rate	2.23	2.4	2.66

Staff rate. No. of employees



Responses of the Gas Natural Group to its employees

Guarantee a physically and psychologically supportive working environment that enhances the life quality of its employees

The Gas Natural Group's commitment to providing a safe working environment is based on the Company's Code of Conduct and can also be seen in its subscription to the principles of the UN Global Compact.

The Code of Conduct lays down the action guidelines and expected behaviour in areas such as respect for people, professional development, equal opportunities and occupational health and safety, among others. It also sets out the guidelines for relations between the Group's employees and the collaborating institutions or enterprises.

Provision of a safe and healthy working environment

The concern for its workers' health and safety is one of the Gas Natural Group's priority issues. The standard that guides the Company's activities in this area is its general policy on industrial safety and occupational risk prevention, which is applicable to all the Group's companies.

The aforementioned policy includes the Company's commitment to making the necessary efforts for reaching the highest levels of safety and lays down the principles on which the Group's activities in prevention are based. They are the following:

- Strict observance of current legislation governing prevention in each country.
- Consideration of occupational safety and prevention as a responsibility of every hierarchical level.
- Informing and training employees as a fundamental pillar for continuous improvement.
- Furnishing all the Group's companies with a specific structure for fostering and strengthening a culture in prevention.
- Extension of the Group's principles to suppliers and collaborating companies.
- Commitment to building, operating and maintaining industrial installations under the premise of risk-prevention.
- Zero accident rate as a target to be reached by all the actions in the area.
- Collaboration, coordination and fluent and transparent exchange of information as a basic principle for action.

- Analysis of incidents or accidents with a view to drawing conclusions, developing action plans and promoting continuous improvement.
- Clear messages to customers or users and to the general public on the safety and good use of energy.

The Gas Natural Group understands that a zero accident rate is the target for all its actions in the area of health and safety

In 2005 the Group established the Company's Joint Risk Prevention Service (JPS), the goal of which is to work towards continuous improvement in occupational safety and strengthen the integration of prevention in the Group's management systems. This service provides consultancy services and support in prevention, and guarantees the monitoring of workers' health at all the companies taking part.

Audits

In 2007, with a view to achieving the targets set in the area of prevention, a plan was adopted to submit the system to annual external audits, reducing the term laid down in current legislation. This allows an exhaustive analysis of the system to assess weak points and opportunities for improvement.

As a complementary measure, in 2007, an internal survey was carried out in Spain to discover users' perception of the service provided by the units responsible for health monitoring and prevention. The Company decided that they would be annual to favour the continuous improvement and monitoring of the issues that most concerned employees.

Training and information

Training and information constitute one of the principles of the prevention policy. The Group implements the policy by providing training in the area adapted to the various functions and focused on everyone at the Company.

From the moment they join the Company, the Gas Natural Group gives its employees a copy of the "Safety and First Aid Manual".

In addition, the 2007 Training Plan included a large programme of activities in the area of safety, together with other specific actions. The activities in the annual training plan included the analysis of accidents, the manual handling of loads and the training of firefighting brigades. Other activities were also developed in relation to the emergency plan in buildings and occupational safety when working with gas or near electrical risks.

In addition, the necessary training in safety at the work post was updated, establishing an internal certification system that covers the Group's employees in Spain, and new recycling was carried out affecting 100% of staff.

In 2007, there was an increase of 15% in the number of employees who received training in the area in comparison with the previous year. All the training actions were carried out without reducing the ratio of training hours per employee.

In 2007, the Gas Natural Group's international "Decalogue on Health Monitoring" was also published. The target has been set for 2008 of posting the accident figures on the Company's website.

For the year 2008, two targets have been set:

- Updating the training necessary at each post on an international scale.
- Increasing the international ratio of training hours/employee by 5% to reach the figure of 3.5 hours.

The Gas Natural Group has a training programme whose objective is to provide the operative units with the knowledge and training required to ensure the occupational safety of the work teams. Among other issues, the contents focus on the responsibilities of contractors in the area of safety. Since its launch in 2003, 204 people have been trained at the Gas Natural Group.

Safety training

	2007	2006	2005
% attendees over total staff	47.7	41.4	30.5
No. of training actions completed	243	273	219
Training hours per employee	3.3	3.0	2.1



Preventive action

The Group's preventive action is fundamental for ensuring the health and safety of its workers during their activities. It is based on the Occupational Risk Prevention Plan and on the identification and regular assessment of the risks in the various activities, as well as the regular control of working conditions.

The risk assessment in Spain is carried out biannually, beyond the requirement for updating and review laid down in current legislation.

In 2007, a total number of 919 preventive actions were carried out in Spain. The target for 2008 is to achieve an increase of 5%.

Continuous monitoring and data recording

The continuous monitoring and recording of data and activities are important tools for improving activities in prevention. They enable the study and assessment of the results obtained, as well as the detection of possible room for improvement. The Group has specific programmes for processing the health-monitoring and risk-prevention information.

In addition, the Company has an internal procedure for unifying criteria governing the recording of accident information in the different countries in which the Group

operates. Based on criteria issued by the International Labour Organisation (ILO) and the European Statistics on Accidents at Work (ESAW) methodology, this procedure allows the comparative analysis in the Group, regardless of the applicable legislation in each country.

In 2007, the specific website for occupational accidents was also launched and is to be implemented on an international scale in 2008.

In 2007, 100% of the accidents that occurred in Spain were analysed. For 2008, the Company has set the targets of having a standard support and developing the model for investigating accidents leading to absenteeism on an international scale.

Each month, the results in this area are included in control reports. Furthermore, each quarter, the Company draws up the Group's Health and Safety Report, which includes health and safety figures for the entire Gas Natural Group in both Spain and abroad.

The Health and Safety Report is distributed among the Group's senior management, showing the priority given to health and safety issues.

Summary of preventive actions carried out in Spain

	2007	2006	2005
General and specific risk assessments	142	61	127
Unique activities risk assessment	35	12	-
Regular control of work conditions	365	504	476
Emergency-related actions	107	126	65
Other actions	270	150	70
Total	919	853	738

Accident indicators

	Target for 2008	2007	2006	2005
Accidents requiring medical leave	73	77	94	100
Days lost	1,562	1,644	2,430	1,858
Mortalities	-	-	2	-
Frequency rate	5.55	5.85	7.28	7.53
Seriousness index	0.11	0.12	0.19	0.14
Incident rate	10.95	11.53	14.05	14.76
Absenteeism rate	2.11	2.23	2.4	2.66

Accident indicators by country. 2007

	Argentina	Brazil	Colombia	France	Italy	Morocco	Mexico	Puerto Rico	Spain
Accidents requiring medical leave	15	-	9	-	3	3	12	-	35
Days lost	249	-	25	-	70	106	81	-	1,113
Mortalities	-	-	-	-	-	-	-	-	-
Frequency rate	12.03	-	7.42	-	4.3	13.51	8.99	-	4.97
Seriousness index	0.2	-	0.02	-	0.1	0.48	0.06	-	0.16
Incident rate	24.16	-	15.68	-	8.36	27.59	20	-	9.17

The Group has set a target for a reduction of 5% in the indicators for the year 2008.

Total number of significant fines resulting from non-compliance with laws and regulations concerning the provision and use of products and services. 2007

Type of non-compliance	Company	Fine (euros)	No. of reports
Occupational accident. A fire in a gas pipe caused serious injuries to one person.	CEG	199,341.41	1

Participation

The workers' representatives are of vital importance for the continuous improvement of prevention.

In Spain, the Gas Natural Group has drawn up mechanisms for its workers to have specific representatives in the area of risk prevention through the designation of prevention representatives and Health and Safety Committees, which are the most important query and participation bodies in the area of risk prevention.

The Health and Safety Committees have an equal number of representatives from the Company and the workers, totalling 46 members. They hold meetings every two months or every quarter. There are currently six Health and Safety Committees.

Within the framework of its respective collective bargaining agreements, the Gas Natural Group regulates different areas in health and safety (thirteen agreements). There are also specific agreements with the Special Operations and Technical Services collectives, both of which belong to Gas Natural Distribución SDG.

The health and safety issues covered by the Group's various collective bargaining agreements regulate matters such as the Occupational Risk Prevention Plan, worker information and training, emergency measures and preventive measures for contractors and temporary employment agencies, among others.

In Spain, 84% of employees are represented on Health and Safety Committees.

Occupational health

The Gas Natural Group understands the concept of health defined by the World Health Organisation as a "state of physical, mental and social well-being".

Accordingly, the Gas Natural Group monitors the health of all its employees. This task is implemented through regular medical checkups, analysing the evolution of workers' health and ensuring at all times the medical 'aptitude' of each and every worker, as well as the preventive treatment of the most common diseases, carried out through health and vaccination campaigns that allow the prevention of specific pathologies, as well as the detection and treatment of infectious diseases.



In its prevention policy, the Gas Natural Group also includes initiatives that go beyond the strictly professional requirements and consider workers' health on a more comprehensive scale through the promotion of the following actions:

- Development of training actions or diffusion for health monitoring:
 - Health advice given on the Gas Natural Group's intranet:
 - Measures for avoiding the effects of heat.
 - Epidemiological situation of parotitis in the Community of Madrid.
 - Identification and treatment of those illnesses with the highest impact in the areas where the Company has a presence.
 - Development of a campaign for the awareness of osteomuscular injuries.

- Implementation of qualified and personalised daily medical care for staff in order to solve the health problems the workers may have during their working day.
- Assessment of the shift workers' health situation for the effective prevention of the specific diseases by which they may be affected.
- At the corporate centres of Madrid and Barcelona, two rooms were created for exclusive dedication to rest and attention for pregnant employees.

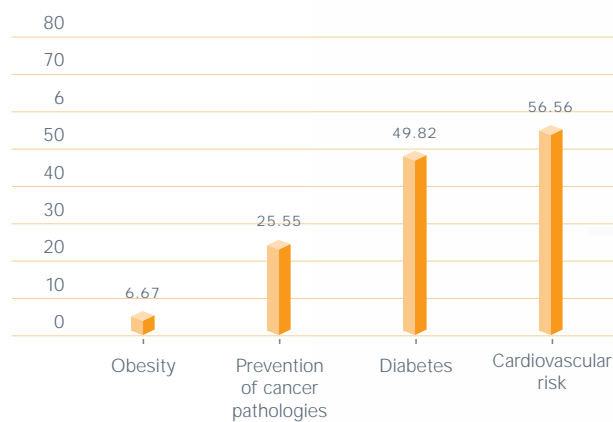
In addition, in 2007, the pilot study on psychosocial factors was updated to optimise and foster adaptation to legal requirements, and to draw up a work model for anticipating the appearance of psychosocial risk factors that may influence occupational health.

In addition, in 2007, specific health monitoring campaigns were carried out outside Spain, paying particular attention to the prevention of the potentially most recurring pathologies in the professional activity of the Group's employees.

Participants in occupational health campaigns

	2007	2006	2005
Prevention and/or early detection campaigns	10,205	10,426	9,508
Vaccination campaigns	2,006	2,666	1,797
Checkups	5,208	5,033	5,796
Medical assistance	17,290	15,646	9,465

Prevention campaigns at the Gas Natural Group. Staff taking part (%)



New preventive management indicator for Spain: Occupational Risk Management Index (ORMI)

With a view to adopting the best practices for guaranteeing a safe working environment, the Gas Natural Group began to apply the Occupational Risk Management Index (ORMI) as a key indicator for management in the area in 2007.

The traditional accident rate indices only show the accidents that have already occurred. This new index seeks to quantify and measure the evolution of occupational risk prevention management.

The ORMI is based on the faults detected in occupational risks that require specific actions for resolution. The index varies in

accordance with the type of intervention made and its effectiveness in time. Appropriate occupational risk management is associated with the gradual reduction in the value of the index. Accordingly, by applying the formula, the lower the value of the index, the higher the level of control over the risk under study.

This new index will make it possible to set targets for occupational risk prevention for all the Group's companies.

Treatment of semicircular lipoatrophy

In February 2007, the Gas Natural Group detected symptoms in some of its employees characterised by the alteration of the adipose tissue structure, caused by the accumulation of static electricity and the lack of humidity, known as semicircular lipoatrophy. Throughout the year, 246 cases were detected at the Company's centre in Barcelona.

The Group's capacity for response, taking decisions and information transparency in this area is outstanding. The actions taken reduced the number of affected individuals from 28% to 2% in one year. The rapid management of the situation is worthy of particular mention due to the fact that it was an illness for which there were insufficient technical, scientific and medical references.

The different units involved developed numerous procedures with a view to identifying the causes of the symptoms, adopting the corresponding corrective measures and maintaining all the players involved informed. Attention focused on the affected collectives and employees, unions and labour and health authorities. Information transparency regarding the media and society in general were also of particular significance.

After reviewing all the installations, the workplace was adapted by connecting all the tables to earth, installing protection sections on the tables and systems for increasing the level of ambient humidity.

All the technical adaptations were accompanied by numerous meetings with experts from a variety of medical centres and companies that had suffered from a similar problem. These contacts led the Gas Natural Group to commission a group of interdisciplinary experts with a study of the origin and cause of the injury.

From when the problem was detected, the Company followed an information standard based on transparency, giving priority to internal information at all times, aimed at the affected employees, together with constant, fluent communication with the external public, especially with the media.

The information channel on semicircular lipoatrophy was created on the intranet. Fourteen informative bulletins were sent to all employees summarising the results of the investigations and giving details of the systems implemented.

The effort made to provide rigorous, updated information obtained clear external support and recognition. It also allowed the Company to share its progress and provide its action model to other institutions and organisations affected by the same problem, turning it into a reference point when dealing with the disease and ensuring its eradication from workplaces.



Ensuring the work environment is conducive to adding value to the business and that it fosters the professional development of employees, providing conditions for a better balance between their private and professional lives

Equal opportunity, diversity and social integration as levers for growth

The Gas Natural Group promotes the professional and personal development of its employees and guarantees equal opportunities for all.

As laid down in its Code of Conduct, the Company rejects any type of discrimination in the workplace due to age, race, colour, gender, religion, ideology, nationality, social status or disability. This non-discrimination principle is implemented directly in the employee selection and promotion processes, which are based on the criteria of the merit and capacity required for each post.

In 2007, an Equal Opportunities Committee was set up in the Group's companies in Spain with a view to drawing up an action plan for laying down the framework of equality between men and women that was already in place at the Gas Natural Group.

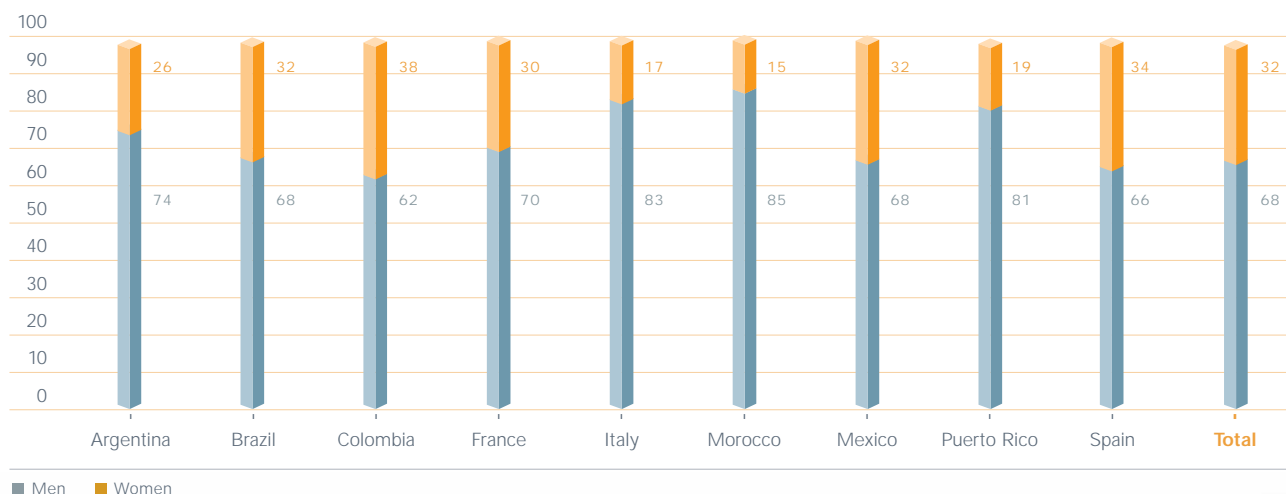
In 2007, an Equal Opportunities Committee was set up, applicable to the Group's activities in Spain

The Group is committed to policies that support the social and professional integration of the disabled. This has two purposes: enabling access to employment for the said collective and creating a suitable environment for all employees to carry out their activities under equal conditions.

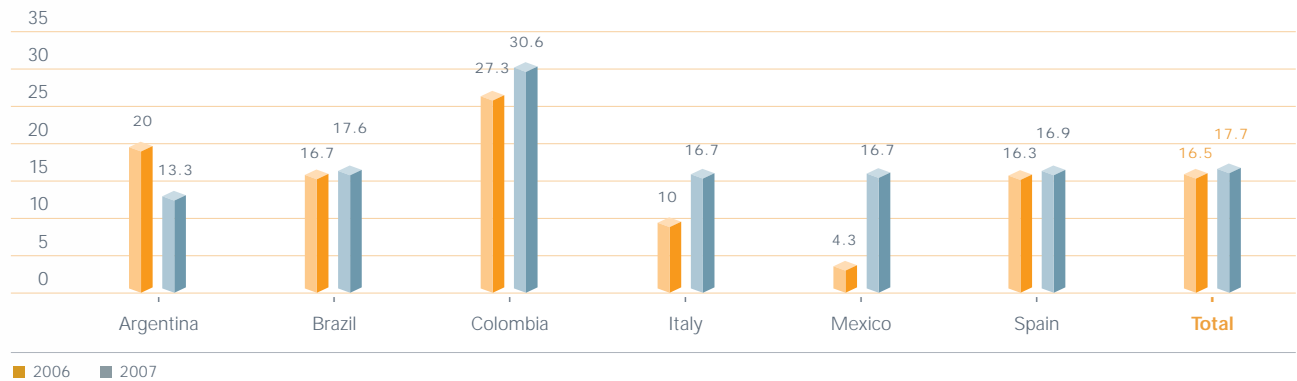
One of the main aims is for the collective of disabled workers to reach 2% of total staff. This can be achieved by directly hiring disabled workers or through a responsible purchasing policy that awards preference in contracts to companies which, offering the same service quality, give preference to employing disabled workers.

In 2007, the Company continued to develop actions. Accordingly, in Spain, collaboration agreements were signed with the Spanish Paralympics Committee and the Adecco Foundation. In Brazil, the hiring of disabled workers for administrative functions continued, closing the year with fifteen new employees from the said collective. In Morocco, the collective of disabled workers now totals 2.7% of staff.

Breakdown of staff by gender (%)



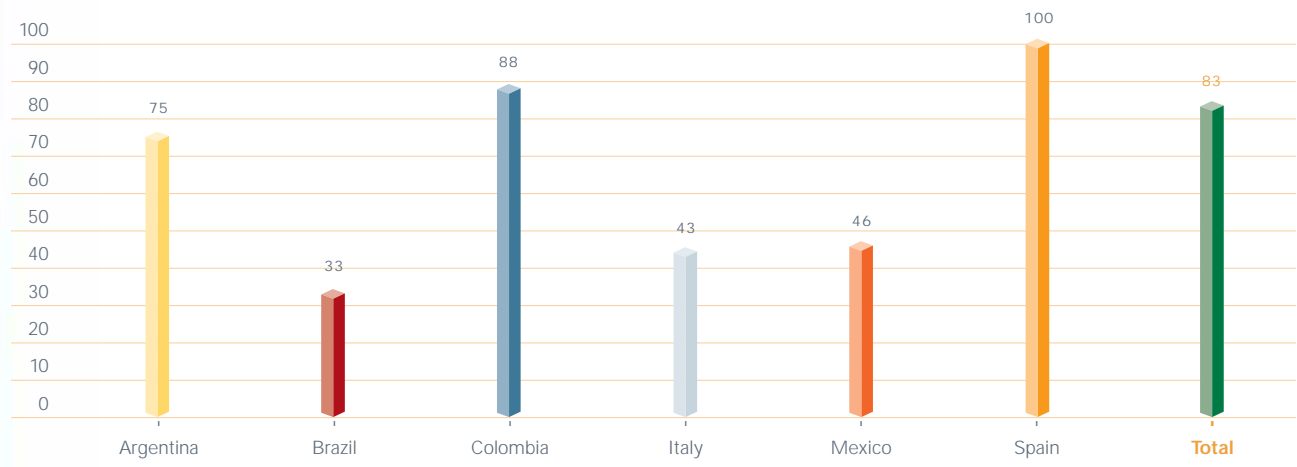
Women in management posts (%)



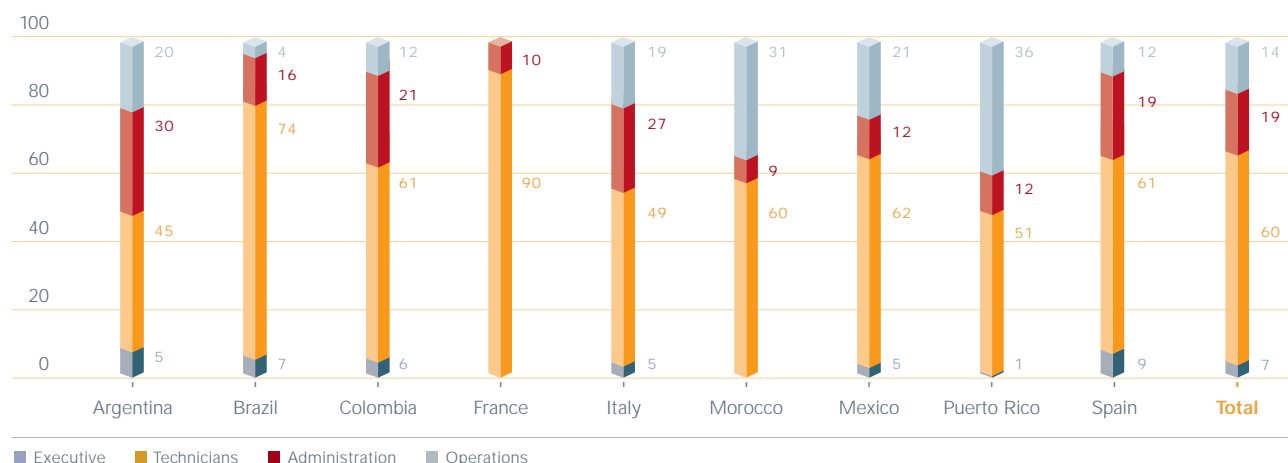
The Gas Natural Group also understands that the awareness of local particularities is of critical importance for the Company's success in the countries in which it

operates. Similarly, the said awareness strengthens bonds with local communities. For both reasons, the Company promotes the hiring of local managers and employees.

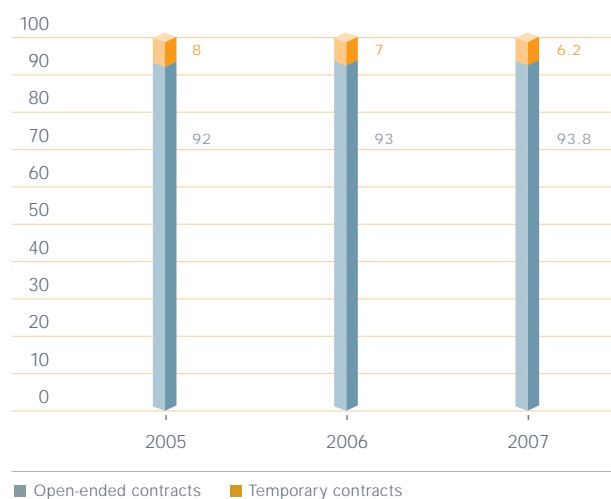
Senior managers from the local community (%)



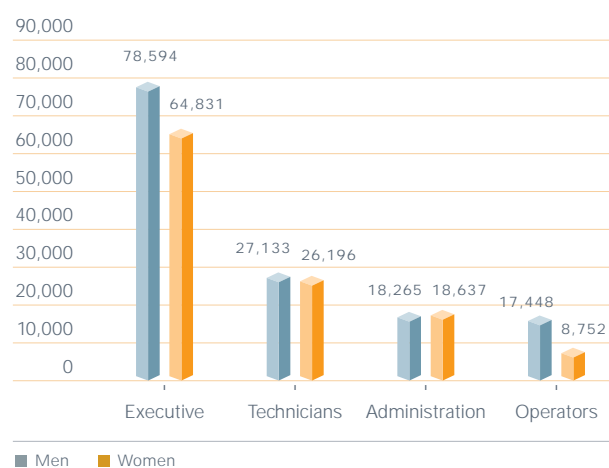
Breakdown of staff by professional category (%)



Type of contract (%)



Differences in the average salary between men and women (¹) (euros)



(¹) The differences are explained by the different organisational levels and seniority.

Recognition of trade union representation in the workplace

The Gas Natural Group scrupulously respects the right to freedom of association. Accordingly, all the Group's companies have trade union representatives elected by employees.

Negotiations with trade union representatives are formalised in collective bargaining agreements that govern labour relations in the Group's various companies.

The following is an overview of the trade union scenario in the Gas Natural Group:

- The percentages of affiliation in Spain, Italy, Brazil and Argentina are 15.6%, 60%, 27% and 44%, respectively.
- In Mexico, there are three active union organisations with a percentage of affiliation of 19.09% and 23 non-active unions.
- In Colombia, 4.5% of workers are members of a union.
- In France, owing to the small size of the Company, there was no union representation in 2007. One staff representative must be appointed as from 2008.

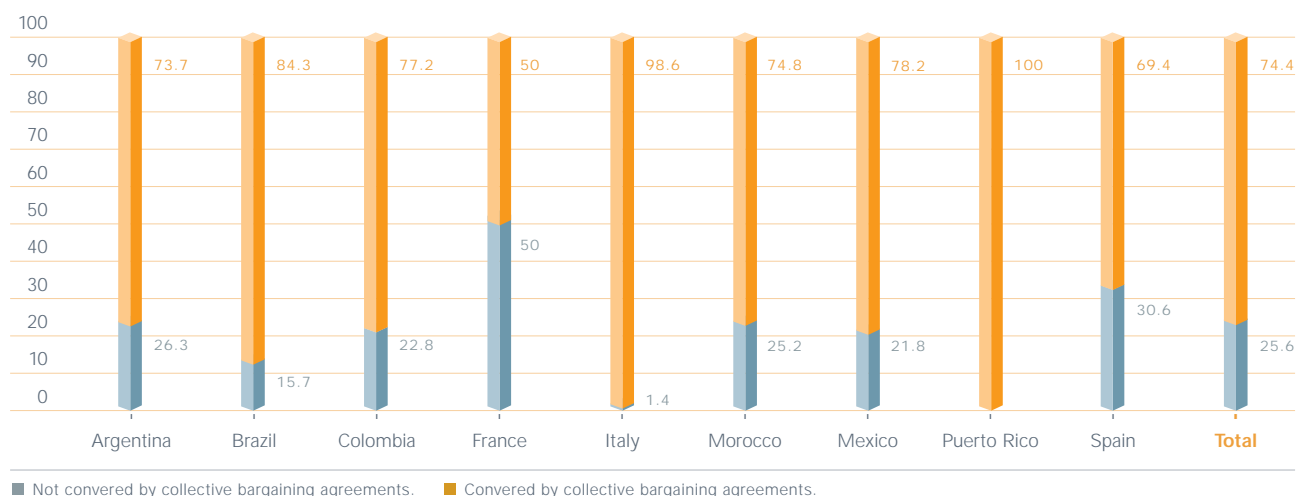


- In Morocco, 75% of workers are members of a union.
- In Puerto Rico, there is only one union with representation. 46.1% of workers are affiliated.

Trade union presence in Spain. 2007

	No. of representatives	%
Comisiones Obreras (CCOO)	106	47.75
Unión General de Trabajadores (UGT)	78	35.14
Confederación General de Trabajadores (CGT)	32	14.41
Gas Natural Colectivos	3	1.35
Independent professionals	3	1.35
Total	222	100

Employee and collective bargaining agreement indicators. 2007 (%)



The agreements lay down the term of notice for possible organisational changes in the Company:

- In Spain, without prejudice to the provisions laid down in current legislation, the collective bargaining agreements of the companies with the highest number of employees, Gas Natural SDG, S.A., Gas Natural Distribución SDG, S.A. and Gas Natural Comercial SDG, S.L., award the Intercentres Committee the right to preliminary hearing within the term of ten business days for setting up new services under regular work shifts, as well as for changing the working day or timetable and calendars for shifts.
- In Italy, although no collective bargaining agreement has been specified, the practice corresponds to human resources.

- In Argentina, it is reported only in the case of disassociations with the Company.
- In France and Puerto Rico, the time agreed is two and twelve weeks, respectively.

Remuneration policy

Remuneration is a fundamental tool for attracting, retaining and motivating employees. It makes it possible to reward the merit and contribution of each individual to achieving common targets. The Gas Natural Group's remuneration policy is based on the concepts of equity (internally) and competitiveness (with respect to the market), and is determined according to the following criteria:

- For the employees included in the collective bargaining agreement, the remuneration is established in accordance with the professional group and subgroup laid down in the agreements of the various companies.
- For managers and employees not included in the agreement, it is established on an individual basis in line with the remuneration policy approved by the Board of Directors' Appointments and Remuneration Committee.

The competitiveness of the remuneration with regard to the market is supervised by comparing posts on the external market through verified means such as surveys and remunerative studies.

With regard to internal equity, during 2006 the Group saw the start-up of a project for the "Change of Description and Assessment of Work Posts Model" aimed at clarifying responsibilities and roles within the organisation, having up-to-date post descriptions and defining a system for classifying posts that is coherent with the new corporate model.

Within the framework of the "Description and Assessment of Work Posts" project, in 2007, the assessments corresponding to national and international structure personnel came to an end. Throughout 2008, the description and assessment of new positions or possible structure changes is anticipated, together with changes of a functional nature.

Each year, an increase policy is established, taking into account forecasts for salary increases provided by external experts, the real and forecast CPI and the Company's results. This leads to a general increase percentage.

In Spain, 47% of the Group's employees fall within a system that establishes part of their remuneration in function of certain specific objectives in line with the Strategic Plan, Group objectives and their professional assessment.

Ratio between standard minimum salary and local minimum salary. 2007 ⁽¹⁾

Argentina	2.23
Brazil	2.58
Colombia	1.39
Spain	1.72
France	1.80
Italy	1.25
Morocco	3.15
Mexico	2.48
Puerto Rico	2.40

⁽¹⁾ Equivalent to the no. of times the local minimum salary of the country is contained in the Group's standard minimum salary.

Promotion of flexibility for employees

The Gas Natural Group promotes occupational flexibility, as it is aware that it represents an increase in life quality for its employees.

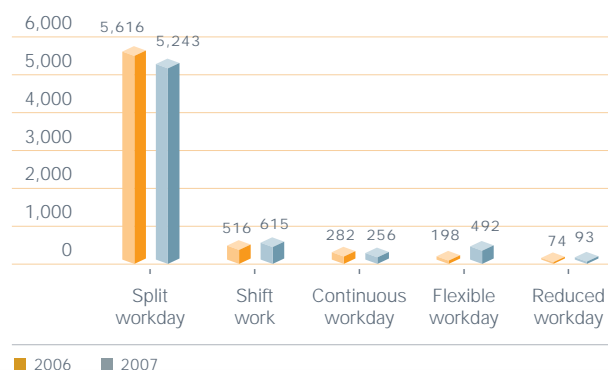
The flexible timetable policy enables, among other issues, a self-organised flexible working day for the individuals subject to the incentive system who carry out their functions outside the work centre. It also offers the possibility of completing a continuous workdays on fridays in winter. This policy of flexibility also envisages reduced workdays for new mothers.

As far as the reconciliation between private and professional life is concerned, there is a possibility of a 50% reduction in the working day for a time of no less than six months, beyond the cases laid down in legislation. In the case of breast-feeding leave, this type of working day is extended to one year and to a reduction of one hour.

These flexibility practices are extended to improving the leaves laid down in legislation. They are also present in the policies for bringing the work place closer to home for employees who have to look after family members under different circumstances. In addition, it offers the possibility of avoiding travel that involves female workers being far from their home during pregnancy and breast-feeding periods.

These flexibility practices are applied to other countries in which the Group operates.

Breakdown of staff by type of workday



Services adapted to employee requirements

The Gas Natural Group offers numerous social benefits for its employees. The following are a few examples of social benefits offered by some of the Group's companies:

- Supplement to the legally required salary paid in cases of temporary incapacity.
- Discount for consumption of gas supplied by the Company.
- Assistance for children with some kind of disability.
- Meal vouchers for employees working a split or flexible shift.
- Personal loans for purchasing a vehicle for staff participating in the commercial variable remuneration system.
- Study assistance for employees and children.
- Interest-free advance salary payments.
- Loans under advantageous conditions.

Generation of employee commitment and involvement

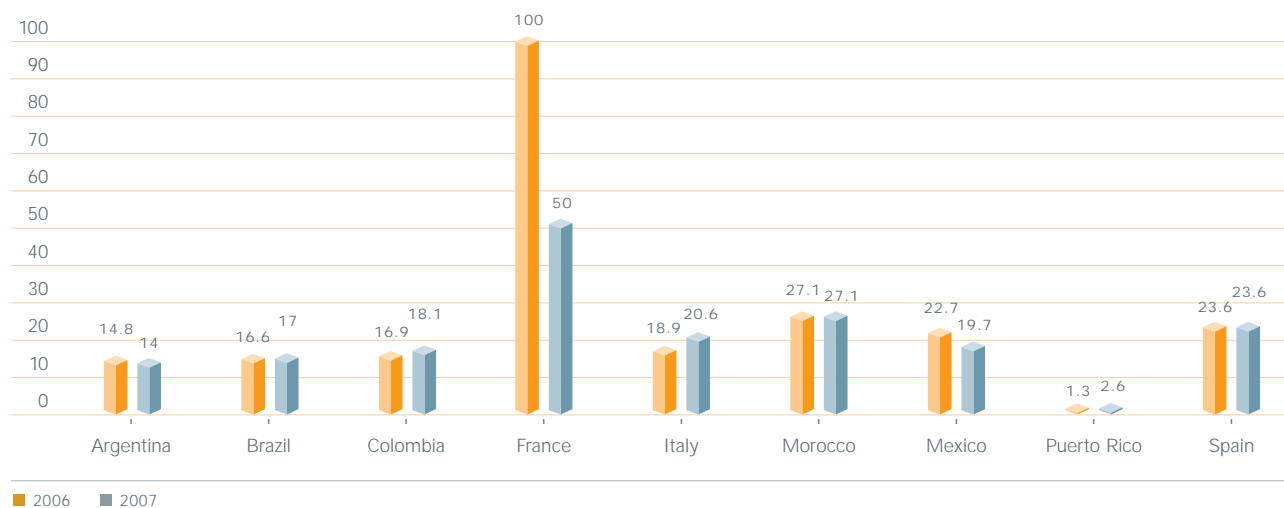
For the Gas Natural Group, Management by Objectives (MbO) is a strategic concept. It constitutes a basic lever for involving employees in the execution of the strategy and achieving business targets.

In 2007, the actions carried out under the MbO model focused on improving the computer application used by the system and strengthening the communication of targets and performance among participants.

Breakdown of personnel costs (in millions of euros)

	2007	2006
Wages and salaries	244	232
Social Security costs	55	51
Definitive contribution plans	9	11
Definitive benefit plans	2	2
Work carried out for the Group's fixed assets	(47)	(46)
Others	45	27
Total	308	277

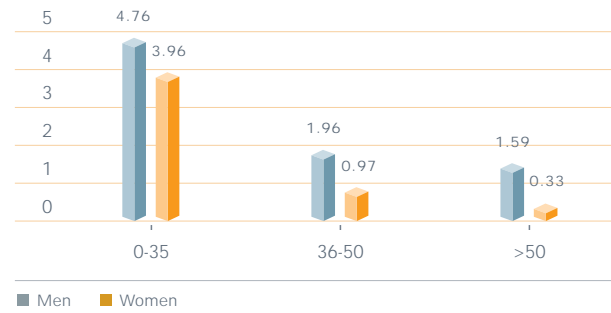
Management by Objectives (MbO) indicators ⁽¹⁾



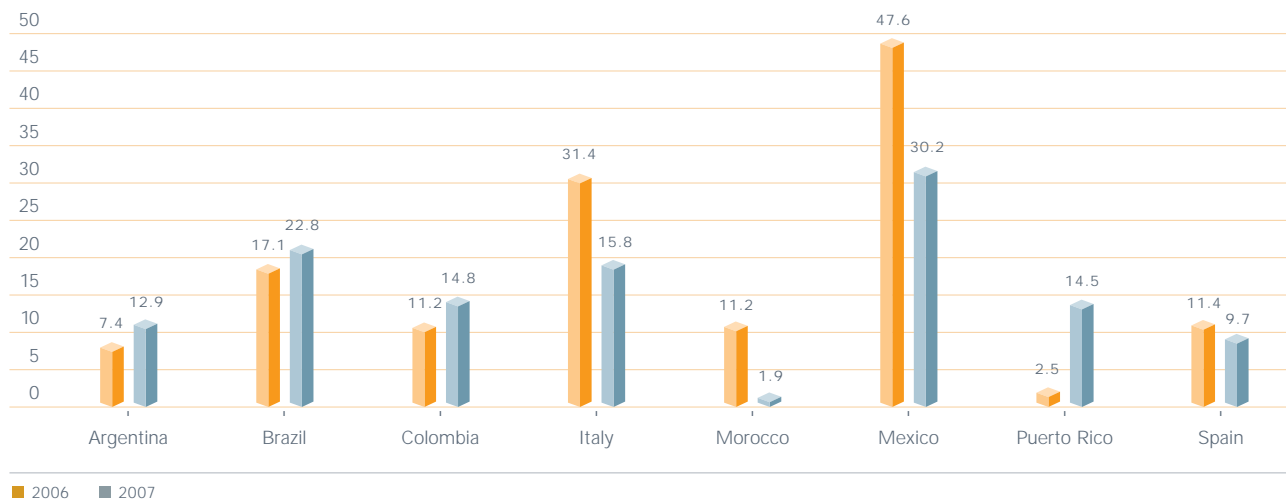
⁽¹⁾ Percentage of participants in the MbO and Performance Assessment systems.



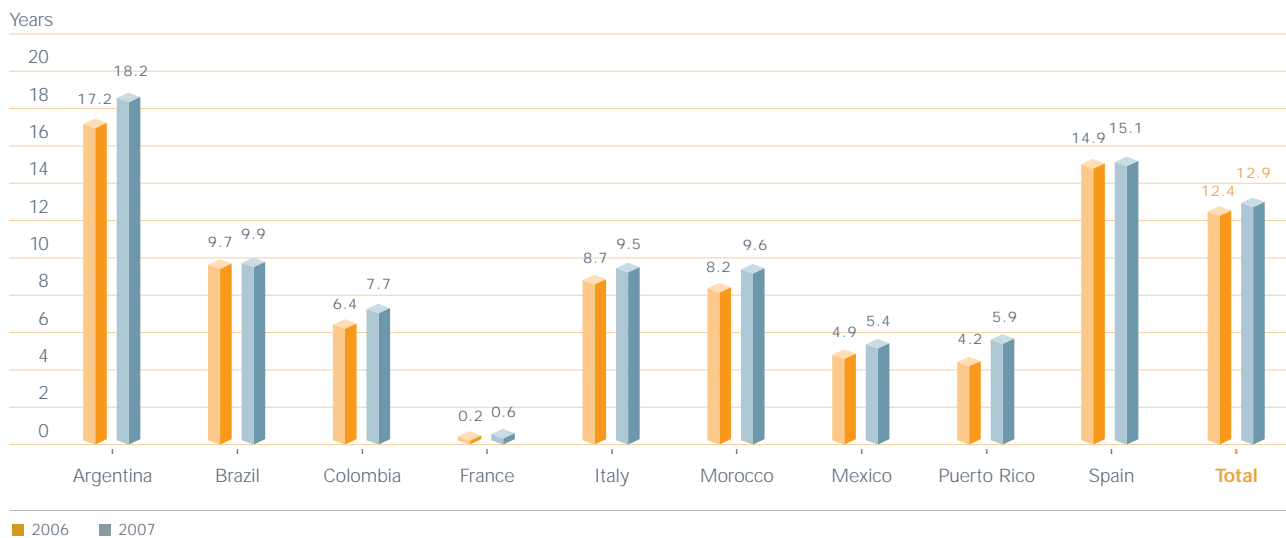
Rotation rate. 2007 (%)



Rotation rate by country (%)



Seniority rate (average staff seniority by country)



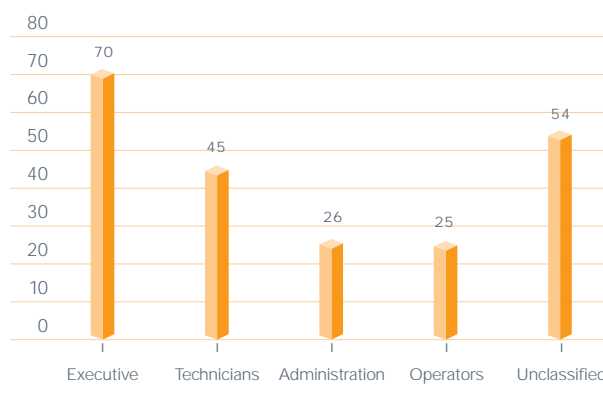
Training for the continuous improvement and development of professional actions

The Gas Natural Group develops continuous training programmes that allow a response to the employee need for acquiring the know-how and skills necessary for carrying out their work and for their own professional development.

The training plans are updated on a regular basis and the training activities apply different methods (in-class, distance, online or mixed) in order to ensure rapid and appropriate training.

The online training platform, ACERCA, implemented by the Gas Natural Group in every country was still the main training tool, since it provides easy access to training and offers flexibility for the acquisition of knowledge.

Training hours by category. 2007



Training indicators

	2007	2006	2005
Training hours per employee	40.62	41.11	33.3
Total course hours	272,130	274,858	223,655
Annual investment in training (euros)	3,397,500	3,193,605	2,703,700
Investment in training per person (euros)	507.17	478	403
Participants	5,763	5,741	5,695
Attendees	19,193	19,649	21,729
No. of online courses taken (Group) (*)	422	-	-
Users of online training schemes over total staff (Group) (*)	21.18%	-	-

(*) This is the first year the information for the entire Group has been reported.

Career opportunities for all employees

The Gas Natural Group offers professional development opportunities for all its employees. Accordingly, it has designed tools that favour the development of professional careers, always in accordance with the professional profile of the individual.

The Professional Development Programme (PDP) is the tool aimed at the employees included in the collective bargaining agreement. Management by Objectives has been designed for staff not included in the agreement. Mention must be made of the fact that, using one tool or the other, 100% of the Group's employees have access to official performance appraisal systems.

100% of the Gas Natural Group's employees have access to official performance training appraisal systems

In 2007, as a result of the application of the Professional Development Programme (PDP), there were a total of 195 promotions.

Both development programmes have common targets:

- Foster mobility through the mechanisms in place to request transfers on the corporate intranet, which are accessible to all the Group employees.
- Encourage filling internal vacant positions via internal promotion, with a high percentage of success.

Talent management

Talent management constitutes one of the Group's strategies. It occupies a prominent position in the new Strategic Plan, including senior management and team leaders.

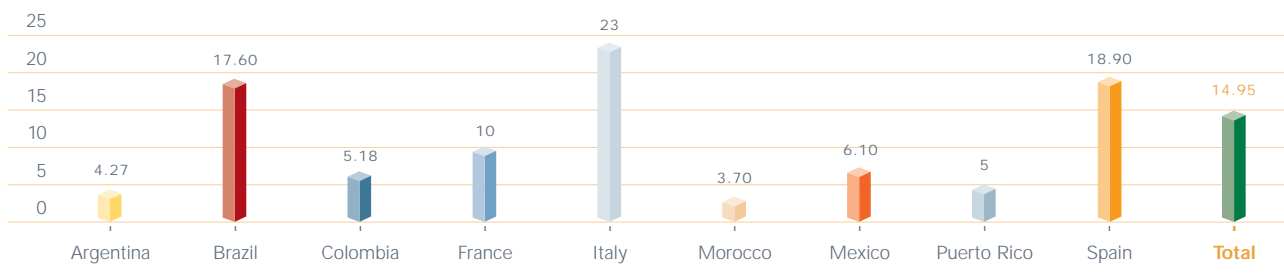
The employees are the owners of the talent and the value it provides to the organisation. Accordingly, a Talent Management Programme was defined to identify the human and intellectual capital and to introduce measures to attract it, develop it and retain it.

In 2007, the Talent Management Programme was implemented in the entire Group. During the initial phase, it focused on 1,545 people. After the assessment of 100% of participants, the Company is working on preparing individual development plans. They will be extended to all the Group's employees, respond to the strategic requirements of the business and be adapted to the needs and expectations of each individual. In 2007, 104 promotions were approved and Individual Development Plans were implemented for 12% of the managers that were promoted to critical positions in the Company.

Establishment of formal channels for the management of knowledge

The Group fosters an atmosphere of cooperation and teamwork for the maximum use of the skills and resources available and to increase efficiency at work. The Group's intranet includes various virtual communities that are accessible to people in different areas with similar interests.

Staff promoted. 2007 (%)



Management by Objectives model and assessment of the Group's professional activities

The Management by Objectives model was introduced to bring the teamwork and use of resources in line with the strategy and behaviour the organisation considers necessary for achieving results. The system is committed to fostering responsibility, the recognition of merit and professional employee development.

In 2007, the process involved the participation of 1,411 individuals, classified into four groups, who were assessed in relation to four types of targets: group, management, individuals and professional activities. The entire process was supported by a specific management tool, which enabled the monitoring of the participants over the year.

One of the key moments in the process was the assessment of the successes obtained in 2007 and the setting of targets for 2008. All the assessments led to a distribution of the participants' performance and the determination of the corresponding variable remuneration for the year.

The main consequence of the implementation of the model was the integration of the annual preparation of targets for 2007 for each unit with the general planning of the Group's targets.

In addition, the Management by Objectives model enabled transversality and teamwork, defining the targets shared by various units and highlighting the human factor through the professional activities that help achieve them.

Establish the communication mechanisms that enable fluid, transparent dialogue and encourage participation

Internal communication is an essential tool that fosters progress in the activities undertaken and the business objectives to be attained. It is also a basic factor for personal integration and satisfaction.

In order to integrate employees into the Group's dynamics, the Internal Communications Plan sets out the communication channels and actions to be carried out within the Company and establishes the following goals:





- Strategy-related:
 - Adding clarity and transparency to the business project.
 - Creating awareness and generating involvement in the Group's objectives and strategy and in each functional unit.
- Management-related:
 - To facilitate the dissemination of information that enables employees to be aware of all matters affecting and comprising the context of their activities.
- People-related:
 - To promote participation in the Company's everyday life.
 - To involve people in common objectives and targets.
 - To foster personal satisfaction and integration.

The Group establishes mechanisms for hearing its employees' opinion. The Opinion Channel is included within the framework of the corporate intranet, which was redesigned in 2007. This is an interactive space that allows staff members to give their opinions, make suggestions, remarks or concerns over different issues concerning their or the Company's activity. This space has two different channels, which enable employees to participate:

- Employees' opinions channel, which receives remarks and suggestions regarding various issues, allowing employees to express their opinion (also anonymously).
- Thematic channel, where suggestions are posted concerning a specific, pre-defined subject. Employees have to identify themselves to give their opinion.

Opinion Channel indicators

	2007	2006
No. of suggestions received	166	191
Human Resources Channel	5	1
Others Channel	18	24
Integration Manual	-	1
Risk Prevention	2	2
Cost Reduction Project (PRG)	140	161
Natural journal	1	2

In 2007, the Cost Reduction Plan received 58 proposals during 2007, and the implemented proposals prompted savings of 3.6 million euros, with annual estimated savings of 4.9 million euros. These proposals also helped to strengthen employees' involvement in the Company's activities and in its efficiency and sustainability. Since the savings and efficiency improvement initiatives programme was started up in 2004, a total of 611 suggestions have been received.

NaturalNet indicators

	2007	2006	2005
No. of visits to intranet	7,332,605 ⁽¹⁾	2,143,633 ⁽²⁾	1,855,923
Mission, Vision and Values	822	16,463	23,076
Code of Conduct	2,871	2,618	-
Communications	10,479	18,606	23,392
Informative notes	5,288	7,035	9,066
Opinion Channel	7,256	8,025	15,626
Integration Manual	1,965	5,177	7,571
Notice board	122,056	125,726	93,844

⁽¹⁾ 3,354,009 of this total access figure are visits to the home page which is opened automatically.

⁽²⁾ Counting from July 2006 on.

Furthermore, the Internal Communications consultative group, made up of Group executives from different areas, continued its activities. Staff comments and concerns are brought up in its meetings. On a regular basis, the Group meets and carries out surveys to value basic elements of internal perception and specific actions started up.

In 2007, all the Group's employees in Mexico were consulted, in order to measure the Company's working environment and provide a global view of its current situation and of its strengths and areas of opportunity. Also in 2007, the Integration Plan was renewed, in order to be implemented in 2008. The first consultations at

international level were made, in order to forge ahead with homogenising the procedure, and each new employee was offered a welcome kit to help with the process of integration within the Group.

Code of Conduct of the Gas Natural Group

In 2006, the Group handed out its Code of Conduct to all its employees. The Code of Conduct Committee had been previously set up. This Committee is entrusted with disseminating the Code within the organisation, and supervising the working of the consultation and notification procedure.

For further information, refer to the "Code of Conduct section" herein.





Updating of the Integration Plan

In 2007, the Integration Plan was renewed, in order to be implemented in Spain over 2008, with the following objectives:

- To provide new employees with a structured and guided procedure making their incorporation to the Company easier and reducing their adaptation period.
- To ensure the integration of the new employees, through a system whereby they can become rapidly acquainted with the Group, the business and the most common procedures.
- To design a procedure which is unique and uniform so that all the employees receive the same information.

One of the innovative parts of the Plan is that each new employee will receive a welcome kit, which includes the Code of Conduct and the Corporate Responsibility Report (together with other documents). Another key aspect of the adaptation period is the assigning of responsibilities, and the involvement of superiors and tutors, thus allowing feedback to be obtained.

The Group plans to launch the basic procedure for international activities in 2008.

Suppliers and the Gas Natural Group

Suppliers and collaborating companies are vital in order to meet the targets for growth and improving the quality of service of the Gas Natural Group. As is the case with other stakeholders, the Company's aim is to establish relationships with them based on trust and mutual benefit, following criteria of objectivity, transparency, professionalism and equal opportunities.

Suppliers are critical because they provide products and services that are essential both for the Group's ordinary activities and, therefore, for its provision of service to its customers.



In accordance with the nature of the services they provide, the Gas Natural Group divides its suppliers into the following categories:

- Contractors, entrusted with building the infrastructures required to carry out its operations.
- Installers, responsible for maintenance and customer care services, and the installations necessary for the different products commercialised.
- Suppliers of materials, which furnish the elements required to build the Company's infrastructures.
- Suppliers of services, including those performing services for the internal improvement of the Company's management systems, and those responsible for performing business activities and the inspection of installations and quality control.



Commitments and actions

1. Maintain long-term relationships based on trust to improve the quality of products and services with a view to suitably meeting customer demands

Proposed actions for 2007	Results 2007	Actions for 2008
Collaboration environments with suppliers to integrate the purchase procedures through Internet.	First tenders through the Supplier Portal to which new functionalities will be added. ●	Development of the functionalities, implementation of the same in subsidiaries and progressive incorporation into the Portal of new suppliers.
Extension of the Group Code of Conduct to suppliers. (*)	Commencement of the procedure with the communication to suppliers in Italy, Argentina and Colombia and to collaborating companies in Spain. ●	Completion of process of communication to all significant suppliers of the Group.
Actions to reinforce liquefied natural gas through the joint company Repsol-Gas Natural LNG.	Incorporating of a tanker to the joint company Repsol YPF-Gas Natural LNG, and agreements with Norwegian suppliers on price reviews up to 2010. ●	Maintaining of the negotiations with producers for new supplies on the Spanish and European markets.

2. Establish objective supplier selection mechanisms to optimise the relationship with suppliers through open, transparent dialogue

Proposed actions for 2007	Results 2007	Actions for 2008
Extension of the Q-Model to the new purchasing families relating to Customer Service telephone platforms.	Extension of the Q-Model to Servigas and meter-reading operations. ●	Extension of the Q-Model to the new purchasing families.
History log of suppliers project and assignment of work loads online for the framework contracts.	Defining of scope and viability of the historical register and assigning of work loads to suppliers. ●	Development of the computer application for the exploitation of the model and implementation in certain processes.
Extension of the coordinated international purchase to new families.	Creation of the International Purchasing Unit, and monitoring of the actions of co-ordinated purchasing of materials. ●	Identification of purchasing families offering international opportunities for improvement, and implementation of the actions identified families.

3. Require compliance with safety, quality and environmental criteria, so that their actions have a positive impact on processes and the environment

Proposed actions for 2007	Results 2007	Actions for 2008
Set up of the Quality Information System in Colombia.	Review by area of Security and Technical Quality of the new web version and defining of its use for the inspection of networks and equipment. ●	Defining of the project budget for 2008 and implementation of the same in the second half of the year.
Increase the amount of contractors affiliated to the "Good Environmental Practices in Distribution Network Construction" document and to increase the percentage of follow-ups.	Adhesion of twelve new contractors to the good environmental practices document and activation of the fourteen contractors adhered in 2006. ●	Adhesion of new suppliers to the good practice document and monitoring of the actions adopted by the contractors adhered in 2007.
Development and set-up of the computer application.	Taking of requirements and identifying of local specifics for each one of the functionalities to be implemented in the Supplier Portal. ●	Commencement of the international implementation of the different functionalities of the Supplier Portal and updating of the regulation.

(*) This action has been modified in respect of the previous year due to duplications in the published information.

Level of compliance: High ● Average ● Low ●

Main indicators

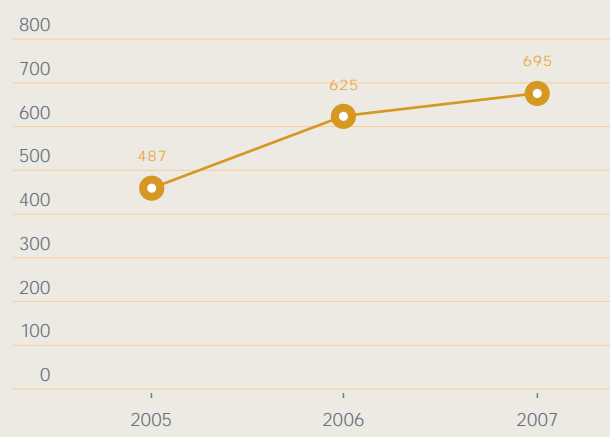
General indicators for suppliers

	2007	2006	2005
Mercantile contracts (at 31/12/2007)	1,215	1,321	1,087
No. of total agreements with installers	198	884	767
Installers with customer service centre	514	216	131
Installers without customer service centre	712	668	636

General indicators for suppliers by country. 2007

	Argentina	Brazil	Colombia	Italy	Mexico	Morocco	Spain
Suppliers with contracts currently in force	333	356	395	512	433	155	2,090
Suppliers with ISO 9001:2000 certification	27	92	16	52	15	44	148
Suppliers with ISO 14001:2000 certification	-	7	2	6	2	6	21

Companies registered on the Supplier Portal



The Gas Natural Group's response to its suppliers

Maintain long-term relationships based on trust to improve the quality of products and services with a view to suitably meeting customer demands

Promotion of long-term, flexible contracts

Given the decisive contribution made towards the final quality of the services rendered, the Gas Natural Group believes it is essential to foster a contracting policy which generates cooperation relationships between the Company and its suppliers.

Such a contracting policy is compatible with a certain degree of encouraging competition between suppliers, in order to secure the highest levels of quality, price and delivery terms.

During 2007, in Spain, the Group forged ahead with performing and awarding the pipeline of IRC (Spanish acronym for Community Receiver Installation), and CDI (Comprehensive Distribution Contractor) and maintenance framework agreement, which ensures that services are performed over a maximum period of five years to a total of 90 suppliers, maintaining certain quality and service standards at all times.

In Italy, the call to tender was made for awarding the pipeline and maintenance framework agreement to a total of 20 suppliers.

In Colombia, most of the contracts signed were for a duration of over one year. In Mexico, with the application of the 1+1+1 model, it was possible to make agreements with a timeframe of three years. Also in Mexico, meetings were held with suppliers to furnish information on new processes and technologies, helping to strengthen the existing bond with them.

The 1+1+1 model was also extended to other areas of the Group's activities. In Morocco, for example, most of the contracts signed by Metragaz were of the type mentioned above. In 2007, fourteen contracts were either renewed or signed; ten of them used the 1+1+1 modality.

In 2007, measures were also taken to extend the Code of Conduct to suppliers. Here the primary goal is to furnish information on the commitments made and the existence of the consultation and notification procedure.

It is important to note that, as is the case with the Group's employees, suppliers and contractors can make use of the consultation and notification procedure to warn of any improper practices they may have observed in their relationship with Company employees.

The first suppliers to receive this information were those in Argentina, Colombia and Italy, and the collaborating companies in Spain. The Company intends to complete the process in the remaining fields of operation in 2008.

Development of supplier skills to offer the best possible services to its customers

The Gas Natural Group understands how important it is to contribute towards the training of its suppliers, given that this accomplishes two goals: on the one hand, it encourages their development; and on the other, it helps towards obtaining improvements in the carrying out of their services.

The Company fosters training programmes for service suppliers in most of the countries where it is present.

In Argentina, there is a programme to improve the technical and/or commercial skills of contractors and installers. Furthermore, in 2008, the Group plans to give courses and grant diplomas of accreditation to persons whose work concerns meters, after-sales service and call centres.

In Brazil, a training programme is being developed focused on contractors, installers, inspectors and sales agents, with the ultimate goal of securing improvements in the quality of the services rendered.

In 2007, Spain saw the development of ten different training programmes with more than 253 courses through the Gas Natural Foundation, in which 3,132 suppliers received training.

Installers, a fundamental cog in the Gas Natural Group

Natural gas installations require very specific technical know-how to ensure the safety of the installation and enable the customer to use the service with optimal convenience.

In order to achieve this twofold objective, and to ensure that the installations are executed in accordance with the Company's instructions, the Gas Natural Group concluded agreements with various installation companies.

In addition, it should be pointed out that the Gas Natural Group requires its installers to meet the various training and qualification requirements. These requirements apply to technicians entrusted with carrying out the works and to the customer service centres.

Suppliers, a key part to guaranteeing supply safety

Suppliers provide the Company with the natural gas it requires to offer services to its customers. It's vital that the supply is made under optimum conditions of regularity and quality. The Gas Natural Group has a diversified portfolio of suppliers that includes companies of worldwide prestige.

Supplies are made either in gaseous state, via gas pipelines, or through liquefied natural gas (LNG) tankers. In 2007, the approximate proportion of each in terms of total supply was 45 and 55%, respectively.

For a company like the Gas Natural Group, the proper supply of raw materials is essential. Therefore, it is particularly important to establish long-term frameworks for relationships with gas suppliers. Long-term contracts are beneficial for both parties: the company is assured of a regular and reliable supply, while suppliers are guaranteed a flow of revenues which allows them to cope

with the heavy investments needed in the energy industry.

Likewise, it is essential to diversify the sources of the supply in order to guaranteeing its security. In this respect, the Gas Natural Group's supply mix, which includes the gas received through gas pipelines and LNG, is optimised from the standpoint of its sensitivity to risks of interruption, the ultimate objective being to ensure a continuous supply.

For geographical reasons, the Gas Natural Group's current portfolio has a higher percentage of LNG supplies than that of other peer companies. This is due, among others, to Spain being so far away from the gas pipeline networks deriving from Russia and the North Sea, and the fact that it is close to LNG-supplying countries.

In view of the strategic importance of suppliers, the relationship is structured by means of long-term contracts, with special emphasis on making contacts fluid. In this respect, and once the contract is signed, the Gas Natural Group fosters relationships with its suppliers that go beyond the mere handling of the established deliveries. To this effect, it holds regular meetings at which all issues of common interest are discussed.



Together, the Group and its suppliers also establish the measures necessary to implement the improvements in the management of supply that arise from these meetings, from their contact and from the customer satisfaction surveys that the suppliers send the Group.

Likewise, all contracts between the Gas Natural Group and its suppliers envisage the quality of the natural gas delivered, which must always meet the requirements of the System Technical Management Rules. Published by the Ministry of Industry and Energy, these are a series of rules of mandatory compliance for all participants in the Spanish gas market.

Agreement with Sonangol to develop an integrated gas project in Angola

The Gas Natural Group and Repsol YPF, in partnership with Sonangol Gas Natural (SONAGAS), ENI, GALP and EXEM, signed a shareholders' agreement with the object of carrying out the first works for developing an integrated gas project in Angola.

The project consists of evaluating gas reserves, and subsequently, making the investments necessary for developing them, and, if applicable, exporting them in the form of liquefied natural gas (LNG).

For the Company, this agreement is one more step forward in the development of the Angola integrated project, which got under way with the signing of a memorandum of understanding with Sonangol Gas Natural.

This project is also in keeping with the Gas Natural Group's new 2008-2012 Strategic Plan, whose objectives include reaching 15% of equity gas in the long term.

This agreement helps the Company in one of its objectives: to be present throughout the entire value chain of the business, in order to ensure a continuous supply and thereby offer the highest level of service.

Establish objective supplier selection mechanisms to optimise the relationship with suppliers through open, transparent dialogue

The Gas Natural Group's relationships with its suppliers are based upon objective criteria that guarantee equal opportunities.

The main principles governing the Group's process for purchasing and selecting suppliers are as follows:

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

The principles stated above are an integral part of the Awarding and Contracting General Standards of the Gas Natural Group, which set out a uniform and efficient model for management of the purchasing, procurement or acquisition of work, goods and services.

The selection model is specially designed to make the process transparent, enabling the Gas Natural Group to secure the information necessary to objectively contract suppliers, and allowing said suppliers to be familiar with the factors affecting the purchase process.

The Group's selection criteria include three compulsory requirements:

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

In 2007, the Asigna project was developed, in order to improve, among others, the tendering of bids and awarding processes. This initiative also has the objective of reinforcing the selection of the workloads in the works awarded and pending assignment to suppliers, and for this purpose they are furnished with information on the suppliers' performance, workloads and capacities.

In Spain, the implementation of the Q-Model continued, allowing quality associated with suppliers to be managed and the no-quality costs resulting from suppliers' actions to be reduced. The no-quality analysis is taken into account in awards and in the design of penalties for non-compliance with standards agreed by contract.

During 2007, improvements were made to the registry of suppliers in Colombia and Mexico, with the aim of having reliable information and thus an objective selection.

With the aim of creating value in the places it operates, and bearing in mind the strengthening of bonds with the community, the Gas Natural Group provides incentives for local procurement:

- In Spain, approximately 90% of recurrent purchases were awarded to national suppliers.
- In Argentina, the continuous purchasing model was modified to allow the development of a network of local suppliers that replace foreign-made products. One of the reasons for this change is to comply with laws in force, which create incentives for local procurement.
- In Brazil, as a result of the country's geographical situation, and in order to prevent risks of interruption of supply, the Company is also giving priority to local suppliers.

Transparency and communication in the quest for the best solutions

The Gas Natural Group has a close relationship with its suppliers throughout the entire length of the process. Starting with accreditation, including the tendering of bids, awarding and formalisation of contracts, up to the assessment and monitoring of the agreements made.

The Company has put a specific portal at its suppliers' disposal, and for which new functionalities were developed in 2007 relating to:

- Managing of offers.
- Acceptance of orders and exchanging of associated documentation.
- Updating the regulation associated with contracts.
- Accrediting suppliers.

Formerly, communications with suppliers were structured via different channels. From 2007 onwards, however, they are all directed towards the Supplier Portal. Furthermore, pursuant to the Data Protection Act, the Group informs its suppliers that they are being added to the file, and that they are entitled to exercise the rights of access, rectification, cancellation and opposition.

In 2007, with the aim of adapting to suppliers' expectations and continuously improving the relationship, a poll was made to suppliers.

"Asigna" project: an analysis for improving the selection of suppliers and awarding workloads

During the first half of 2007, the Gas Natural Group started up the "Asigna" project. The project has the goal of improving the selection of suppliers, and affects the bid tendering and award processes. It also improves the selection of the workloads in the works awarded and pending allocation, by means of furnishing information, among others, on the suppliers' performance and capacity.

Over the course of the year, meetings were held with the parties involved and available data were analysed. The main difficulty in the project was identifying the impact on the current management model: persons, standards, processes and systems.

The first analysis of the project furnished positive conclusions regarding viability and benefits on awarding and allocation.

A simulation was made using real 2006 data in order to study its effects and impacts. The conclusion was that the new model offers a higher degree of transparency and lower distribution of work between suppliers, in accordance with their business and capacity parameters.



Require compliance with safety, quality and environmental criteria, so that their actions have a positive impact on processes and the environment

The Gas Natural Group requires high environmental, safety and service quality standards from its suppliers. The Company has established different processes to that effect, and verifies that products and services comply with the required standards.

In its selection processes, the Company establishes compulsory requirements relating to risk prevention, health and safety, and, lastly, compliance with environmental and quality standards

- **Environment.** The goal of the Gas Natural Group is to preserve the environment and minimise any negative impact arising from its activities. Accordingly, suppliers must abide by and adhere to the Group's environmental commitments.

It is important to note that during 2007, the first steps necessary were taken to obtain the ISO 14001 environmental certification of the logistic operator.

In their dealings with contractors or external collaborating companies, Group employees convey the principles that stem from the Company's environmental management policy and require compliance with any applicable environmental procedures and requirements.

We may highlight one of the initiatives taken: the dissemination of the "Good Environmental Practices in Distribution Network Construction Sites" document. In 2007, 65% of the main contractors working for the Group in Spain adhered to this document voluntarily. Furthermore, initiatives were developed for monitoring the environmental measures and actions adopted, to verify that their adhesion is effective and that the commitment to adopt good practices has been properly understood.





- **Safety.** Contractor and subcontractor companies are becoming increasingly important in the Company's value chain. Therefore, one of the Group's fundamental issues in health and safety is to disseminate and instil the culture of prevention throughout the value chain.

In 2007, the following actions were taken:

- The creation of a website for exchanging documentation regarding prevention with contractors in Spain.
- Drawing up of manuals geared towards instilling the culture of prevention:
 - Wind Farm Safety Manual.
 - Cogeneration Plant Safety Manual.

The Company undertook to post 100% of the main contractors and of their accident data on the aforesaid website in 2008. The viability analysis also began for implementing the website in the international arena.

The Company also undertook to hold seminars on safety, the environment and corporate responsibility, designed for the directors of over 100 contractor companies with agreements signed with the Gas Natural Group amounting to more than one million euros.

- **Quality.** In 2007, the Gas Natural Group continued with the implementation of the Q-Model, which was integrated into its main processes. The model's methodology identifies and calculates the no-quality costs deriving from suppliers, and at the same time assigns a quality score to each supplier. This methodology has the objective of furnishing in-depth information on each supplier's degree of compliance with the commitments adopted, and to improve quality by managing collaborators in a more efficient and transparent fashion.

By incorporating quality levels in contracts with collaborators of the customer service network in Spain, collaborators are encouraged to act in keeping with the objectives of the Gas Natural Group, and service quality significantly improves. In Brazil, simultaneously, the "Equipment" Calibration Control Project of contractor companies was developed, in order to improve control and monitoring of these companies.

Furthermore, training initiatives were fostered to boost capacities and the focus on service. In Spain, this training was focused on customer service staff in Gas Centres and on the technicians attending domestic customers. In Colombia, a continuous skills process was implemented for the telephone service employees of the new call centre contractor, prompting an improvement in service and greater customer satisfaction.

Management and monitoring of “Good Environmental Practices in Distribution Network Construction”

In 2007, firmly in keeping with its commitment towards the highest safety, quality and environmental standards, the Gas Natural Group continued to encourage its contractors to adhere, at their own free will, with the guidelines set out in a document entitled “Good Environmental Practices in Distribution Network”. It also monitored the actions taken by the contractors which adhered in 2006.

The Company took the following steps in terms of managing the process for the adhesion of new contractors is concerned:

- Selection of contractors, so that the number of total affiliates represents approximately 95% of construction activity.

- Meeting with the selected contractors and delivering the good practices document.

With regard to monitoring the actions taken by the contractors which adhered in 2006, the contractors were sent a brief urging them to inform the Company in writing of the actions taken relating to good practices.

In 2007, twelve new contractors sent the good practices adhesion letter. 100% of the fourteen contractors which adhered in 2006 informed the Company of their progress.

Society and the Gas Natural Group



The commitment towards communities is a vital part of the Gas Natural Group's business model, and forms part of the Group's Mission, Vision and Values statement.

The Company materialises its social commitment through:

- Generating knowledge, capacity for management and innovation, thus benefiting society as a whole.
- Putting aside part of the profit generated to social actions, in a way which is in keeping with the Company's strategy and with local needs.

In 2007, the Gas Natural Group pumped over 16 million euros into social investment, 24% more than in 2006. Besides, 308 initiatives were developed.

The Group divides its social investment programmes into three main categories: social, cultural and environmental. In percentage terms, the Company made social action a priority in 2007, channelling over 57% of the total budget into this area.

In all its fields of activity, the Gas Natural Group cooperates strongly with institutions and associations, whose purpose is generally to protect human rights, preserve the environment and promote social development. This cooperation goes hand in hand with open dialogue with the governments and administrations of the different countries, in order to ensure that the Company's social initiatives are in keeping with those promoted by public authorities.



Commitments and actions

1. Contribute to the development of the local communities in which the Gas Natural Group operates

Proposed actions for 2007	Results 2007	Actions for 2008
Launch of the new Educational Folder and reform of the online education section.	Delivery of copies to education centres and online content review. ●	Presenting of Educational Folder in each autonomous region and development of new online content related to technological innovation.
New sponsorship actions of social and cultural interest in the municipal districts with combined-cycle power plants.	Monitoring of agreements signed and development of new projects. ●	Establishing of a system to measure the impact of sponsorship projects, and obtaining of London Benchmarking Group certification.
Launch of cultural and social action plan in Algeria.	Integration into the Mediterranean Energy Observatory and development of a seminar under the auspices of the Gas Natural Foundation. ●	Fostering of development co-operation projects.
	Participation in LNG 16 Algeria 2009.	

2. Collaborate and maintain an ongoing dialogue with associations working to improve society

Proposed actions for 2007	Results 2007	Actions for 2008
Extend the signing of collaboration agreements to CECU (Spanish Consumers Association) and OCUC (Catalonia Consumers Association).	Signing of a collaboration agreement with OCUC and collaboration with the Latin American Consumer Congress, organised by CECU. ●	Issuing of the "Gas Guide", together with organisations with which the Group has collaboration agreements.
Promote the commitment and participation of the business areas in associations that foster corporate responsibility of the different stakeholders.	The Group is a member of the Executive Committee of the UN Global Compact's Spanish Association (ASEPAM). ●	Organising of seminars on corporate responsibility for suppliers. Participation in the working group on suppliers of ASEPAM for the publication of a practical guide.
Presentation of the campaign for "Millennium Goals" in Latin America.	Presentation of the campaign in collaboration with IARSE (Argentina) and in the functional meeting of the Managing Direction International. ●	Development of development co-operation projects in Mexico.

3. Establish transparent communication channels capable of responding to citizens' needs

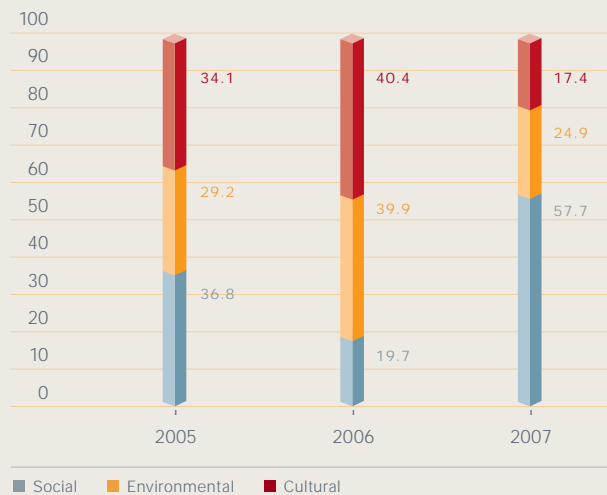
Proposed actions for 2007	Results 2007	Actions for 2008
Review of the chapter on the Environment in the online section on de "Corporate responsibility". (*)	Launch of the new Environment and quality control section. ●	Improvement in information available in the online section on "Corporate responsibility".
Increase the number of management teams advised in accordance with the needs detected through the outsourced appraisals of the Corporate Responsibility Report.	Development of 16 items of internal advice in the area of corporate responsibility to nine different Management bodies. ●	Incorporating of RepTrak results into advice methodology.
Updating of the "Crisis Communication Management Manual" to adapt it to the new organisation.	Publishing of Corporate Responsibility Reports in Mexico, Argentina and Colombia. ●	Launch of first Corporate Responsibility Report in Brazil.

(*) This action was modified in respect of the information published the previous year, due to an error compiling the information present in the 2006 Corporate Responsibility Report.

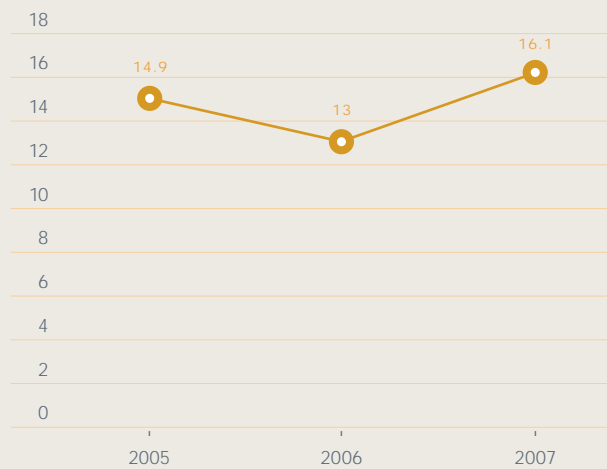
Level of compliance: High ● Average ● Low ●

Main indicators

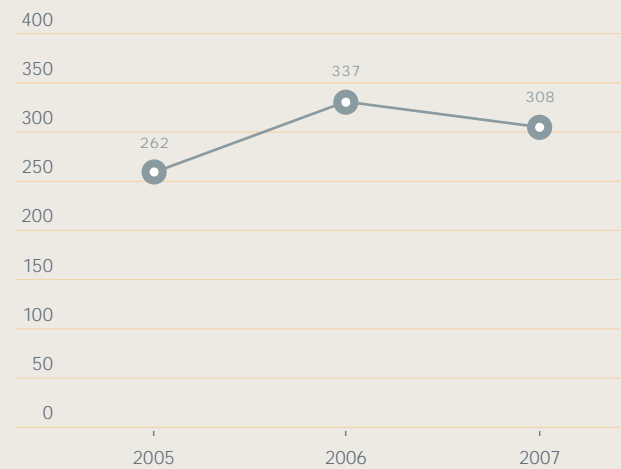
Breakdown by type of action (%)



Contributions (millions of euros)



Number of sponsorship and social action activities



The Gas Natural Group's response to society

Contribute to the development of the local communities in which the Gas Natural Group operates

The Gas Natural Group carries out initiatives within the framework of the Millennium Development Goals and the Principles of the Global Compact, with the intention of playing a positive role in the development of the societies where it is present. The Company carries out far-ranging social action activities geared towards improving the quality of life of underprivileged groups.

In 2007, the Company pumped over 16 million euros into social investment, 24% more than in 2006

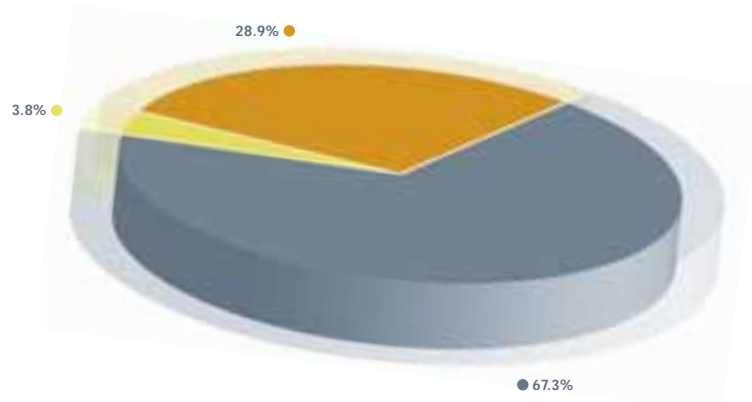
The Group also strives to promote culture and education. Universal primary education is a right enshrined in the Universal Declaration of Human Rights. What is more, teaching plays a fundamental role in promoting gender equality. For these two reasons, much of the Company's efforts are channelled into training the youngest members of society, supporting cultural and educational initiatives.

In 2007, matters such as climate change and sustainable development were treated as priorities. The Gas Natural Foundation's activities have gradually moved towards specialising in these two areas.

The Gas Natural Group sees its social investment programmes as a complement to a solid business development strategy, the programmes being in keeping with this strategy. It also has applications enabling it to measure the impact of the actions on the Company, and on its reputation in particular. In 2007, the Company incorporated the London Benchmarking Group (LBG) model for measuring the impact of its social initiatives on the community. By using this methodology, the Company can have a complete view of social investment, and it is easier to compare its results with those achieved by other companies.

Motivation for initiatives. 2007 ⁽¹⁾

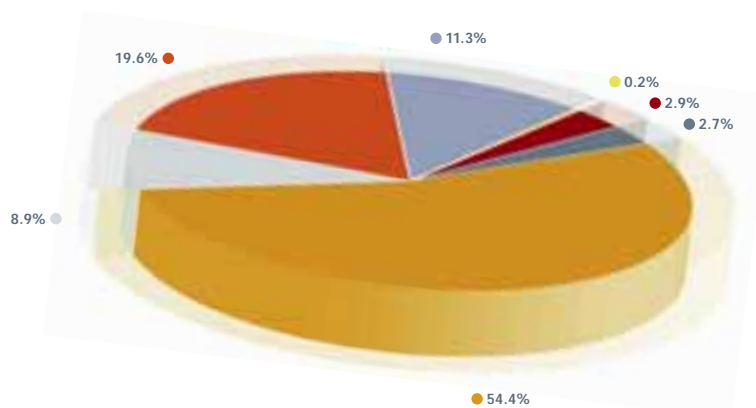
Social investment	●
Precise contribution	●
Initiatives related to the business	●



⁽¹⁾ LBG methodology

Field of action. 2007 (1)

Humanitarian aid	●
Health	●
Education and youth	●
Economic development	●
Social welfare	●
Environment	●
Art and culture	●



(1) LBG methodology

Educational initiatives

During the 2006-2007 academic year, the Group continued to cooperate in youth education with the "Natural Gas and the Environment" programme. 278 school groups took part in the "Natural gas, the 21st Century Energy" online activity. Through these initiatives, the Gas Natural Group endeavours to convey concepts such as sustainable development and to spread a philosophy of rational energy use.

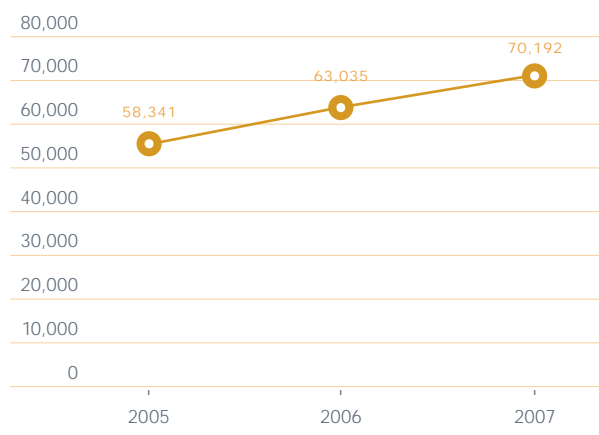
The attendance-based educational programme reached 70,192 students in all the countries in which the Group is present. The students were given talks by renowned environmental specialists.

In Argentina, Colombia and Mexico, the educational programmes fostered under the name of "Gas in Schools" were maintained. The purpose of these programmes is to teach students about the environmental advantages of natural gas and to provide suitable recommendations for its proper use. Furthermore, the teaching staff was furnished with educational material to assist in reinforcing their work in the field of sustainable development.

The previous activities are backed up by other initiatives to raise environmental awareness. 2007 saw the fifteenth anniversary of the Company's sponsorship of TV3's "El Medi Ambient" TV programme, in Catalonia, which provides training and information on the importance of protecting the natural environment.

For further information, visit the "Educational Activities" section of the Gas Natural Group's website (www.gasnatural.com).

Total participation of students in the "Natural Gas and the Environment" educational programme. Spain



Health and research

Since 2007, the Gas Natural Group has been a founding member of Andalusia Technology Corporation, in keeping with the Group's desire to be at the cutting-edge in R&D/Innovation. The Corporation is entrusted with the management of Advanced Technology Renewable Energies Centre. This project, which has an initial investment of 62.2 million euros, shall, for the first time in Spain, address research on solar, wind and biomass energy in a coordinated fashion. The leading companies in the sector, the universities of Cadiz, Jaén and Almería, the Andalusian Energy Agency, and the Energy, Environmental and the Public Research Agency for Excellence in Energy and Environment are cooperating in this initiative.



The Company considers support for research to be a fundamental part of its commitment towards helping to improve the quality of life of the sick and their families. In 2007, it continued to help one of the founders of the National Cardiovascular Research Centre. Within the framework of the same project, in conjunction with the Ministry of Health and thirteen Spanish companies, it helped to constitute the ProCNIC Foundation, for research into cardiovascular diseases.

Social action focused on underprivileged groups

The policy of allocating resources to social programmes focuses on the projects that generate the greatest value for society addressing the most underprivileged groups. This involvement strengthens the commitment made by the Gas Natural Group to integrating positively in each community and country in which it is present.

Part of this commitment are the collaboration agreements on labour integration with organisations such as the Adecco Foundation and Femarec, in Spain. Within the framework of this cooperation, the Group also contracted services from organisations which have physically or mentally disabled persons on their staff. The Company became the leading client for Fundosa Galenas's promotional gifts. This company has the objective of complying with the goal of the ONCE Foundation: the labour insertion of the disabled.

Furthermore, in 2007 the Company concluded an agreement with the Barcelona City Council and the Technical University of Cataluña to study the measures required for guaranteeing accessibility in areas where service works are performed.

Corporate volunteers

In Argentina, with the support of the Gas Natural Foundation, the Company continued with its corporate volunteer programme started up in 2002. Volunteers can take part in a range of programmes, depending on their interests. Children, young persons and adults from families with risk of exclusion, with few resources and basic unfulfilled needs, are the persons benefiting from these programmes.

The Group's subsidiary in Mexico also fostered corporate volunteer activities in 2007. Here the special feature is that not only employees but also their families take part in social activities, thus helping to strengthen their bond with the Company and with society at large.

Employees are an important part of the Gas Natural Group's approach to corporate responsibility. Their efforts, carried out in keeping with corporate values, help to make the Company's commitment to sustainable development a reality.

Promotion of music

Part of the Gas Natural Group's cultural sponsorship initiatives are geared towards promoting classical music.

In 2007, the Company participated in a variety of initiatives with the Barcelona and National Catalanian Symphonic Orchestra in Tarragona, Girona and Lleida.

This commitment to music was further underlined by the Group's sponsorship of music seasons and series in various cities. The Gas Natural Group collaborated, among others, with the Gran Teatre del Liceu and the Palau de la Música Catalana (Barcelona) concert halls, and the Teatro Real and the Auditorio Nacional (Madrid). It was also present in the Santander International Festival, the Pontevedra Jazz Festival and the La Porta Ferrada International Festival (Girona).

For further information, see the "Sponsorship and Social Action" section of the Gas Natural Group's corporate website (www.gasnatural.com).

Fostering cultural enrichment

One of the Gas Natural Group's priorities is to communicate the richness and the value of our cultural heritage. With this in mind, every year the Group publishes a book on the natural and cultural heritage of the countries where it operates. In 2007, it published "Sicily. Cultural and Natural Heritage", with 26,000 copies distributed in six languages.

We may also highlight its support given to Expo Zaragoza 2008, agreed in 2007. The Company put forward 4 million euros for this event, which is dedicated to water as an essential element for life. The Gas Natural Group shall sponsor one of the events in the Expo, entitled "Water for Life".

The Gas Natural Foundation

In recent years, the Gas Natural Foundation has consolidated its national and international lines of business, always from the standpoint of awareness, environmental education and the struggle against the effects of climate change.

The Foundation continued with its approach based on organising seminars and publications. It also developed its commitment of expanding its presence in the various Spanish autonomous regions where the Group is present.

To achieve its goals in Spain and in other countries, the Foundation receives cooperation from the different gas distribution companies integrated in the Gas Natural Group.

Throughout 2007, the Foundation continued to work towards making the Gas Museum a reality. Work focused on the initial phase of the museum discourse, and the architectural theme for the future building.

All actions carried out in 2007 are outlined in the Gas Natural Foundation's Activities Report. Updated information on the Foundation's activities and publications can also be found on the Group's corporate website (www.gasnatural.com).

Environmental management seminars

In 2007, the Gas Natural Foundation organised 19 public events concerning environmental awareness, in twelve Spanish autonomous regions. They were all developed with the cooperation of the relevant authorities, and with national and international experts taking part.

The subjects addressed in the public talks concerned, among others, the relationship between energy and the environment, climate change and transport, obtaining energy from waste, energy efficiency, new energy vectors (such as hydrogen), and the alternatives for energy purposes offered by the use of natural gas.

Collaboration agreements

During 2007, the collaboration agreements formalised by the Foundation with the environmental authorities of different Spanish regions continued to be executed. In addition, a new agreement was formalised with the Government of the Balearic Islands. Research activities with different institutions were also agreed.

Environmental information publications

In 2007, the Foundation published four books, two albums and an educational fact sheet on environment-related topics. Publications are one of the methods the Foundation uses to accomplish one of its primary duties: to increase society's environmental awareness.



The Foundation has also started a new line of publications called "Pedagogical series". This line is geared towards secondary school pupils, and addresses atmospheric pollution, its causes and its effects.

Energy Training Centre

During 2007, 17 different types or programmes were developed, giving rise to 253 courses. 3,132 students took part, together accounting for 48,486 training hours given in nine Spanish autonomous regions. The courses are related to the Company's activities per se, and those of the energy sector in general.

Gas Museum and History Centre

The Gas Museum and History Centre have been set up to preserve the cultural heritage of the sector, disseminating information on the history of gas and its technical and social impact. Throughout 2007, the Gas History Centre worked hard to classify and transfer funds before moving to the Gas Natural Group's head office. The Company also carried out the projects and initial agreements for the future installation of a Gas Museum in Sabadell (Barcelona).

Several research projects in the above fields were also developed, in partnership with important academic institutions.

International activities of the Gas Natural Foundation

In Argentina, further progress was made in the "First Export Programme", started up in 2001, which helps SMEs in Argentina to strengthen their export capacity. Since it started, it has provided advice to more than 5,100 companies and has trained in excess of 14,000 professionals. During 2007, the "First Export Programme" website (www.primeraexportacion.com.ar) received around 200,000 visits, three times more than in 2006.

Since it started up in 2001, the "First Export Programme" has provided advice to more than 5,100 companies and has trained in excess of 14,000 professionals

In Colombia, the "Young Scientists" programme fostering the learning of science and the theme of citizenship in schools, continued to be developed within the framework of an agreement established between the Gas Natural Foundation, the District Education Department and the University of the Andes.

During 2007, the Foundation continued to support "UNETE", a programme started up in Mexico in 2006, which has the purpose of helping to raise the educational level of children in Mexico, using the benefits of information and communications technologies in primary and secondary schools nationwide.

In 2007, the Foundation began activity in Brazil with the setting up of a Training Centre in partnership with the NGO Viva Rio, in Rio de Janeiro. The Training Centre was attended by 110 pupils, 20% of which shall be contracted by companies of the Group's subsidiary in Brazil.

In Morocco, the Foundation operates under the auspices of the Board of the "Institut Princesse Lalla Meryem pour enfants autistes" in Tanger. In 2007, it gave a seminar in partnership with the Congost-Autisme Foundation, the object of which was to discuss the best course of action to help autistic children.

In Algeria, in 2007, a seminar was held on "New Information and Communications Technologies and New Business Management Instruments", with the aim of helping to modernise the business network in Algeria. This seminar was attended by 120 persons.

Gas Natural Foundation. Activities in Spain

	2007	2006	2005
No. of active agreements with autonomous regions	12	11	8
No. of seminars/courses held	19	19	15
Budget allocation (out of total) (%)	18	15	8
No. of publications	6	4	4
Environmental education fact sheets	1	1	1
Information sheets	11	11	9

Gas Natural Foundation. International activities

	2007	2006	2005
No. of activities	15	11	8
% of the total budget	16	11	7.2
No. of countries in which it operates	6	5	5

The Gas Natural Foundation in Brazil: "Espacio Criança Esperança" Training Centre

The Gas Natural's Foundation's Training Centre has become a point of reference due to its initiatives for helping younger members of society in the communities of southern Rio de Janeiro. The "Espacio Criança Esperança" project, which has been running since 2005, is internationally acknowledged to be a model for the care of children, adolescents, youths and their families.

The initiative is coordinated by CEG, one of the Gas Natural Group's companies in Brazil, and managed through the NGO Viva Rio. This project is supported by UNESCO and TV Globo, the Brazilian TV channel.

Since this Training Centre was opened, classes have been given to 310 young adults and suppliers. The

classes, which are focused on the gas sector and on civil engineering, are free of charge and are given by the Industrial Apprenticeship Service.

The Academic Performance Index for the courses is over 75%, and around 20% of the participants have secured work in companies offering services to the Gas Natural Group.

The Brazilian President, Luiz Inácio Lula da Silva, and other local authorities have unveiled a plan to boost the growth of a number of underprivileged communities in Rio de Janeiro. The programme will generate around 300 jobs, which will be covered almost entirely by students attending the masonry and painting course in the Gas Natural Foundation's Training Centre.

Collaborate and maintain an ongoing dialogue with associations working to improve society

Institutional commitment

The Gas Natural Group takes part in national and international sector and business organisations. Cooperating with this type of institutions helps the Company to stay at the cutting edge as far as sector knowledge is concerned, and enables it to be identified as a touchstone in its different areas of activity. In 2007, the Gas Natural Group spent 199,207 euros on cooperating with organisations of this kind.

The Gas Natural Group continued to collaborate with the International Chamber of Commerce (ICC) to promote corporate responsibility. We may highlight the fact that the Company takes part in this institution's Environment & Energy Commission. The Group also continued to participate in IESE's "Business in Society" working group.

The Company also played an active role in the work of investor relations and corporate communications forums of The Conference Board, a reputed international business association.

In Spain, the Gas Natural Group forms part of the Corporate Reputation Forum, an organisation whose member companies have joined forces to promote the analysis and dissemination of corporate reputation trends, tools and models in business management. For further details of the Forum's work, refer to www.reputacioncorporativa.org.

The Company continued to cooperate with the UN Global Compact's Spanish Association, and joined its Executive Committee as a member. The goal of this organisation is to support, promote and disseminate the incorporation of the ten principles of the Global Compact in companies' management and governance models. The Gas Natural Group also supports the Association's work, taking part in its suppliers' working group.



The Group continues to cooperate with the Ethos Chair of Ramon Llull University, whose mission is to disseminate and promote ethics in the business and organisational field.

The Group also cooperates with institutions relating to the energy sector, internationally and those located in the countries in which it operates. It takes part, among others, in the Spanish Energy Club, in Eurogas, in the International Gas Union, in the European Technical Association of the Natural Gas Industry and the Observatoire Méditerranéen de l'Énergie. We may also highlight the Company's presence in the Social Responsibility Committee of the CEOE and the Catalan employers' association Fomento del Trabajo.

Furthermore, in 2008, fifty executives of the Gas Natural Group are to take part in the 19th World Petroleum Congress, which will be held in Spain, where they shall express their opinions regarding the future of the energy sector.

For further information, refer to the "Corporate Responsibility" section on the Gas Natural Group website (www.gasnatural.com).

Adhesion of Gas Natural Servicios to Consumer Arbitration Boards

Gas Natural Servicios is affiliated with the consumer arbitration systems of the different autonomous regions in Spain. These systems provide mechanisms which enable consumer claims to be swiftly resolved in impartial fashion, and free of charge.

In 2007, the Company adhered to the arbitration systems of the communities of Cantabria, Madrid, Navarra and Castilla-La Mancha; in fact, it is the first major services company to take this initiative in these Spanish autonomous regions.

The Gas Natural Group offers to train the employees of the Consumer Arbitration Boards in matters relating to the natural gas sector, thus allowing them to become better acquainted with the sector, its laws and its special technical features.

This initiative is yet another sign of the Company's commitment to its customers, offering a superior service based around a close relationship, transparency and trust.

Establish transparent communication channels capable of responding to citizens' needs.

The aim of the Gas Natural Group's communication guidelines is to cover the entire population's expectations by providing access to important information issued by the Company and opening channels for dialogue. The Group has a close relationship with the media and has opened contact channels, which, through the website, enable stakeholders to come into contact with the appropriate bodies of the Company.

Relations with the media

As indicated in its Mission, Vision and Values document, the Gas Natural Group is committed to providing transparent information.

The strategy for relations with the media is in keeping with the Group's desire to address its information requirements and structuring the information on the Company furnished to the market.

The Gas Natural Group coordinates corporate communication with its subsidiaries in order to ensure consistency in its messages and to provide the necessary guarantees regarding information offered to markets made available on the Company's service, strategy, operations and finances.

Press releases

The Company released a total of 332 information bulletins in 2007. 62% of them were corporate or referred to activities in Spain. The remaining 38% pertained to international subsidiaries.

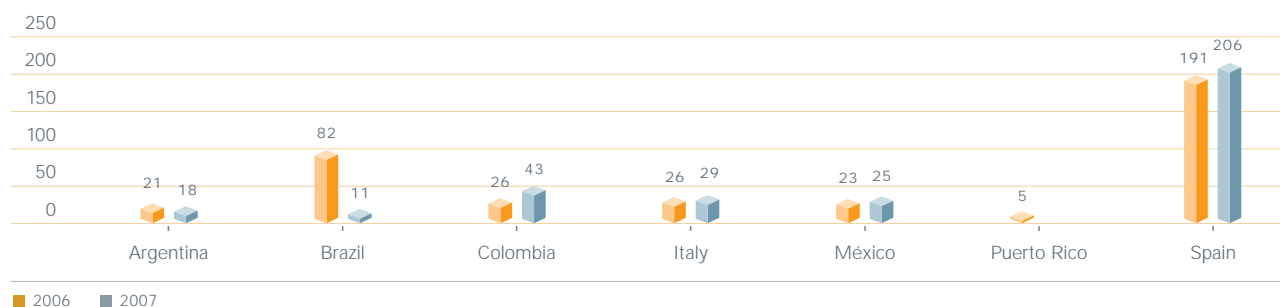
Press conferences and informative contacts

The Group gave 153 press conferences in 2007. 66% of these took place in Spain, and the remaining 34% were called by international subsidiaries.

Presence in the Spanish media

As might be expected for a company of its size, the Gas Natural Group has a ubiquitous presence in the media. During 2007, according to the report drawn up by Acceso Group, 391 news items on the Company appeared on television and 6,279 in the written media. These figures mean an average of 1.07 and 17.2 daily appearances, respectively, in each medium.

Press statements distributed by the Gas Natural Group





Gas Natural and the UN's Millennium Goals: "2015: A Better World for Joana"

This campaign was presented in January 2007 by the Corporate Reputation Forum (fRC), which forms part of the Company. It is the largest inter-sectorial alliance between multinational companies for promoting and supporting compliance with the Millennium Development Goals.

The object of the "2015: A better world for Joana" campaign is to disseminate the Millennium Goals, informing the public of the progress and initiatives made by the companies involved in the project. The campaign features a nine-year old girl who represents the millions of children who will have become adults by 2015, when the goals achieved will be analysed. In 2007, the website -which is the mainstay of the campaign- received 56,149 visits.

As part of this campaign, the Gas Natural Group carried out initiatives to enhance awareness of and disseminate the Millennium Goals among all the Company's stakeholders. The Company provides employees with information on the aforesaid Goals by means of internal magazines, intranet or visual media displayed in its buildings, among others. It also frees up advertising space in external media to disseminate the campaign.

Furthermore, the Group is developing various projects relating to the Millennium Development Goals; information is provided on these projects in the additional information section.

For further information:
<http://2015unmundomejorparajoana.com>



Environmental Sustainability

Throughout 2007, the Gas Natural Group continued to take measures to make essential energy development compatible with environmental protection, and, in particular, in the struggle against the effects of climate change.

This way of understanding business development goes hand in hand with stringent environmental control in all its activities and operations.

Gas exploration and extraction activities

The Group owns concessions for the development of hydrocarbon extraction and production activities. In view of the special environmental conditions of the milieu in which they are carried out, the Group adopts strict environmental protection measures in this sort of activity.

Gas transportation and distribution

The Gas Natural Group maintains an active policy of surveillance of its gas networks and, when necessary, their replacement or repair, enabling methane emissions to be properly managed and minimised.

Generation of electrical power

The Gas Natural Group's electrical generation pool reports higher environmental efficiency than traditional systems.

Combined-cycle technology is currently the best option available for the generation of electricity from natural gas, given its very high production rate. Cogeneration plants also offer a high level of energy efficiency, given the simultaneous use of heat and electricity.

Furthermore, with the start-up of wind farms, the Company is complying with its commitment to minimise CO₂ emissions per unit of electricity produced, offsetting the effects of climate change.

Management and other Group activities

The Gas Natural Group's Code of Conduct sets out the basic guidelines for the environmental behaviour of its employees. Individual habits and behaviour allow more moderate consumption of energy and natural resources, and improved waste management, among others.

Scope of environmental information

Environmental information for 2007 is presented in integrated fashion for the entire Gas Natural Group. However, part of the information is offered with different degrees of detail for Spain and for the international area.

In Spain, the environmental issues associated with hydrocarbon exploration and extraction (except for minority shareholding activities where the Gas Natural Group does not control management), gas transportation and distribution, electrical generation processes and management and support activities (work centre and own fleet of vehicles) are specified. The information with respect to the generation of electricity contemplates the combined-cycle power plants in operation during 2007, the wind farms and the co-generation plants managed by the Group.

In the international area, the Group reports on the most significant activities. The countries that make up the international area are Argentina, Brazil, Colombia, France, Italy, Morocco, Mexico and Puerto Rico.

The combined-cycle power plants in Mexico have not been counted, given that the Group took over their effective control on 28 December 2007.

The environmental policy of the Gas Natural Group is available on the following corporate website: (www.gasnatural.com.)

Commitments and actions

1. Design and application of measures addressed at reducing the emission of greenhouse gases of Gas Natural Group

Proposed actions for 2007	Results 2007	Actions for 2008
Increase the number of portfolio CDM projects.	Obtaining of 69,969 CERs in the MDL Sombrilla project (Colombia) and assigning of 23,815 by MDL Quimvale (Brazil). ●	Registration of eight MDL projects (Colombia, Mexico and Brazil), which can potentially reduce total emissions by 300,000 (CO ₂)/year.
Construction of a new compressed natural gas (CNG) loading station in Badalona (Barcelona), and renewal of polluting fleet vehicles for others with a lower emission factor.	Construction and start-up of a new compressed natural gas (CNG) service station from liquefied natural gas in Badalona (Barcelona). distribution network. ●	Estimate of energy saving in emissions at CNG from LNG compared to those from the
Reduction in CH ₄ (methane) emissions through network leakages: elimination of 7,500 emission focal points in the period 2006-2008 in Mexico.	43,635 focal points eliminated in 2007. ●	Elimination of 7,500 emission focal points in the period 2006-2008 in Mexico to decrease CH ₄ emissions caused by leaks in networks.

2. Rationalisation of energy consumption in all Group activities

Proposed actions for 2007	Results 2007	Actions for 2008
Installation of a fuel cell fed by hydrogen at the head office of the Gas Natural Group, which will operate with global output in excess of 80%.	Installation and start-up of a 200 kW pile at the corporate head office of the Gas Natural Group in Barcelona. ●	Diffusion of the technical, economic and environmental viability of the solar-gas binomial for refrigeration in buildings.
Foster the use of video conferences and assess greenhouse gases caused by business trips, offsetting them at a later stage, with the purchase of certified emission rights.	Registration of 678 videoconferences with an average length of 76 minutes and reporting of the emissions associated with business trips. ●	Foster the use of (CNG) in bi-fuel vehicles (petrol-natural gas).
Reduction in water consumption in the plant in Ani Benimathar (Morocco).	Reduction of 7.96% in water consumption thanks to the sensitising of employees, optimising of consumption and the elimination of loss through leakages. ●	Reduce in France the factor of the annual use of energy intensity at workplaces by 1% in 2008.

3. Identification and minimisation of other environmental impacts resulting from the Group's activities

Proposed actions for 2007	Results 2007	Actions for 2008
Extension of selective collection and management of plastics to all type-B workplaces.	Extension of the segregation and management of waste from plastics to smaller-sized workplaces and to those which have nearby municipal management. ●	Preparation of a consumption optimisation report for chemical reagents at combined-cycle power plants.
Consolidate the set-up of improvements in waste management (scrap waste from meters and expired chemical products).	Consolidation and implementation of a process for disposing of waste from meters. ●	Drawing up a noise map of the ERM and noise reduction of the same through an analysis of construction methods.
Decrease of the noises generated in the construction and upkeep of the distribution network and ancillary installations in Mexico.	Measurement of noise at different ancillary distribution installations. ●	Elimination of the asbestos from all the ERM and solving of possible problems of pollution through asbestos in Italy.

4. Promotion of environmental management systems throughout the entire value chain

Proposed actions for 2007	Results 2007	Actions for 2008
ISO 14001 Certification of the Arrúbal (La Rioja) combined-cycle power plant.	Analysis of situation and developing of procedures for the plant at Arrúbal (La Rioja) as a pilot project for the certifying of combined cycles in Spain. ●	Completion of ISO 14001 Certification at the Arrúbal (La Rioja) plant and continuation of the process commenced at Gas Natural Soluciones and in Puerto Rico.
Commencement of the ISO 14001 Certification procedure of Gas Natural Soluciones.	Defining of procedures at Gas Natural Soluciones and establishing of procedures to be certified. ●	Sensitising of customers regarding responsible use of energy.
Broaden the scope of the Environmental Management System by involving suppliers and contractors in Colombia.	Implementation of the interactive tool for Good Environmental Practices through energy efficiency and waste recycling programmes. ●	Training of new environmental agents in Brazil and implementation of specific environmental procedures in Argentina.

Level of compliance: High ● Average ● Low ●

Main indicators

Indicators for generation of greenhouse gases (GHG)

	p. 2008 ⁽¹⁾	2007	2006
Stationary sources (t CO ₂)	7,718,905.22	6,910,910.02	7,166,677.27
Indirect sources (t CO ₂)	20,160.56	19,974.08	15,514.57 ⁽²⁾
Mobile sources (t CO ₂) (fleet of vehicles)	9,725.34	9,813.20	8,848.67
CH ₄ (t CO ₂ eq) emissions	1,293,015.56	1,280,428.69	1,667,959.60
TOTAL	9,041,806.68	8,221,125.99	8,859,000.11

⁽¹⁾ Consumptions of energy, emissions, wastes and payments for electrical generation deriving from combined-cycle power plants acquired by the Gas Natural Group in Mexico have not been considered.

⁽²⁾ Additionally, 527.43 tonnes of CO₂ were generated in the last quarter of 2006 as a consequence of conditioning works of the new head office of the Gas Natural Group in Barcelona.

Key environmental indicators

	p. 2008 ⁽¹⁾	2007	2006
Energy consumption (TJ)	150,744.79	138,428.56	144,825.59
Auto alcohol (l)	9,469.45	9,509.45	N/A
Generation of waste			
(t)	7,985.73	7,792.02	4,809.81
(m ³)	668.59	639.20	36.76
(m ³) works rubble	638,548.00	638,548.00	N/A
Environmental outlay (in millions of euros)	35	33	42

⁽¹⁾ Consumptions of energy, emissions, wastes and payments for electrical generation deriving from combined-cycle power plants acquired by the Gas Natural Group in Mexico have not been considered.

The Gas Natural Group's responses to its commitment to the environment

Preparing and applying measures intended to reduce greenhouse gas emissions arising from the Group's activities

The Gas Natural Group is committed to reducing its emissions of greenhouse gases, which are the primary causes of climate change.

We may highlight the following actions carried out to comply with this undertaking:

Renovation of the distribution network using state-of-the-art materials

The Gas Natural Group produces CH₄ emissions in its gas exploration, transportation and distribution activities. In 2007, these emissions came to 0.50 million tonnes of CO₂ eq in Spain. In 2007, the current network operation in Spain, including exploration activities, led to a 69.55% reduction in emission by GJ of gas managed.

In 2007, the current network operation in Spain led to a 69.55% reduction in emission by GJ of gas managed

In Spain, CH₄ emissions per unit of network length have decreased by 43.07% since 2003, thanks to the use of better materials and an integral plan for the modernisation of the pipelines.

In 2007, field tests were carried out in Monterrey (Mexico), with the purpose of improving the calculation method used to determine methane emissions to the atmosphere, taking into account the characteristics of the networks and the supply pressures in the different countries where the Group operates.

In the international area, methane emissions per GJ of vehicular gas fell to 0.87 kg of CO₂ eq/GJ of gas managed.

Use of the best technologies available and promotion of more environmentally-friendly energy

The Group's new Strategic Plan confirms the focus on electrical generation, using natural gas as a primary energy and applying the most efficient technologies, such as combined-cycle or cogeneration power plants. These combine high yields with lower CO₂ emissions, thus helping to reduce the effects of climate change.

The Company now has 380 MW of installed power under the special regime, in 21 wind farms

The Gas Natural Group is one of the leading combined cycle operators worldwide, with 6,474 MW installed. In late 2007, the Group formalised the purchase of 2,233 MW in Mexico. Furthermore, in 2007 installed power in combined-cycle power plants was increased by 800 MW, through the start-up of the Plana del Vent plant (Tarragona).

What is more, the Strategic Plan focuses on electrical generation using renewable sources, primarily wind energy.

The Company now has 380 MW of installed power under the special regime, in 21 wind farms.

With this generation mix, the CO₂ by GJe generated emission factor is 0.097 tonnes, practically the same as in 2006.

Internationally, the Group has 271 MW installed in the Puerto Rico combined-cycle power plant.

Fostering the use of natural gas

Natural gas generates fewer CO₂ emissions than other fossil fuels (41% less than coal and 28% less than fuel oil). This makes natural gas an invaluable ally in the search for solutions to climate change.

Gas Natural Soluciones has a line of business called "Energy Management", which determines and analyses emissions to detect those with higher than expected levels. The level of emissions indicates the energy, environmental and economic efficiency of the facility.

According to the analysis performed in these facilities, in 2007 the Group's energy management activities prevented 115,167 tonnes of CO₂ from being issued to the atmosphere.

Meanwhile, in the residential sector, the reduction of emissions as a result of replacing fuels with natural gas amounted to 107,535 tonnes of CO₂ in 2007.

Natural gas is a real alternative for reducing polluting traffic emissions, and, therefore, for fighting against the impact of transport on climate change. For this reason, at international level the Group is developing the use of natural gas as a fuel for public and private fleets.

Control of emissions in management and other activities

CO₂ emissions in Spain due to fuel consumption by fleet vehicles (mobile sources) amounted to 4,406.47 tonnes, a ratio of 0.79 tonnes of CO₂/thousand customers. These figures show growth against the previous year, which we can put down to the increase in the fleet of vehicles in technical services and sales activities.

The outlook for 2008 is optimistic, bearing in mind the introduction of natural gas propelled vehicles and the replacement of diesel vehicles with other less contaminating vehicles. The fleet in Spain now has 60 natural gas/petrol hybrid vehicles.

Fixed source emissions in work centres rose 4.48% against 2006. The year-on-year increase in indirect emissions was 39.54%.

It is important to note that 2007 was the first year of the new head office of the Gas Natural Group in Barcelona. During 2007, refurbishment works in the building continued, and this prompted a rise in electrical consumption, despite the good practices implemented in work centres and the considerable efforts made to rationalise energy use. In 2007, the Company implemented a system which monitors electricity, gas and water consumption in the new head office. It will thus be possible to compare consumption for each year, leading to more efficient use of resources.

Initiatives for reducing GHG emissions

Initiative	Reduction (t CO ₂ eq)
Distribution: renovation of materials with high leak ratio.	288
Distribution. Campollano Plant (Albacete): installation of discharge system via cryogenic pumps to reduce methane emissions to the atmosphere.	2,835
Cogeneration plants: improvements in the design of motor generators, thus significantly increasing electricity production.	155
Cogeneration plants: improvements in the cooling and auxiliary processes of the treatment process.	330
Colombia: greater use of video-conferences to reduce emissions caused by professional travel.	218

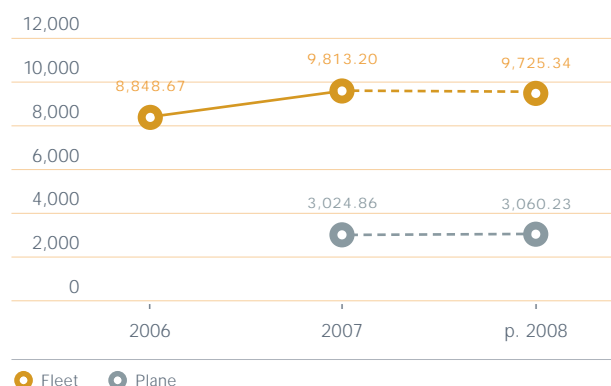
In order to reduce the impact of aircraft-related CO₂ emissions, the Company sought to promote the use of video-conferences, largely from Barcelona and Madrid, to other work centres in Spain and abroad. In 2007, 678 video-conferences were held, with an average duration of 76 minutes.



Compliance with the legislation on trading of emission rights

With the aim of using all the means at its disposal to reduce its impact on climate change, the Gas Natural Group set up various projects in Latin America as part of the Clean Development Mechanism (CDM) programme. At the end of 2007, the Gas Natural Group had ten CDM projects under development, at different stages of execution. Furthermore, in 2007 the UN accredited two of the Company's CDM projects (Sombrilla and Quimvale), which generated 99,382 emission rights.

Other indirect GHG emissions (t CO₂ eq)



At the end of 2007, the Gas Natural Group had 10 CDM projects under development, at different stages of execution

The Company continued to contribute to the Community Development Carbon Fund, organised by the World Bank, and the Spanish Carbon Fund, promoted by Spain's Ministry of the Environment. In addition, the Gas Natural Group takes part in the Multilateral Carbon Credit Fund.

Quimvale project: replacing fuel-oil with natural gas in the drying boiler of a calcium carbonate plant in Brazil

Protecting the environment and combating climate change are an inherent part of the Gas Natural Group's activities. Clean Development Mechanisms (CDM) reduce greenhouse gases and make a contribution towards sustainable development in the countries where they are implemented.

The Group already had one CDM project, in Colombia. In 2007, the UN registered the Company's second CDM, this time in Brazil. Quimvale is a chemical plant which produces calcium carbonate through chemicals reactions and a subsequent drying process. This CDM project will prevent the emission of over 115,000 tonnes of CO₂ in this plant over the next ten years.

The project consists of adapting the boiler (which used fuel-oil) for use with natural gas in the drying process. The extra income from the sale of CER (Certified Emission Reductions) will help to improve the profitability of the project, and assure its economic viability.

In addition to CDM projects, the Company uses other means of minimising its impact on climate change, such as energy efficiency, the implementation of cogeneration systems, and optimising the operation of its natural gas distribution networks.

Compressed natural gas and its implementation in public transport

As part of its commitment towards technological innovation, the Gas Natural Group is fostering the development of compressed natural gas.

This fuel is not as widely used in Spain as it is in Latin America. In order to redress this situation, Gas Natural Soluciones has developed a new product, "gn auto", which is a real alternative energy for the auto sector. The Company is a pioneer in this field, as it is the only supplier of this fuel in Spain.



The use of natural gas in vehicle fleets improves air quality in cities and their surroundings. Compressed natural gas reduces the emissions of suspended

particles and nitrogen oxide by over 85%, without increasing emissions of CO₂. It also reduces the levels of noise and the vibrations associated with diesel engines.

Every year, the use of natural gas in Spanish vehicles prevents the emission of 7,000 tonnes of CO₂, 23 tonnes of CO, 300 tonnes of NO_x and 17 tonnes of particles to the atmosphere. The Gas Natural Group is a pioneer in introducing natural gas for vehicles in Spain. This fuel is now used by over 1,400 public transport vehicles.

Within this framework, we may highlight the various agreements made with the Community of Madrid and the Madrid City Council, General Motors, Transportes Metropolitanos de Barcelona, and the Valencian Taxi Drivers' Cooperative, to provide incentives for introducing this fuel in public and company fleets.

Rationalisation of energy consumption in all the Gas Natural Group activities

One of the Gas Natural Group's permanent goals is to improve the energy efficiency of its operations, and for this purpose it rigorously monitors all its processes.

The Group's main sources of energy consumption are:

- Exploration activities (injection and extraction of natural gas).
- Gas transportation and distribution system.
- Generation of electricity.
- Consumption of gas and electricity in the workplace.



Annual electricity balance

	Peninsular system		Extra-peninsular systems		National total	
	GWh	% 07/06	GWh	% 07/06	GWh	% 07/06
Hydroelectricity	26,381	4.1	-	-	26,381	4.1
Nuclear	55,046	(8.4)	-	-	55,046	(8.4)
Coal	71,846	8.8	3,100	(6.6)	74,946	8.1
Fuel/gas ⁽¹⁾ / ⁽²⁾	2,384	(59.6)	8,386	(1.7)	10,771	(25.4)
Combined cycle	68,304	7.6	4,157	18.6	72,461	8.1
Ordinary regime	223,962	1.4	15,644	1.9	239,606	1.4
(-) Consumption in generation	(8,655)	(2.8)	(805)	(6.7)	(9,460)	(3.2)
Special regime	55,754	10.8	688	5.9	56,442	10.7
Wind power	26,668	17.6	358	20.2	27,026	17.6
Rest of special regime	29,086	5.3	330	(6.1)	29,416	5.1
Net generation	271,061	3.3	15,527	2.6	286,588	3.3
(-) Pump consumption	(4,421)	(16.0)	-	-	(4,421)	(16.0)
(+) International exchanges ⁽³⁾	(5,803)	76.9	-	-	(5,803)	76.9
Demand	260,838	2.8	15,527	2.6	276,365	2.8

Spain's generation mix. Source: (The Spanish Electricity System: Preview of 2007 Report), by Red Eléctrica de España.

⁽¹⁾ Includes GICC (Elcogás).

⁽²⁾ In electrical systems of the Balearic and the Canary Islands, includes generation with auxiliary sets.

⁽³⁾ Positive figure: Import balance. Negative figure: Export balance.

The quest for high efficiency in processes

Exploration and gas transportation/distribution activities in Spain and abroad reported a high level of efficiency of 99.99%.

In 2007, 5,832 TJ were consumed in the transport of 4,554,206 TJ of natural gas. Internationally, energy consumption in network operation fell by over 60% against 2006.

The Group also improved its energy efficiency in cogeneration plants, and with regard to customers, in energy management facilities. Global energy efficiency was also improved by the 21 new wind farms and the start-up of a new combined-cycle power plant in 2007.

The Company's permanent focus on using the best available technologies pushed the Gas Natural Group's energy yield up to 57.57% in Spain, with 104,226 TJ of natural gas being consumed to produce 60,004 TJe.

Considering the electrical MWh generated by the Group in Spain, and taking into account the difference between the emission factor recognised in Spain in the document "The GHG Indicator: UNEP Guidelines for Calculating GHG Emissions" and the Company's generation mix factor, 539,119 tonnes of CO₂ emissions to the atmosphere were cut in 2007, against 490,267 tonnes the previous year.

In the international arena, energy generated in the Puerto Rico combined-cycle power plant rose by 6.90% against 2006. Globally, with its electrical generation portfolio, the Gas Natural Group prevented 761,509 tonnes of CO₂ from being emitted to the atmosphere in 2007.

Direct energy consumption

	p. 2008	2007	2006
Non-renewable sources			
Natural gas (TJ)	148,721.15	136,560.20	143,119.63
Oil derivative fuels (GJ)	312,541.31	196,726.49	N/A
Renewable sources			
Ethanol (l)	9,469.45	9,509.45	N/A

Indirect energy consumption

	p. 2008	2007	2006
Non-renewable sources			
Electricity (TJ) (¹)	1,711.10	1,671.63	1,702.96

(¹) Does not include electrical consumption in some distribution areas due to lack of data.

Global energy efficiency (%)

	p. 2008	2007	2006
Electrical generation efficiency			
Global electrical efficiency in Spain	57.62	57.57	57.28
Global energy efficiency	56.25	56.28	56.35
Efficiency on Gas Natural Group network operation			
Global electrical efficiency in Spain	99.99	99.99	99.99
Global energy efficiency	99.86	99.87	99.18

Fostering the use of renewable energies and the best technologies

The Gas Natural Group believes it is extremely important to gradually increase the use of renewable energies, and to improve technology in order to raise energy efficiency. The following initiatives have been carried out in combined-cycle power plants and wind farms:

- "SPHERA" Project: research, development and innovation (R&D/I) for the technological development of hydrogen, through industrial research in different technologies relating to the fields of production, storage, distribution and use.
- Experimental installation of hydrogen production and storage in the Sotavento (Galicia) wind farm. The plant produces hydrogen using the farm's surplus electricity.
- Development of specific solutions for the use of natural gas as a fuel in the airport sector and progress in its implementation in the fishing industry.
- Integration of a state-of-the-art fuel cell at the new Gas Natural Group headquarters in Barcelona.
- Development of high efficiency poly-generation solutions for the tertiary sector, and specific energy solutions for hotel and leisure complexes.
- Investigation projects on the use of biogas from solid urban waste tanks in Colombia.
- Ten CDM projects in different phases of development.

- Development of projects for obtaining cold based on solar energy, with double-effect absorption systems which are capable of resolving cooling requirements using renewable sources.

In 2007, 5.45 million euros were put into research.

Strict control of energy consumption in the workplace

In 2007, average energy consumption at the Group's workplaces in Spain totalled 585.28 kWh/m². This figure is slightly higher than the previous year's figure, due to the industrial rehabilitation works in the Company's new head office in Barcelona. Internationally, consumption remained stable, with slight increases in absolute terms due to the addition of new outlets and offices.

During 2007, in order to bolster energy savings and consolidate control in real-time consumption of gas, electricity and water, all of the remote-control systems at 36 workplaces were fully operational.

The Group also carried out other initiatives geared towards reducing energy consumptions in the workplace, such as providing information on good energy saving practices, installing presence detection systems and improving thermal insulation.

Other initiatives have also been carried out in order to maintain and improve the efficiency of processes (cogeneration plants). These consist of insulation in recovery boilers, redesigning of motor generators, and renovations of cooling systems and auxiliary equipment. In the workplace, the improvements have basically focused on optimising lighting and air conditioning, and installing external lighting timers.

Energy saving arising from efficiency maintenance and improvement (GJ)

	p. 2008	2007
Energy saved	3,543.77	8,555.92

Use of a fuel battery at the Gas Natural Group's new head office in Barcelona

In January, the Company began to use a 200kW fuel battery at the Group's new head office in Barcelona.

The aim is to have a type of natural gas-fuelled electrical generation which is more efficient than classical technologies. Mechanical elements have been minimised because it is a chemical process using hydrogen. Electrical conversion efficiency comes out at 47%, and the thermal use of hot gases can reach 80%.

This technology therefore offers certain advantages, such as a lower emission factor, low emissions of CO (none of NO_x), lack of vibrations and low noise levels, in order to fit better into the environment.

In the Barcelona facility, all the energy generated is channelled into the electricity grid. The heat from the fumes is used to create hot water for the heating system, or, alternatively, cold water for cooling.

With this technology, furthermore, we can use biogas and sewage plant gas, thus opening the door to more sustainable generation systems. Estimated energy savings for 2008 amount to 3,895.40 GJ. This is calculated on the basis of the natural gas energy consumed compared with a cogeneration set with similar power with efficiency of 36%. To calculate the data, 95% availability at full power throughout the year has been assumed for the battery.

Identification and minimisation of other environmental impacts caused by the Gas Natural Group's activities

Energy efficiency and the reduction of greenhouse gases are cornerstones of the Gas Natural Group's approach to the environment. Other environmental aspects, such as NO_x and CO emissions, consumption of resources and generation of waste, are equally important.

Control of NO_x and CO emissions in all processes

NO_x and CO emissions caused by the Gas Natural Group's activities are produced primarily in the processes used to generate electricity at its cogeneration and combined-cycle power plants.

In 2007, cogeneration plants produced 137.02 tonnes of CO emissions. CO emissions from combined-cycle power plants are negligible. Globally, these figures mean a ratio of 2.28 g/GJe generated.

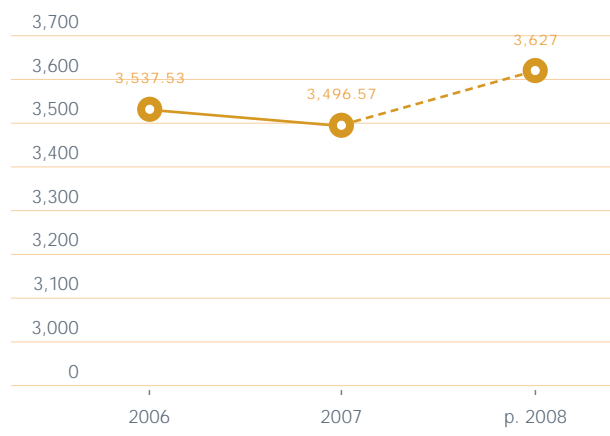
In 2007, the Group's total CO emissions totalled 1,499.31 tonnes. Most of these were generated in cogeneration plants and through Metragaz's gas transportation activities.

Given its physical and chemical characteristics, natural gas is practically sulphur-free, and consequently its combustion does not produce SO₂ emissions.

NO_x emissions in generation processes in Spain came to 2,339.90 tonnes in 2007, a figure which in absolute terms is above the 2006 figure due to the start-up of La Plana del Vent combined-cycle power plant (Tarragona). The ratio per GJe generated was 38.99 g.

Globally, NO_x emissions by the Gas Natural Group came to 3,496.12 tonnes in 2007, 1.17% down on the 2006 figure.

NO_x emissions (t)



Reduced consumption of water in the generation of electricity

The electrical generation process uses water, basically through:

- The cooling system.
- The use of supplies in the process.



In Spain, consumption of cooling water amounted to 9,650,440.56 m³ in 2007. The process used 1,453,725.76 m³ of water, 98% of which was returned to the environment. The difference between the value used and the discharge is due to the losses through vents at the combined-cycle power plants, and also through watering the areas surrounding the cogeneration plants and direct discharge into the drainage system.

By virtue of the stringent saving measures implemented, the Group has maintained the same ratio of process water consumption per unit of electrical generation as in 2003.

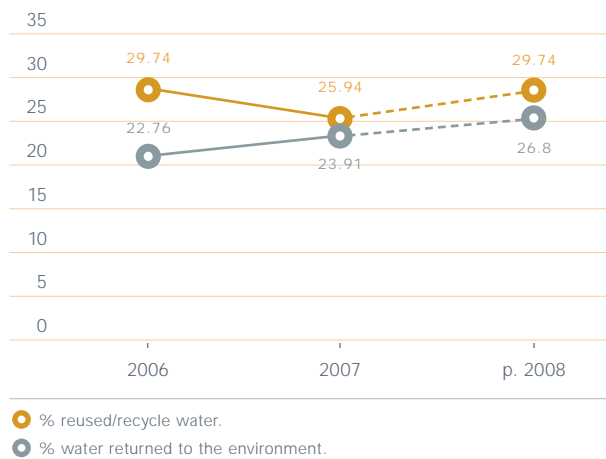
In 2007, 3,602,982.25 m³ of process and cooling water were used in combined-cycle power plants, 15.05% less than in the previous year. 97% of the 2,422,216.75 m³ of process water used in 2007 were treated and then returned to source.



Intake by source (thousands of m³/year)

	p. 2008	2007	2006
Surface	16,549.28	14,647.52	14,513.23
Underground	91.38	98.75	80.14
Supply network	179.73	193.31	258.83
Total	16,820.39	14,939.58	14,852.21

Water reused and returned to source (%)

Water consumption (thousand m³/year)

	p. 2008	2007	2006
Total water volume	16,820.39	14,939.58	14,852.21
Total volume of water reused/recycled	4,243.31	3,875.94	4,416.69

Control and improved management of process waste

By making improvements in information control, the Company was able to better measure waste generation data in distribution activities, combined cycle and cogeneration plants and in wind farms.

In 2007, 1,764.33 tonnes of waste was produced in the aforesaid facilities in Spain, slightly down on the previous year's figure. 18% of this waste was hazardous. Moreover, 9.7 m³ of hazardous waste and 54 m³ of non-hazardous waste were handled. 638,548 m³ of non-hazardous waste was handled in distribution activities, in the form of works rubble.

Globally, the Group generated 5,959.17 tonnes and 616.15 m³ of process waste in 2007. This arose largely from extraordinary maintenance works in the peak-shaving plant in Argentina, and from the dismantling of the manufactured gas plant in the Botafogo station.

The Gas Natural Group manages its hazardous waste through authorised operators, within the borders of the country where it is present and in accordance with national and international laws.

In 2007, 3,273.23 tonnes and 57.77 m³ of hazardous waste were transported from its facilities to processing plants, through different waste management companies.

Initiatives for reducing the environmental impact of products and services

Initiatives relating to the use of materials

Initiative	Results
Cogeneration plants: solid effluents from the Hornillos plant (Valladolid) facility derive from pig manure, which is treated, purified, dried and/or made hygienic so it complies with levels appropriate for use in agriculture.	Improving the value of a waste and minimising consumption of chemical products (synthetic fertilisers).
Mexico: buying of batteries which are rechargeable and free of heavy metals and toxic chemical products. Also the purchase of mercury-free fluorescent lights, which at the end of their useful life can be used as solid urban waste.	Minimal use of hazardous materials.

Initiatives relating to water consumption

Initiative	Results
Cogeneration plants: in the Gómez Ulla (Madrid) and La Andaya plants (Burgos), water quality control systems were implemented in the recovery boiler and in the cooling towers.	Reduced water consumption.
Hornillos (Valladolid) and La Andaya (Burgos) cogeneration plants: the plants' liquid effluents derive from the pig manure treated and purified in order to comply with appropriate levels for reuse in the facility. This effluent was used as water intake for heating, cleaning and irrigation.	Improving the value of a waste and minimising water consumption.
Mexico: the Company fosters rational water use in plants, prioritising use of treated water. There are also dual systems for discharge of water in WCs or fixing of presence detectors for water discharge.	Reduced water consumption
Morocco rainwater was collected and reused using a box equipped with a pump, for use by the gardening and car wash services in central Tangiers.	Reduced water consumption.

Initiatives relating to emissions

Initiative	Results
Distributors in Spain: projects for the sectorising and installation of valves as a measure to reduce leakage time in the event of damages to third parties. In addition, introducing vehicles which use CNG as fuel.	Improvements in the event of leakages and reduced emissions.
Cogeneration plants: inspection of motor generators in maintenance ladders, making adjustments to the set points which determine the quality of atmospheric emissions.	Controlling the quality of atmospheric emissions.
Argentina: campaigns got under way for raising awareness and providing information concerning good use of gas.	Raising awareness for reducing emissions and better use of gas combustion equipment.

Initiatives relating to effluents

Initiative	Results
Cogeneration plants: channelling water contaminated with oil to a separator, treating the floating material as a hazardous waste.	Minimising contamination from spillages.
Mexico: use of treated water in the steel pipe water-tightness tests, ensuring at all times that the water quality does not affect the conditions and requirements stipulated for the process to be effectuated in optimal fashion.	Use of waste water, once treated.

Initiatives relating to noise

Initiative	Results
Distributors in Spain: construction of a new Regulation and Measurement Station (ERM) in Cabanillas (Guadalajara).	Noise reduction.
In Colombia, an ERM station underground burial plan was carried out, and will continue in 2008.	Noise reduction.

Initiatives relating to waste

Initiative	Results
Distributors in Spain: the reduced ditch technique was used in their works, carrying out a plan to replace solar panel batteries with others which are more durable with double capacity.	Reduction of works rubble and batteries.
Cogeneration plants: specific actions to reduce consumption of air intake filters in engines (hazardous waste).	Reduced waste generation.



Rationalisation of consumption of natural resources and the generation of waste in the workplace

In addition to energy consumption, workplaces affect the environment as regards the consumption of natural resources (water and paper) and the generation of waste.

In 2007, water consumption in Spanish workplaces amounted to 59,816.70 m³, deriving from the supply network. Consumption rose by 47.63% against 2006, due to the refurbishment works in the Group's new head office in Barcelona. In Spain, waste water from the workplace is channelled into the public sewage system.

At international level, 110,748.23 m³ of domestic water was consumed in the workplace, 21.69% less than in 2006. In Puerto Rico, the combined-cycle power plant generates drinking water, which is returned to source as domestic water. In 2007, the volume came to 781,557.41 m³.

As far as paper is concerned, we may highlight the increased consumption of eco-type paper, which in 2007 accounted for 96.95% of the total used in Spain, and 98.05% internationally.

Globally, 127.79 tonnes of white paper were used in Spain, 8.69% fewer than in 2006. At international level, 109.68 tonnes were used, 6.18% fewer than in 2006. Various initiatives prompted the fall in paper consumption: such as the pilot project for replacing paper with digital support in the pipeline projects, or actions for fostering electronic communication with customers.

In 2007, the percentage of domestic customers receiving their bill in electronic format rose to 2.42%.

In 2007, 921.53 tonnes of waste were generated in the workplace in Spain, 0.69% of which was hazardous. This represents a rise of 12% against the figures for 2006.

This increase was made possible by the improvement in the management systems implemented and factors such as the segregation and handling of plastics being extended to the workplace with over 20 employees, and to work centres with a nearby municipal service. The increase is also due to the extraordinary elimination of 62.68 tonnes of paper and cardboard and 301.93 tonnes of banal waste, through a special cleaning of files.

Globally, 1,832.18 tonnes and 23.05 m³ of waste were processed in the Gas Natural Group's workplaces.

Materials used (kg)

	p. 2008	2007
Directs		
Odorants	96,369.25	149,454.83
Putty	202.25	209.25
Non-renewable		
Oil	63,806.86	61,053.19

Hazardous waste managed. 2007

Type	Amount (kg)	Treatment method
Empty aerosols	57	Physical-chemical treatment and recycling or recovery of metals and metal compounds.
	45	Depressurising and recovery of metals.
Lead batteries	321	Recycling or recovery of metals or metallic compounds.
	367	Recovery of lead by melting.
Contaminated cloths	1,245	Incineration of non-halogenated waste.
Contaminated containers	170	Recovery or recycling.
	160	Incineration of non-halogenated waste.
Bio-sanitary	40	Autoclaving and incineration.
	57	Sterilisation, crushing and dumping in authorised tip.
Button batteries	4	Recovery of mercury and valuation of components.
THT filters	61	Dumping in specially designed sites.
	570	Incineration of non-halogenated waste.
Used oil	440	Regeneration of oil used.
Monoethylene glycol	2,840	Regeneration of solvents.
Total	6,377	

The information provided in these tables refers solely to hazardous and non-hazardous waste managed in the workplace in Spain.

Non-hazardous waste managed. 2007

Type	Amount (kg)	Treatment method
Banal	301,934	Dumping of non-special waste.
Scrap	974	Recycling and recovery of metals or metallic compounds.
Electronic equipment	896	Selection, decontamination, crushing and dumping.
CD	149	Selection and recycling of valuable materials.
		Destruction of elements with confidential information.
Wood	93,123	Recycling and reuse of wood.
Paper and cardboard	476,180	Recycling.
Alkaline batteries	293	Dumping in secure tip.
		Recovery of batteries and accumulators.
Clean plastic	37,342	Recycling.
Toner	4,241	Recycling and reuse.
Glass	16	Recycling.
Total	915,148	

The information provided in these tables refers solely to hazardous and non-hazardous waste managed in the workplace in Spain, representing 50% of total waste in the Gas Natural Group's workplaces.

Biodiversity conservation

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

According to the information available, the Company does not cause significant impacts on the biodiversity of protected natural areas.

Description of land owned, leased, managed or adjacent to protected natural spaces or unprotected high biodiversity areas. 2007

Location	Status	Position	Type of operation	Size (km ²)	Value of biodiversity
Axis APA 16 bar Lesaka–Sunbilla-Santesteban–Bertizarana-Baztan (Navarre), Spain.	Managed	Adjacent and partially in certain water courses.	Buried piping.	0.09	Soils, water courses, vegetation, fauna, landscape, protected species.
Bahía Guayanilla (Puerto Rico).	Owned	Within area.	Terminal and plant.	0.15	Habitat of two species in danger of extinction.
Sondeo Marismas-6 in Guadalquivir valley, municipal district of Hinojos (Huelva), Spain.	Leased	Specially regulated area of Doñana Natural Park.	Drilling for hydrocarbon research.	0.01	Zone classified by UNESCO as biosphere reserve. Species in danger of extinction such as the Iberian lynx and imperial eagle.
Sondeo Vico-1 in Guadalquivir valley, municipal district of Aznalcázar (Seville), Spain.	Leased	Outside the Natural Park. Borders the River Guadimar ecological corridor.	Drilling for hydrocarbon research.	0.01	Intensive agriculture area, where riparian forests have been introduced, with fast growing species. Fauna associated with undergrowth.
Sondeo Río Corbones-1 in Guadalquivir valley, municipal district of Carmona (Seville), Spain.	Leased	Outside the Natural Park. The drilling is located in land making up the "Altiplanos de Écija" hydrogeological unit.	Hydrocarbon drilling.	0.01	The study area can be classified as pasture landbrush land with trees. Steppe aviary fauna included in the Andalusia list of endangered species, which are also protected by national and EU regulations.
Interconnection gas pipeline Marismas C-7, Marismas C-5 and La Cerca-1, municipal districts of Pilas and Aznalcázar (Seville), Spain.	Owned and leased	Outside the Natural Park.	Office, production and generation.	0.02	The gas pipeline is located on agricultural land and is completely outside the Doñana Natural Park.

Species in danger of extinction. 2007

Species	Origin	Danger level (critical danger, danger, vulnerable, almost threatened, lower concern)
Iberian lynx	Spain	Critical danger
Iberian imperial eagle	Spain	Critical danger
Montagu's harrier	Spain	Vulnerable
Common bustard	Spain	Vulnerable
Common curlew	Spain	Vulnerable
Pin-tailed sandgrouse	Spain	Vulnerable
Short-toed lark	Spain	Almost threatened
Griffon vulture	Italy	In danger
Snowy plover	Puerto Rico	Critical danger
Piping plover	Puerto Rico	Critical danger
Peregrine falcon	Puerto Rico	Critical danger
Brown pelican	Puerto Rico	In danger
West Indian sea cow	Puerto Rico	In danger
Caribbean coot	Puerto Rico	Vulnerable
White-cheeked pintail	Puerto Rico	Vulnerable
Hawksbill turtle	Puerto Rico	Critical danger
Giant grouper	Puerto Rico	Critical danger
Osprey	Puerto Rico	Vulnerable



None of the processes or activities carried out by the Gas Natural Group has a significant impact on water sources which are protected or considered as reserves. The Company's priority is to use bodies of water which do not pose a risk to neighbouring ecosystems or habitats.

At international level, water intake is occasionally performed in systems considered to be reserves, but always complying with the limits stipulated by the pertinent bodies, and without jeopardising their richness in terms of biodiversity.

In 2007, intakes of water in sources considered to be reserves were as follows:

Italy:

- Pertusillo lake, considered to be a Site of Community Interest (SCI).

Brazil:

- The Guando River, which supplies the Rio de Janeiro metropolitan area.
- The Paraíba do Sul River.
- The Itupararanga reservoir.

The Gas Natural Group does not make any spillages into any hydraulic body or resource. Nor does it do so into underground waters, given that the extraction/injection activities carried out in the Guadalquivir valley in Spain have no effect whatsoever.

Dumping of waste waters. 2007

Nature	Destination	Treatment method
Combined-cycle power plants in Spain. Treated process water.	Storage for fire protection. Storage of services water. Storage of demineralised water put into the water-vapour cycle and closed cooling cycle for components.	CCPP Besòs (Barcelona), San Roque (Cadiz) and Cartagena (Murcia). Filtration of silt + Desalinisation by mechanical compression of vapour + Multilayer filter + Mixed bed demineralisation + Neutralisation of effluents. CCPP La Plana del Vent (Tarragona). Filtration of silt + Desalinisation by inverse osmosis + Demineralisation by electro deionisation + Neutralisation of effluents. CCPP Arrúbal (La Rioja). Clarification by coagulation-flocculation with drying of silt with filter press + Filtration of silt + Filtration by active carbon + Demineralisation by cation resin + Desgasification + Anionic resin + Mixed bed + Neutralisation of effluents.
Puerto Rico combined-cycle power plant. Treated process water.	Water-vapour cycle and tower.	Demineralisation for boilers; with cation and anionic resins. Sea - the treatment method is chlorination, dechlorination, antifoam, biodispersant and other chemical agents to prevent the formation of scale in the condenser.
El Romeral cogeneration plant (Seville). Treated process water.	Purification plant.	Formation water produced by the well with high saline content.
Exploration. Treated process water.	Purification plant.	Delivery to discharge outlet.

In 2007, the Gas Natural Group carried out 136 environmental impact studies, 114 of which were in Spain.

Aside from the legal requirements for biodiversity set out in each country's own laws, the Company has designed its own procedures in this field, such as the Identification and Assessment of Environmental Aspects or Detailed Archaeological Study (palaeontology and ethnography).

A total of 11,950 m² of landscapes were restored in Spain in 2007. Internationally, 9,000 m² were reforested with native species in Colombia, in partnership with Al Verde Vivo Foundation.

A total of 11,950 m² of landscapes were restored in Spain in 2007 and 9,000 m² were reforested with native species in Colombia

In Puerto Rico, EcoEléctrica also plays an active role in protecting coral reefs, marine flora and sea cows. In the red list of the International Union for the Conservation of Nature (IUCN), this latter species is considered to be vulnerable. Unprecedented levels of survival have been achieved with the repopulation process through the implementation of innovative grass and coral transplanting techniques.

Environmental breaches and fines

During 2007, four sanctions were recorded in Spain, amounting to 8,092 euros. Three of the sanctions, which were due to failures to comply with Municipal Regulations, were paid for the sum of 5,092 euros. The fourth is under appeal.

In the international area, no sanctions or disciplinary files were recorded in 2007.

As far as small environmental incidents are concerned, 351 non-compliances arose in Spain in 2007. This figure accounts for 0.88% of the total works performed. These incidents are related, among others, to the protection of pedestrian crossings and traffic, the piling of materials and soil, the condition of machinery and measuring equipment, and with the replacement of paving stones and garden areas. In all cases, the incidents were considered to be minor. The ground was cleaned and the fault corrected at source.

At international level, ten minor incidents occurred in 2007, in Brazil and Mexico.

Significant spillages. 2007

Material	Volume	Impact
Spain. Spillages of oil on ground.	138 incidents (negligible).	Spillages of machinery oil on ground. Corrected by cleaning of ground.
Mexico. Spilling of condensed liquids in cleaning and maintenance operations in the city of San Luis Potosí.	1 incident.	Insertion of liquids in containers and collection of solid elements and impregnated soil, which were managed with companies authorised by the SEEMARNAT.

Breaches of environmental laws (euros)

	2007	2006
Fines or sanctions (euros)	5,092	6,669.37

Association of hydrogen with wind power

In 2007, the Gas Natural Group started up the first experimental facility in Europe for the production and storage of hydrogen.

The facility was constructed in the Sotavento experimental wind farm, in Galicia. Its object is to study the value of hydrogen production and storage based on the surplus energy in wind farms, as a means of improving their management and correcting deviations from forecasts.

This electrolyte hydrogen generation plant is not large enough to solve the real problems of a wind farm.

However, it is large enough to use industrial equipment, and is a considerable advance on laboratory experiments. These types of initiatives fostered by the Gas Natural Group help to develop hydrogen as a new energy vector.

The Company hopes that the results of this initiative can be extrapolated to a real case, which would allow further projects on a larger scale to be fostered, thus demonstrating the viability of new energies.

Promotion of environmental management systems throughout the entire value chain

Progress made in the implementation of environmental management systems in accordance with international standards

The majority of the companies that comprise the Group are certified under the UNE-EN ISO 14001 standard. The activities arising from the implementation of these environmental management systems are regulated in the Company's manuals and in general environmental practices.

The UNE-EN ISO 14001 environmental standards certification applies to Gas Natural SDG, S.A., the parent company of the Group, to eleven gas distribution companies in Spain, to one energy commercialisation company, to Metragaz and to Gas Natural México and its commercialisation company.

In 2007, the situation was analysed and procedures drawn up in the Arrúbal (La Rioja) combined-cycle power plant. Furthermore, the certification process for Gas Natural Soluciones got under way, with the definition of the processes to be certified.

Supplier and retail customer involvement in responsible energy use

The Gas Natural Group's environmental commitments apply throughout the Company's value chain.

In 2007, 65% of the main contractors and collaborating companies voluntarily adhered to "Good Environmental Practices in Distribution Network Construction".

The Gas Natural Group also wishes to involve customers in responsible energy use. In partnership with the Gas Natural Foundation and the Marketing division, it carries out campaigns and seminars, as part of the "Natural Commitment" initiative, in order to raise their awareness regarding environmental issues.

What is more, the company's website provides customers with advice on how to apply energy saving measures. Various awareness campaigns were promoted, including the launching of an interactive energy efficiency game.

Further information on these measures is to be found at www.gasnatural.com.

Promotion of energy efficiency and saving in the residential sector

In 2007, the Gas Natural Group continued to work with a remote measuring system for managing domestic customers' demand in the city of Tarragona. This system monitors the consumption of over 5,600 customers.

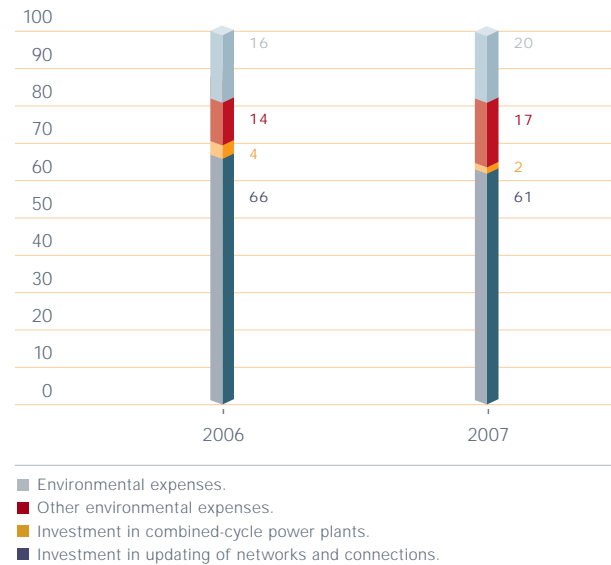
2007 also saw the completion of the installation of a new technology which automates the consumption billing process in 4,600 supply points in the town of Lorca (Murcia). This makes the process easier and improves quality. The system sheds light on consumption habits and makes recommendations for more efficient use of energy, in accordance with the strategy and objectives of the EU Energy Performance of Buildings Directive.



Environmental outlay

In 2007, the Gas Natural Group spent 32.61 million euros on environmental management activities. These funds were used to finance actions, such as environmental impact studies, environmental surveillance and waste management plans. As well as projects for reducing emissions, network upgrading and improving efficiency in different Group processes.

Investments and spending on environmental protection (%)



Total in 2006: 42,033,079.04 euros.
 Total in 2007: 32,609,805.58 euros.

Double effect solar-gas cooling plant in the University of Seville

In 2007, with the support of the Andalusia Technology Corporation, the Gas Natural Group developed a pilot double effect solar-gas cooling plant in the University of Seville.

The aim of this initiative is to establish the technical, economic and environmental parameters required to design and implement cooling systems by harnessing solar energy in the construction sector, shifting the network's electrical consumption and reducing summer peaks in electrical demand.

It is estimated that with this facility, it will be possible to obtain reductions of 35% in primary energy, and, as a result, savings of 20% in CO₂ emissions.

Another feature of this project is to have an installation of reference to demonstrate the technical viability of this type of application to professionals, energy consultants and administrations.

The project also includes the development of a freely distributed and user-friendly software application for calculating and dimensioning solar cooling facilities. In early 2008, this installation was ready for start-up.



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Aspect: public policy

GRI	GRI Description	
SO5 (P)	Public policy positions and participation in public policy development and lobbying.	94, 96, 102-103
SO6 (A)	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	(6)

Aspect: anti-competitive behavior

GRI	GRI Description	
SO7 (A)	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	50

Aspect: compliance

GRI	GRI Description	
SO8 (P)	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	50-51

Performance Indicators: Product Responsibility

Pages

Management Approach

49-53, 123-124

Aspect: customer health and safety

GRI	GRI Description	
PR1 (P)	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	50
PR2 (A)	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcome.	51, 68

Aspect: product and service labeling

GRI	GRI Description	
PR3 (P)	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	(7)
PR4 (A)	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	51
PR5 (A)	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	46-48

Aspect: marketing communications

GRI	GRI Description	
PR6 (P)	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	50-51
PR7 (A)	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.	50

Aspect: customer privacy

GRI	GRI Description	
PR8 (A)	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	51-52

Aspect: compliance

GRI	GRI Description	
PR9 (P)	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	50

(1) Natural gas is classified as a non-recyclable material (see Indicator Protocol Set EN1 of the GRI Sustainability Reporting Guidelines).

(2) The cooling systems and fire extinguishing systems of the Gas Natural Group comply with current environmental legislation with regard to the non-use of chlorofluorocarbon (CFC) substances. Moreover, the use of natural gas absorption cooling systems facilitates the implementation of measures for eliminating the CFC used in compression cooling cycles. Absorption uses coolants with a zero Ozone Depletion Potential (ODP) on the ozone layer. Natural gas absorption cooling cycles (using ammonia-water or lithium bromide-water mixtures) contribute to the international policy for the elimination of CFC.

(3) The commercial activity of the Gas Natural Group does not involve manufacturing.

(4) The breakdown of employees by age is based on the average employee age, not on a breakdown of employees by age bands.

(5) Only the profits included in the referenced section on page 76 are listed.

(6) Through its Code of Conduct, the Gas Natural Group states its stance against improper remuneration and influence peddling.

(7) The Gas Natural Group is governed by Spanish law regulating the information that supply companies must provide on the safe use of gas.

AR: Annual Report 2007.

CGR: Corporate Governance Report 2007.

The Gas Natural Group: the UN Global Compact and the Millennium Goals

Principles	GRI indicators (direct relevance)	GRI indicators (indirect relevance)	Millennium Development Goals
Human Rights			
Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence.	HR1-9	LA4, LA13, LA14; SO1	Goal 1. Eradicate extreme poverty and hunger. Goal 2. Achieve universal primary education. Goal 3. Promote gender equality and empower women. Goal 4. Reduce child mortality. Goal 5. Improve maternal health. Goal 6. Combat HIV/AIDS, malaria and other diseases. Goal 7. Ensure environmental sustainability. Goal 8. Develop a global partnership for development.
Principle 2. Business should ensure that their own operations are not complicit in human rights abuses.	HR1-2, HR8		
Work			
Principle 3. Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.	HR5; LA4, LA5		Goal 2. Achieve universal primary education. Goal 3. Promote gender equality and empower women.
Principle 4. Business should uphold the elimination of all forms of forced and compulsory labour.	HR7	HR1-3	
Principle 5. Business should uphold the effective abolition of child labour.	HR6	HR1-3	
Principle 6. Business should eliminate discrimination in respect of employment and occupation.	HR4; LA2, LA13, LA14	HR1-2; EC5, EC7; LA3	
The environment			
Principle 7. Business should support a precautionary approach to environmental challenges.	4.11	EC2	Goal 7. Ensure environmental sustainability.
Principle 8. Business should undertake initiatives to promote greater environmental responsibility.	EN2, EN5-7, EN10, EN13-14, EN18, EN 21-22, EN26-27, EN30	EC2; EN1, EN3-4, EN8-9, EN11-12, EN15-17, EN19-20, EN23-25, EN28-29; PR3-4	
Principle 9. Business should encourage the development and diffusion of environmentally-friendly technologies.	EN2, EN5-7, EN10, EN18, EN26-27		
Anti-corruption			
Principle 10. Business should act against corruption in all its forms, including extortion and bribery.	SO2-4	SO5-6	



Additional Information

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Awards and Recognition

Acknowledgement in responsible investment indices

The Gas Natural Group was included once again in the Dow Jones World Sustainability Index (DSJI World). The Company is one of the three companies selected in its sector, and leader in seven of the areas assessed concerning economic, social and environmental efforts. The Company passed a new revision of the FTSE4Good sustainability index series. In 2007, the Company was recognised as Environmental Leader for its environmental efforts.

The Gas Natural Group is present in the KLD Climate Change 100 Index, which recognises companies with the best position in the field of the environment. The Group also forms part of the ECPI Ethical Index Euro and the Triodos Bank ethical investment universe.

Awards and recognition from organisations and institutions

Sustainable Asset Management (SAM) and PricewaterhouseCoopers recognised the Gas Natural Group, giving it a Gold Class rating in the annual publication analysing the sustainability practices of the companies making up the Dow Jones Sustainability Index.

In Colombia, the Company was acknowledged by the District Administration and ETB (Telecommunications Company of Bogotá) as one of the best companies in terms of customer service.

For the second year running, the Group was given the Mexican Philanthropic Centre award for a "Socially Responsible Company". This award is made for initiatives carried out in questions such as business ethics, bonds with the community or environmental protection, among others.

The Gas Natural Foundation and its "First Export Programme" were recognised by the Argentinean Chamber of Exporters for their support to external opening of Argentinean SME.

The Group received the "Solidarity Company" certificate from the Monteiro Lobato boarding school, an institution which is dedicated to providing teaching and care to over 300 children and adolescents without economic means in Sorocaba (Brazil).

AIPR (Puerto Rico Manufacturers Association) gave EcoEléctrica the award in the Environmental Leadership category.

The Communications Director and Head of the chairman's Office of the Gas Natural Group, Jordi García, received the award for the best New Dircom in the "PR's Best" awards, handed out to the most prominent professionals in the different fields of communication.

The Gas Natural Group received the Computerworld 2007 Innovation Award in the "Company of the Year" category, for its innovative approach in IT and communications matters.

The Chairman of the Group's Mexican subsidiary received an award from Fórum de Alta Dirección. Gas Natural Mexico is in fifth place in "The 50 most innovative companies in Mexico", by InformationWeek magazine. It also comes 36th in "Supercompanies 2007, the places where everybody wants to work".

The Gas Natural Group was given a special mention in the first "Madrid Excelente" prizes for Customer Confidence.

The Chairman of the Gas Natural Group, Salvador Gabarró, was awarded the medal of honour of the Chamber of Commerce of Barcelona, in the silver category, for the services he rendered to this institution over the 1998-2002 period, when he was a member of its Executive Committee.

Forética awarded the prize for the best Corporate Social Responsibility solution to "2015: A Better World for Joana", a campaign in which Gas Natural and the rest of the member companies of the Corporate Responsibility Forum (fRC) participate.

The general manager of Gas Natural Castilla-La Mancha was honoured for his work towards promoting and developing the region by Castilla-La Mancha Federation of Energy and Fluid Installation and Maintenance Companies.

The Company received a special mention for Good Corporate Governance in the awards given by Spanish association of minority shareholders.

The Gas Natural Group's new head office in Barcelona was awarded the Quatrium prize for Most Innovative Office Building.

The Gas Natural Group received the 2006 Catalonia Prize for its work in Communication and Public Relations in the business category, presented by the Communication and Public Relations Association of Catalonia.

The Group received the "Protagonistas 2007" award, in the business category, awarded by the Protagonistas programme, by the Spanish Punto Radio channel, directed and presented by the journalist, Luis del Olmo.

The Group's Argentinean subsidiary was awarded the first "Ciudadanía Empresaria 2007" prize, by the US Chamber of Commerce in Argentina.

The Gas Natural Group and the Millennium Development Goals

In 2000, at the United Nations headquarters, the Millennium Summit saw 189 heads of state and government gathered with the purpose of combining their efforts to wipe out poverty worldwide and improving the well-being of the most underprivileged members of society. This spirit was reflected in the Millennium Declaration signed by all the attendees at the summit, which constitutes a firm commitment to the Millennium Development Goals.

The Gas Natural Group is aware that these ambitious goals can only be achieved through the cooperation of governments, companies and social agents, given that any company or government would not be able to achieve them individually. With this premise in mind, the Company does everything in its power to help achieve these goals.

As part of its human rights efforts, the Gas Natural Group has adapted its social contribution strategy to the Millennium Development Goals.

Goal 1. Eradicate extreme poverty and hunger

Action	Promoting country
Taking part in disseminating the "Éntrale al Reto Kilo" kilo campaign by the Un Kilo de Ayuda Foundation. The goal of this project is to wipe out infant malnutrition in some of the poorest areas of the country.	Mexico
Donation of coats to the São Paulo's Social Solidarity Fund. The Group handed out information sheets to employees and customers, asking for volunteers and for donations of clothing.	Brazil
Cooperation with the Solidarity Fund of the Boituva municipality for a project to help underprivileged families.	Brazil
Supporting various entities and associations to cover basic needs in low-income quarters of Buenos Aires.	Argentina
Extending gas piping in the quarter of Buenos Aires where the Santa Clotilde Centre, a children's school, is located.	Argentina

Goal 2. Achieve universal primary education

Action	Promoting country
Supporting the collection of unused cell phones. The objective of Save the Children's initiative, "Rewrite the Future", is the education of eight million children who are victims of armed conflicts worldwide.	Spain
Support to various institutes and associations for running nursery schools in autonomous regions.	Brazil
Contribution to the Neighbourhood and Friends Association of the Conjunto Esperanza district with the purpose of maintaining its literacy school for children and young adults.	Brazil
Supporting the Social Development Commission, granting bursaries to promote academic training in the Santa Ana School in Derqui.	Argentina

Goal 3. Promote gender equality and empower women

Action	Promoting country
Economic contribution for the holding of the "2nd Meeting Spain/Africa: Women for a Better World" in Madrid, chaired and organised by the first Vice President of the Government and Minister of the Presidency of Spain, M ^a Teresa Fernández de la Vega. The objective is to foster equality policies, exchange experience and promote greater knowledge of the real lives of Spanish and African women.	Spain

Goal 4. Reduce child mortality

Action	Promoting country
Support to the Adulão institutional community, which has the object of providing food, medical care and educational support to children within it.	Brazil
"Gas Natural and Paediatric Network" programme, which involves cooperation with the cooperative civil association of the paediatric network of educating prevention for health.	Argentina
Supporting the Abood Shaio Foundation for the development of the "Fashion with a Heart" programme, the purpose of which is to provide medical care to children with heart problems.	Colombia

Goal 5. Improve maternal health

Action	Promoting country
Cooperation with the Foundation for Nursing and Maternity to promote mother-baby health.	Spain

Goal 6. Combat HIV/AIDS, malaria and other diseases

Action	Promoting country
Economic contribution to the 2007 national collection of the Mexican Red Cross.	Mexico
Support to the ProCnic Foundation of the National Cardiovascular Research Centre to collaborate in medical research projects.	Spain
"Put Yourself in my Wheels" programme. Sponsorship of wheelchairs via the System for the Comprehensive Development of the Salamanca Family.	Mexico
Collaboration with the Adecco Foundation's "Family Plan" programme. Geared towards employees' families; carries out training initiatives to foster social and labour insertion of the disabled. Cooperation with the Femarec Foundation, with the same objective.	Spain
Assisting the Atades Foundation for carrying out the "Sonsoles Residential City" programme. The aim of this project is to assist and care for mentally disabled persons and individuals with major dependencies and their families.	Spain
Internal campaign for training, prevention and early detection of HIV/AIDS among Group employees.	Mexico

Goal 7. Ensure environmental sustainability

Action	Promoting country
Training of technical employees in automobile mechanics for converting vehicles to natural gas.	Spain
Environmental management seminar, where a simulation is presented regarding the improvement of air quality in Barcelona and Madrid, by means of replacing a substantial part of the vehicle fleet with natural gas-propelled vehicles.	Spain
Support to the Entorno Foundation for developing and promoting training, research and information in environmental matters.	Spain
Cooperating with the National Academy of Exact, Physical and Natural Science for holding the Annual Meeting on Environmental Preservation in 2007, the object of which is to discuss the problem of solid urban waste in Argentina.	Spain

Goal 8. Develop a global partnership for development

Action	Promoting country
"First Export Programme", which includes free and specialised guidance on foreign trade and exports for small and medium-sized companies in Argentina.	Spain
Sponsoring the Forum North Africa Business Development, organised by the Institut Europeu de la Mediterrània and the Chamber of Commerce of Barcelona, and which has the aim of fostering investment in North Africa.	Spain
The "2015: A Better World for Joana" campaign, for disseminating, raising awareness and promoting the Millennium Development Goals. This campaign, which is promoted by the Corporate Reputation Forum, lasts until 2015, the important date for the goals fostered by the UN.	Spain
Cooperating with the Corporate Responsibility Colombian Centre in order to promote, among others, better practices and an awareness programme targeting stakeholders.	Colombia
Cooperation with the Argentinean Council for Sustainable Development to sponsor a joint publication by the Global Reporting Initiative and the UN Global Compact.	Argentina



FREE TRANSLATION FROM THE ORIGINAL IN SPANISH

INDEPENDENT ASSURANCE REPORT ON THE 2007 CORPORATE RESPONSIBILITY REPORT

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To the Management Committee of Gas Natural SDG, S.A.

Scope of our work

We have performed the review to verify that the contents of the Corporate Responsibility Report of Gas Natural SDG, S.A. and its Group Companies for the year ended on the 31st of December 2007 (hereinafter "2007 Corporate Responsibility Report") are in line with the directives of the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) version 3.0. (G3) (hereon, GRI-G3), as well as the review of the core and additional performance indicators established in those guidelines, corresponding to the year 2007. Furthermore, we have undertaken our review to ensure that the contents of the "2007 Corporate Responsibility Report" are in line with the materiality, completeness and responsiveness principles established in the AA1000 Assurance Standard issued by AccountAbility, Institute of Social and Ethical Accountability (hereon, AA1000 AS).

The Management of Gas Natural SDG, S.A. is responsible for the preparation of the "2007 Corporate Responsibility Report", for the information set out therein and for its A+ self-declaration, in accordance with GRI-G3 Guidelines, as well as for the design, implementation and maintenance of the management and internal control systems from which the information has been obtained. Our responsibility is to issue an independent report based on the procedures applied in our review.

We have undertaken our work in accordance with the International Standards on Assurance Engagements (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 establishes two review levels: the Limited Assurance Engagement level and the Reasonable Assurance Engagement level. This review has been carried out following the Limited Assurance Engagement criteria, for which this standard requires that:

- Sufficient evidence be provided on the documentation and systems of Gas Natural SDG, S.A. and its Group Companies that support the statements made concerning them for the review level set down in this review.
- The team performing this review have the necessary specific knowledge, skills and professional competence to understand and review the information included in the Report, and that its members fulfil the requirements of the Code of Ethics of the International Federation of Accountants (IFAC) to ensure their independence.

Our review has consisted in interviewing Management and various units of Gas Natural SDG, S.A. and its Group Companies that participated in the preparation of the "2007 Corporate



Responsibility Report", as well as the application of certain analytical procedures and review tests, which we summarise below:

- Interviews with the personnel of Gas Natural SDG, S.A and its Group Companies in order to ascertain the management approaches applied and to obtain the necessary information for the external review.
- Analysis of the processes used in compiling and validating the data presented in the "2007 Corporate Responsibility Report".
- Review of the activities relating to the identification and consideration of the interested parties during the year, as well as the application of the materiality, completeness and responsiveness principles established in the AA1000 AS to the information included in the "2007 Corporate Responsibility Report" based on the understanding of Gas Natural SDG, S.A. and its Group Companies of the requirements of their stakeholders.
- Analysis of whether the contents of the "2007 Corporate Responsibility Report" at the A+ self-declaration level are in line with the GRI-G3 Guidelines.
- Review of the information regarding the management approaches applied to each group of indicators.
- Verification, through analytical and substantive review testing, of the consistency and reasonableness of the quantitative and qualitative information regarding the core and additional indicators set down in the "2007 Corporate Responsibility Report" and whether they have been properly compiled on the basis of the data provided by the information sources of Gas Natural SDG, S.A. and its Group Companies.

Conclusions

On the basis of the results of our review we have not identified any significant deviations or omissions regarding the reasonableness and consistency of the core and additional performance indicators information reported, corresponding to year 2007, and nothing has come to our attention that causes us to believe that the "2007 Corporate Responsibility Report" of Gas Natural SDG, S.A. and its Group Companies, at the A+ self-declaration level has not been prepared, in all material respects, in accordance with the materiality, completeness and responsiveness principles established in the AA1000 AS and with the Sustainability Reporting Guidelines GRI, version 3.0 (G3).

PricewaterhouseCoopers Asesores de Negocios, S.L.

Máximo Ibáñez
Partner
28 March 2008

(2)

Departments that have collaborated in drafting this report

Seccion	Unit	Department	
The Gas Natural Group	Corporate Reputation	Communications Department and Chairman's Office	
	Strategy	Strategy and Development Department	
	Corporate Governance Matters	Assistant Secretary of the Board of Directors and Matters of Corporate Governance	
	Internal Audit Europe and Latin America	Internal Audit Department	
	Risk Control and Management	Financial-Economic Department	
Corporate Responsibility and the Gas Natural Group	Corporate Reputation	Communications Department and Chairman's Office	
	Internal Audit Europe and Latin America	Internal Audit Department	
	Accounting and Consolidation	Financial-Economic Department	
	Quality and Environment	Resources Department	
Stakeholders	Customers	Customer Service Guarantee Office	Retail Business Department
		Quality and Environment	Resources Department
		Legal Serv. Neg. Minor.,Regul. and Appeals	Legal Services Department
		Latin American Operative Tracking	Latin America Department
	Shareholders and Investors	Investor Relations	Financial-Economic Department
		Corporate Reputation	Communications Department and Chairman's Office
	Employees	Engineering and Technology	Resources Department
		Human Resources	Resources Department
	Suppliers	Contracting and Resources	Resources Department
	Society	Corporate Reputation	Communications Department and Chairman's Office
		Relations with the Media	Communications Department and Chairman's Office
	The Gas Natural Foundation		
Environmental sustainability	Quality and Environment	Resources Department	
Coordination	Corporate Reputation	Communications Department and Chairman's Office	
Publishing	Corporate Identity and Brand	Communications Department and Chairman's Office	
Verification project monitoring	Internal Audit Europe and Latin America	Internal Audit Department	
	Corporate Reputation	Communications Department and Chairman's Office	

Readers' Opinion

In order to know your opinion about this Corporate Responsibility Report, the Gas Natural Group would like to offer you the possibility of sending us your opinion, doubts and suggestions so that we can continue to improve.

We present this short questionnaire, which you can send to the following addresses and fax numbers:

Corporate Responsibility of the Gas Natural Group - Plaça del Gas, 1. 08003 Barcelona.

Fax: (+34) 93 402 55 64

reputacioncorporativa@gasnatural.com

www.gasnatural.com.

General Impression of this Report

☐ No interest ☐ Fairly interesting ☐ Interesting ☐ Very interesting

It has helped you to become familiar with the Gas Natural Group's activities in the sphere of corporate responsibility

☐ Hardly at all ☐ Not much ☐ Quite a lot ☐ A lot

You consider the information contained in the following sections

	Insufficient	Sufficient	Excellent
Letter from the Chairman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Process for Drafting this Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Organisation Profile	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mission, Vision and Values	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strategy of the Gas Natural Group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Corporate Governance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Code of Conduct	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Gas Natural Group contribution to development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Corporate Responsibility Commitments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Management of Corporate Responsibility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dialogue with Interest Groups	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Customers and the Gas Natural Group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Shareholders and Investors and the Gas Natural Group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employees and the Gas Natural Group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Suppliers and the Gas Natural Group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Society and the Gas Natural Group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environmental sustainability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments or suggestions

Name:

Company:

Address:

Connection with the Gas Natural Group:

☐ Customer ☐ Shareholder ☐ Employee ☐ Supplier ☐ Others (Please specify)

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In accordance with the provisions laid down in Organic Statute 15/1999, of 13 December, governing the Protection of Personal Data, the interested party is hereby notified of the inclusion of his/her data in the received applications computer file, the purpose of which is to respond to the said applications and send other notices that may be of interest in view of the applications sent to Gas Natural spg, s.a. The interested party is also hereby informed of the possibility of exercising his/her right to access, correct, strike and oppose, under the terms and conditions laid down in current legislation, by writing to the Company's Communications Department and Chairman's Office, in Barcelona, Plaça del Gas, 1.



Responsibility Report Corporate Responsibility Report Corporate Resp



FTSE4Good



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Environmental Leader

