

gasNatural  
fenosa

170  
years together



2012  
corporate  
responsibility  
report



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## Letter from the Chairman

Dear  
shareholders,

This year, Gas Natural Fenosa aims to take another step forward in its commitment to transparency, and the 2012 Corporate Responsibility Report offers greater integration between the business activity and the sustainability achievements. With this report, we aim to transmit a broader vision of our business project and the efforts we are making to shape a global and sustainable energy business model.

The balance between the gas and electricity businesses has turned us into a really integrated company. This allows us to enjoy a beneficial position in the markets where we have a presence, and represents an opportunity in those markets we hope to lead in the future.

In 2012, the company satisfied the targets of its Strategic Plan for that year. Ebitda grew 9.4%, up to 5.080 billion euros, and net profit totalled 1.441 billion, up 8.8%. This is the consequence of a proper balance between the regulated and deregulated businesses, with growing contribution from the international arena, which accounted for 43.2% of Ebitda.

The results are backed by the commitment of over 17,200 persons that make up Gas Natural Fenosa and who, thanks to their talent and endeavours, enable us to offer a quality service that is highly valued by our customers. Our Human and Social Development Model means we can offer a motivational working environment whilst simultaneously providing value to our activity.



2012 has been a year of major challenges in the sphere of corporate responsibility. One of these was job safety, with the set-up of the Health and Safety Undertaking Plan, which seeks to bring about a qualitative change in the corporate culture.

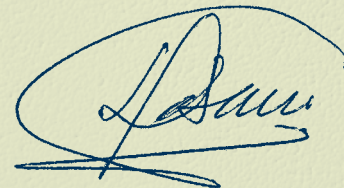
We have continued to offer our customers a portfolio of new products and services, based on energy efficiency, smart grids and sustainable mobility, in line with our commitment to innovation and respect for the environment. This objective has led to the new positioning of Gas Natural Fenosa, "energy that thinks", because we aim to offer energy solutions to all customers that have placed their trust in us and those that will do so in the future.

I also do not wish to overlook the explicit efforts made to ensure integrity. Tools such as the management of the Code of Ethics and prevention of crimes or antifraud policies and human rights policies help ensure that our employees act correctly throughout the world. Here, I should like to highlight the introduction of a social impact assessment project, as part of our firm undertaking to respect the lifestyle of communities where we carry out our operations.

Once again this year, our achievements in corporate responsibility issues have been rewarded by the DJSI, which designated Gas Natural Fenosa as worldwide leader in sustainability in the gas distribution sector. The company was also featured on the selective DJSI Europe,

and for the 11th year running has retained its presence on the FTSE4Good. Within the environmental sphere, our efforts were rewarded with leadership of the Carbon Disclosure Project as third company worldwide and leader of the utilities sector.

I encourage you to delve into this report to discover the work performed by a team which, with great enthusiasm and willingness, works daily so that Gas Natural Fenosa is able to be an excellent company that looks after all of its stakeholders and seeks to maintain long-term sustained growth.

A handwritten signature in blue ink, appearing to read 'S. Serra', enclosed within a large, loopy oval shape.

**Salvador Gabarró Serra**  
Chairman of the Board  
of Directors



## business **model**

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## Gas Natural Fenosa in figures

Gas Natural Fenosa is the largest integrated gas and electricity company in Spain and Latin America, and leads the natural gas commercialisation market on the Iberian Peninsula. It is also the main natural gas distributor in Latin America.

The company operates in more than 25 countries, where it provides services to close to 20 million customers worldwide and has an installed power of over 15 GW. Gas Natural Fenosa is the leading gas distribution operator in Central and South America, with a presence in Argentina, Brazil, Colombia and Mexico. As far as electricity generation and distribution is concerned, the company is the third-largest operator in Spain and has a prominent presence in Colombia, Moldova, Nicaragua and Panama.

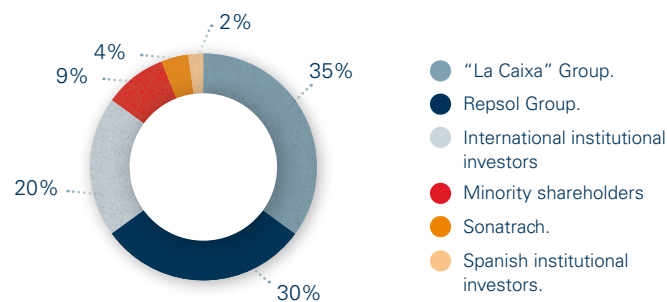


For detailed information on Gas Natural Fenosa's activities and the 2012 results, please see the Annual Report and the corporate website:

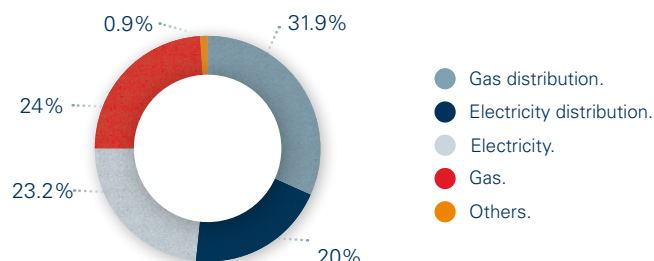
[www.gasnaturalfenosa.com](http://www.gasnaturalfenosa.com)



### Shareholders and investors of Gas Natural Fenosa (%)

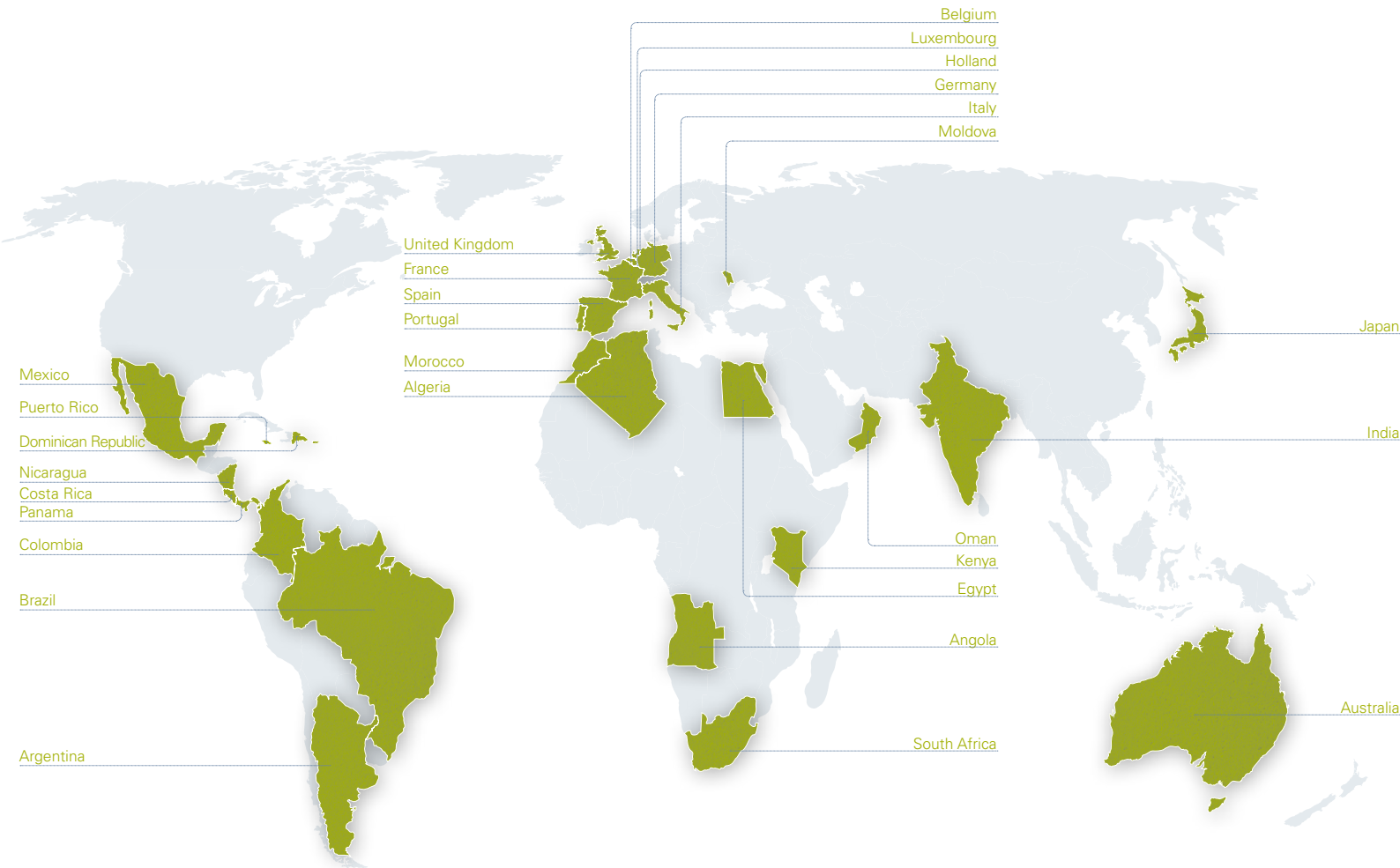


### Contribution to Ebitda by activity (%)



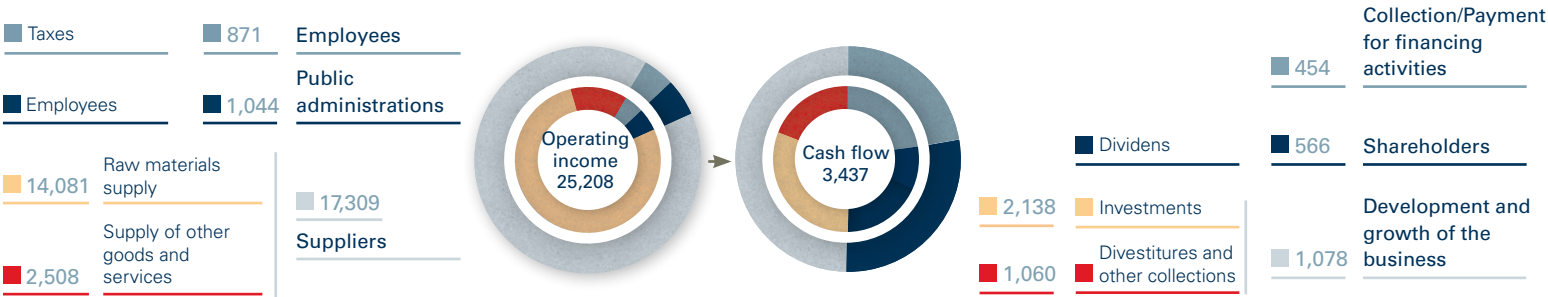


Gas Natural Fenosa in the world



NB: The map shows the countries where the company has some kind of business activity, regardless of whether or not it has personnel or a commercial office there.

Contribution to society  
(millions of euros)





### Gas Natural Fenosa: main figures

<b>Operations</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Gas distribution sales (GWh)	409,774	395,840	411,556
Gas transportation/Empl (GWh)	116,347	111,855	109,792
Gas distribution supply points (in thousands)	11,663	11,372	11,361
Electricity distribution supply points (in thousands)	8,309	8,133	9,436
Gas distribution network (km)	120,760	116,438	115,271
Electricity generated (GWh)	56,268	56,616	57,744
<b>Personnel</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
No. of employees	17,270	17,769	18,778
<b>Financial (millions of euros)</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Net turnover	24,904	21,076	19,630
Gross operating profit (Ebitda)	5,080	4,645	4,477
Operating profit	3,067	2,947	2,893
Total investments	1,386	1,406	1,543
Profit attributable to the company	1,441	1,325	1,201
<b>Stock information (euros/share)</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Share prices as at 31 December	13.58	13.26	11.49
Profit	1.45	1.39	1.3

## Installed capacity by energy source and regulation system

	Close 2012 (MW)	Close 2011 (MW)	Variation 12/11 (%)
<b>Power installed in ordinary system. Spain</b>	<b>11,714</b>	<b>11,699</b>	<b>0.13</b>
Hydroelectric	1,907	1,901	0.31
Nuclear	604	595	1.55
Coal-fired	2,048	2,048	(0.02)
Fuel-oil/gas	157	157	(0.13)
Combined-cycle	6,998	6,998	0.01
<b>Power installed in special system. Spain</b>	<b>1,113</b>	<b>1,061</b>	<b>4.90</b>
Renewables	1,113	1,061	4.90
<b>Total installed power. Spain</b>	<b>12,827</b>	<b>12,760</b>	<b>0.53</b>
<b>Power installed in ordinary system. International</b>	<b>2,692</b>	<b>2,683</b>	<b>0.32</b>
Hydroelectric	73	73	0.55
Fuel-oil	321	321	(0.09)
Combined-cycle	2,298	2,289	0.37
<b>Total power</b>	<b>15,519</b>	<b>15,443</b>	<b>0.49</b>

## General gas distribution indicators

	Argentina	Brazil	Colombia	Spain	Italy	Mexico	Total	Variation 2011/12 (%)
Gas activity sales (GWh)	76,847	67,692	17,656	195,806	3,647	48,163	409,811	3.53
Network renewal (km)	12	48	3	2	0	46	111	2.13
Distribution network (km)	23,605	6,290	19,860	46,541	6,885	17,579	120,760	2.51
Increase with regard to 31/12/2011 (km)	292	153	400	1,305	149	660	2,959	21.29
Regulatory inspections	0	0	289,635	870,660	0	0	1,160,295	47.14
Network overhauled (km)	12,574	4,988	4,843	25,580	3,219	16,082	67,286	(0.37)
Renewal of connections (units)	10,930	1,508	0	270	0	4,591	17,299	(14.60)



### Energy production by energy source and regulation system

	Close 2012 (GWh)	Close 2011 (GWh)	Variation 12/11 (%)
<b>Production in ordinary system. Spain</b>	<b>34,445</b>	<b>35,701</b>	<b>(3.52)</b>
Hydroelectric	1,696	2,892	(41.34)
Nuclear	4,434	4,378	1.29
Coal-fired	7,566	4,464	69.49
Fuel-oil/gas	(2)	0	–
Combined-cycle	20,750	23,967	(13.42)
<b>Production in special system. Spain</b>	<b>2,719</b>	<b>2,380</b>	<b>14.24</b>
Renewables	2,719	2,380	14.24
<b>Total production. Spain</b>	<b>37,164</b>	<b>38,081</b>	<b>(2.41)</b>
<b>Production in ordinary system. International</b>	<b>19,105</b>	<b>18,535</b>	<b>3.07</b>
Hydroelectric	370	380	(2.58)
Fuel-oil	1,784	1,793	(0.52)
Combined-cycle	16,951	16,362	3.60
<b>Total production</b>	<b>56,268</b>	<b>56,616</b>	<b>(0.61)</b>



## Electricity produced using renewable sources broken down by country (GWh)

	2012	2011	2010
Costa Rica	270	262	258
Spain	2,719	2,380	2,529
Panama	100	118	116
<b>Total</b>	<b>3,089</b>	<b>2,761</b>	<b>2,903</b>

## Average efficiency by technology and regulation system

System	Technology	Efficiency* (%)
Ordinary. Spain	Coal-fired thermal	34.28
	Fuel thermal	0
	Combined-cycle	53.72
International	Combined-cycle	53.58
	Fuel	40.12

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

## Average availability factor by technology and regulation system (%)

System	Tecnology	2012	2011	2010
Ordinary. Spain	Hydroelectric	92.35	79.89	90.00
	Coal thermal	97.43	88.04	95.14
	Fuel thermal	95.35	88.58	60.57
	Nuclear	89.78	90.49	89.17
	Combined- cycle	94.99	94.42	93.14
Special. Spain	Wind power	96.80	98.70	98.30
	Small hydro	97.86	98.00	90.40
	Cogeneration	92.07	92.50	98.00
International	Hydroelectric	96.52	96.92	93.41
	Diesel engines	89.07	85.40	89.70
	Combined-cycle	92.44	88.85	93.13

## Gas Natural Fenosa's electrical distribution facilities by country

Countries	Step-down transformers		
	Number	Capacity (MVA)	Length of lines (km)
Colombia	81,264	5,943	52,633
Spain	39,994	13,645	113,687
Moldova	8,781	1,940	32,745
Nicaragua	50,042	1,971	15,732
Panama	43,477	3,017	20,653
<b>Total low -and medium- voltage</b>	<b>223,558</b>	<b>26,516</b>	<b>235,450</b>
Colombia	236	4,505	1,659
Spain	835	27,699	8,915
Moldova	181	1,606	1,820
Panama	88	1,118	153
<b>Total high-voltage</b>	<b>1,340</b>	<b>34,928</b>	<b>12,547</b>
<b>Total</b>	<b>224,898</b>	<b>61,445</b>	<b>247,997</b>

## Electrical energy losses in transport and distribution (%)

	2012	2011	2010
Ordinary regime. Spain	8.13	8.09	8.13
Colombia	17.38	18.25	18.35
Moldova	12.39	13.11	3.16
Nicaragua	19.97	20.63	21.81
Panama	10.44	10.23	9.77

## Key corporate responsibility indicators

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



## Customer orientation

	2012	2011	2010
<b>Percentage of satisfied customers<sup>1</sup></b>			
Spain <sup>2</sup>	7.10	6.94	–
Italy	7.74	7.62	–
Moldova	8.41	–	–
Latin America	8.29	8.58	–
Suppliers with contracts currently in force	7,595	9,142	8,203
Total purchase volume awarded (millions of euros)	2,785	2,603	2,092

## Commitment to results

	2012	2011	2010
Net turnover (millions of euros)	24,904	21,076	19,630
Gross operating profit or Ebitda (millions of euros)	5,080	4,645	4,477
Total investments (millions of euros)	1,386	1,406	1,543
Net profit (millions of euros)	1,441	1,325	1,201
Dividend (millions of euros) <sup>3</sup>	895	821	737
Evolution of Gas Natural Fenosa's classification on the DJSI	86	85	85

<sup>1</sup> Customer satisfaction began to be measured with the numerical scale in 2011.

<sup>2</sup> Figure for residential customers.

<sup>3</sup> Equivalent total amount.

## Environment

	2012	2011	2010
Greenhouse gas emissions (GHG) (tCO <sub>2</sub> e)	24,271,828	23,173,419	19,371,616
Emissions of GHG/Electricity generation (tCO <sub>2</sub> e/GWh)	454	371	314
Methane emissions in transportation and distribution (tCO <sub>2</sub> e/km network)	11.53	11.76	11.79
Emissions of SO <sub>2</sub> /electricity produced (g/kWh)	0.48	0.31	0.12
Emissions of NO <sub>x</sub> /electricity produced (g/kWh)	0.82	0.72	0.50
Emissions of particles/electricity produced (g/kWh)	0.04	0.03	0.02
Generation of hazardous waste (t)	5,126	7,333	7,297
Recycling of fly ash (%)	27	25	272 <sup>4</sup>

## Interest in people

	2012	2011	2010
Staff rate. Number of employees	17,270	17,769	18,778
Men/Women (%)	70/30	71/29	73/27
Women in management posts (%)	24.19	22.52	21.70
Personnel costs (millions of euros)	871	858	798
Training hours per employee	52.70	52.20	47.80
Annual investment in training (euros)	8,982,897	8,827,857	8,057,570

## Health and safety

	2012	2011	2010
Accidents requiring medical leave	157	174	228
Days lost	3,547	4,853	5,147
Mortalities	2	1	2
Frequency rate	4.96	5.43	6.80
Severity rate	0.11	0.15	0.15
Incident rate	10.25	11.25	13.68
Absenteeism rate	2.14	2.94	3.30

<sup>4</sup> More ashes have been recycled than generated by recycling ashes from the waste tip from the Anllares power station.



## Commitment to society

	2012	2011	2010
Evolution of the contribution from Gas Natural Fenosa (millions of euros)	12.70	13.80	13.70
Breakdown by type of action (%)			
Social	51.00	41.70	39.90
Environmental	13.30	13.30	14.80
Cultural	35.80	45.00	45.30
No. of sponsorship and social action activities	383	446	388

## Integrity

	2012	2011	2010
Correspondence received by the Code of Ethics Committee	47	40	45
Number of messages received per 200 employees	0.53	0.45	0.48
Geographical origin of correspondence (%)			
Argentina	4	–	2
Brazil	–	5	2
Colombia	11	12	13
Spain	62	45	42
Guatemala	–	–	7
Italy	–	–	2
Kenya	2	–	2
Mexico	19	25	16
Nicaragua	2	13	11
Panama	–	–	2
Average time for resolving correspondence (days)	41	45	40
Audit projects analysed on the basis of the risk of fraud	41	34	32
Communications received in the area of human rights	0	0	–
No. of persons trained on the human rights policy	9,681	9,048	–



## A competitive and integrated business model

Gas Natural Fenosa is an integrated gas and electricity utility company. The company's business focuses on the complete life-cycle of gas, from exploitation through to commercialisation, and on the production, distribution and marketing of electricity, activities that account for more than 99% of the company's Ebitda. These are joined by other business areas, such as energy services, which encourage diversification of activities and revenue, anticipating market trends in order to deal with the specific needs of customers and be able to offer them a comprehensive service that does not focus solely on the sale of energy.

Gas Natural Fenosa's business is based on four major strengths:

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



### Energy that thinks

Gas Natural Fenosa focuses its efforts on the well-being of persons, providing the best gas and electricity products and services, and driving new solutions that are more efficient and environmentally friendly.

Its main goal is to supply society with energy so it can maximise its development and well-being, converting innovation, energy efficiency and sustainability into cornerstones of the business model.

#### Company with experience.

For 170 years, Gas Natural Fenosa has laboured daily on a process of continuing improvement to offer services to society through the introduction of the most advanced technologies available. The company's experience, tied to its competitive positioning, makes Gas Natural Fenosa a company that is ready to successfully tackle the challenges of a globalised market.

#### Efficient company.

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

#### Responsible company.

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

## Leadership in the gas business

Gas Natural Fenosa operates throughout the entire gas value chain, from drilling to distribution and commercialisation, incorporating production, liquefaction and transport. The company also has gas storage and regasification facilities.

Gas Natural Fenosa is the leader in the Spanish distribution market, bringing natural gas to over one thousand municipalities in nine autonomous communities, and exceeding five million customers. By the same token, it is also the leading distributor in Latin America.

The company manages a liquefied natural gas (LNG) and natural gas portfolio of around 30 bcm (billion cubic metres), and directly or indirectly operates a fleet of 10 methane tankers. Gas Natural Fenosa is one of the biggest LNG operators in the world and a benchmark in the Atlantic and the Mediterranean basins. Thanks to its portfolio of supplies, the group is also in a privileged position to develop new markets, mainly in the Mediterranean area, Latin America and Asia.

The strategic lines of Gas Natural Fenosa focus on internationalisation of gas sales and on developing infrastructures, using the company's current position in the Mediterranean and Atlantic basins.

Gas Natural Fenosa's activities in the gas business are as follows:

- **Supplies.** Gas Natural Fenosa purchases natural gas all over the world, and this gas is transported either through a gas pipeline or as LNG. The company manages the main gas pipeline that supplies Spain from Algeria and has different regasification and liquefaction plants.
- **Storage.** The storage facilities guarantee a constant supply of natural gas and avoid the impact of seasonal changes or demand peaks.
- **Distribution.** Gas Natural Fenosa distributes natural gas in the residential-commercial market and in the industrial market of major customers. The company is leader in the Spanish and Latin American market, and has a major presence in Italy. The company is currently focusing on to the development of infrastructures and the expansion of the network to new markets in Europe and America.
- **Commercialisation.** Gas Natural Fenosa acts as marketer of gas both in Spain as well as in the international market, with a wide range of value-added services. The company holds a privileged position to develop new markets within this sphere, in the Mediterranean area, Latin America and Asia.
- **Gas trading.** Gas Natural Fenosa is particularly well-positioned in the up- and downstream gas and electricity markets, which means it can extract additional margins in the markets through an appropriate trading activity.

## Standard-bearer in the electricity business

Gas Natural Fenosa is the third operator in Spain and an important player in Latin America.

Gas Natural Fenosa currently focuses its priorities on completing production projects that are already underway, fostering the marketing of energy services for homes and businesses, and on strengthening the wholesale commercialisation business.

Gas Natural Fenosa's activities in the electricity business are as follows:

- **Generation.** The company has a balanced mix. The power generation equipment is based fundamentally on combined cycles. The company also has hydroelectric production, wind farms, carbon and fuel-oil power plants and holdings in two nuclear power stations in Spain.
- **Distribution.** The company distributes electricity in the residential and industrial markets. Electricity distribution in Spain includes both the regulated activity as well as the network services actions with customers.
- **Electricity trading.** The company is one of the main players in the Spanish electricity market, where it offers active management of the price risk for Iberian businesses. Gas Natural Fenosa also provides a value-added service to customers and third parties that wish to manage their price risk, by contracting derivatives.

## Supply of value-added services

Gas Natural Fenosa offers a wide range of services to meet demands for the speed, guarantee, quality

and, above all, efficiency required by customers. Beyond energy supply, the company offers repair and maintenance of equipment and facilities, along with energy solutions for residential customers

and businesses, which reinforce the trust they place in the company.

## Gas Natural Fenosa's activities (at 31 December 2012)

	Electricity			Gas						Mining
	Generation	Distribution	Commercialisation	Supplies	Exploration	Transport	Distribution	GN/LNG commercialisation	NG/LNG infrastructure	Regasification
Germany								●		
Angola									●	
Algeria				●					●	
Argentina							●			
Australia	●									
Belgium								●		
Brazil							●			
Colombia		●					●			
Costa Rica	●									
Egypt				●					●	
Spain	●	●	●		●	●	●	●	●	●
France								●		
Holland								●		
India								●		
Italy							●	●		●
Japan								●		
Kenya	●									
Luxembourg								●		
Morocco									●	
Mexico	●						●			
Moldova		●								
Nicaragua		●								
Oman				●					●	
Panama	●	●								
Portugal			●					●		
Puerto Rico	●								●	
United Kingdom								●		
Dominican Republic	●									
South Africa										●

NB: besides these countries, Gas Natural Fenosa has professional services, portfolio or holding companies in Ireland, Madagascar and Uganda. Gas Natural Fenosa's activity in Australia (generation) and Italy (regasification) refers to specific projects concerning the aforementioned activities, and not that the company has an operating infrastructure or one under construction.



## Supply guarantee

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

Suppliers play an essential role in the gas distribution service. Gas Natural Fenosa has a large portfolio of top-level suppliers which ensure that customers are supplied with gas with a high degree of reliability.

The natural gas can be supplied via gas pipelines or through liquefied natural gas (LNG) tankers. In 2012, there was a balanced distribution of gas supply using both systems, achieving a supply mix that was optimised against the risks of interruption, which provides flexibility in moving from one to the other, as well as benefiting from market opportunities.

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

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

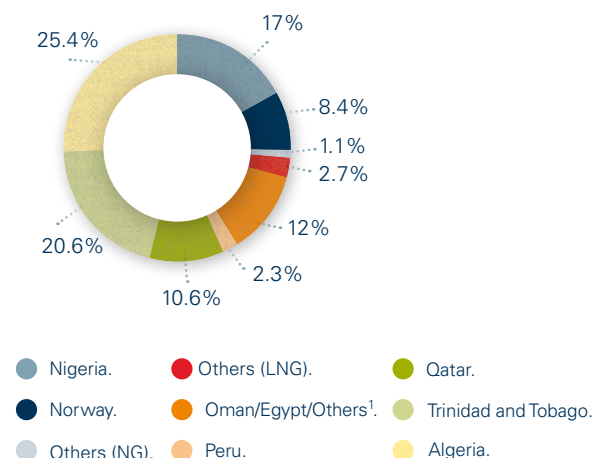
The company cooperates closely and coordinates with the responsible authorities in markets where it develops new capacity projects through tender calls or public-private partnerships. All with the object of ensuring long-term demand requirements.

Gas Natural Fenosa currently has a range of technologies at different stages of assembly; a level of power that will easily cater to forecast future demand and maintain a balanced generation mix.

What is more, in order to ensure the correct correlation between supply and demand in each and every one of the markets in which it operates, Gas Natural Fenosa is continuously in contact with different authorities and institutions in the energy sector. The group has close ties with sector authorities and institutions, and the company's in-depth experience and knowledge of the sector are always placed at their disposal when it comes to planning the energy sector and for the development of specific regulations.

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

## Diversification in the sources of the supply



<sup>1</sup> Gas deriving from Unión Fenosa Gas.



## A company committed to technology

Innovation is one of the driving forces of Gas Natural Fenosa's development. In a technologically advanced sector, such as energy, taking part in the most cutting-edge developments is essential.

Most of the company's RD&I activities are carried out by the Technology Department of Gas Natural Fenosa. In addition to RD&I projects, it carries out technological watch activities, technology transfer and fostering the culture of innovation, together with the corporate departments of Strategy and Resources. Elsewhere, different business units carry out activities tied to technology innovation, through pilot demo projects that will end up being applied to its operations.

The major technological lines currently focus on renewable energies (wind, photovoltaic, thermosolar, geothermal,

marine energies); hydroelectric generation, advanced fuels (biofuels, shale gas, power to gas); capture and storage of CO<sub>2</sub>; smart energy (automation of electricity grids, advanced gas network solutions, new customised technologies); sustainable mobility (electrical or with natural gas); and energy efficiency and solutions for the customer (fuel batteries, direct current, micro- and mini-cogeneration).

The cycle of technological development finalised in 2012 and a strategic reflection period commenced, with adaptation of the resources provided. As a consequence of this reflection, certain aspects are being strengthened, such as the smart grids or renewable gas (understood from the standpoint of use of the gas networks as a form of transport and distribution of energy), which are being encouraged even more as part of the new technological cycle (see section on smart grids, in the "Sustainable Opportunities" chapter).

The major internationalisation of the company means it is necessary to have an energy infrastructure and set-up that is capable of being adjusted to the needs of each model and to the reality of each country. In this regard, flexibility in technology application is required and its introduction must offer distinguishing value.

The company targets its efforts on innovation in optimisation of facilities, improving the energy supply and creating new products and services. And all of this is performed with a commitment to sustainable development, integrating businesses and encouraging an innovative culture among employees, as well as ongoing cooperation with the public system of RD&I.

In this context, development of the following activities is key:

- RD&I projects. Among the activities conducted in 2012 and related to sustainability are:

- Fewer CO<sub>2</sub>: development of a 300 kWt pilot plant to test CO<sub>2</sub> capture technology in the combustion of biomass using absorption/desorption cycles with calcium oxide/calcium carbonate.

- Kickass: development of a transformation centre able to properly and actively manage bidirectional energy flows, to enable proper set-up and integration of the smart grids and distributed generation technologies, the electric vehicle and demand management.

- Tesconsol: development of new possibilities of heat storage systems at thermoelectric solar facilities with lower costs vis-à-vis current systems.

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- Neptune: development of a floating system to measure the wind, waves and currents to accurately assess wind resources and the site conditions required to adapt the wind turbines based on location and to validate the prognostic tools of these resources.

- Capwa: industrial application of membranes for adaptation to water capture in the cooling towers of electricity generation facilities.

- Several smart grid projects, as explained in more detail in the smart grids section, in the "Sustainable Opportunities" chapter.

- Fostering a culture of innovation. 2012 was the first year of the Our Energy Awards, which are focused on encouraging and recognising employees' potential for innovation and improvement. Winning ideas in the innovation category concerned electrical distribution, optimisation of energy offers in the different markets and the operation of hydroelectric facilities.

- Technological watch: within technological watch, it is important to highlight the consolidation and creation of new groups to control the systematic monitoring of the most important technologies for the company.

- Technology transfer: particularly important are the agreements with the Institute of Electrical and Electronics Engineers (IEEE) and the Electric Power Research Institute (EPRI). With the EPRI, the company took part in several research programmes concerning energy efficiency for the end user, the development and evaluation of technologies and methodologies for the introduction of infrastructures associated to smart grids and CO<sub>2</sub> storage.
- Collaboration: Gas Natural Fenosa is a prominent partner of KIC Innoenergy and a member of Alinne. It also takes part on those energy technology platforms closely related to the company's activities. The company currently holds presidency of the Spanish Technological Platform of

CO<sub>2</sub> (PTECO2), and the Spanish Electrical Grid Platform (Futured). It also sits on the Governing Board of the European Zero Emissions Power Plant (ZEP) Platform.

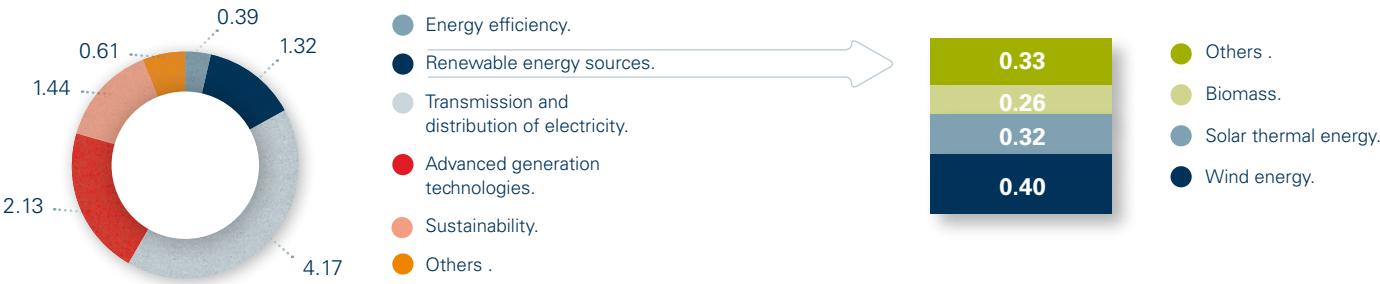
The objectives of the Technology Department for 2013 are:

- Technology Management. Development of the RD&I Management System.
- RD&I projects. Development of projects based on technological lines and approaches defined in the Technology Plan.
- Technology transfer. Presence and promotion of relations with technological centres, among other issues.

- Technology watch. Analysis and improvement of the technology watch system and extension of the activities of the technology watch groups.
- Fostering a culture of innovation: holding conferences and seminars to provide training in innovation and new technologies, and dissemination of RD&I activities.
- External network: identification of reference and leadership units and experts in active collaboration on sector technological fora.

RD&I investment (millions of euros)

The overall figure in 2012 for investment in sustainable projects and updates totalled 10.06 million euros, divided as follows:



# Strategy

Gas Natural Fenosa’s business strategy is based on strengthening the balance sheet, the optimisation to achieve synergies and the organic growth to take advantage of opportunities for growth, whilst maintaining financial solidity.

In 2010, Gas Natural Fenosa revealed its 2010-2014 Strategic Plan, with planned investment of more than 9 billion euros, which could reach 13 billion if the international economic climate allows.

The plan defines targets in two different stages: For the former, which ended in 2012, the company successfully met targets, and also made huge efforts to demonstrate financial solidity in a climate of instability in the financial markets.

As a target for 2012, the plan aimed to achieve 22 million supply points worldwide, a percentage of dual-fuel in excess of 20% in Spain. It also envisaged 15.5 GW of installed power by 2012, following the disinvestments agreed with the National Competition Commission (CNC).

In economic terms, by the end of 2012 the plan envisaged Ebitda in excess of 5 billion euros, which would entail annual accumulated growth of Ebitda greater than 5%, and an acceleration of growth until 2014, with a target of 5.7 - 6.1 billion at the end of the period.

The second stage, set to end in 2014, targets investments to make the most of growth opportunities in key businesses and markets. This dual structure enabled the company to set specific and quantified targets for 2012, and qualitative and adaptable goals for 2014.

The changing market climate meant that conditions significantly altered. The initial adaptability with which the plan was designed enabled the company to adapt to the reality of the climate in which it operates. Gas Natural Fenosa is currently reviewing the plan to adapt it to the new circumstances. This new plan will be presented to the markets during the second half of 2013 and will be based on the following basic outlines:

- Encouraging efficiency in all areas of operations management and asset management.

- Maintaining investment discipline, with a strong balance sheet as priority.
- Adapting growth and development of the business to the evolution of the economic-energy and regulatory climate of each market.
- Creating platforms for growth, to capture development opportunities in new countries in the mid-term.

The design of the plan will use the company’s advantages of having a competitive, diversified and environmentally-friendly energy mix. This will enable Gas Natural Fenosa to support through its strategy and own targets the undertakings acquired by the European Union for 2020, the so-called 20/20/20 goal, which seeks to reduce greenhouse gas emissions by 20%, save 20% in consumption of primary energy and ensure that 20% of final energy use comes from renewable sources.

## Planned capacity to satisfy forecast future demand (MW)

Projects at an advanced stage	32.00
Wind	10.30
Cogeneration and others	21.70
Projects at a permitting stage	1,184.00
Wind	1,134.00
Small hydro	50.00





## sustainable **opportunities**

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## Access to energy



The company is positioned in emerging markets where highly significant increases in energy demand are expected in forthcoming years. Both the growth of the population as well as access to higher levels of well-being will require the development of new generation and electrification infrastructures in rural areas.

This new development represents a huge opportunity for the company, but also a major challenge from a variety of standpoints:

- The need for more investment to develop new generation plants, as well as distribution grids, in regions where the electricity and gas infrastructure is insufficient.
- The development of projects with low social and environmental impact that enable it to obtain the social licence required to build the infrastructures with the support of the local population.

- Having solid institutions in the countries, as well as the necessary government of laws, so that the projects it carries out can be trusted.
- Implementing appropriate systems for payment that ensure the projects are feasible from a financial point of view and facilitating access to the service by the public.

### Our focus

For the sector, the supply of energy to underdeveloped communities must represent a key element in its commitment to society. Access to energy drives the development of communities, which will be better equipped to prosper and reach levels of development they would otherwise not be able to do.

Furthermore, supplying energy to rural communities is also an opportunity, because the company has the experience necessary to repeat these kinds of projects in other regions and build a source of competitive differentiation. Gas Natural Fenosa is ready to satisfy the additional demand for energy expected in the next few years. More specifically, the new forecast capacity totals more than 1,200 MW of projects at different stages of planning. To this end, the appropriate tools to organise activities have been provided, to satisfy that increase of demand:

- Development of new generation projects.
- Positive social impact of the infrastructures.
- New gas and electricity supply networks in isolated areas.
- Design of tariffs that encourage access.
- Inclusive business programmes.

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

### Our action

Gas Natural Fenosa has spent many years carrying out projects targeted at encouraging access to energy by populations in developing countries, where its activities appreciably improve life quality.

### Colombia (Energía Social)

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

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

Together with the Colombian government, over 30,000 families have benefited from this initiative since the commencement of the Energía Social activity. Gas Natural Fenosa's investment has almost been of 9 million euros, targeted at projects for electricity substations and electricity lines, to improve reliability and safety of the service.

In this regard, since 2004 Gas Natural Fenosa has completed 96 grid standardisation projects, with a further 148 in progress and another 167 planned. This means that 110,000 families have safe access to energy and more than 300,000 families have taken part in workshops.

The company reinforces its commitment to society through its inclusive business programmes that facilitate access to energy





## Nicaragua

In Nicaragua, the settlements that spontaneously form in urban areas generate an unfair distribution of urban space and lead to a deficit of basic services.

In 2011, together with the Ministry of Energy and Mines of Nicaragua, Gas Natural Fenosa worked on standardising five settlements, which affected a total of 3,800 customers that previously had illegal connections. In addition, rules were established for execution of the National Sustainable Electrification and Renewable Energies Plan (PNESER). Almost one and a half million persons are expected to benefit from this plan.

In total, Gas Natural Fenosa has participated in the development of five pilot projects for the standardisation of electricity grids through the PNESER, leading to a reduction of standardised losses and an increase in the payment rate of more than double. Overall, the PNESER aims to provide electrification of 665 settlements in Nicaragua

## Argentina (Cuartel V)

In Argentina, Gas Natural Fenosa continued to develop the model used to extend the gas network to impoverished neighbourhoods. Together with the Pro-Vivienda Social Foundation (FPVS), the gas network continued to extend in the neighbourhood of Cuartel V, Stage II. The expansion projects will continue over the next few years, which will enable the company to reach the highest number of families. In global terms, more than 20,000 persons (over half the population) have benefited from this initiative, and have achieved access to cleaner energy, thus increasing the value of homes. 11.4 km of new grid was built in 2012, fruit of an investment of over half a million dollars. The overall investment since the beginning of his project exceeds 8 million dollars.

## Euro-Solar programme

Through its subsidiary Gas Natural Fenosa Engineering, the company provided technical assistance in the Euro-Solar programme, promoted by the European Commission, from 2007 to may 2012.

This was a regional development project for the eight most underprivileged countries of Latin America (Bolivia, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Paraguay and Peru), the aim of which was to encourage development through renewable energy of 600 isolated rural communities that do not had access to electricity.

Euro-Solar programme, which has benefited over 300,000 persons, involved the installation of a renewable energy production system (solar and wind) and auxiliary equipment to foster communications (satellite antenna to connect to the Internet, modem, telephone and fax), education (laptops for the classroom, printer and projector) and health (sanitary refrigerator and water purifier for the health centre). Euro-Solar is a comprehensive programme, and has trained members of communities to manage and maintain the equipment, as well as developing basic services in the fields of education, health, information technologies and encouraging productive activities. This has led the company to achieving one of the basic objectives: economic sustainability, given that most of the 600 communities are producing income to be able to economically maintain the equipment.



# Sustainable mobility

The estimations for growth of the urban population worldwide revealed two huge challenges. Firstly, the greater demand for infrastructures, and secondly the need for new models of safe and clean mobility.

This trend raised interest in demo projects aimed at achieving progress in the use of renewable and non-polluting energy sources, in order to encourage sustainable and competitive mobility. For example, the European Commission, in its Green Paper “Towards a European strategy for the security of energy supply” proposes a 20% market share of alternative fuels by 2020 as the target.

In markets such as the Spanish one, a public strategy for promoting the electric vehicle was set up for the purpose of gradually replacing vehicle fleets for vehicles that emit less CO<sub>2</sub>.

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



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

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

## Our focus

For more than 10 years, Gas Natural Fenosa has been working in the development of solutions that allow the use of alternative fuels, the cost and environmental impact of which is less than that of traditional fuels. In this regard, it is the leading Spanish company in natural gas mobility services, offering a comprehensive service that incorporates the design, set-up and operation of natural gas stations.

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



Gas Natural Fenosa's commitment to sustainable mobility centres on continuing with its geographical and technological positioning in electricity mobility; in designing standard charging installations; in performing pilot tests for conversion of vessels; and in guaranteeing quality assurance standards for liquefied natural gas (LNG) to foster the development of land vehicles, cogeneration for rapid charging and partnership in gas and electricity hybridisation projects.

With regard to electricity mobility, Gas Natural Fenosa developed a strategy to turn itself into a main player, and set itself up as system charging manager and comprehensive energy manager of mobility solutions.

The company actively takes part in the technological development and promotion of electric vehicles, as well as the preparation of proposals for commercial customers and integration of the infrastructure required, the energy supply and comprehensive management of the service. It also offers value-added products designed specifically for the needs of each customer: financing of the battery, insurance or dynamic mobility studies.



## Our action

### Gas mobility

- **Liquefied natural gas (LNG):** Gas Natural Fenosa set up initiatives, particularly in Spain. It has four operating LNG stations, in Lleida, Guadalajara, Valencia and Alicante.

In 2012, the company performed a range of actions and closed deals related to the set-up of LNG in the maritime sector. Collaboration agreements were signed with the ports of Vigo and A Coruña, in Spain, and there was dialogue with other ports in Galicia, for the purpose of developing prototypes to enable the use of LNG in specific LNG motors or with dual natural gas-diesel motors.

By the same token, Gas Natural Fenosa conducted studies into the potential for setting up LNG in the maritime sector at the ports of Galicia and Catalonia, in Spain, to determine the appropriate segments.

The company also worked on creating a National Association of Natural Gas in Transportation, to promote the maritime LNG area.

Lastly, we should highlight the fact that Gas Natural Fenosa was awarded financial aid from the European Union worth 1,936,000 euros for the GARneT project (Gas as an Alternative to Road Transport), for the installation of four pilot stations and three mobile LNG stations at strategic sites around the Trans European network.

- **Compressed natural gas (CNG):** Gas Natural Fenosa continued to develop a network of stations that are also equipped with a pump for sales to the public. The company is introducing a public charging station network in the main Spanish cities to supply light vehicles that distribute goods.

## Electricity mobility

- **Mobega project:** Gas Natural Fenosa participates with the Ceaga Foundation, in Spain, in setting up the Electric Mobility Plan of Galicia. The recharging infrastructure network comprises seven electro-mobility stations connected to a control centre to enable the monitoring and remote-control of the same.
- **Smart City A Coruña (Spain):** the project managed to install 30 recharging points on the public thoroughfares in seven different parts of A Coruña for the purpose of drawing conclusions for future projects.
- **Assignment of electrical motorcycles to the Madrid City Council (Spain):** through a collaboration agreement with the Madrid City Council, Gas Natural Fenosa temporarily assigned six electric motorcycles in order to carry out a study on electrical mobility targeted at the Madrid Mobility Force (CAM) and the Madrid Municipal Police Force. The aim of the study is to propose more ecological and efficient vehicles to be used by this city council as a standard form of transport.

Within the internal sphere of the company, and as a complement to the actions conducted in the field of sustainable mobility, the company plans to launch a Sustainable Mobility Plan, the main priorities of which will be to update the fleet, gradually introducing the natural gas vehicular (NGV); the development of gas supply infrastructures; the introduction of electric vehicles and recharging points at the workplace; corporate car pooling, and the purchase of electric scooters and bicycles by employees.

### Promotion initiatives

- **Financing of electric motorbikes and bicycles for the residential market:** promotion project, at exhibitions and events, for a broad range of electric motorbikes and bicycles, with 100% funding of the purchase cost.

### RD&I projects and demo pilots

- **RIRVE project:** this involves creating a smart network of recharging points for electric vehicles in Arteixo, A Coruña (Spain), with smart management of demand, telemanagement and monitoring. The project's aims are to develop a pilot system for management of the electricity supply for vehicles, and definition of scenarios for R&D of technologies to spread the use of the electric vehicle.

- **Domocell:** the aim of this project is to create a recharging system for electric vehicles that can be easily installed in community garages and company car parks, thus allowing each vehicle's consumption to be measured. In this regard, Gas Natural Fenosa is analysing aspects such as reading measurements using smart meters, monitoring the state of the charging network and the impact on this.
- **Movele Madrid (Spain):** a demo and promo project on electrical mobility for the installation of 280 recharging points in Madrid, and the integrated management, reading and communication of these.

## Next steps

In 2013, the company plans to install a further six additional stations to the four mentioned previously, as part of the portfolio of public LNG stations waiting to come into service.

## Development of suppliers



Corporate success lies ever more in the capacity to create value for those with which they have relations. In this regard, collaborators in the supply chain play a key role in certain areas and represent the following advantages for the sector companies:

- Mitigate the possible price volatility of products supplied.
- Increase service quality.
- Access to better technological solutions.
- Increase the efficiency of processes.

It is vital to maintain commercial relationships with suppliers that are lasting, stable and trustworthy, in order to guarantee excellence in the products and services offered to customers.

The joint work with suppliers, to create greater value-added through the performance of more efficient processes, represents an essential tool. This requires the focus on supplier management to move from a traditional commercial relationship towards a broader vision, in the quest for value at the different stages of the operative processes and, in the longer term, a commitment to reliable partners that provide competitiveness in the scenarios laid down in a company's strategic plans.

The overall objective is to achieve sustainable growth through collaborative dialogue based on transparency between the parties, in which the supplier proactively shares his know-how.

### Our focus

Gas Natural Fenosa outsources goods and services worth 2.785 billion euros, which represents an important source of wealth creation, as well as an opportunity to build fruitful relationships with suppliers, based on undertakings of effectiveness, efficiency, flexibility, equal opportunities and transparency. Together with compliance with these principles, the key aim is competitiveness as a channel for efficiently reducing recurrent costs, thus mitigating the financial leverage of Gas Natural Fenosa.

In recent years, the company's Purchase Department has introduced initiatives aimed at reducing unit prices, by applying commercial and operational levers. The overall impact of this process has been satisfactory. However, Gas Natural Fenosa is planning additional improvements.

In this regard, the company developed the 2012-2014 Efficiency Improvement Plan, with the aim of actively collaborating in attaining the company's strategic objectives and, *inter alia*, evolving the purchase management model towards value management, with the launch of supplier development projects and efficient management of the quality of these, thus guaranteeing an excellent service to customers.

Within the framework of this plan, the supplier development projects enable the Purchase Department –in harmony with the business– to exchange knowledge with suppliers to obtain mutual benefits. These are collaborative projects with the main aim of obtaining overall cost reductions by using technical, commercial and operational levers, and not just through negotiation.

The methodology of the supplier development projects of Gas Natural Fenosa involved the following stages:

- Identification of supplier categories critical for the business, in which it is possible to develop collaboration.
- Supplier segmentation.
- Internal diagnostics and determination of the supplier.
- Action plan and execution.

Throughout 2012, Gas Natural Fenosa carried out the process of identifying business areas in which it is possible to have company-wide collaboration with suppliers.

Based on the global outline, the company defined a specific methodology for each country and each activity, designing the supplier development projects with a high level of specificity, to promote sustainable development, reduce social inequalities and respond to specific needs.

Our action

In 2011, two supplier development pilot projects for the capture of supply points, in the commercial areas of Mexico and Brazil, were launched, demonstrating the company’s commitment to management of front office personnel, which is the image Gas Natural Fenosa has with customers. These projects involved the implementation of training plans, both in-house and for sales agents, through the Extended University model, as well as financing plans.

In 2012, Gas Natural Fenosa launched two major projects in the field of supplier development.

The first of these, concerning telephone platforms, covers call centre activities of the Customer Service Department in Spain. The idea behind this project is to intensify a culture of greater collaboration with contractors, within a framework of close collaboration between the operative unit, the purchasing unit and the contractor, adapting the model of relations, and developing and acquiring the appropriate capabilities, and setting up systematic monitoring of targets and metrics.

As part of this project, Gas Natural Fenosa held a “supplier day,” which involved collaborative dialogue with suppliers to determine objectives and actions for improvement.

By the same token, the group developed a project for the entire company in the issue of meter reading and household operations, to adapt the current technical specifications, in accordance with the joint management of gas and electricity synergies; adapt the activity to current technological improvements; and define the best procurement strategy for the activities.

Training of suppliers

In this area, a range of initiatives took place in Brazil in 2012, where a total of 96 training courses were given to 2,000 collaborators; meanwhile, in Argentina, training was given to around 100 participants.

The Extended University for suppliers was set up in Mexico, to strengthen training in different disciplines and to help them in their growth and development.

Next steps

In 2013, two new projects concerning networks and materials are planned to be developed. In this case, the aim is to align the purchase efficiency objectives with the target of cutting business costs, to evolve the current model of management and relations with certain contractors involved in the construction and maintenance of gas and electricity distribution networks.

Gas Natural Fenosa will identify improvements in management of selected contractors to influence their productivity, quality and cost structure, also bearing in mind the cost of internal activities that have a mutual influence at the company.

	Mexico		Brazil	
	Planned activities	Finished activities	Planned activities	Finished activities
Financing	42	18	10	7
Management	29	15	19	10
Operation	13	9	13	9
Training	Corporate University			

Figures updated at June 2012.

## Energy services

All around the world, the governments of different countries are setting up energy efficiency policies. Although growth has been slow in recent years, a major relaunch is expected during the second part of this decade, driven by energy independence and security policies and the fight against climate change.

In the European Union, which is facing hitherto unseen challenges in this arena, energy efficiency is extremely valuable in this regard, because:

- It improves supply security by reducing energy imports.
- It helps decrease greenhouse gas emissions at low cost.
- It helps speed up the dissemination of innovative technological solutions and to improve competitiveness of the industry, driving economic growth in creating high-quality jobs in a range of sectors.

Here, the European Union is firmly committed to increasing energy efficiency by 20% by the year 2020. This target was confirmed as one of the principles of the new EU strategy for employment and intelligent, sustainable and integrating growth (Europe 2020 Strategy). In Spain, regulatory developments and energy saving and efficiency plans have been prepared, laying down multisector measures with different scopes.

The regulatory developments that are being prepared in Spain and other countries for the introduction of initiatives concerning energy



efficiency are generating new scenarios in which the consumer takes on a more prominent role, with increased capabilities to be aware of and control his energy consumption.

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

### Our focus

For many years now, Gas Natural Fenosa has been a company committed to energy efficiency as an opportunity that could be relevant to its business model in the medium-term.

The strategy revolves around development of additional services with high value-added that allow customers to design an energy consumption strategy that optimises their pattern of consumption. The company is strongly positioned in these markets through its supply of energy services.



The opportunities through application of the new regulatory frameworks arising, above all in developing countries, also represents an opportunity to increase the value of Gas Natural Fenosa's commercial offer, complementing existing products and seeking the commitment and recognition of customers.

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

Gas Natural Fenosa aims to be a company that is close to its customers; considers their specific needs and looks for the best solutions to satisfy these needs.

## Promotion of efficient products

The company works as an energy services company, which means it can move from being just an energy supplier to being an energy manager for its customers, generating value and improving its competitiveness through energy efficiency. In this way, Gas Natural Fenosa aims to become a comprehensive energy manager which, under the premises of profitability, is committed to sustainability of the end customer's pattern of consumption.

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

- Renewable air-conditioning with a geothermal solution. In 2012, Gas Natural Fenosa launched this service as a renewable solution to replace conventional air conditioning equipment with a geothermal heat pump. Given that the costs of geothermal technology are currently very high, Gas Natural Fenosa is making this service available to customers by assuming the initial investment and with long-term contracts. This means the savings obtained decrease the economic impact of implementation. The geothermal energy facilities are highly efficient systems that reach performance levels of up to 600%.

- LedPark efficient lighting. In Spain alone, the car park and garage sector comprises more than 2,400 public car parks, as well as all those that belong to homeowner associations, which is a figure difficult to estimate. Their main consumption of energy is lighting and the motors required for ventilation and extraction of vehicle emissions. In its commitment to disseminating efficient technologies, Gas Natural Fenosa has developed a solution that involves replacing traditional lighting with LED technology. This leads to savings in consumption plus the advantages of the greater visual comfort this lighting provides.
- Biomass solution. According to figures from the Spanish Institute for Energy Diversification and Saving (IDAE), in Spain renewable energies account for around 11% of primary energy. In the case of biomass, this figure is 3.8%. The potential of this source of energy as fuel in air-conditioning and its advantages over others, such as diesel or propane, has led Gas Natural Fenosa to work on developing commercial solutions to drive the growth of this energy.



Together with the development of standardised solutions, such as those described previously, the company is developing other energy services. These are customised projects that enable complex energy solutions to be put in place at those customers whose needs cannot be adapted to a standard service.

- **Public lighting energy service.** Gas Natural Fenosa is developing projects of this kind, and the direct benefits for the customer can be seen in the electricity saving and a decrease of maintenance operations. The outside lighting facilities are experiencing technological advances that represent a point of reflection in the consumption trend. For example, in Spain, the need to comply with the Energy Efficiency Regulation at Outside Lighting Facilities (Royal Decree 1890/2008), the emergence of LED technology and the possibility of contracting energy services companies means that municipalities can introduce measures of energy efficiency and saving to reduce their energy bill. Gas Natural Fenosa is able to propose solutions based on an energy performance contract model that can guarantee savings of up to 85% compared to traditional solutions.
- **3e-Houses project.** This European project encourages the integration of new information technologies into homes to obtain an innovative system of energy saving. In 2012, Gas Natural Fenosa obtained the results of the Spanish pilot project at 60 homes in the Barcelona municipality of Sant Cugat del Vallés, the initial aim of which was to reduce energy consumption by 20% over 12 months. To do this, tools were created to perform real-time calculation and monitoring of energy consumption at the homes. To raise participants' awareness and obtain their collaboration, they were offered free access to the Internet and a digital device that enabled them to easily check their expenditure at any given time and thus be able to apply simple energy solutions or instructions to reduce consumption. The project showed the potential for savings using energy management systems in the residential sector, as well as finding out under what conditions these technologies are more efficient for their subsequent implementation. With regard to savings potential, the initial target of an annual saving of 256 euros per home was achieved.
- **Clima project.** When it comes to reducing carbon emissions, Gas Natural Fenosa is committed to creating value and to improving the customer's competitiveness. To this end, the company used the Clima project of the Spanish Climate Change Office (OECC), within the framework of the FES-CO<sub>2</sub> Carbon Fund, the aim of which is to motivate the reduction of CO<sub>2</sub> emissions by Spanish companies that work in affected sectors. Gas Natural Fenosa presented two projects: the plan to set up a Renewable Air-conditioning Solution and the project to replace traditional fuels with compressed natural gas for vehicles. The aim of these two projects is to reduce emissions of 287,500 tCO<sub>2</sub> over ten years.

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

The speed with which these new trends are adopted will largely depend on the citizen's management capability. For many years now, Gas Natural Fenosa has been working together with social institutions to provide information about this awareness and in application of technologies related to energy services.

One of the company's priorities is to promote and disseminate energy efficiency through awareness campaigns. Gas Natural Fenosa takes part in seminars and conferences to provide information on products and services that best adapt to citizens' needs. It also promotes cooperation agreements with major consumer and business associations to achieve a more efficient use of energy.

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

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

It is worth mentioning that every year since 2004 the company has published the energy efficiency indices in the residential and SMEs sectors. This index has become a benchmark in measuring energy consumption habits in Spain. These statistical studies mean the company can analyse the level and efficiency evolution in Spain and find out the savings potential in these sectors. Based on the last publication of the index, Spanish households have a potential energy saving of 8.38% of their bill. For Gas Natural Fenosa, the compilation of these indices represents an opportunity to position itself with the public as a leading company in energy efficiency, and one that cares for the well-being and savings of its customers.

Gas Natural Fenosa aims to become an integral energy manager focused on the sustainable consumption of its customers



## Smart grids

These are grids that comprise the behaviour and actions of connected users, to ensure a sustainable, economic and secure supply. Smart grids are designed with different technologies and they permit new management models that will be gradually implemented. These models are tested on different projects before definitive introduction into the market.

This kind of grid is considered a key component in achieving the targets of reducing CO<sub>2</sub> emissions, improving energy efficiency and reducing exterior energy dependency.

Distributed generation or demand management of the electric vehicle will be supported by the smart grids and will provide the electricity companies and consumers with a new relations model, in which the capability for mutual interconnection will improve energy efficiency and confer the consumer with greater decision-taking powers on when and how they wish to consume energy.

The electric companies must adapt to this new scenario, which represents major opportunities for which Gas Natural Fenosa is preparing itself.



### Our focus

In 2012, Gas Natural Fenosa continued with the development of smart grids in three areas of operation: technological projects, demo projects and projects for the actual implementation of the technologies.

#### Technological innovation

Gas Natural Fenosa encourages the use of new technologies, at different degrees of maturity, taking part in fora, consortia and national and international projects, in most cases funded by different public administration programmes.

- **Energos:** this project is mainly focused on investigating the basic elements which can be used to create a smart grid able to carry out real time management of all the multi-directional flows arising in the new electrical grid model. The results sought include, *inter alia*, definition of an optimum architecture for this kind of grid, a design and simulation platform, and definition of data unified models.
- **Imponet:** specification, design and construction of a flexible and scalable software platform for the capture and processing of a large amount of information from smart meters. This will be the reference framework for future software infrastructures for electricity grids.
- **Hiperdno:** high-performance computer technologies for the exploitation of smart distribution grids, based on distributed computation solutions.

In addition, 2012 saw commencement of new innovation projects that consider more focalised developments, such as the Smart Line Inspection project (I2L); the SEPS project, the Expert Grid Incident Probability and Severity System; or the Virtual Micro-grid Operator project (OVI-RED), which develops a system to operate and optimise networks of customers with consumption and sources of generation.

In the development context of these projects, the need arose to have an environment in which to develop a platform to test this technology. Therefore, the Grid Integration Laboratory (Linter) environment was created; this focuses on the interoperability of meters, automation of the medium- and low-voltage grids, and integration of renewable generation.

### Demonstration of technologies

- **Scala:** the first smart grid demo project in the towns of Alcalá de Henares and Aranjuez (Spain), the management of 86,000 remote-controlled meters and 424 electricity substations. In 2012, the deployment of smart meters and the set-up of equipment at electrical substations finalised. This project is the testing and validation field for all equipment susceptible to en masse deployment.
- **Price:** an ambitious project jointly spearheaded by Gas Natural Fenosa and Iberdrola and comprising a consortium of 19 businesses and universities. It is being conducted in the region of Henares (Spain) and involves a population of 500,000 inhabitants, more than 200,000 supply points and over 1,600 electrical substations. The aim of the project is to demonstrate the use of interoperable technological solutions, provide open standards of the smart grid applicable to grid supervision and automation, energy management of electrical substations, integration of distributed generation and demand management.
- **iGreenGrid y Discern:** projects that measure -using efficiency indicators- the improvements represented by the smart grid solutions, comparing different demonstrations throughout Europe and trying to transfer solutions or best practices between demonstrators.

### Introduction of smart grid solutions

- **Itac@:** the company's in-house benchmark project. The aim of the project is to channel and reinforce actions for change in the business model of electricity distribution in all areas of management. Its targets are:
- A single project structure to integrate efforts.
- To define the transformation of processes towards a new business model.
- To define and validate the technology that supports the new grid model.
- To identify the most relevant impacts in the functional resources model.
- To guarantee the transitional operation of new elements

In 2012, 533,000 electricity meters were replaced with new smart meters, whilst 2,880 electrical substations were automated. Through these initiatives, the company is gradually shifting 100,000 residential customers to remote billing. The average saving of emissions by avoiding callouts for meter reading is estimated at 180 g of CO<sub>2</sub> per meter/year.





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## Good governance for efficient and transparent management

Governance at Gas Natural Fenosa is based on the principles of efficacy and transparency established in accordance with the main existing recommendations and standards.

This is because taking decisions in accordance with these principles not only encourages proper management of corporate operations and an improved bottom line, but also represents a major contribution to sustainable growth in the environment where it performs its activities.

This is because taking good decisions encourages efficiency, integrity and prevents episodes of poor management and, consequently, situations that could weaken both the company as well as the institutional and socioeconomic fabric of its environs.

Preventive management of risks, which includes issues beyond the economic facet of its activities, is another essential part of good governance at Gas Natural Fenosa. In this regard, the company, through its Board of Directors, performs a yearly analysis and approval of its risk profile and establishes the means required to mitigate this kind of situation. By the same token, in accordance



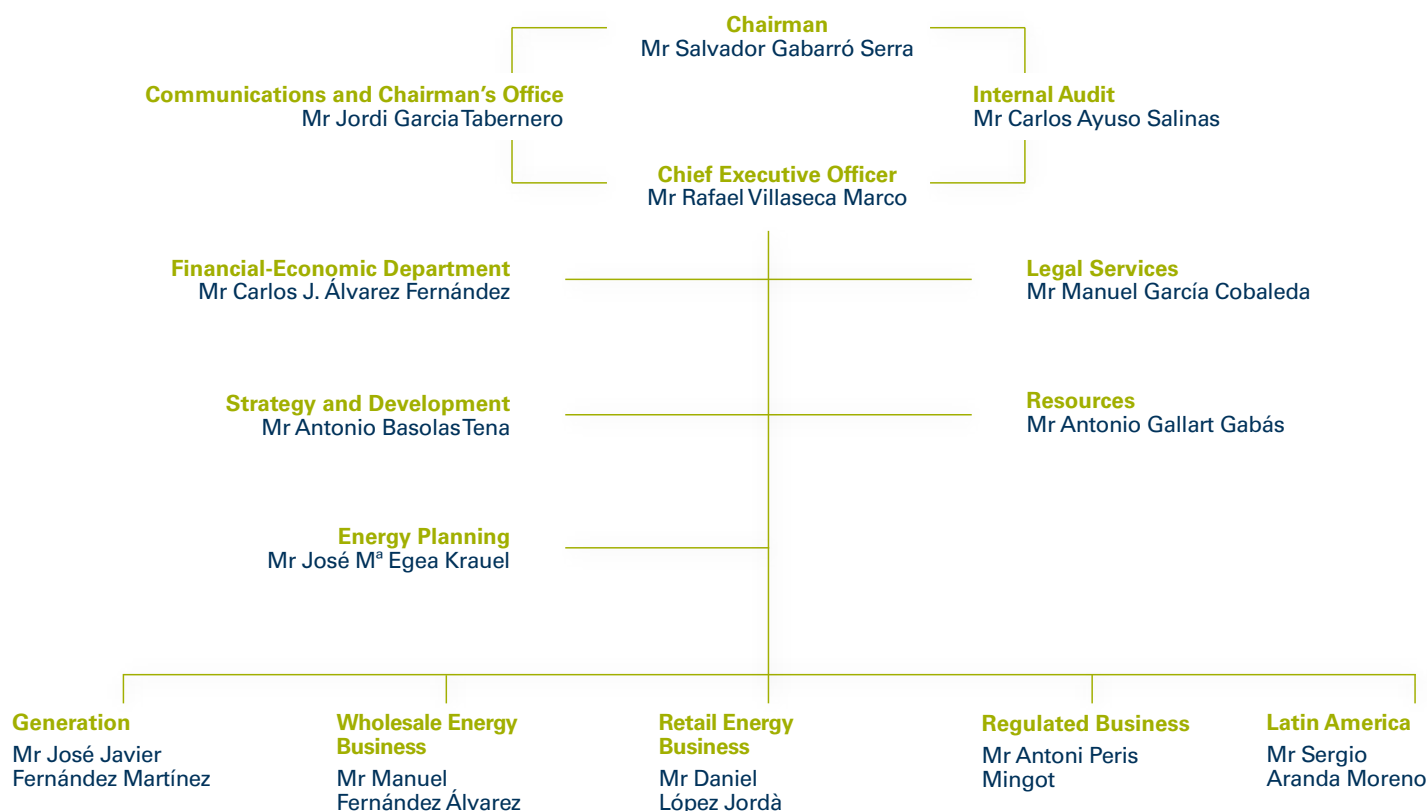
with the Corporate Responsibility Policy, it includes ethical, social and environmental issues in activity planning.

Only through integration of the aforementioned criteria, coupled with the search for profitability, can the company guarantee responsible operations and projects that can generate long-term value.

Internal control is another fundamental pillar in the good governance model of Gas Natural Fenosa. To this end, it periodically reviews its activities through legal compliance and internal auditing processes, focused mainly on avoiding possible inefficiencies and removing or mitigating the company's major risks. Similarly, its supreme governing body periodically assesses the quality and efficacy in its own procedures.

The success of this business culture of good governance, responsibility and a focus on preventing risks is best reflected in the Gas Natural Fenosa's 170-year history of sustained growth. Consequently, the company will continue to develop its activities and to focus its decision-taking processes pursuant to the very highest standards. Only with the best corporate governance the best response to the challenges currently faced can be provided.

## The Gas Natural Fenosa management structure



## Value actions

### Proposed actions 2012

Modification of the internal regulations and definition of the appropriate protocols and mechanisms in prevention of criminal liability of Gas Natural. Fenosa.

Launch a methodology to objectify risk premiums by business based on the volatility, and its contribution to the value of Gas Natural Fenosa.

Encourage systematisation of the economic capital calculation (unexpected credit loss to which Gas Natural Fenosa is exposed through severe impairment of the credit quality of its commercial portfolio).

### Planned actions 2013

● Modify the Anticorruption Programme.

● Draw up the Reputational Risk Map.

● Preparation of the Climate Change Risk Map.

Level of fulfilment: ● High ● Medium ● Low

## Governance challenges facing the company

Adapt performance of the company's governing bodies to the recommendations and new legal provisions concerning corporate governance.

Ensure predictability and sustainability in the company's operative and financial performance through an appropriate risk management approach.



## Corporate governance principles

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

In all cases, good governance is a concept in constant evolution. Initiatives have been recently set up in Spain to approve new reporting models of Good Governance and Remuneration of Directors. Progress is also being made in amending the Corporate Governance Code of Good Practices.

Within this framework, the company's challenge lies in adapting to these changes; changes that are instrumented through legislative amendments or recommendations. The foregoing is for the purpose of being recognised as a benchmark company in this sphere. Thus, huge efforts were made in 2012 to remain up-to-date with new changes and adapt to these.

Gas Natural Fenosa's practices in corporate governance are described in detail in various annual reports, which are sent to the General Meeting of Shareholders for its approval. With this documentation, the company reports on the most relevant standards and procedures implemented and discloses the criteria used as the basis for taking decisions.

Among these criteria, the preventive management of risks and the consideration of aspects tied to corporate social responsibility take priority in the Board's activity. And with good reason. Based on its operating rules, the Board is responsible for approving the Corporate Governance and Corporate Responsibility policies and, every year, through compilation of the respective reports (Annual Corporate Governance Report and the Corporate Responsibility Report), it reviews the risks and opportunities in these areas. The Board has also been involved in other key issues, such as approving the update of the Code of Ethics in 2009, which was first ratified in 2005.

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

The General Meeting of Shareholders takes part in implementing corporate governance practices, as does the Board of Directors and its committees: the Executive committee, the Appointments and Remuneration Committee and the Audit and Control Committee. The Management Committee also plays a relevant role.

The performance of the Board of Directors and its Committees plays a key role in the good governance practices of Gas Natural Fenosa. To this end, and pursuant to the recommendations laid down in the Unified Code on Good Governance of Listed Companies and the Board's own regulations, the quality and efficiency of the Board is assessed every year.

This assessment looks into issues such as the amendments introduced into corporate governance standards; the number of sessions of the different governing bodies; the agreements and reports issued; the structure and type of members of the governing bodies; attendance at meetings; calls to meetings and the documentation to accompany these calls; the venue for the meeting and the agenda. The Board of Directors and its committees operated as expected during 2012, fully exercising their powers without interference and in full observance of both current legislation and the standards for the organisation and performance of the Board's own regulations.

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

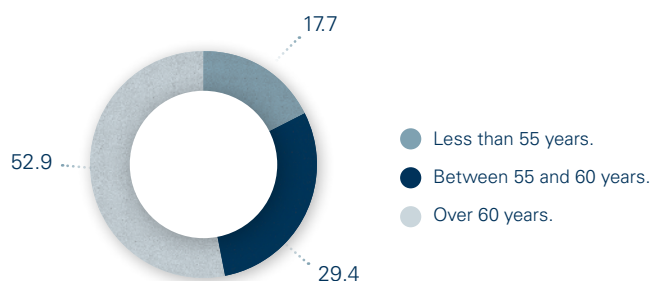
Governance at Gas Natural Fenosa is based on the principles of efficacy and transparency established in accordance with the main recommendations and standards



All the corporate information of Gas Natural Fenosa can be read on the company website,

[www.gasnaturalfenosa.com](http://www.gasnaturalfenosa.com)

#### Diversity of the Board of Directors (%)





## Composition of the Board of Directors and various committees (at 31 December 2012)

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

<sup>1</sup> Mr Ramon Adell Ramon became a member of the Audit and Control Committee on 20 April 2012, replacing Mr Carlos Kinder Espinosa.

<sup>2</sup> Mr Enrique Alcántara-García Irazoqui became a member of the Executive Committee on 20 April 2012, replacing Mr Carlos Kinder Espinosa.

<sup>3</sup> Mr Xabier Añoveros Trías de Bes became a member of the Board of Directors on 20 April 2012 to cover the existing vacancy.

<sup>4</sup> Mr Heribert Padrol Munté became a member of the Board of Directors on 20 April 2012, replacing Mr Carlos Kinder Espinosa.

## Remunerative model of the Board of Directors

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

As a consequence, and in accordance with the current legal framework, Gas Natural Fenosa periodically reports on remuneration to members of the Board of Directors and does so through its Annual Report.

In 2012, this report, in compliance with the Sustainable Economy Act, was submitted to a ballot of the General Meeting of Shareholders. At the meeting, in addition to approving remuneration for the previous year, it was agreed that for future years the Appointments and Remuneration Committee must notify the Board of Directors of its agreement to

maintain the same remuneration policy followed to date, based on the principles of moderation, payment for the time spent, and results.

Remuneration of Directors for sitting on the collegiate decision-taking bodies is considered as fixed remuneration. So the remuneration established in 2012, which is the same that has been applied since 2007, was as follows:

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

### Remuneration of the Board of Directors (euros)

	Position	Board	Executive Committee	Audit and Control Committee	Appointments and Remuneration Committee	Total
Mr Salvador Gabarró Serra	Chairman	550,000	550,000			<b>1,100,000</b>
Mr Antonio Brufau Niubó	Vice Chairman	126,500	126,500		12,650	<b>265,650</b>
Mr Rafael Villaseca Marco	Chief Executive Officer	126,500	126,500			<b>253,000</b>
Mr Ramon Adell Ramon <sup>1</sup>	Director	126,500		8,050		<b>134,550</b>
Mr Enrique Alcántara- García Irazoqui <sup>2</sup>	Director	126,500	80,500			<b>207,000</b>
Mr Xabier Añoveros Trías de Bes <sup>3</sup>	Director	92,000				<b>92,000</b>
Mr Demetrio Carceller Arce	Director	126,500	126,500			<b>253,000</b>
Mr Santiago Cobo Cobo	Director	126,500			12,650	<b>139,150</b>
Mr. Nemesio Fernández-Cuesta Luca de Tena	Director	126,500				<b>126,500</b>
Mr Felipe González Márquez	Director	126,500				<b>126,500</b>
Mr Carlos Kinder Espinosa	Director	46,000	46,000	4,600		<b>96,600</b>
Mr Emiliano López Achurra	Director	126,500	126,500			<b>253,000</b>
Mr Carlos Losada Marrodán	Director	126,500	126,500	12,650		<b>265,650</b>
Mr Juan María Nin Génova	Director	126,500	126,500			<b>253,000</b>
Mr Heribert Padrol Munté <sup>4</sup>	Director	92,000				<b>92,000</b>
Mr Juan Rosell Lastortras	Director	126,500				<b>126,500</b>
Mr Luis Suárez de Lezo	Director	126,500		12,650		<b>139,150</b>
Mr Miguel Valls Maseda	Director	126,500			12,650	<b>139,150</b>
<b>Total</b>		<b>2,551,000</b>	<b>1,435,500</b>	<b>37,950</b>	<b>37,950</b>	<b>4,062,400</b>

<sup>1</sup> Mr Ramon Adell Ramon became a member of the Audit and Control Committee on 20 April 2012, replacing Mr Carlos Kinder Espinosa.

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# Risk management



as an instrument to efficiently select returns. Monitoring and assessing risk exposure in an integrated approach, and controlling overall exposure to it, allows efficiency in decision-making to be underpinned, making it possible to optimise the risk-return binomial.

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

The aim of risk management at Gas Natural Fenosa is to ensure predictability and sustainability in the company's operational and financial performance.

The work of the company's Risk Department, which reports to the Financial-Economic Department, focuses on objectifying exposure to uncertainties and internalising risk exposure levels in decision-taking processes of senior management,

## Process for identifying, characterising and determining the risk profile

	Determining the global risk profile by business unit	Final proposal by business unit	Risk control and management	New position identification	Position and risk information	Position and risk development	Alternative proposal	Approval
Governing bodies	●							●
Persons in charge of overall risk profile		●						
Persons in charge of risk control and measurement			●			●	●	
Persons in charge of risk management and spheres of action			●	●	●	●	●	



This risk profile, defined through the introduction of policies, regulations, thresholds and specific metrics, is mirrored in the Corporate Risk Map, which is forwarded to the Risk Committee and the Audit and Control Committee for approval.

The positive operations performance and managing to satisfy business targets over the last year highlight the value of the Gas Natural Fenosa’s risk management culture. In this regard, the Risk Department has continued taking measures to tackle the challenges of the current macroeconomic and financial context, encouraging a cross-cutting nature in risk management. The aim is to look for greater dynamics in transmitting the organisational culture and coordination between business and corporate units. The idea is to make control compatible with the

flexibility required for efficient business management in terms of a balance between risk and return. With this in

mind, and as part of the Risk Department structure, Gas Natural Fenosa integrated the Risk Management Units of Wholesale Business and Retail Business, dependent on the business units that bear the greatest exposure to the risk because of their profile and turnover.

A model that anticipates evolution of the scene

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

Type of risk

Business	Credit
Commodities price	Retail
Electricity price	Wholesale
Commodities volume	
Electricity volume	
Regulatory	
Strategic	
Financial	Operational
Interest rates	Image and reputation
Exchange rates	Regulation
Liquidity	Fraud
	Procedures
	Systems

In this regard, the following major actions carried out over the last year merit attention:

- Development of a methodology to determine risk premiums by business based on the volatility, and its contribution to the value of Gas Natural Fenosa. The company progressed appreciably in maturing this methodology, an instrument that enables the intrinsic volatility of an investment proposal to be defined, in a context where determination of the capital cost required is under constant review because of increased uncertainty.
- Encourage systematisation of the economic capital calculation (unexpected credit loss through severe impairment of the credit quality of its commercial portfolio). A methodology was developed that estimates unexpected losses of the credit portfolio, enabling the short-term risk level supported to be established. This metric responds to the worsening of the Spanish financial system, as it reconciles optimisation of returns with control of the credit exposure assumed.
- Review of the credit support criteria requirements with counterparties. Here, the aim is to improve the estimate of the potential quantitative impact of the impairment of credit quality, to optimise efficiency in management of credit exposure and in the taking of business decisions.

- Statistic modelling of the variability of gas consumption to the seasonal evolution of temperature. This enables the economic impact of variability to be put into objective terms and improve efficiency in planning and in contracting instruments of mitigation.

### Management of the environmental, climate and reputational risks

Although the importance level of these risks is lower than others, the company places growing relevance on these issues given the potential impact they can have on the company's balance sheet.

As a consequence, in 2012, and thanks to the maturity of the risk management culture, Gas Natural Fenosa promoted a range of initiatives to find out more about the company's exposure to these risks:

- Inclusion of a description of the environmental risk in the Corporate Risk Map, characterising these risks, the processes affected, management actions and their possible impacts.
- Commencement of a reflection process on the company's stance with regard to climate change. Also within this sphere there are plans to develop a specific climate change risk map next year.
- Make progress in probabilistic modelling of gas consumption variability, to forecast negative effects on performance figures during mild winters.

- Launch of the Reputational Risk Map of Gas Natural Fenosa, to understand the company's real exposure in this area.

Looking towards 2013, and based on these actions, the main objectives of Gas Natural Fenosa will focus on definitive characterisation of the Reputational and Environmental Risk Maps.

### Integrated management

Gas Natural Fenosa continually analyses its global risk profile through identification, characterisation and measurement of the most important risks given their potential impact on the company's financial statements. This allows the company to determine the maximum accepted level of risk exposure, as well as the admissible limit for risk management. These limits are allocated for each risk category as well as in global terms, thus representing the global objective risk profile.

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



**Risk Management Committee**

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

The General Risk Standard lays down the general principles and guidelines for behaviour in order to identify, inform, assess and manage Gas Natural Fenosa’s exposure to risk. It is updated and implemented by the Risk Committee.

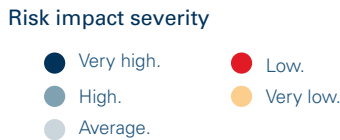
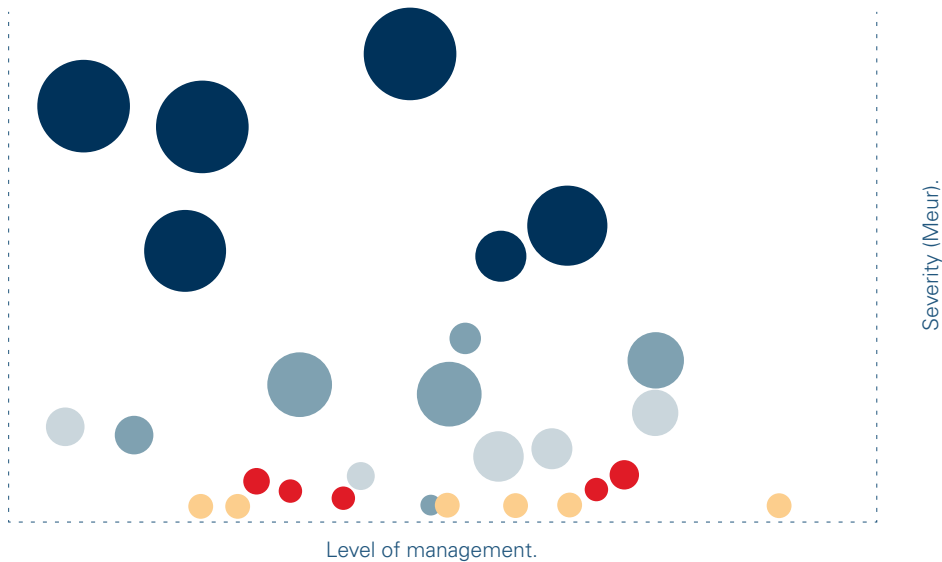
**Risk Map**

This is a reflection led by the Risk Committee and focuses on characterising and quantifying the most important risks.

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. The conclusions are presented to the Audit and Control Committee and, where applicable, the Board of Directors. The Risks Map is updated every year.

Corporate Risk Map





### Risk Measurement System

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

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

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

Fundamentally, it covers three risk categories:

- Market risk, understood as the uncertainty related to commodity prices, exchange rates and interest rates, which can have an impact on the company's balance sheets, supply costs or financing capability in the capitals markets.
- In 2012, Gas Natural Fenosa improved its understanding about how this risk affects the long-term value of the company, having modelled the variability of this value using the main factors that have an impact (capability of generating resources from the asset, stability of the same, variability of the financial structure required and volatility of applicable discounting factors). This enabled the company to identify the measures required to manage its long-term value, as well as the value of its investments.
- Credit risk, understood as the financial solvency risk of the company's commercial portfolio.

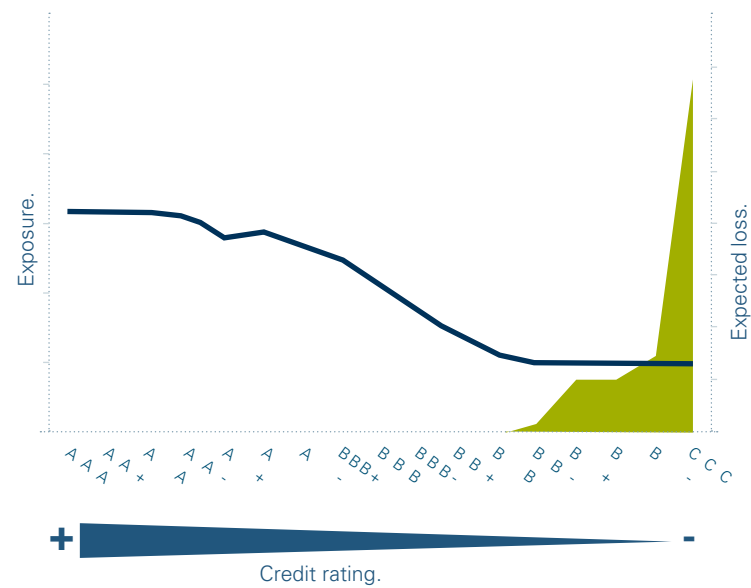
In this sphere, and faced with growing impairment of the Spanish financial system, in 2012 Gas Natural Fenosa looked more thoroughly into the short-term measurement of returns obtained by depositing surplus with banks. This enabled the company to improve management of this activity and to select more efficient portfolios.

- Insurable operational risk, understood as the possible occurrence of financial losses caused through failures in processes, internal systems or other factors.

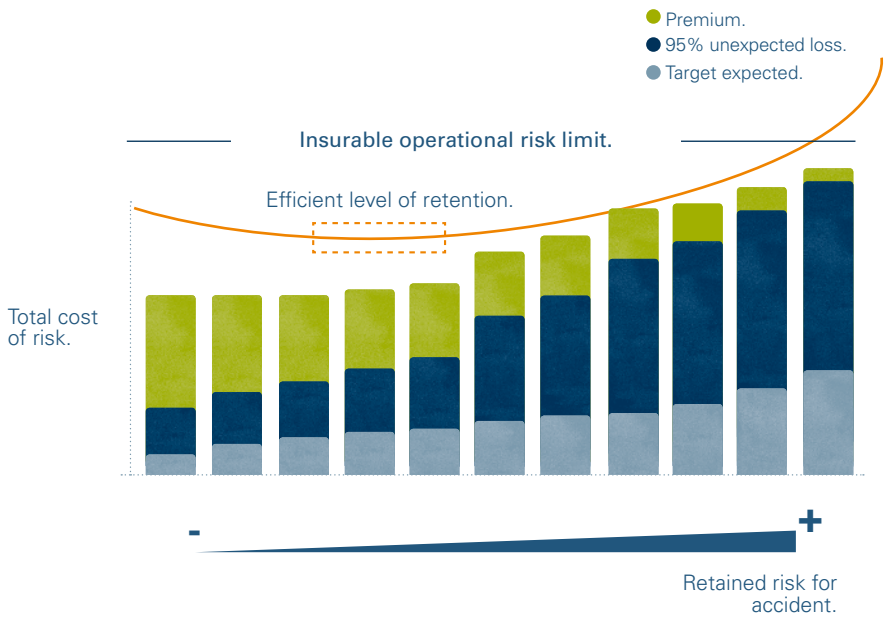
In 2012, and to manage Gas Natural Fenosa’s exposure in this area, the Risk Committee ratified the limit of the Insurable Operational Risk laid down in the company’s existing procedure.

By the same token, with last year’s increase of the company’s awareness with regard to this risk, as well as better management of its exposure, there was a notable improvement of the perception of the reinsurance market with regard to operational excellence at Gas Natural Fenosa. This means that 2012 was the year with the lowest impact of this risk, and the panel of reinsurers that take part in the different insurance programmes noted a qualitative improvement.

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



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



## Internal Audit

At Gas Natural Fenosa, the internal audit is an independent and objective assessment tool. The Internal Audit Department reports, in turn, to the Audit and Control Committee, the Chairman and the Chief Executive Officer of Gas Natural Fenosa.

Its main purpose is to ensure the supervision and continuous assessment of the effectiveness of the Internal Control System, including the Internal Control System on Financial Reporting (SCIIF) and the Criminal Risk Prevention Model, in all fields of Gas Natural Fenosa, providing a methodical and stringent approach for process monitoring and improvement, and for the assessment of operational risks and controls relating thereto. All the foregoing is designed to achieve compliance with the company's strategic objectives and to assist the Audit and Control Committee and the company's top-tier management in its functions in the areas of management, control and corporate governance.



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

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

In the performance of its activity, the Internal Audit Area constantly verifies compliance with all those policies, regulations and controls of processes, to ensure they are working properly and for the purpose of preventing and identifying cases of fraud, corruption or bribery. The operational risks associated with the processes are prioritised by assessing their incidence, relative importance and degree of control. Based on the results obtained in

the aforementioned assessment, an action plan is designed with a view to implementing corrective measures which shall mitigate residual risks identified as having greater potential impact than the established tolerable or accepted risks.

The year 2012 also saw the implementation of a project led by the Financial and the Internal Audit Areas. The purpose of the project is to improve Gas Natural Fenosa's Internal Control System on Financial Reporting (SCIIF) and its supervision by the Audit and Control Committee. It incorporated the recommendations for the SCIIF published by the National Securities Market Commission (CNMV) in June 2010, which were pending implementation or under development in the company.

Likewise, during 2011 and 2012, the Criminal Risk Prevention Model was designed and implemented. This model incorporates the already established Gas Natural Fenosa internal control structure. Its purpose is to effectively prevent the occurrence of offenses under the Organic Law 5/2010 governing the Amendment of the Penal Code, which entered into force on 23 December 2010. This modification introduces in Spain the criminal responsibility of artificial persons in cases in which they do not exercise due control over the systems of individuals subject to their authority. The model was designed and implemented by the Legal Services Department and is annually supervised by the Audit and Control Committee through the Internal Audit Area.

Mention must be made of the fact that, given the independent and transversal nature of the Internal Audit Department's functions, it takes part in or leads the relevant projects from the point of view of compliance with internal codes of conduct, and chairs the Code of Ethics Committee.

In 2012, 127 internal audit projects were carried out, 41 of which corresponded to the review of processes associated with the main operational risks of the general corporate and business departments at Gas Natural Fenosa. The analysis carried out extended to 100% of the general departments and placed special emphasis on those with greater probabilities of these risks materialising.

The Internal Audit function guarantees the efficacy of the company's Internal Control System







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# Corporate Responsibility and Gas Natural Fenosa



## Customer orientation

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

### Our principles

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



## Commitment to results

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

### Our principles

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



## Environment

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

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

### Our principles

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



## Interest in people

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

### Our principles

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



## Health and safety\*

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

### Our principles

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

\* As a result of the works associated to the Health and Safety Commitment (see the Health and Safety chapter), a new text for this commitment was approved by the Board of Directors in its meeting held on 22 March 2013.



## Commitment to society

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

### Our principles

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



## Integrity

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

### Our principles

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



In Gas Natural Fenosa's business strategy, the commitment to corporate responsibility represents a major aspect, as it enables the company to generate long-term value by creating trust for its stakeholders. Furthermore, proper management of stakeholders' expectations offers the legitimacy and social licence required to perform the activity and build a sustainable corporate image committed to a new business model based on the generation of economic, social and environmental wealth.

In this regard, and as a tool for managing the impact that the company's activity has on the societies and countries where it operates, corporate responsibility allows Gas Natural Fenosa to formalise the undertaking with society and turn it into a competitive advantage and a critical element in ensuring the company's sustainability.

The Corporate Responsibility Policy, approved by the Board of Directors in 2008 and updated in 2010, is in line with the Strategic Plan targets, fostering a new way of performing the business activity in order to achieve the global aims of the business.

Moreover, this Corporate Responsibility Policy reveals the existence of a management system that encompasses the whole company; formalises undertakings and the corporate position with stakeholders; and lays down the undertakings assumed by the company, effectively driven by senior management and which determine the structure of a large part of this Corporate Responsibility Report.

There are seven Corporate Responsibility Policy commitments. They respond to the needs that major stakeholders have with an energy company, enabling Gas Natural Fenosa to manage the different resources employed to generate value. Thus, Gas Natural Fenosa aims to deal with the different interests that each group has with regard to the company and, at the same time, respond to the challenges the global world represents, for the ultimate purpose of guaranteeing long-term sustainability and minimising risks.



**Customer orientation.** With regard to the undertaking with its customers and suppliers, Gas Natural Fenosa aims to provide an excellent service through optimum management of resources and of intellectual capital, from which the company generates value, positioning itself as a company that provides something more than energy.

**Commitment to results.** As far as its shareholders and investors are concerned, Gas Natural Fenosa has a commitment to provide consistent returns, thanks to excellent management of the financial capital that investors invest with the company.

**Environment.** The company's activity means that issues like protecting the environment and proper management of natural resources, reducing the environmental impact, are essential aspects of our undertaking with society.

**Interest in people.** Personnel that work at Gas Natural Fenosa represent a key component in creating value. The company manages these resources through human and social development policies, which encourage pride in working for the company and persons that are committed to the long-term business project.

**Health and safety.** The activity performed by Gas Natural Fenosa demands a specific undertaking with those that collaborate with the organisation, both employees and suppliers, and with society as a whole, to provide appropriate working conditions and a safe service.

**Commitment to society.**

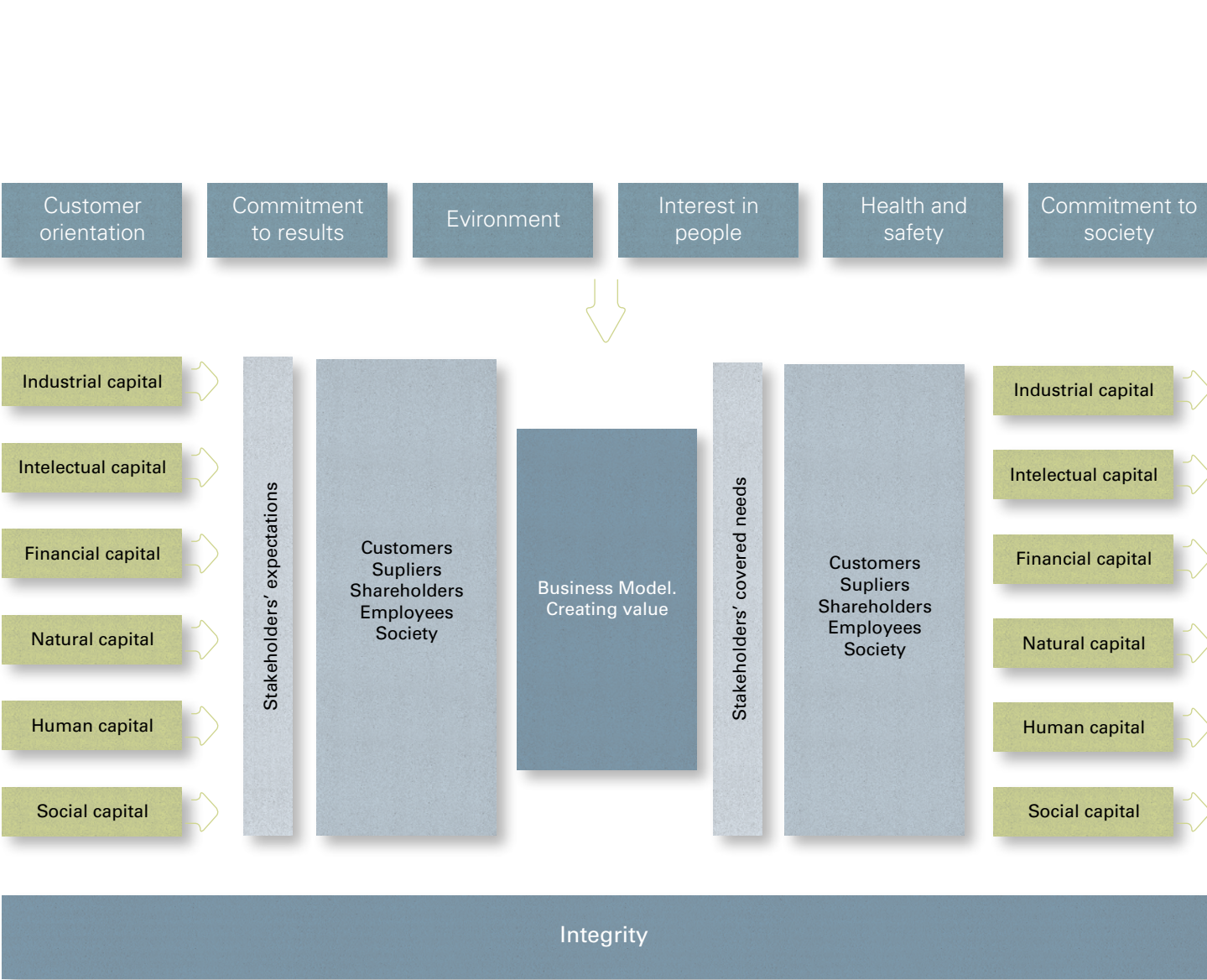
Gas Natural Fenosa generates wealth and employment in the countries in which it carries out its activities, which can be seen through the payment of salaries, taxes, investments and the creation of value along the energy chain. The company maximises the capital that society and the environment places at its disposal, providing a basic service, minimising negative impacts and targeting resources at social investment.

**Integrity.** Gas Natural Fenosa believes that transparency, good governance and ethics are the foundations on which to build its business project. Integrity represents a cross-cutting commitment that is present throughout the company's value chain and in the management of capitals performed by the company.

Gas Natural Fenosa has the necessary mechanisms to perform effective monitoring of its Corporate Responsibility Policy. In this regard, it has laid down specific targets of improvement for each of the undertakings included in the policy and reports on the degree of compliance through a system of indicators published in the Corporate Responsibility Report.

Internal communication of the Corporate Responsibility Policy is basically carried out by the Corporate Reputation Committee and the Code of Ethics Committee.

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



Value actions

Proposed actions 2012

- Approval of the Corporate Responsibility Master Plan and definition of the set up and governance tools.
- Completion of Master Plan actions scheduled for 2012.
- Updating the reporting system to a more integrated focus.

Planned actions 2013

- Preparation of an integrated report that combines financial and non-financial information.
- Identification, measurement and inclusion of the reputational risks registered on the Corporate Risk Map.
- Spreading the social impact methodology to other projects.

Level of fulfilment: ● High ● Medium ● Low

# Management of corporate responsibility

## Governing bodies

Commitment to corporate responsibility plays an essential role in Gas Natural Fenosa's business strategy. In accordance with the provisions laid down in its regulations and the recommendations of the Unified Code of Good Governance, the Board of Directors is responsible for supervising actions carried out by the company in this area. Gas Natural Fenosa has a Corporate Reputation Committee and a Code of Ethics Committee that carry out important work in the promotion and implementation of actions related to corporate responsibility.

## Corporate Reputation Committee

The Corporate Reputation Committee comprises representatives from some of the areas of the company that are most involved in matters of corporate reputation and responsibility. It is chaired by the Communications Department and Chairman's Office.

The main duties of the Corporate Reputation Committee concern the implementation of corporate responsibility procedures and policies, coordination of the compilation of reports in this area and supervision of the external review procedure of information published in these reports. The committee reports to the Management Committee, which, in turn, reports to the Board of Directors.



## Functions of the Corporate Reputation Committee

- Implement corporate responsibility and reputation management throughout the organisation, by means of responsible actions which create value for stakeholders
- Analyse the risks and reputational opportunities in each business division and geographical area, exchanging information which is used to direct the company's management
- Ensure the construction of a corporate culture that is committed to protecting reputation and promoting corporate responsibility

Members of the Corporate Reputation Committee

- Communications Department and Chairman’s Office (Committee Chair).
- Administration and Fiscal.
- Corporate Governance Matters.
- Internal Audit.
- Purchases, Prevention and General Services.
- Corporate Strategy and International Relations.
- Strategy and Development Latin America.
- Strategy and Gas and Electricity Development.
- Commercial Management Latin America.
- Human Resources Crosscutting Projects and Governance.
- Tertiary Market and Energy Solutions.
- Operations Mexico.
- Investor Relations.
- Corporate Marketing and Reputation.
- Risks.
- Customer Service.
- Wholesale Commercialisation Legal Service.

Code of Ethics Committee

The work of the Code of Ethics Committee is to propitiate knowledge, understanding and fulfilment of the company’s Code of Ethics.

The committee comprises representatives from some of the units that are most directly involved in those issues considered in the Code of Ethics. It is chaired by the Internal Audit Department. The Code of Ethics Committee informs the Management Committee and the Audit and Control Committee of its activities.

Additionally, to ensure the Code of Ethics is in force throughout the company, Gas Natural Fenosa has local committees in different countries where it operates. The local committees have a functional composition that mirrors the Code of Ethics Committee.

Functions of the Code of Ethics Committee

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

Composition of local committees \*

Argentina, Brazil, Colombia, Italy, Mexico, Moldova, Nicaragua, Panama

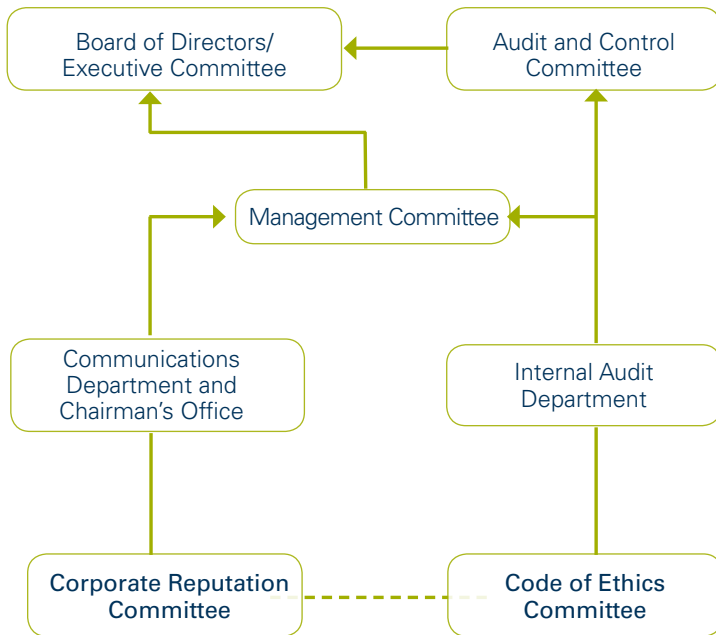
Chairman	Human Resources
Director	Internal Audit
Director	Communication
Director and Secretary	Legal Services

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

Members of the Code of Ethics Corporate Committee

- Internal Audit (Chair of the Committee).
- Leadership Institute (Office of the Secretary).
- Finance and Capital Markets.
- Corporate Marketing and Reputation.
- Labour Relations.
- Customer Service.

## Corporate responsibility governing structure of Gas Natural Fenosa



## Management and measurement of corporate reputation

Based on the commitment to deal with its stakeholders' needs and expectations, taking decisions in business management requires in-depth knowledge of the perception stakeholders have about the company's actions over time.

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

Management of reputation is based on identifying the potential reputational risks, which materialise when there is a difference between the corporate reality and stakeholders' perception. This difference may be a consequence of failing to achieve stakeholders' expectations, or failing to appropriately report actions conducted by the company, which could generate a perception that does not live up to reality.

In 2012, a specific project commenced to carry out diagnosis and assessment of reputational risks. This project is set to continue next year and its purpose is to identify these kinds of risks, associate reputation to business risks, establish a possible impact on the company's performance figures –in the event that such risks materialise–, and prepare a management and mitigation plan.

Measuring the company's reputation is systematically assessed using the RepTrak model, thanks to which Gas Natural Fenosa measures the perception the general public has with regard to corporate performance.

RepTrak, developed by the Reputation Institute, measures emotional reputation (RepTrak Pulse) based on esteem, admiration and respect, trust and good feeling. This index contemplates the company's emotional attraction. By the same token, it carries out a rational analysis (RepTrak Index) of the company's reputation, by appraising 27 attributes pooled into seven areas: supply, work, governance, leadership, innovation, citizenship and finance.

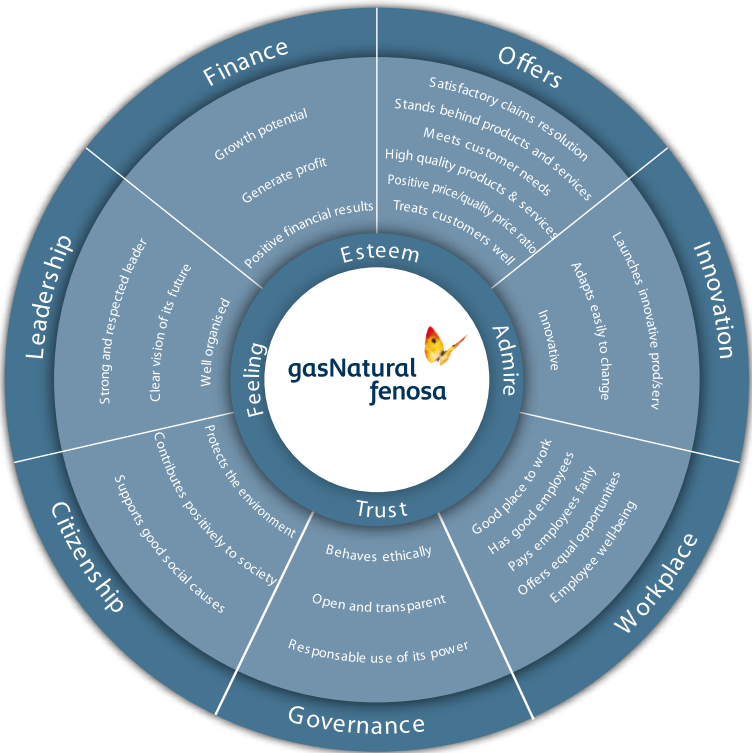
This model enables ongoing assessment, which, in turn, makes it possible to develop specific initiatives to make progress in key aspects of reputation.

The company began using RepTrak in 2007. This system of measurement is gradually being introduced in those countries where the company has a more relevant presence. In 2012, RepTrak was used to measure the company's reputation in Argentina, Brazil, Colombia, Spain, Mexico and Panama.

In Spain, Gas Natural Fenosa continues to be the best rated energy company, although results obtained reveal a downward trend, in line with overall assessment obtained by its rival companies.

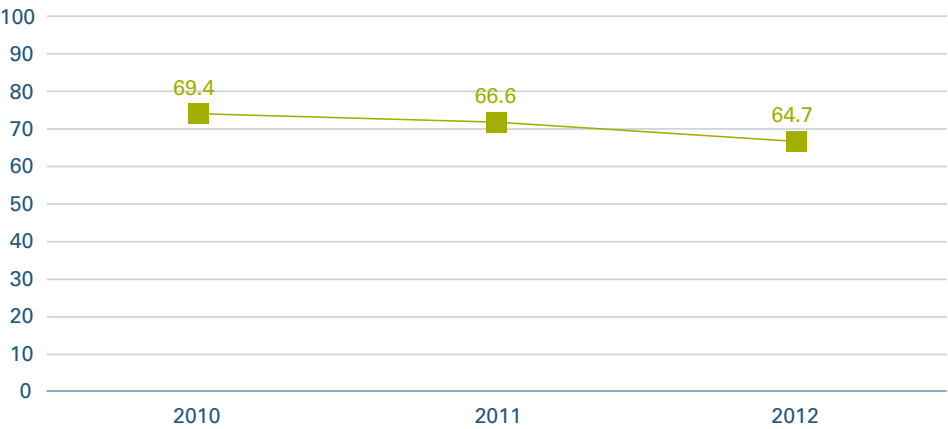
Given that online means are becoming ever more relevant, Gas Natural Fenosa actively listens to the company's Internet presence and identifies mentions about the company and quantifies these based on their wide knowledge (mentions or followers online that provide a piece of news or comment) and notability (positive, negative or neutral polarity of comments). All of the foregoing uses an adapted methodology that relates online mentions with the RepTrak dimensions. The use of this methodology means that Gas Natural Fenosa has a unique model of measuring reputation.

RepTrak Methodology

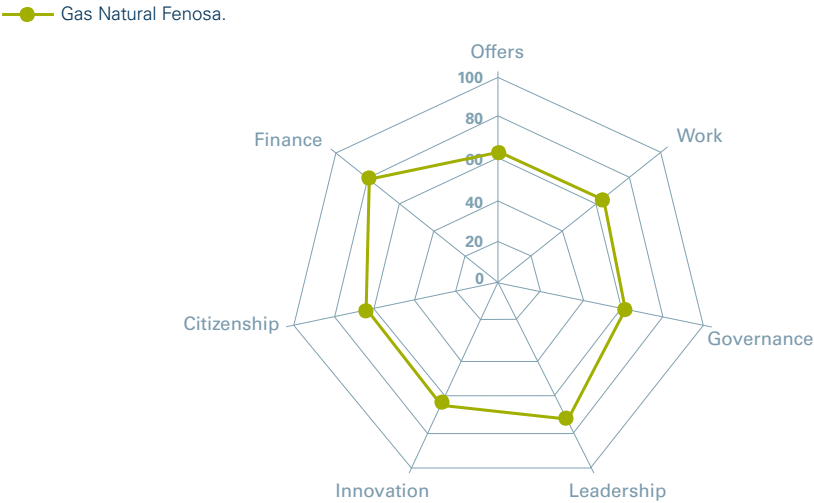




RepTrak Pulse: the perception of Gas Natural Fenosa in society\*



RepTrak Pulse: the reputation of Gas Natural Fenosa by dimensions\*



\*Accumulated results 2012.

## Awards and recognition



### Responsible investment indices

- Gas Natural Fenosa was elected leader in its sector -gas distribution- by the Dow Jones Sustainability Index (DJSI). The company was also featured on the DJSI Europe.
- Gas Natural Fenosa was the most highly rated company in the Carbon Disclosure Project (CDP).
- For the 11th successive year, Gas Natural Fenosa was included in the FTSE4Good sustainability index.
- Gas Natural Fenosa was recognised as Gold Class, according to the 2013 Sustainability Yearbook drawn up by RobecoSam and KPMG.

### Awards and recognition

- Gas Natural Fenosa received the Best Customer Service Award 2012 in the Energy Suppliers category. This contest is organised by the agency Sotto Tempo Advertising.
- Ceg, the Brazilian subsidiary, received an award in the Outsourced Call Centre category, and in the 11th Associação Brasileira de Telesserviços Award, in the Customer Service category.
- The Extended Virtual University received an award at the 10th Entrepreneurs and Employment Awards for Innovation in Human Resources, awarded every year by the business newspaper *Expansión*.
- Gas Natural Fenosa Brasil received the silver award for Safety at the MasterInstal Awards, in the Training and Safety category, for the project Training with Safety: Gas Natural Fenosa's Commitment.
- The Chairman of Gas Natural Fenosa, Salvador Gabarró, received the Excellence award from the Association of Galician Entrepreneurs. The award, given by the Association of Galician Businesses of Catalonia (Aegaca), recognises the Chairman's contribution to Galicia's development and how it is perceived abroad.
- Gas Natural Fenosa received the Energy Excellence award from the Generalitat Valenciana Regional Government. The award recognises the important work the company has performed in the Community of Valencia.
- The Solidarity Day Association of Gas Natural Fenosa received the Pablo Duran Thornberg Award for best initiative in the sphere of corporate volunteering. The award was presented by the Prince of Asturias and was given by the Círculo de Economía Foundation to Patrocinio y Mecenazgo Empresarial (Business Trustee & Sponsorship Awards).
- The company received the runner-up award for Transformation of the purchasing function, at the 3rd Diamond Awards of the Spanish Association for Purchases, Procurement and Supplies Professionals (Aerce).
- Gas Natural Fenosa received the Gold Mercury Award for the Services in the Energy Sector category, at the 10th edition of "Trademark of the Year", organised by the Chamber of Commerce and Industry of Moldova.

# Dialogue with stakeholders

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

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

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

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

The main dialogue actions developed by Gas Natural Fenosa in 2012 were as follows:

## Consultancy actions

### Customers

- Surveys with the company's customers and customers of our competitors to assess their satisfaction and to identify needs and expectations in all segments (residential, SMEs, major customers), products (gas, electricity and dual) and processes (telephone helpdesk, complaints, etc.).
- Pilot project on use of online methodologies to collect customers' opinions (Bidi codes, online surveys).
- Surveys on knowledge of the Gas Natural Fenosa brand, customers' preference for Gas Natural Fenosa as an energy supply company, as well as assessments on other kinds of services that Gas Natural Fenosa can offer them in the future, completing the brand overview and elasticity.
- Tests prior to the launch of new products with current and future customers, to check market acceptance possibilities. Energy efficient products testing were included for the first time.
- Gas maintenance and maintenance service for installations customer service surveys to identify the aspects of the service that most affect customer satisfaction.
- In Spain, for five months customers were able to use the opinion and survey space on the website to give comments on the services offered by Gas Natural Fenosa through this channel, to improve knowledge of what customers want from this communications channel and how they value the service.

### Shareholders/investors

- Contact with leading stock market analysis firms to draw up reports on market perception and estimates for results.
- One-on-one meetings with investors.
- Continuous replies to the requests for information from analysts and institutional investors, and consultations with the Investor Relations Unit.
- Set-up of a website targeted at individual investors, as well as a freephone number.

## Employees

Sending out the perception survey on training and processes of the Corporate University to 187 executives from 12 countries, with an 82% response.

Training satisfaction assessment survey undertaken by more than 30,700 students.

Preparation of over 2,300 job training application assessments in eight countries.

Presentation of the training effectiveness report to corporate business managers and business partners.

Meetings with business and corporate executives to discuss training needs.

Approval of the Single Prevention Plan Model, prior to the preparation of the new plans for each company.

## Suppliers

Key Account Supplier (KAS) programme, set up at certain key suppliers, to monitor their evolution more closely and reinforce the supply relationship.

In Argentina, the new edition of the focus group took place with different stakeholders to find out expectations and constructive suggestions to improve corporate responsibility reports and the company's sustainability in the long-term.

## Society

Reception and analysis of 821 proposals for collaboration and services for organisations and entities, to learn more about their projects.

## Informative actions

### Customers

Training and awareness events in the use of energy and how to improve service quality, as well as information on the possibility of including new efficient technologies to enhance competitiveness and thus reduce emissions.

Signing of agreements with other companies, to encourage efficient behaviour among their customers. The campaigns allowed about 5 million customers to access discounts on efficient products like low-consumption lights, LEDs or detergents for cold washing or efficient appliances.

Distribution of 15,000 household energy efficiency guides.

Information to customers -provided on the bill- about changes and new items of the web page, and tips on how to save electricity.

Launch of the new websites in Italy and Moldova.

In Nicaragua, celebration of the 4th Efficient Use of Electricity Event. There was also an energy efficiency campaign targeted at 5,500 children.

In Moldova, raising awareness about energy efficiency and electrical safety in schools and distribution of the brochures "How we can save electricity" and "Electrical Safety Guides".

In Italy, actions to promote natural gas to customers, through the installers, taking into consideration environmental respect, safety and savings.

In Panama, the performance of informative actions targeted at customers -provided on the bill- about changes and new items of the web page, and tips on how to save electricity along with other information of a technical, environmental or social responsibility services nature. Guides on household energy efficiency were also distributed.

## Shareholders/investors

Retransmission over the Internet of quarterly presentations of results.

Launch of roadshows, at the initiative of Gas Natural Fenosa, visiting fixed income and equity investors to provide them with information on the company's performance figures, current situation and plans.

Dealing with requests for information from small shareholders, online, by phone, by mail or in person.

Commencement of informative presentations to minor shareholders, both in Barcelona and Madrid.

## Employees

Publication of the 2012 Corporate University Plan on Intranets and the Virtual University, individual notification by email to all employees and distribution of the hard-copy plan at training centres of Gas Natural Fenosa Publication in an accessible format on the company's website.

Establishment of the Virtual University in 12 countries and the launch campaign through the Intranet, the corporate magazine, email, posters, print-outs and events in different countries.

Dissemination of the "Lessons Learnt" in health and safety: preparation of health and safety sheets and dissemination to in-house personnel and collaborating companies.

Events to raise awareness in prevention of occupational risks and the management system based on OHSAS at Retail Businesses and the Regulated Electricity Business.

One-day events on Quality, the Environment and Health and Safety, with talks on communications and registration of accidents, investigation into incidents, criteria of documentary management of safety and legal liabilities in the prevention of occupational risks.

## Suppliers

In Brazil, set-up of the Integrated Management System (IMS) and communication to all suppliers about the need to comply with the regulations governing quality, the environment, and health and safety.

In Argentina, modification of the drafting of the specific section included in the General Purchase Conditions and in the General Clauses for Procurement of Services and Works, concerning the scope and compliance with the Code of Ethics of Gas Natural Fenosa.

In Argentina, training seminars for a total of 48 supply companies (99 attendees), which offered free-of-charge training to improve the value chain. To provide value-added to this action, suppliers are offered the possibility of having a private consultancy meeting for a more in-depth look at the items that interest them.

In Argentina, letters were sent to the main suppliers, inviting them to formalise their commitment to the promotion and respect of human rights, by setting up a specific policy or by adhering to the policy of Gas Natural Fenosa.

## Society

Participation on the workgroup of the London Benchmarking Group.

Carbon footprint calculation tool available on the website.

Participation at the 12<sup>th</sup> National Conference on the Environment (Conama).

Organisation of events to provide information on energy efficiency.

Collaboration with different scientific and conservation organisations, to assist their nature defence initiatives.





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# Customer orientation

## Principles of responsible action with customers

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

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

### The customer, the focal point of operations at Gas Natural Fenosa

As well as being one of the commitments included in the Corporate Responsibility Policy, customer orientation is one of the basic values that guides how Gas Natural Fenosa acts.

The company is faced with major challenges, such as reducing margins, increasing competition and the need to develop new products and services. It therefore seeks to distinguish itself through the development of products and services adapted to its customers' needs, and representing a commitment to innovation whilst complementing traditional products.

Satisfying customers' needs is a corporate priority. A proactive focus has therefore been adopted to improve the quality of customer service offered and operational efficiency of the company's processes. Gas Natural Fenosa has procedures, tools and channels (those with a physical presence, those without, and online ones) that enable it to provide an excellent service and offer a swift, efficient response.

The company also has specific plans targeted at finding out its customers' priorities. It designs its products and services based on these priorities. These products are segmented by customer and consumption type, offering customers the possibility of choosing those that best adapt to their consumption profile.

To maximise its commercial supply, Gas Natural Fenosa offers its customers products and services with additional value-added that go beyond the supply of gas and electricity. The company wanted to place special emphasis on this aspect, and therefore in 2012 it came up with a new positioning called 'Energy that thinks'. Respect for the environment, energy efficiency and the development of new energy services and innovative solutions represent the cornerstones of this positioning. With this approach, the company wants to be seen as innovative; making intelligent use of energy whilst respecting the environment.

Service quality represents one of the basic pillars on which the customer orientation undertaking is based. To improve said quality, Gas Natural Fenosa has specific indicators that allow it to perform reliable monitoring and establish plans for improvements if any deficiencies are detected. Improving service quality also allows customer needs to be anticipated and internal processes to be improved.

Suppliers are at the centre of optimum performance of Gas Natural Fenosa's value chain. Extending the service excellence objective to the supply chain management is therefore of key importance. The company encourages long-term relationships of trust with

suppliers, based on principles of control and risk management that ensure an excellent supply and provision of services, based on established standards.

## Value actions

### Proposed actions 2012

Adaptation of the customer service channels to achieve an Accessibility Management System certified at national and European level.

Unification of the Virtual Office and the Direct Office, facilitating single access to customers, regardless of whether they are gas or electricity customers.

Set up in Spain of the online assessment system (TSMS), targeted at small suppliers.

### Planned actions 2013

● Transformation of the internal management processes, bestowing them with a "customer's view" and optimising these processes by considering the customers' needs that the company becomes aware of through the available channels.

● Adaptation of the revenue cycle to customers' requirements.

● In Brazil, a project to introduce the digital signature on documents (orders and contracts).  
● In Argentina, continuing with the coordination for the remaining subsidiaries in Latin America, with the free-of-charge training programme to suppliers under the Value Chain concept.

Level of fulfilment: ● High ● Medium ● Low

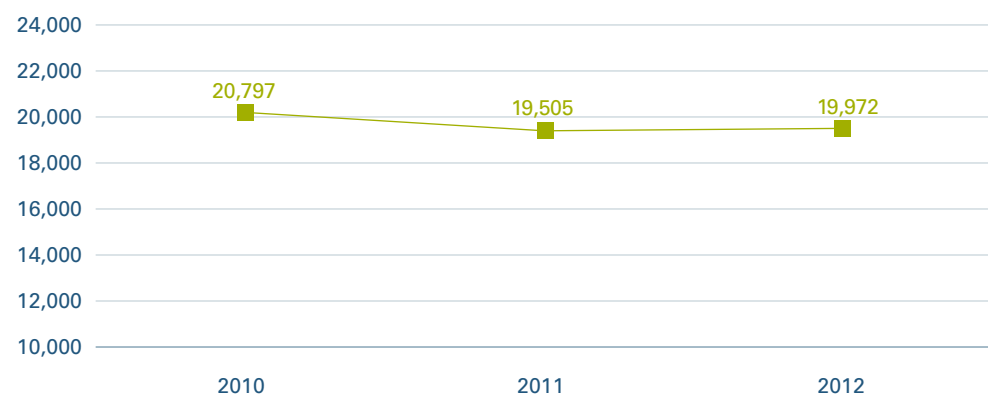
## Customer focus challenges

Consolidate relationship with customers to make it grow, satisfying their needs through permanent innovation of services.

Offer an excellent service to the customer.

Extend the operation principles of Gas Natural Fenosa to its value chain.

## Gas and electricity supply points (thousands)



Gas and electricity customers (thousands)\*

	2012	2011	2010
<b>Gas customers</b>			
Last resort tariff	1,795	2,146	2,461
Liberalised market (consumption >50,000 kWh/year to 500 MWh/year in high pressure and up to 1,000 MWh/year in low pressure)	32	32	31
Liberalised market (rest consumption)	2,386	2,187	1,872
<b>Total</b>	<b>4,213</b>	<b>4,365</b>	<b>4,364</b>
<b>Electricity customers</b>			
Last resort tariff	2,857	3,074	3,256
Liberalised market (power < 10kW)	1,082	723	410
Liberalised market (power > 10kW and sales to 0.75 GWh) (SMEs and others)	302	274	221
<b>Total</b>	<b>4,241</b>	<b>4,071</b>	<b>3,887</b>

\* Figures from Spain.

Products and services adapted to customers' requirements

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

Improving the quality of service provided also represents a fundamental issue for Gas Natural Fenosa, to optimise its processes and improve customer satisfaction indices.

Attracting new customers is also a priority for Gas Natural Fenosa. Consequently, the company offers a range of products and services that adapts to their needs. In this regard, the areas with greatest potential for the company are in Portugal, in the retail area, and in France, Germany and

Belgium, with regard to wholesale. Gas Natural Fenosa is also looking to ensure its current customers remain loyal, through customising the supply and by developing value-added products.

From the customer management standpoint, Gas Natural Fenosa is faced with a series of challenges which will mark the company's short- and medium-term development

- Reduction of margins in production and marketing of energy.
- More competition in the sector.
- Creation and procurement of new services.

To face these challenges, the company has defined a series of action levers, the ultimate purpose of which is to achieve excellence in customer management. These are as follows:

- Finding out the customers' needs.
- Customer service excellence.
- Operational efficiency.
- Innovative products and services.
- Communications adaptation to new technologies.

Finding out the customers’ needs

The company has tools that enable it to listen to its customers’ needs and to shape its commercial supply, characterised by a broad variety of customised products and services for each customer depending on their individual requirements.

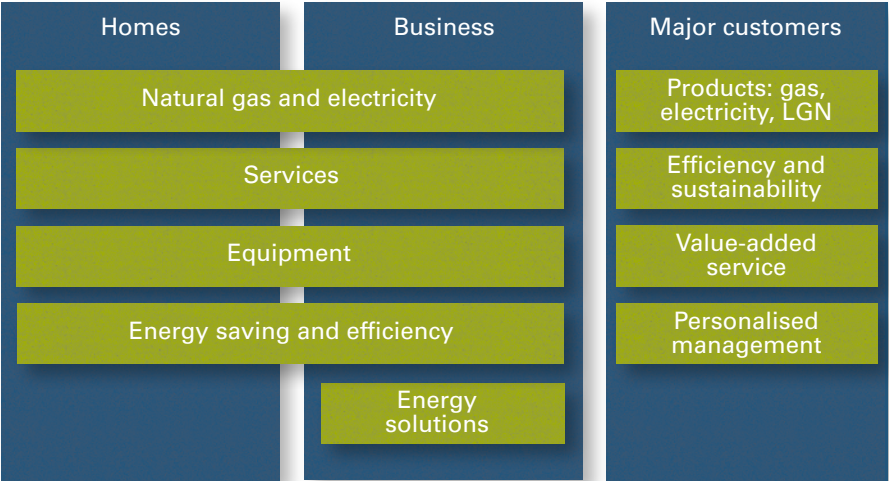
The range of products and services covers all types of customers and consumption. The development of new products is based on the needs detected through the mechanisms enabled by the company. The commercial supply seeks efficacy and efficiency above other factors. Efficacy, to satisfy its customers’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

Customisation of the commercial supply is the company’s response to the needs detected.

The products offered by Gas Natural Fenosa are not restricted solely to the supply of gas and electricity, but encompass other aspects of the home and business. To this end, the company has domestic tariffs, tariffs for businesses, comprehensive services for sustainable transport, as well as other services tied to energy efficiency, energy services or equipment.

The promotional campaigns of Gas Natural Fenosa focus on contracting products that include gas and electricity, and on increasing the services provided to the customer that go beyond energy supply.

Gas Natural Fenosa’s commercial supply has three basic recipients: home, business and major customers. Consequently, the company segments customers in both the wholesale and retail spheres, so that it is able to maximise the value contributed, thus leading to benefits for the company.





### Customer service excellence

Customer service represents the company's most direct points of contact with its customers, and it therefore places special focus on looking after the customer service channels available. Customer service agents receive specific training and have the most modern technologies at their disposal to speed up processes in which there is contact with the customer. By the same token, the company encourages the use of online services, which are efficient and quick.

The company is improving customer service, particularly for major customers. The processes aim to provide customised service based not only on the sale of gas and electricity but in offering additional supplementary information of interest, as well as other products and services that help the customer improve their energy

efficiency and reduce consumption. A personalised customer service system is sought, one that includes all services associated to the procurement process.

We should stress that Gas Natural Fenosa has a proactive attitude in communication with its customers, and includes their opinion in the most common processes. It also encourages accessibility at centres where there is a physical presence as well as when digital means are employed. An example of this is the redesign of the bill carried out in 2012, to make it clearer, more simple and understandable. This process involved customer participation, through market studies, and their contribution was vital in the final model of the bill.

### Operational efficiency

The aim is to increase action efficiency when there is contact with the customer, to optimise the process of covering their needs.

The benefits of this lever are mutual. For the company, the commercial costs of capture are reduced, along with the costs of the different processes; while for the customer, the resolution times of any enquiries or complaints are reduced and the process speeded up.

The following initiatives help manage the commercial supply and customer service more efficiently:

- Digital capture of data and use of the digital signature.
- Processing data of customers that have not contracted the services offered by Gas Natural Fenosa for use in future contact with those same customers.
- Use of new channels for the supply of products and services to customers.
- Extension of efficiency criteria to suppliers as well.



### Innovative products and services

The aim is to adapt the supply of products and services to the customers' needs and to use possible synergies with a view to making sales. Prominent among the new products being developed by Gas Natural Fenosa are:

- Sales and maintenance of equipment.
- Development of mobility products based on natural gas for vehicles.
- Development of energy-efficient products and services.

This wide range of products and services represents an element of differentiation and symbolises value-added that allows Gas Natural Fenosa to offer its customers, beyond the domestic sphere, products that help them to consume energy efficiently. This approach is fundamental in achieving customer loyalty.

The development and promotion of these new products forms part of the company's new positioning, called "Energy that thinks." The aim is to add a new concept to the company's already known positioning based on well-being, this time based on respect for the environment, energy efficiency and the development of innovative energy services and solutions.

More detailed information on these products can be found in the "Sustainable Opportunities" chapter of this report.



### Communications adaptation through new technologies

The use of new technologies for customer service enables permanent contact with the customer. This allows the company to have first-hand knowledge of its customers' needs, optimise customer service, be more efficient from an operational standpoint and offer innovative products and services directly. The use of new technologies involves the following points:

- Use of the online channel to contract services and for the sale of new products.
- Creation of new services based on online platforms.

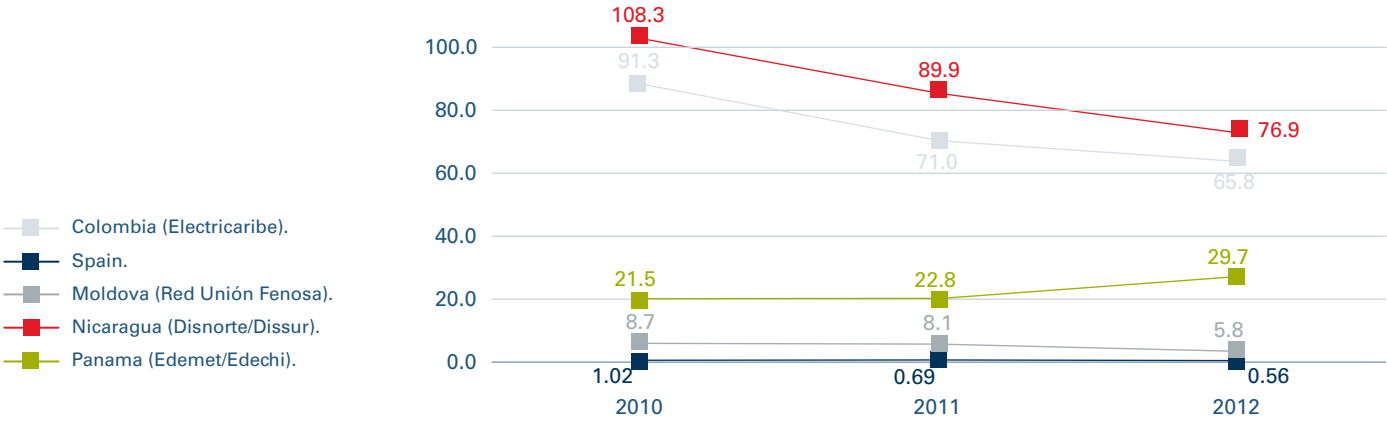
- Development of new methods of communication using social networks. In some countries where the company operates, they have their own profile on social networks, which enables two-way communication with stakeholders.

### Service quality

As well as representing a responsibility for Gas Natural Fenosa, good service quality helps reduce the number of customer incidents. To this end, the company performs ongoing monitoring of perceived quality and tries to improve the indicators used in the management of the service provided of the service provided. Among other indicators used in the supply of electricity, the ICEIT or the ASIFI show the quality in the service provided.

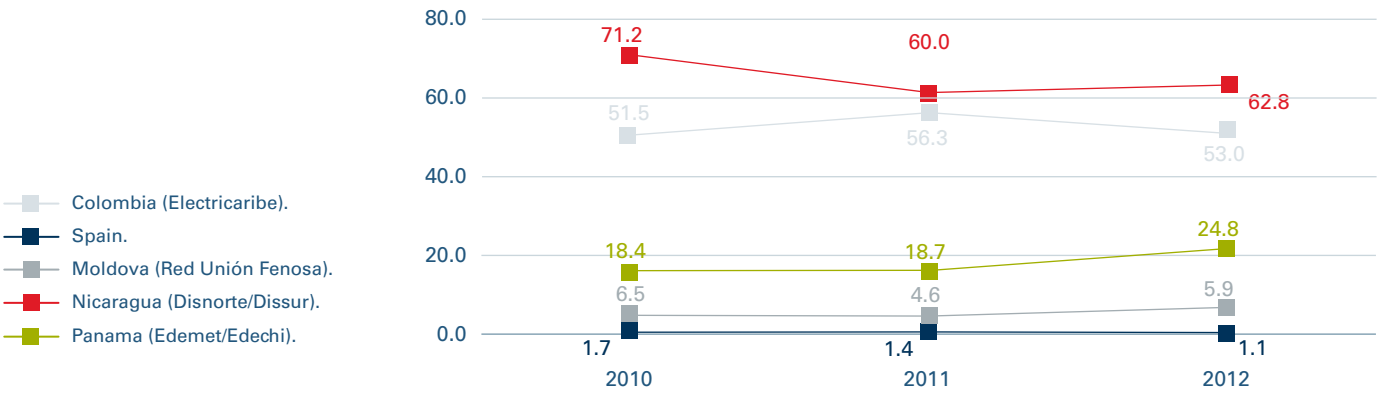


Installed capacity equivalent interrupt time (ICEIT) (hours)\*



\* Figures relative to the electricity business.

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



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

Customised service for the customer

The customer service channels made available by Gas Natural Fenosa are for the purpose of offering a customised, fast and efficient service that provides

excellent treatment and, in summary, achieves a rapid response to their needs and guarantees optimum customer service.

Gas Natural Fenosa targets all of its processes at improving customer satisfaction. From this point of view, the

company has all available services, although it is focusing its practices on strengthening the online service, making it more efficient for both the company and the customer.

We should point out that Gas Natural Fenosa has projects underway to find out the customers'

priorities, to enable the company to adopt measures and to modify processes that improve the customer service available. One of the key projects here is “The Customer’s Voice”, with which the company hopes to pave the way for its customer management model.

Another outstanding project, carried out in Latin America, is ‘Passion for the service’, the aim of which is to develop a uniform culture of customer service and make quality something that sets Gas Natural Fenosa apart. The project revolves around three main aspects, improving efficiency, improving quality and change management. It is supported through the creation of work panels for each of the company’s different processes. The project hopes to reduce the number of complaints by 10% and to improve the perceived quality in the process of resolving complaints by a further 10%.

Gas Natural Fenosa also adapts its customer services to reduce language, cultural, low literacy and disability related barriers in accessing energy and using it safely, as well as customer support services. Key improvements here include the possibility of receiving bills in Braille in some countries, or the creation, at some customer service centres in Colombia, of priority queues for disabled persons, pregnant women or other specific groups. In addition, on the Intranet all employees can access the Manual for dealing with Disabled Customers, developed in partnership with the Equipara Foundation. This document forms part of the actions included in the Human & Social Development Plan spearheaded by Human Resources as a model of managing company personnel and

for the purpose of strengthening the sense of belonging and attracting talent from different groups. It also includes operating protocol in dealing with disabled persons.

The customer service resources offered by Gas Natural Fenosa are:

- Customer service channels and a telephone helpdesk, to offer customised and efficient service to the customer. These channels are equipped with the most up-to-date technologies.
- The Guarantee Office, which deals with customer representative organisations.

- The website and the Vital Office, which quickly and easily facilitate customers’ most frequent operations (checking bills, modifying details, meter reading and payment and procurement of online services).

### Customer service ratios. Spain

	2012	2011	2010
Customer requests solved immediately (%) <sup>1</sup>	92.69	93.43	96.60
Average time for solving requests (days) <sup>1, 2</sup>	12.52	11.85	7.50
Calls answered within 15 seconds (%) <sup>3</sup>	82.45	79.18	80.02

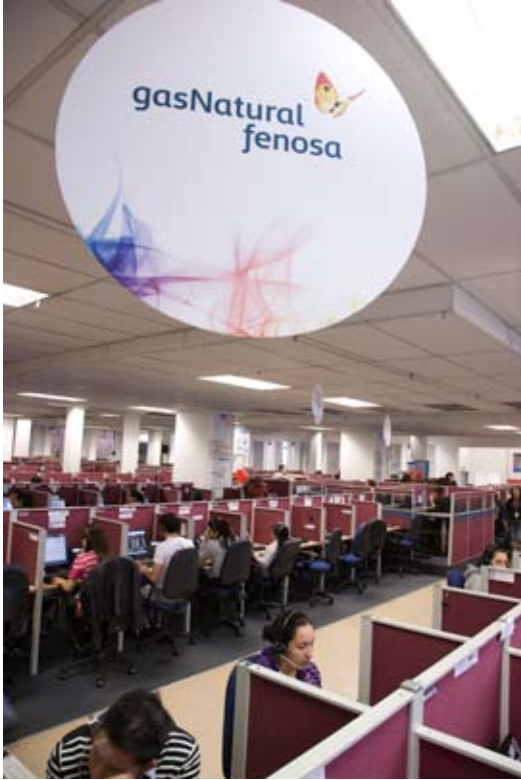
<sup>1</sup> As a consequence of the inclusion of the electricity market from 2011 onwards, the data for 2010 cannot be compared with the following years, as in 2010 the figures only mentioned the gas market, which means the information is not uniform or, therefore, comparable.

<sup>2</sup> This figure refers to those requests that were not resolved immediately.

<sup>3</sup> In 2010, the % of calls dealt with within 15 seconds is the sum of all calls concerning gas and electricity, although electricity calls until October 2010 were registered with regard to those answered within 20 seconds. In 2010, the target laid down for Gas Natural Fenosa in 2009 to deal with 80% of calls within 15 seconds is consolidated.

### Gas Natural Fenosa website indicators (in thousands). Spain

	2012	2011	2010
No. of customers registered at the end of the year	871	784	740
No. of online transactions at the Virtual Office	4,471	3,729	3,451
No. of customers registered with the online billing service	164	93	94



## Gas Natural Fenosa, rewarded for its customer services

In 2012, Gas Natural Fenosa received three customer service awards.

The first was the Award for Best Customer Service in the Energy Sector, which the company won for the second year running. This award, created in 2007 by the agency Sotto Tempo Advertising, aims to encourage the quality of corporate customer service, as well as helping potential customers to choose the company that offers the best customer service. The competition is open to all those companies that freely wish to assess their customer service level.

A team of assessors conducts a study to choose the prize-winners. Having performed 180 formalities with the customer service department, they score the service received by telephone, online and by post. Different assessment criteria were established for each of these channels, encompassing management of uptime, relational criteria, response quality and human quality.

Other awards were received by Ceg, the Brazilian subsidiary, which won an award in the Outsourced Call Centre category, and in the 11th Associação Brasileira de Telesserviços Award, in the Customer Service category.

These awards recognise the daily effort made by Gas Natural Fenosa to improve its customer services and show that the actions for improvement that the company is introducing are moving in the right direction.



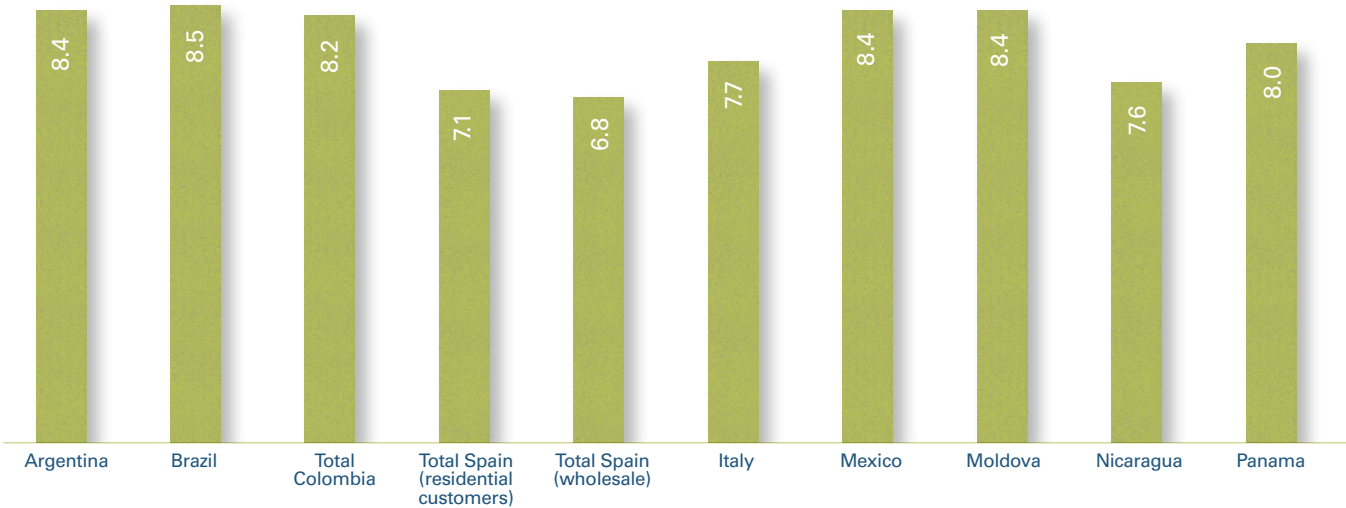
Customer satisfaction, the best indicator of our management

In terms of customer management, one of Gas Natural Fenosa's priorities is the satisfaction of its customers. Through ongoing improvement in quality, we seek to increase satisfaction and provide customers with an unrivalled service. The measurement model used by Gas Natural Fenosa rests on two additional pillars: firstly, a general overview of the company's customers, which represents the global satisfaction index; and secondly, a process overview, where customers who have used a specific service and have a recent memory of their experience are analysed.

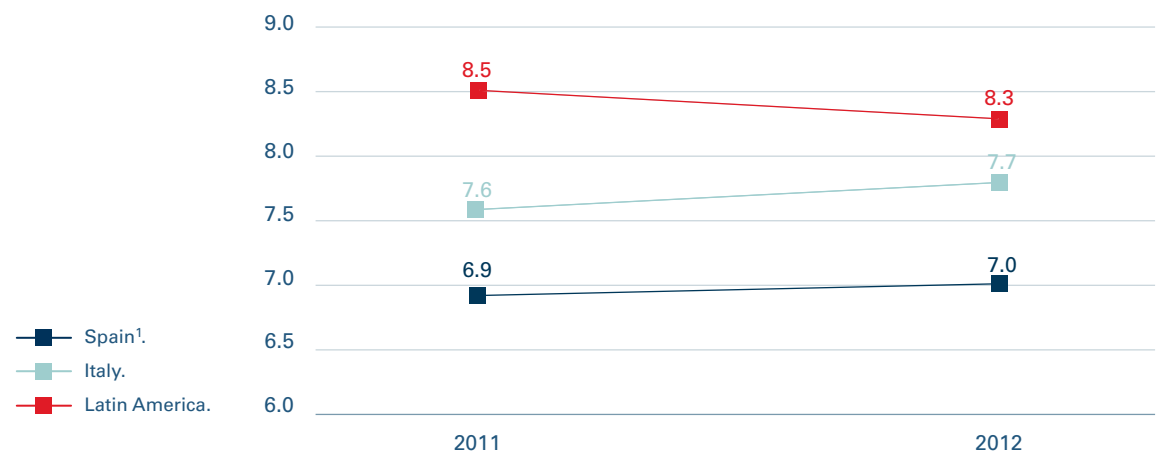
Gas Natural Fenosa continues to lead the sector in Spain in the retail and wholesale segment, as it opened up a positive gap with its rivals based on customer satisfaction results.



Overall satisfaction with service quality



Corporate image



<sup>1</sup> Figure for residential customers.

Management of the supply chain

In the management of its supply chain, Gas Natural Fenosa seeks to establish long-term commercial relationships, providing that the previously established contractual conditions are satisfied. This will be mutually beneficial to both suppliers and the company. The latter acquires quality products or services and the supplier has the possibility of maintaining his/her business for a specific period of time by having a long-lasting relationship with Gas Natural Fenosa. Finally, the customer also benefits, as thanks to management of supply-chain suppliers performed by the group, it obtains products and services with higher levels of quality.

Screening suppliers

The companies large number of suppliers makes it necessary to standardise the screening procedures. These procedures were performed in accordance with the supplier contracting policy based on the Awarding and Contracting General Standard. This standard, reviewed and approved in October 2012, places special emphasis on performing due diligence and the screening of suppliers. The standard lays down general principles for all procurement of works, goods and services, ensuring a uniform, efficient and quality model for management of the purchase processes of Gas Natural Fenosa and for the approval and procurement of services from outsourced consultants. The purpose is to minimise possible risks in contracting suppliers.

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



The supplier screening process begins with an initial assessment based on the Total Supplier Management Solution (TSMS) tool, which applies to all purchases of products and services included within the Purchasing Area perimeter. This system encompasses both the initial assessment as well as the periodic one, to verify compliance with the legal and basic requirements of both potential and active suppliers. In Spain, we have adopted the Repro suppliers classification system for the purposes laid down in Law 31/2007, governing Procurement Procedures for the Water, Energy, Transport and Telecommunications Sectors and subsequent updates.

The assessment process begins with an invitation sent from the Purchasing Area to the supplier in order to register with the systems enabled by Gas Natural Fenosa. If the supplier is already registered with Repro, no new request for information is sent, and instead the registers are checked to verify the supplier's status.

The initial assessment evaluates the trinomial "supplier -type of supply- and the geographical sphere of operation," scoring a series of legal, economic-financial, solvency, experience, business structure, quality, safety, environment and corporate responsibility aspects, among others.

In corporate responsibility issues we assess adhesion to international social responsibility initiatives, the capability of demonstrating the fact that internationally recognised employment conditions are considered acceptable, in their personnel management practices or in belonging to a platform that encourages social responsibility. It is worth pointing out that until October 2012, 71.5% of approved



suppliers were assessed through TSMS and Repro, a figure that accounts for 88% of billing. Of these suppliers, 18% have their own human rights policy and 61% conduct ethical practices in line with Gas Natural Fenosa's Code of Ethics.

The system for selecting and managing suppliers is not restricted solely to online tools, and the company conducts supplementary external audits to verify the systems, procedures and methods established to manage issues of quality, the environment, prevention of occupational risks and corporate social responsibility, *inter alia*. In 2012, a total of 37 audits of this kind were carried out.

To supplement this process, Gas Natural Fenosa has set up a new procedure called Key Account Suppliers (KAS). This procedure enables identification of suppliers with the highest risks and to establish criteria to manage them through periodic meetings, for the purpose of sharing objectives and defining action lines to be complied with. One of the goals of the KAS procedure is to have a better

understanding of the supplier's structure, in order to establish actions that are mutually beneficial.

Gas Natural Fenosa has taken the decision to evolve its current model for management and relations with certain suppliers, to improve joint processes and management of overall costs. The main lines of action are:

- Intensify the culture of collaboration with contractors.
- Adapt process and operative models.
- Establish systematic monitoring of joint objectives and defined metrics.

Further information about suppliers can be found in the “Sustainable Opportunities” chapter of this report.

This purchase model was recognised in the 3rd Aerce Diamond Awards in the Transformation of the Purchase Function category, where Gas Natural Fenosa were the runners-up.

Training of suppliers

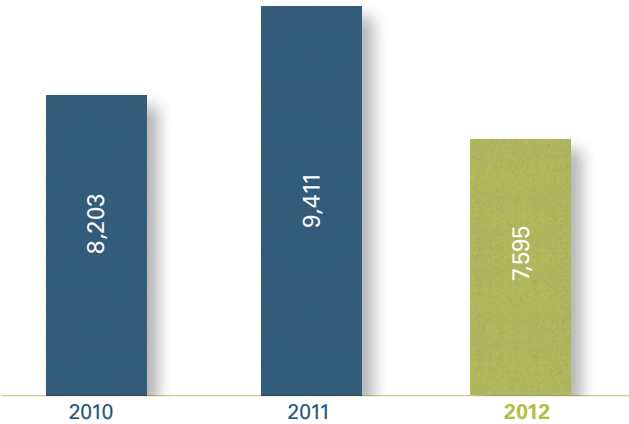
Training the different parts of the value chain is essential in offering quality products and services to the company’s customers. Thanks to training, suppliers improve their operational efficiency and can cut costs. In summary, the aim is to make the value chain more professional.

Through the Energy Training Centre of the Gas Natural Foundation, which performs its activities in Spain, Portugal and Colombia, Gas Natural Fenosa offers specific training for employees of suppliers, contractors and collaborating companies. Since 2012, the Extended University in Mexico has also been operational, providing training in different disciplines to assist the

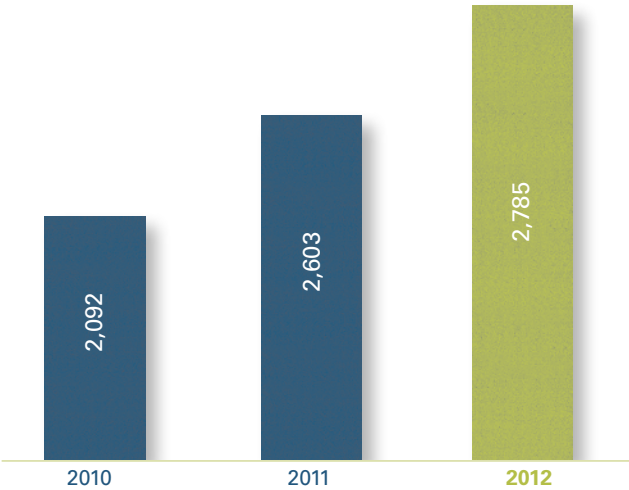
growth and development of suppliers. Further information about the Extended University can be found in the “Interest in people” chapter of this report.

Different training initiatives took place in Brazil and Argentina, targeted at collaborators.

Suppliers with contracts currently in force



Total purchase volume awarded (millions of euros)





### Purchases from local suppliers

	2012			2011			2010	
	Orders issued	Orders made to local suppliers (%)	Purchasing budget targeted at local suppliers (%)	Orders issued	Orders made to local suppliers (%)	Purchasing budget targeted at local suppliers (%)	Orders issued	Orders made to local suppliers (%)
Argentina	406	100.0	100.0	569	100	100	614	99.5
Australia	305	90.5	87.0	339	95.3	97.9	–	–
Brazil	1,818	99.0	94.5	1,429	99.1	99.1	1,721	99.3
Colombia	2,236	98.0	98.0	7,009	97.6	96.8	10,633	97.8
Costa Rica	79	82.3	34.1	73	83.6	44.3	–	–
Spain	13,370	97.5	95.4	11,968	96.2	95.3	10,382	93.4
Guatemala	–	–	–	1,841	92.4	90.3	1,890	80.3
Italy	2,176	99.0	99.0	1,796	98.7	98.7	1,547	98.9
Kenya	1,473	73.0	36.8	1,026	53	41.7	–	–
Morocco	304	29.5	30.0	266	66.5	66.1	216	70.1
Mexico	3,156	93.0	72.7	5,697	93.7	85.5	5,398	86.6
Moldova	1,555	97.6	84.2	1,764	95.5	88.5	1,792	57.2
Nicaragua	1,792	82.3	17.7	1,959	92	82.7	2,836	61
Panama	1,224	80.0	69.0	1,509	85.8	84.5	1,403	79.8
Dominican Republic	950	76.0	54.0	1,552	59.2	34.9	–	–
South Africa	8,589	100.0	100.0	8,221	100	100	–	–
<b>Total</b>	<b>39,433</b>	<b>94.6</b>	<b>91.8</b>	<b>47,018</b>	<b>94</b>	<b>93.5</b>	<b>38,432</b>	<b>88.9</b>

## Annex of indicators

Supply points (thousands)	Gas	
	Electricity	
N° No. of customers “disconnected” due to non-payment classified by the total duration between disconnection for non-payment and payment of debt. 2012.	Gas business	Fewer than 48 hours
		Between 48 hours and one week
		Between one week and one month
		Between one month and one year
		Over one year
	Electrical business	Fewer than 48 hours
		Between 48 hours and one week
		Between one week and one month
		Between one month and one year
		Over one year
No. of customers “disconnected” due to non-payment classified by the total duration between debt payment and reconnection.	Gas business	Fewer than 24 hours
		Between 24 hours and one week
		Over one week
	Electrical business	Fewer than 24 hours
		Between 24 hours and one week
		Over one week
Average duration of electrical power cuts (hours)	2010	
	2011	
	2012	
Average System Interruption Frequency Index (ASIFI)	2010	
	2011	
	2012	
Satisfaction rate with main processes. Residential customers	Continuity of gas supply.	
	Continuity of electricity supply.	
	Billing and payment	
	Telephone Customer Service	
	Centres	
	Emergencies	
	Inspection/review	
	New customers	
Satisfaction rate with main processes. Wholesale customers	Negotiation and contracting	
	Quality of gas supply	
	Quality of electricity supply	
	Determination of consumption (meter reading)	
	Commercial management	
	Commercial manager	

Argentina	Brazil	Colombia	Spain	Italy	Mexico	Moldova	Nicaragua	Panama	Total
1,523	870	2,402	5,123	449	1,296				11,663
		2,312	3,772			836	880	509	8,309
16,670	16,322	262,820			58,133				
2,323	8,063	66,975			48,883				
2,245	8,456	26,102			38,540				
1,370	6,490	23			28,372				
228	0	0			31,442				
		332,544					126,005	44,794	
		20,527					24,326	6,777	
		24,633					29,445	5,389	
		20,527					26,994	3,310	
		12,316							
901	0	335,020			140,800		0	0	
21,710	39,331	20,453			58,353				
225	0	447			6,217				
		332,544					155,842	22,407	
		32,844					50,537	37,350	
		45,159					391	513	
		94.4	1.4			11.4	171.1	40.3	
		84.2	1.0			6.9	115.1	39.7	
		76.6	0.8			7.1	113.0	52.5	
		50.0				5.8	36.1	12.8	
		60.0				6.7	36.6	13.1	
		49.0				4.8	33.4	18.4	
8.9	9.2	9.0	8.7	9.1	9.0				
		7.7	7.9					7.7	
8.5	9.3	8.3		7.3	8.7			8.3	
8.1	8.0	7.9	7.4	8.0	7.6				
8.1	8.5	7.7	7.6	8.2	7.5				
8.8	8.7	8.9	8.3	9.1	8.7				
			8.5						
			8.0						
			7.3						
			8.2						
			7.7						
			7.4						
			7.4						
			8.2						

# Commitment to results

## Principles of responsible action with shareholders and investors

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

- Working to obtain an appropriate return on the resources used
- Encouraging efficient resource management within the framework of ongoing process improvement
- Applying best practices in terms of informational transparency at all times, establishing channels of communication with the markets and with other stakeholders in order to strengthen its credibility and reputation.

The energy markets are experiencing an ongoing process of integration, globalisation and increased competition. In this context, Gas Natural Fenosa maintains its objective of continuing its business strategy, based on integrating the gas and electricity businesses into a single company with the capacity to compete efficiently and which uses the synergies of both business models.

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

The company's strategy is guided by its Strategic Plan. Defined in 2010, it features two clearly distinguished periods. The first concluded at the end of 2012 with the business objectives satisfied, even though they were ambitious. The goals for the second period are currently being redefined to adapt them to the market reality and to the company's evolution over the previous period. The new plan should be ready during the second quarter of 2013. The objectives will seek to promote the image of stability that the company currently offers and will be supported on the following basic lines:

- Encouraging efficiency in all areas of operations management and asset management.
- Maintaining investment discipline, with a strong balance sheet as priority.
- Adapting growth and development of the business to the evolution of the economic-energy and regulatory climate of each market.

- Creating platforms for growth, to capture development opportunities in new countries in the mid-term.

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





Value actions

Proposed actions 2012

Keep the company on the sustainability indices.

Increased presence at sector conferences.

Updating the database of analysts and investors.

Increase communication channels with individual shareholders.

Planned actions 2013

● Keep the company on the sustainability indices.

● Consolidate the programme of informative meetings with minor shareholders.

● Assess visiting facilities with minor shareholders.

● Take up a favourable position with socially responsible investors.

Level of fulfilment: ● High ● Medium ● Low

Challenges concerning commitment to results

Maintain a solid, stable business model that is attractive for shareholders and investors.

Consolidate and maintain the company’s sustainable performance.

## Focus on growing and sustained profitability

The operational excellence and stability of the Gas Natural Fenosa business profile, based on a balance between regulated and liberalised businesses in the gas and electricity markets, with a growing and diversified contribution from our international presence, enabled the company to improve in virtually all of its financial ratios.

In this regard, the company reached the financial objectives announced in the Strategic Plan, despite a macroeconomic climate that was far more demanding than initially estimated.

In 2012, the company increased its profit by 8.8% on the previous year, reaching 1.441 billion euros despite lower contributions through gains from the sales of assets.



Consolidated Ebitda for 2012 totalled 5.080 billion euros, up 9.4% year-on-year. This result was supported by the growing contribution and diversification of the international sphere and the balance provided by the business profile, which enabled the company to offset stagnation of the contribution from regulated businesses in Spain and which were conditioned by the divestiture in 2011, and the impact of Royal Decree-Law 13/2012, which adopts measures to correct variances through imbalances between costs and revenue of the electric and gas sectors.

As the Ebitda figures show, the company's internationalisation is ever more obvious. International activity accounted for 43.2% of the consolidated total, versus 38.5% the previous year.

At 31 December 2012, net financial debt was 15.995 billion euros, in line with the objective laid down in the Strategic Plan, with a borrowing ratio of 51.8% and net financial debt/Ebitda ratio x 3.1. Without considering the tariff deficit pending recovery, the net financial debt would have been 14.930 billion euros, which represents a borrowing ratio of 50.1% and a net financial debt/Ebitda ratio x 2.9.



The tangible and intangible investments for the period totalled 1.357 billion euros, with a decrease of 3.5% year-on-year. This was mainly due to the decrease of regulated investment in Spain, partially offset by the increase of investment, mainly in gas distribution and electricity generation activities in Latin America.

As far as the company's stock market performance is concerned, Gas Natural Fenosa closed 2012 with a share price of 13.58 euros, an increase of 2.4% on the price at the end of 2011, and 3.3% in adjusted terms as a consequence of the share capital increase. This contrasts with the performance of the Ibex 35, the main share price index of Spain's stock exchanges, which closed the year 4.66% down.

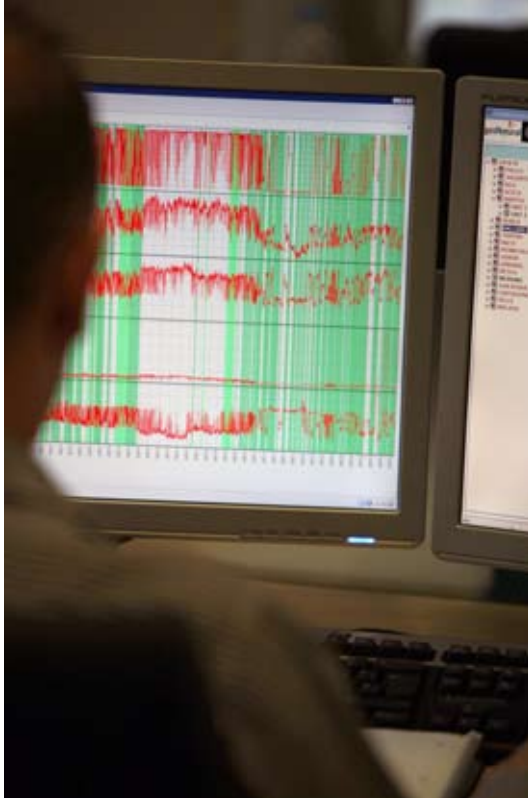
The General Meeting of Shareholders approved a shareholder remuneration for a total of 821 million euros from the 2011 net profits. This is 10.7% higher than for 2010 and represents a payout of 62%. This proposal included the payment of a 360-million-euro dividend and, moreover, an increase in paid-up capital by means of the issuance of new ordinary shares at a maximum market value of 461 million euros.

This capital increase offered shareholders the chance to receive ordinary shares in the company in lieu of what they would have received in July 2012 as the complementary dividend for 2011, and included the establishment by Gas Natural Fenosa of mechanisms to guarantee those shareholders so wishing to receive this amount in cash.

13 June 2012 was the last date for trading the free allotment rights corresponding to the paid-up share capital increase, which was used as the base for the shareholder remuneration method for 2011. The result of this was that owners of 81.8% of the free allotment rights accepted the irrevocable undertaking to purchase the rights accepted by Gas Natural Fenosa and the remaining 18.2% chose to receive new shares. The share capital increase was filed with the Mercantile Register on 22 June 2012. The shares representing the increase were accepted for trading on the stock market on 29 June 2012.

The proposal for distribution of 2012 profits, which the Board of Directors will be forwarded to the Ordinary General Meeting of Shareholders for approval, is to pay 895 million euros in dividends. This entails a payout of 62.1% and a dividend payout in excess of 6.6%, taking the share price listing at 31 December 2012.





## Driving relations with individual investors

In line with the current trends of the sector and with the company's benchmark shareholders, "la Caixa" Group and Repsol Group, Gas Natural Fenosa is introducing mechanisms to improve the service provided to individual shareholders.

Consequently, in 2012, the Investor Relations Unit of Gas Natural Fenosa proposed an action plan that was approved and announced by the Chairman of the General Meeting of Shareholders held on 20 April 2012. The action plan is supported by the following basic pillars:

- Developing a web space for small investors.
- Setting up a freephone number for shareholders.
- Organising informative meetings with individual shareholders.

Following the General Meeting of Shareholders, the website for small investors as well as the freephone number for shareholders were set up simultaneously. The first informative meeting was held in Barcelona.

These informative meetings allow the company to report the most important financial aspects to minority shareholders with a pre-established minimum number of shares. In 2013, the next meetings of this kind will feature the presence of the Head of Investor Relations.

## Stock market indicators

	2012	2011	2010
No. of shareholders (in thousands)	84	84	80
Share prices at 31/12 (euros)	13.58	13.265	11.49
Profit per share (euros)	1.45	1.39	1.30
Share price-profit ratio	9.4	9.9	8.80
Share capital (No. of shares)	1,000,689,341	991,672,139	921,756,951
Stock market capitalisation (millions of euros)	13,589	13,155	10,591

## Financial ratios

	2012	2011	2010
Debts <sup>1</sup>	51.8	54.5	59.60
Ebitda/net financial results	6.2x	5.5 x	4.40x
Net debt/Ebitda <sup>2</sup>	3.1x	3.7x	4.30x
P/E	9.4x	9.9x	8.80x

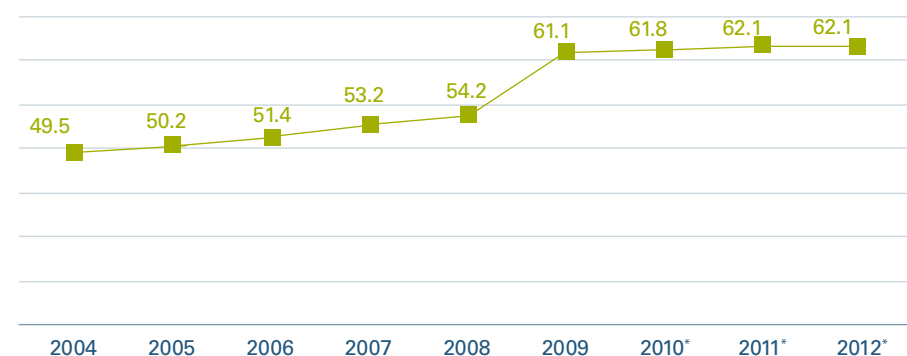
<sup>1</sup> Net financial debt/net financial debt + Net worth + Minority interests.

<sup>2</sup> Pro forma Ebitda.

## Profit index (millions of euros)

	2012	2011	2010
Net profit of Gas Natural Fenosa	1,441	1,325	1,201

## Evolution of payout (%)\*



\* Equivalent total amount.



### Communication channels adapted to the needs of shareholders and investors

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

- Investor relations. The company provides the same information to institutional and minority investors, guaranteeing the principles of equality and the simultaneous publication of information. The Shareholder Assistance Office provides a continuous reporting service to minority shareholders.
- Communication programme with institutional investors and financial analysts. Its aim is to present the situation and prospects of Gas Natural Fenosa in a stringent and transparent way, to foster relations of trust between analysts and investors and the company.
- Corporate website. This brings together the documentation required by the Transparency Act and the corresponding consolidating legislation. Therefore, it offers a space that features information of interest to shareholders and investors

that provides information on the economic and management situation and the company's results for the last five years.

- Alongside the foregoing, Gas Natural Fenosa has other constant communication channels with investors and shareholders:
  - Meetings all over the world to provide information on company forecasts or on relevant events that could affect the company or its sector.
  - Participation in conferences and seminars of interest.
  - Regular sending of information of interest to the analysts and investors that monitor the company more closely.

In addition, in 2012 and for the purpose of prioritising initiatives that could attract investors who, because of their investment philosophy or peculiarities, are of greater interest for the company, Gas Natural Fenosa compiled two studies to find out the nature of the shareholding body and to define the standard investor profile.



Special mention must be made of the fact that the company developed different channels targeted at providing uniform information to institutional and minority investors in accordance with the principles of equal treatment and simultaneous diffusion. This responded to the commitment of the company, in its Corporate Responsibility Policy, to pay special attention to minority shareholders.

In this regard, in 2012 the company fostered relations with individual shareholders by enabling a shareholders' area on its website and providing a 900-prefix telephone number for customer service. In addition, informative meetings for this group were held in Madrid and Barcelona.

The company also continued its communication programme with analysts and investors, strengthening and providing more transparent economic-financial information to enable them to monitor Gas Natural Fenosa's business project. In 2012, representatives from the management team and the Investor Relations Unit held a total of 479 meetings with institutional investors, both with regard to fixed income as well as equity, in the leading financial locations of Europe, North America, Asia and Australia.

Inclusion in socially responsible investment indices

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

In 2012, Gas Natural Fenosa strengthened its contact with these kinds of investors. There were a range of individual meetings with analysts and investors, in which the company had the opportunity to find out first-hand the issues they consider relevant. In total, more than 60 questions were dealt with. In addition, during the third quarter the company took part in the Responsible Investment Corporate Access Conference, in Zurich, in which Gas Natural Fenosa had the opportunity to explain how sustainability aspects help create value, as well as the different initiatives which, in this area, the company is carrying out and how they have an influence on the financial and business results.

Considering these criteria in investment portfolios is becoming standard practice. Investors that take these criteria into consideration check whether or not companies belong to socially responsible indices as an indicator for their investment, as this guarantees quality in management, minimises risks and increases the possibility of better long-term returns.

A presence on these indices improves the company's social image and adds value to its reputation and brand. The periodic review of these requires companies to take up best practices to avoid being excluded.

The sustainability and rankings indices are shown to be useful tools for investors. They also help companies adopt best practices to minimise their environmental and social impacts.

For the last eight years, Gas Natural Fenosa has had a constant presence on the Dow Jones Sustainability Index (DJSI). In 2012, it was also the leading company in the gas distribution sector, with the highest scores in the environmental and social areas. And for the seventh year running it was included on the European counterpart, the DJSI Europe.

Communication channel indicators

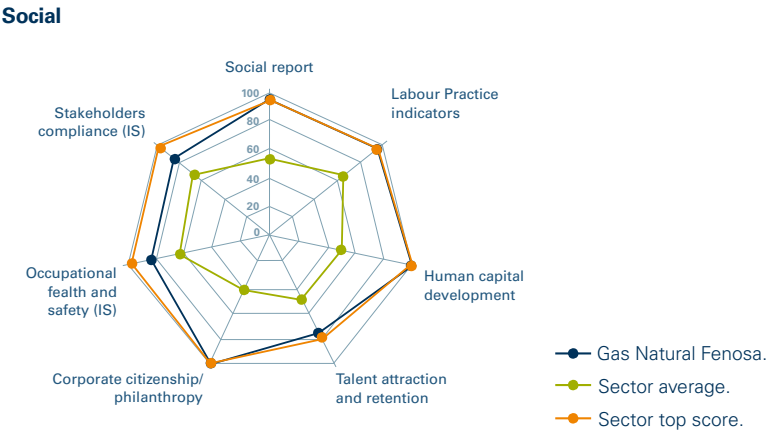
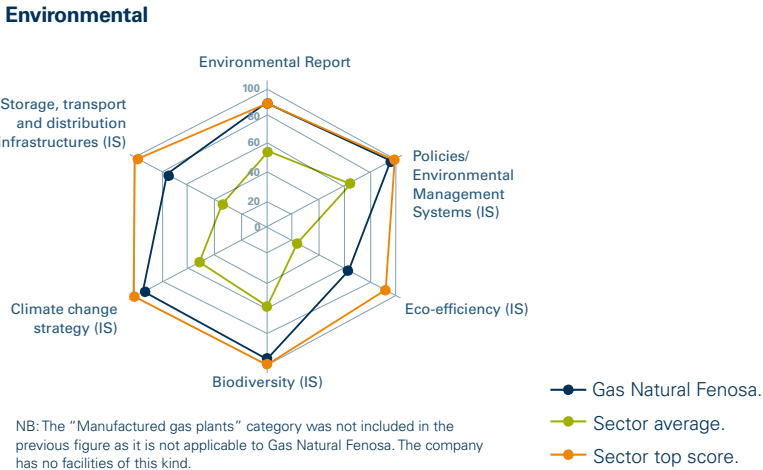
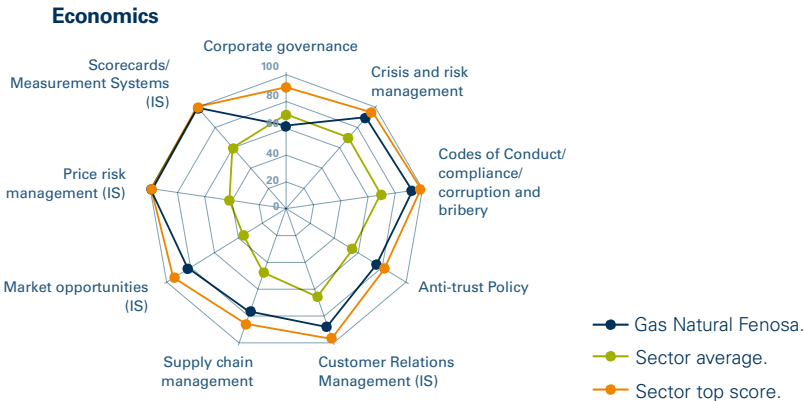
	2012	2011	2010
Meetings with shareholders and investors	479	383	168
Meetings with analysts	19	25	12

Likewise, for the eleventh year running, Gas Natural Fenosa kept its presence on the FTSE4Good index, which it has been on continuously since it was started in 2001. This is an additional acknowledgement of the company's good practices in social, environmental and ethical aspects.

In the environmental area, in 2012 Gas Natural Fenosa was the best utility company in the world according to the Carbon Disclosure Project (CDP Global 500). The report represents 655 institutional investors, with over 78 billion euros in assets, and it recognises the measures that different participating companies take to reduce their emissions and mitigate the risks of climate change. Moreover, the CDP Iberia report, comprising 125 leading companies in Spain and Portugal, ranked Gas Natural Fenosa highest. The company obtained a score of 99 for transparency and the maximum qualification (A) for performance.

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

Assessment of Gas Natural Fenosa on DJSI



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

# Environment

## Principles of responsible environmental action

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

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

Excellence in environmental management, which is relevant in satisfying the business objectives of an energy company, is based on the ongoing improvement of environmental performance and on minimising risks inherent to its operations and facilities.

Gas Natural Fenosa has advanced tools to help operational control of integrated environmental aspects between the different businesses and geographies. Thanks to these tools and methodologies, the company achieved the standardisation and consistency in management, improving the quality of information required to take decisions and the efficiency of actions carried out in this sphere.

The company made significant headway in 2012 with the integration of the environmental variables of quality and health and safety in the management system. Consequently, most businesses with a relevant environmental impact were included in the integrated management model.

The company's environmental parameters mirror the performance in this area. However, over the last two years, these have been appreciably affected by the economic situation and the legal obligations surrounding the use of Spanish coal, which is less efficient and more polluting. This has led to a significant increase of certain environmental indicators, with the subsequent reflection on the company's

global parameters. Added to this is the fact that the reporting parameter changed, whereby the figures for 2012 does not include some high efficiency and low emission facilities.

In order to adapt the Gas Natural Fenosa environmental strategy to these new conditioning factors, 2012 saw a review of our goals to 2014.

In this regard, management of climate change represents an essential part of the company's environmental performance, which seeks, to the extent possible, to use the best and most environmentally friendly technologies available. This allows the company to produce clean energy, enabling it to mitigate the negative effects of climate change as well as complying with its legal obligations. We should highlight the fact that Gas Natural Fenosa contributes towards sustainable development in some developing countries through its projects within the framework of Clean Development Mechanisms (CDM).

The environmental information provided in this report includes those companies and production activities which, managed and performed in

the main by Gas Natural Fenosa, have an appreciable environmental impact with regard to the company's overall recent impact, or are indicators used specifically for this report. This allows the information provided to give an objective view of the environmental management and performance of Gas Natural Fenosa.

The information given in this section is updated and given in more detail in the "Environment" section of the Gas Natural Fenosa website. Moreover, the company provides detailed information in its Carbon Footprint Report.

Value actions

Proposed actions 2012	Planned actions 2013
Implementation of the carbon footprint associated with facilities in operation (capital goods).	● Analysis of greenhouse gas emissions associated to the supply chain.
Definition of a strategy for GHG control and reduction directed at main suppliers.	● Study of risks and opportunities in issues of climate change for all of the company's activities.
Implementation of actions targeted at reducing indirect emissions (commuting and homesourcing).	● Implementation of the Biodiversity Action Plan (BAP).
Extension of communication channels with environmental stakeholders.	● Development of tools to improve environmental management.

Level of fulfilment: ● High ● Medium ● Low

Environmental challenges

Produce energy in a safe, reliable and efficient way, respecting the environment at all times.
Be a reference point in management of climate change, an example in compliance with legal obligations.

## Environmental management

Environmental management is performed in accordance with criteria of efficiency and minimising the environmental impact, thus assisting the compliance with the business objectives.

The Gas Natural Fenosa environmental management model takes the international UNE-EN ISO 14001 standard and the European Eco-management and Auditing Scheme (EMAS) regulation as benchmarks, both of which boast solid recognition in the areas where the company performs its activity.

Environmental management is backed by a set of documents (manuals, procedures, work instructions) that lay down the actions and systems to guarantee best management and minimisation of risks. These processes are reviewed every year, both internally and externally, through audits to certify their effectiveness and compliance with the pertinent legal requirements.

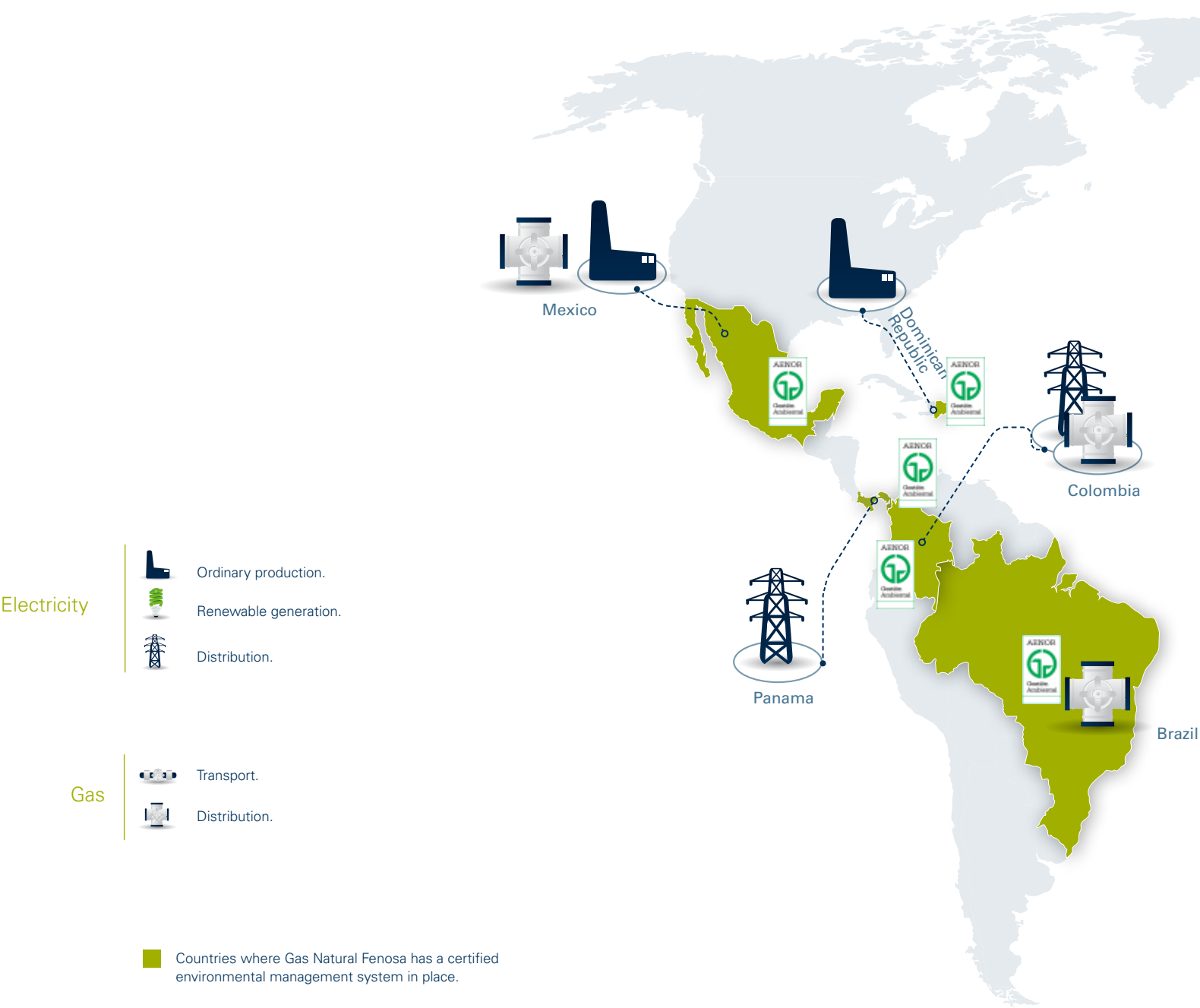
In 2012, all generation activities and 94% of the electricity distribution achieved environmental certification based on the UNE-EN ISO 14001 standard. The gas distribution and transportation activities are certified under this standard in Brazil, Colombia, Spain, Italy, Morocco, Mexico and Moldova, along with gas marketing in Italy. Significant progress was achieved



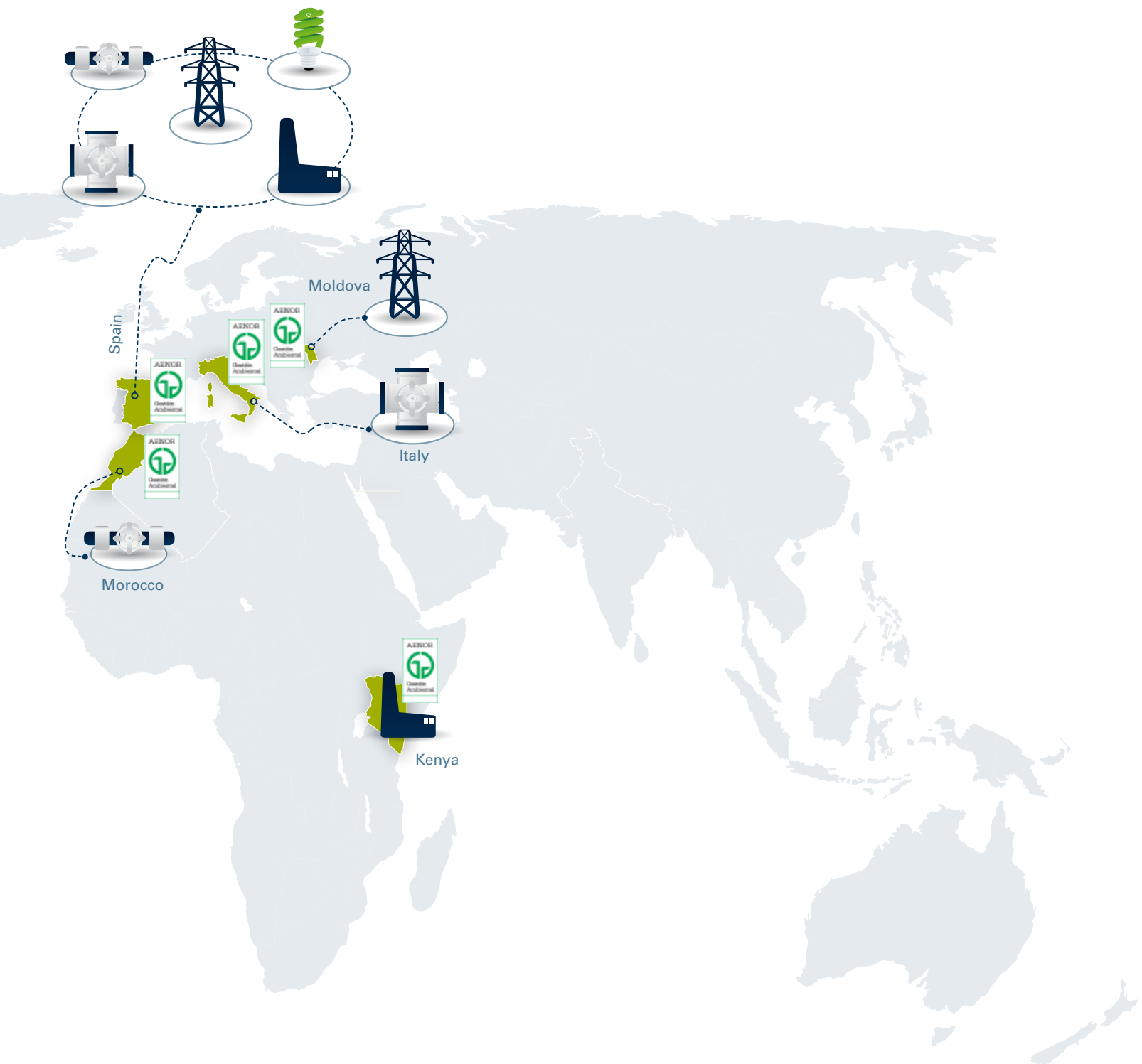
in implementing the environmental management system in Argentina, Nicaragua and the upstream activity. In addition, Gas Natural Fenosa possesses environmental certification for much of its commercialisation activity, engineering services and its most emblematic buildings.

The company has a total of nine electricity generation facilities in Spain in compliance with the EMAS regulations, the most recent of which is the combined-cycle power station in San Roque, in the province of Cadiz.

# Activities in countries where Gas Natural Fenosa has certified environmental management systems









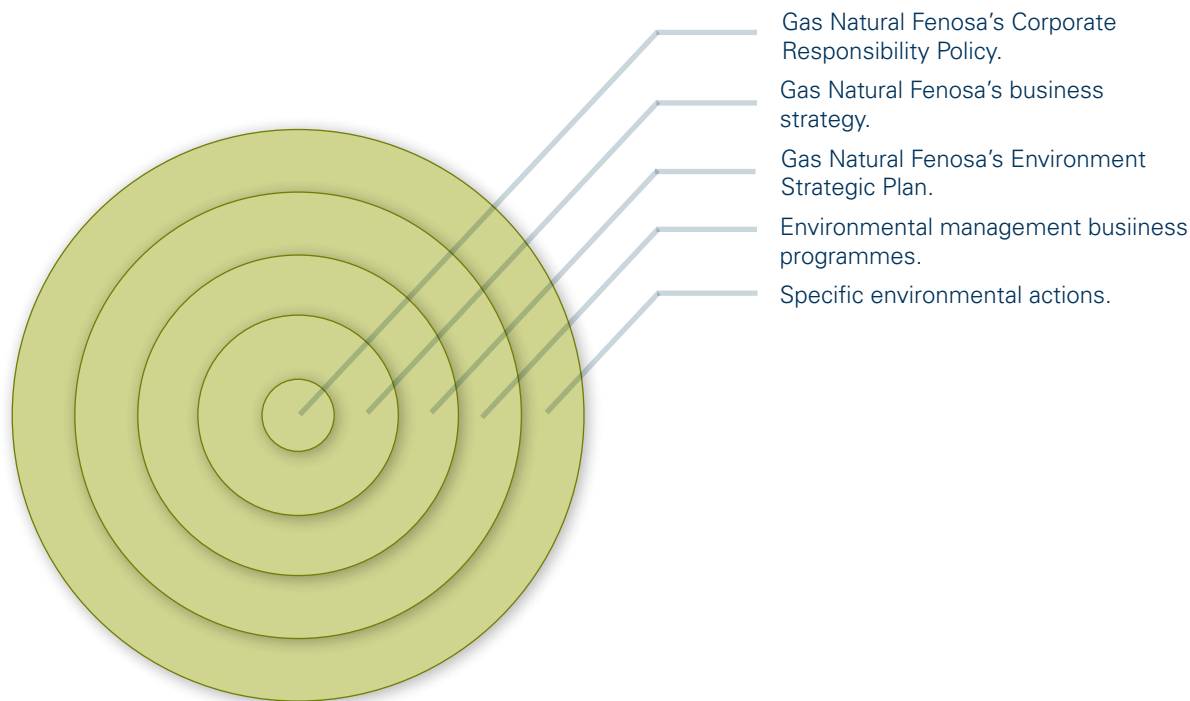
Environmental planning

Environmental planning is carried out within the framework of the company’s Corporate Responsibility Policy and strategy. This enables periodic plans and programmes to be established in line with the objectives given in the Quality, Environment and Health & Safety Plan, whereby the most significant environmental actions are in line with the company’s environmental strategy. In 2012, the company laid down more than 1,200 objectives in the integrated management system, 70% of which were related to environmental performance.

To adapt Gas Natural Fenosa’s performance to the environment in which it performs its activity and to include the new social, economic and regulatory conditioning factors, the Environmental Strategic Plan began to be reviewed at the end of 2012. This will lead to specific environmental actions to improve what the company does in this area, particularly with regard to emissions of CO<sub>2</sub> and recycling of construction materials.



## Materialisation of the Corporate Responsibility Policy principles in specific environmental actions



### Tools to optimise environmental management

The range of businesses carried out by Gas Natural Fenosa makes it necessary to use management tools to help operational control of environmental issues, management of activities and integration of different businesses into their local areas. These tools and methodologies play an essential role in the consistency and uniformity of the company's management. Among others, Gas Natural Fenosa has the following tools for management of different environmental issues:

- Identification and assessment of legal environmental requirements (Themis).
- Assessment of environmental aspects (Ecological Footprint-UMAS).
- Environmental risk management (SERA).
- Operational control of emissions, waste and effluent (OCEN-MA and SGR).
- Environmental impact on birdlife (CRA).
- Indicator reporting (Enablon).

2012 saw further development of the corporate tools for consulting and managing legal environmental requirements (Themis) and data gathering for environmental indicators (Enablon). There was also substantial advance in the geo-referenced environmental information systems for electricity generation, as well as maintenance of existing ones, such as the electricity distribution environmental system in Spain (SMD).

## Assessment of environmental risks

Avoiding the materialisation of environmental risks associated to Gas Natural Fenosa's activity is a priority for the company, as it would have a direct influence on the activity planning of each facility and could cause serious damages to the environment. The company therefore has systems that allow it to obtain a solid and objective assessment of the environmental risks, to manage these and to take reliable decisions.

In the case of facilities with considerable environmental risk, the assessment is made using the UNE 150008 standard as a benchmark. Self-protection plans and their corresponding procedures identify and lay down the responses to potential accident and emergency situations, in order to prevent and reduce their environmental impact. Gas Natural Fenosa developed its SERA tool for this purpose during 2012, as a base to support the environmental risk assessment process for its electrical distribution activity.

It should be pointed out in 2012, there were minor incidents related to spillage at the La Joya and Nairobi South Power Plant facilities, which were controlled at source and had no consequences outside the plants. Similarly, there was a diesel oil spillage of approximately 0.5 tonnes at the combined-cycle power plant of Puerto of Barcelona, which affected the interior floor of the plant. The impregnated material was immediately dealt with and a subsequent follow-up showed that there was no damage to the terrain.



## Environmental awareness and training

Environmental training is a basic tool in prevention of environmental impacts in order to update knowledge of those individuals that have environmental responsibility and raise awareness of employees. In 2012, 3,732 employees received a total of 19,934 training hours in different environmental aspects, although there was a focus on environmental management within the framework of the company's activities.

The group accepts the commitment to raise awareness in society in general with regards to environmental issues. It has therefore set up different agreements with environmental and educational associations and institutions. The Gas Natural Fenosa Foundation also plays an active role in this area and organises seminars and other activities to encourage environmental awareness.





### Assessment of compliance with legal requirements

As part of the integrated management system, Gas Natural Fenosa identifies and assesses legal requirements using the new Themis tool, an application that includes the environmental legislation and regulations in force in each country where the company operates.

In 2012, the new environmental regulations were characterised by the regulation of environmental-related levies, which had major repercussions on the company's costs in this area. Prominent among these regulations is Directive 2012/27/EU on Energy Efficiency, which will have major repercussions on Gas Natural Fenosa's activity.

Likewise, the EU Industrial Emissions Directive, approved at the end of 2010, and which has the goal of reducing the environmental impact of large combustion facilities as of 2016, led Gas Natural Fenosa to design a strategy for compliance with the new determinants while remaining coherent to its Strategic Plan.

Despite the company's tools and preventive measures, in 2012 it received a total of 73,624 euros in environmental fines. Of that sum, 33,802 euros was for irregular pruning in electricity distribution, whilst 32,022 euros was for administrative infringements in environmental authorisations. There were other fines for lesser amounts, imposed for different reasons.

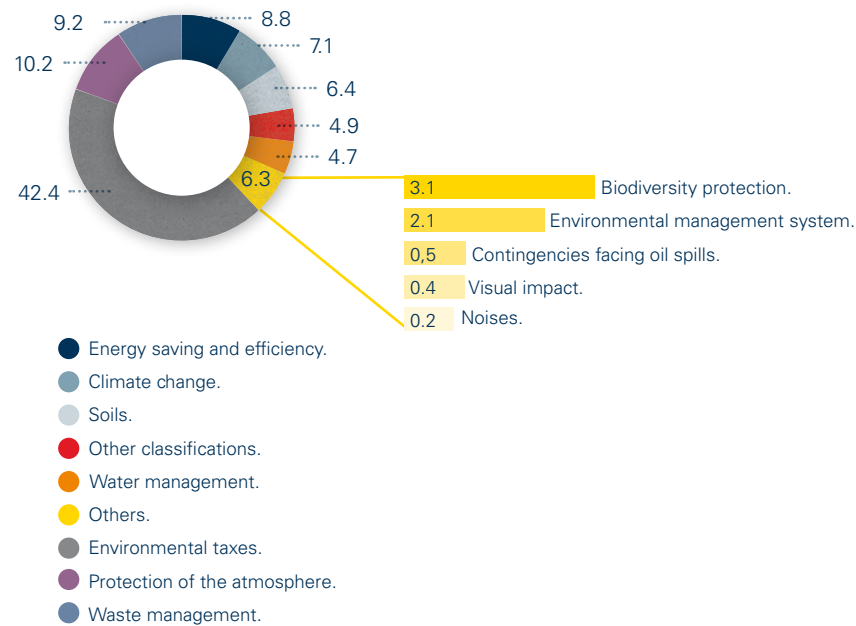
Environmental costs

The biggest environmental expenditure was in payment of taxes, protection of the atmosphere, waste management and actions associated to energy efficiency and climate change.

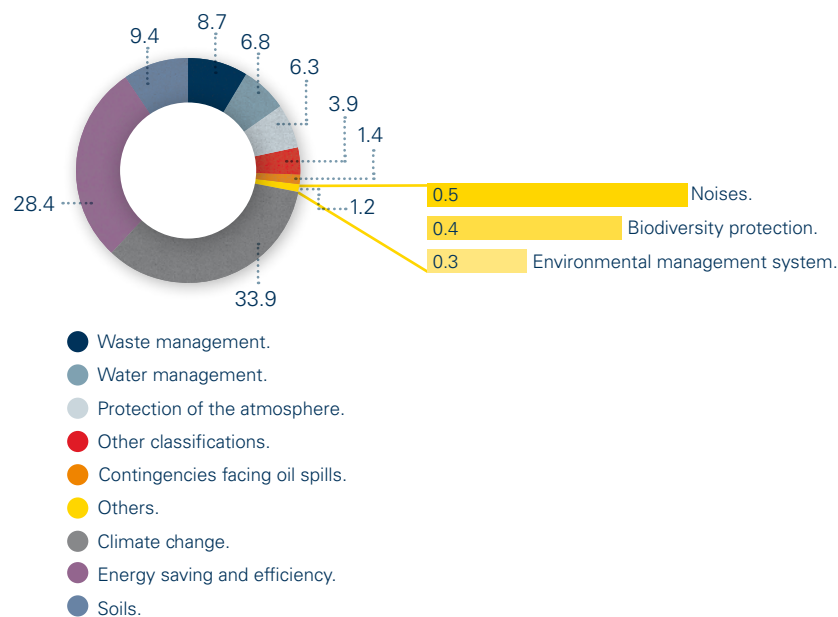
With a similar structure, except the eco-taxes expense, environmental investment was associated to climate change, energy efficiency and management of environmental parameters.

With regard to the legal and economic undertakings for decommissioning of nuclear power stations, and although this technology is not considered in the indicators of this section, we should point out that every year we review the costs incurred by the company between definitive shut-down of the power plants and their transfer to Enresa for decommissioning and stoppage of the programmed activity. These costs are estimated on the basis of the existing contract between Enresa and the electricity companies. To pay these amounts, the provision allocated at 31 December 2012 was 46 million euros.

Breakdown of environmental expenditure (%)



Breakdown of environmental expenditure (%)





**Involvement of the value chain in the commitment to quality**

The involvement of the supply chain is essential in enforcing the commitments included in the Corporate Responsibility Policy. The company therefore continues to make efforts and to target resources at raising environmental awareness of its value chain, with a particular focus on the efficient use of energy.

Specific tools are therefore being developed for domestic customers. Elsewhere, companies and industries are offered different value-added services such as energy performance contracts and other services that provide custom solutions to optimise their energy consumption and minimise the environmental impact resulting. Further information about these services can be found in the “Energy services” section, inside the “Sustainable Opportunities” chapter of this report.

With regard to suppliers and contractors, the Tandem project continued for the purpose of introducing good environmental practices into the supply chain.

**Environmental parameters**

The socio-economic situation in Spain, since early 2011, led to changes in the regulations governing the use of locally-produced coal in electricity generation facilities for the purpose of fostering local employment and growth in the domestic economy. These changes made it obligatory to use locally-produced fuel, less efficient and more polluting, at coal-fired plants between 2011 and 2014.

The use of locally-produced coal explains the increase in the number of environmental parameters associated with coal-fired facilities, such as atmospheric emissions and the generation of fly ash and cinders as waste products. This is particularly noticeable when considering that coal-fired power stations in Spain were shut down for most of 2010, and that since April 2011 there has been a significant increase in consumption of this fuel.

Despite these circumstances, Gas Natural Fenosa has at all times strictly complied with the laws and regulations governing environmental control of its facilities and services.

**Environmental aspects concerning the activities carried out by Gas Natural Fenosa**

Activity	Atmosphere	Waste	Effluents	Climate	Biodiversity
Conventional generation	●	●	●	●	●
Gas distribution		●		●	●
Electricity distribution		●		●	●
Renewable generation				●	●
Commercialisation				●	



Atmospheric emissions

In 2012, the atmospheric emissions of Gas Natural Fenosa were conditioned by environmental legislation enacted by the Spanish government, which directly affects the company’s generation facilities. More specifically, we are referring to Royal Decree 134/2010 and, more specifically, the Resolution of 30 December 2011, setting the amounts of coal, the maximum production volume and energy remuneration prices for 2012 that will be applied in the resolution of the restrictions imposed owing to the need to guarantee supply.

The atmospheric emissions of SO<sub>2</sub> and particles increased substantially, whilst the lowest increase was NO<sub>x</sub> emissions, as a consequence of reviewing how this parameter is measured at Mexican facilities. The

source of these increases lies in the legal obligation to use locally produced fuels to the detriment of other more efficient technologies in terms of atmospheric emissions, and in the reporting perimeter effect used in 2012, which excludes productions with few or very few emissions.

Consequently, there was a substantial increase in Spanish emissions, both absolute as well as specific, with the subsequent reflection in the global indicators.

It should also be mentioned that 0.09 tonnes of mercury and 0.04 tonnes of ozone layer depleting substances were also emitted into the atmosphere.

Compliance with total atmospheric emissions targets (thousands of tonnes)

	2012	Target value 2012	2011	Level of fulfilment
SO <sub>2</sub>	23.53	< 27.00	17.83	Compliance
NO <sub>x</sub>	40.92	< 65.00	40.51	Compliance
Particles	1.96	< 3.70	1.52	Compliance

Compliance with total specific atmospheric emissions targets (g/KWh)

	2012	Target value 2012	2011	Level of fulfilment
SO <sub>2</sub>	0.48	< 0.48	0.31	Compliance
NO <sub>x</sub>	0.82	< 1.09	0.72	Compliance
Particles	0.04	< 0.06	0.03	Compliance

NB: The figure for SO<sub>2</sub> emissions in 2012 was 0.475, thus complying with the proposed objective.

## Waste management and reduction

Within the framework of the integrated management system, Gas Natural Fenosa has procedures for waste control and management through which the systems for adequate separation, storage, control and management of waste are defined. Priority is given to recycling and reuse over other options, and energy recovery is favoured over landfill.

In 2012, the generation of non-hazardous waste increased by over 30% with regard to 2011, taking into consideration the most significant waste types. The main causes were the generation of fly ashes, cinders and gypsum as the consequence of the high production levels of the power plant using locally produced coal, and the generation of rubble produced through earth movements as a result of expanding the gas distribution grid. In the former case, it was not possible to comply with the recycling and reuse expectations due to a falling demand for fly ash in the construction sector.

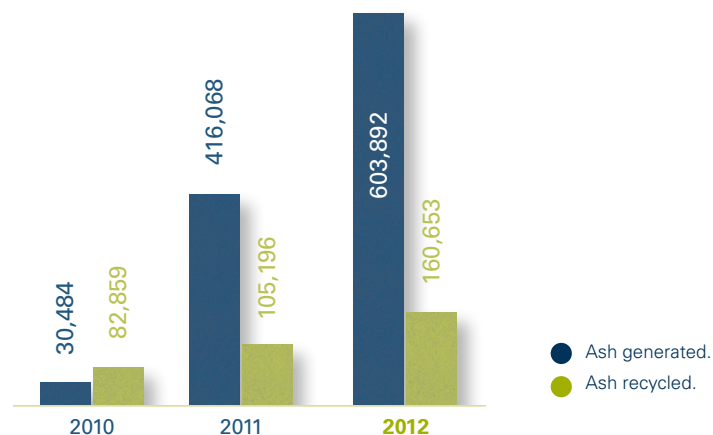
In contrast, the generation of more significant hazardous waste decreased by over 30% with regard to 2011. This reduction was mainly due to the measures that were adopted with the implementation of the Pre3ver project and to the increased operation of power stations

We should point out that generation of waste from the decommissioning of facilities is not included, because as well as not being operational, they would significantly detract from the indicator.

### Non-hazardous waste managed (tonnes)

Type	Amount
Rubble	792,701
Fly ash	603,892
Sludge	218,453
Gypsum	123,712
Cinders	100,044
<b>Total non-hazardous waste</b>	<b>1,838,802</b>

### Generation and recycling of ashes (tonnes)



NB: More fly ash was recycled in 2010 than was produced owing to the ash from the Anllares coal-fired power station (Spain) stored at a waste tip being sent for recycling.

### Compliance with hazardous waste generation targets (tonnes)

	2012	Target value 2012	2011	Level of fulfilment
<b>Total</b>	<b>5,126</b>	<b>10,200</b>	<b>7,333</b>	<b>Compliance</b>

Compliance with waste management targets (%)

	2012	Valor objetivo 2012	2011	Grado de cumplimiento
Hazardous waste recycling and energy recovery	76	> 50	62	Compliance
Incineration and landfill of hazardous waste	24	< 50	38	Compliance
Recycling of fly ash	27	≥ 25	25	Compliance

Generation of hazardous waste (tonnes)

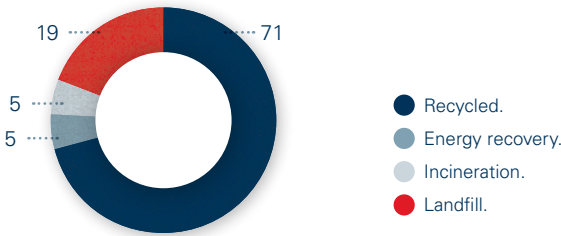
	2012	2011	2010
Total Gas Natural Fenosa	5,126	7,333	7,299

Hazardous waste managed (tonnes)

	Amount
Hydrocarbons plus water	1,996
Hydrocarbon-contaminated soils	398
Used oil	717
Solid waste contaminated with hydrocarbons	1,033
Aqueous solutions	364
PCBs* and transformers with PCBs	36
Absorbent, insulating and filtering materials	62
Batteries and accumulators	519
Total	5,126

\* Polychlorinated Biphenyl.

Generation of hazardous waste (%)



### Control of effluent and reduction in water consumption

There are two types of liquid effluents produced at the electricity generation plants: thermal discharges and effluent from the treatment plants. The treatment equipment and systems worked as planned in 2012, enabling effluent discharge authorisations to be met. According to the studies carried out, the capture of water did not have any significant impact on aquatic ecosystems, and there was no significant effect on sources of water.

Similar to what occurs with other environmental parameters, there was an appreciable increase of the water captured and dumped, especially surface water, as a consequence of the intensive operation of inland facilities using locally-produced coal.

In this regard, since 2012 the company has been working on hydroelectric production projects and reversible power plants, which will have extremely positive consequences on environmental performance.

### Water capture by source (hm<sup>3</sup>)

	2012	2011	2010*
Surface water captured (sea)	1,168.63	1,129.19	1,289.06
Surface water captured (rest)*	36.76	17.48	13.66
Groundwater captured	2.1	1.44	1.09
Wastewater used, from another organisation	8.64	8.51	17.07
Water captured from the mains water supply	1.07	1.55	1.85
Rainwater collected and stored	1.56	1.14	–
<b>Total volume of water captured from the environment.</b>	<b>1,218.76</b>	<b>1,159.31</b>	<b>1,322.73</b>

\* Water used to fill the lake of the Limeisa mine was not taken into consideration as it was not water captured for production processes.

### Water consumption (hm<sup>3</sup>)

	2012	2011	2010
Consumption of cooling water	33.82	32.61	22.53
Consumption of water in water/steam cycle	1.43	2.17	3.52
Consumption of water in other processes	0.45	1.60	2.86
Consumption of water in ancillary services	0.78	2.36	0.75
Consumption of water in buildings	–	0.26	0.32
<b>Total water consumption</b>	<b>36.48</b>	<b>38.74</b>	<b>29.66</b>

### Water discharge (hm<sup>3</sup>)

	2012	2011	2010*
Water discharged into the sea	1,157.97	1,113.64	1,270.65
Water discharged into waterways	9.69	7.04	11.92
Water discharged into the public sewerage system	0.46	0.72	0.62
Water discharged into septic tanks	0.02	0.02	0.05
<b>Total volume discharged</b>	<b>1,168.14</b>	<b>1,121.42</b>	<b>1,238.24</b>

Streamlining consumption of energy and material resources

The major consumption of Gas Natural Fenosa refers to fuels and, to a lesser extent, chemical products.

Coal consumption increased significantly in 2012, as a consequence of regulatory obligations to which the company was bound. More specifically, it increased 75% year-on-year. This situation led to a movement in the thermal gap, causing a 3% reduction in consumption of natural gas.

We should also point out that in 2012 there was a slight reduction in consumption of oil derivatives, as a result of the major efforts being made by the company to overhaul its vehicle fleet, replacing less efficient vehicles for others that run on more environmentally friendly fuels.

As regards the consumption of raw materials, there was a 50% increase of the main commodities, most of which are directly associated with electricity production.



Direct energy consumption (TJ)

	2012	2011	2010
Natural gas consumption	279,831	313,501	341,124
Coal consumption	79,013	45,253	8,295
Consumption of petroleum derivatives	17,116	17,080	16,747
Direct consumption of energy from fossil fuels	375,960	375,835	365,494

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

	2012	2011	2010
Coal-fired	6,435	6,986	6,597
Natural gas	819	1,085	1,028
Petroleum derivatives	3,521	3,928	4,336
Biomass	100	100	100
Wind	82	82	82
Geothermal	484	581	526
Hydroelectric	1,158	1,289	1,392
Nuclear	5,540	5,794	5,548
Total	18,140	19,845	19,608

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



## Materials used (tonnes)

	Amount
Calcium carbonate	63,879
Sulphuric acid	3,538
Oils	2,348
Calcium hydroxide	2,039
Magnetite	2,726
Sodium hydroxide	1,546
Sodium hypochlorite	1,469
Others	1,316
Paper	1,141
Plastics	411
Coagulant	256
Nitrogen	253
Odorant	175
Sodium bisulphate	136
Ammonia	131
Lime	29
<b>Total</b>	<b>81,393</b>

## Climate change

Gas Natural Fenosa shares social concerns for climate change and has an active policy to reduce greenhouse gas (GHG) emissions. For the company, mitigation of climate change represents a major priority, as demonstrated through the actions it performs to reduce its emissions. Rational use of energy is one of the fundamental focal points of this policy.

In its policy to fight climate change, Gas Natural Fenosa is aligned with the objectives of security of supply, competitiveness and environmental sustainability laid down by the main European and national authorities. The future energy scenarios will focus on energy efficiency and emissions reduction. In these scenarios, and based on estimates, natural gas will play a critical role, both in the transition towards an economy which is less coal-intensive, and in the role it will have in the global energy balance in the future.

The environmental commitments of the company are not restricted to an internal scope, but extend to the value chain. Mention should be made of the fact that most of the company's contractors and suppliers have voluntarily adopted the company's good environmental practices, which include instructions for the responsible and rational use of energy and, consequently, the reduction of emissions. Initial assessment surveys sent to suppliers request information about their greenhouse gas (GHG) emissions.



Gas Natural Fenosa's commitment can be seen in the "FEWER GreenHouse Gases" initiative, where the company defined some quantitative targets that have been recently reviewed and adapted to the reporting perimeter used in this report:

- Total GHG emissions (scope 1 and 2) in 2012 were 25.1 MtCO<sub>2</sub>e, up 10% on 2011.
- The specific CO<sub>2</sub> emissions from electricity generation reached 454 g CO<sub>2</sub>/kWh in 2012.
- Reductions of GHG in developing countries or through the Clean Development Mechanisms (CDM) in 2010-2012 reached 2.8 MtCO<sub>2</sub>, representing 62% of the target set for the 2010-2014 period.
- Emissions prevented in 2012 through the generation of low-carbon power and as a result of energy savings and efficiency were in excess of 15.8 MtCO<sub>2</sub>, thus meeting the set target.
- Methane emissions for each kilometre of the gas distribution and transportation network were 11.53 tCO<sub>2</sub>e/km, and reached 58% compliance with the target set for 2014.

In line with its commitment to mitigate climate change, Gas Natural Fenosa conducts integral management of its CO<sub>2</sub> emission rights portfolio within the framework of the EU Emissions Trading System (EU ETS) for the 2008-2012 and 2013-2020 periods, acquiring the necessary rights and credits through active participation in secondary markets and in primary offset projects and carbon funds.

For the regulatory and legal reasons stated previously, the company was forced to use locally-produced coal at its power plants, leading to an increase of CO<sub>2</sub> emissions. This was coupled with the change to the environmental reporting perimeter, which excludes those productions with few or very few emissions of activities in which there is less than 50% participation.

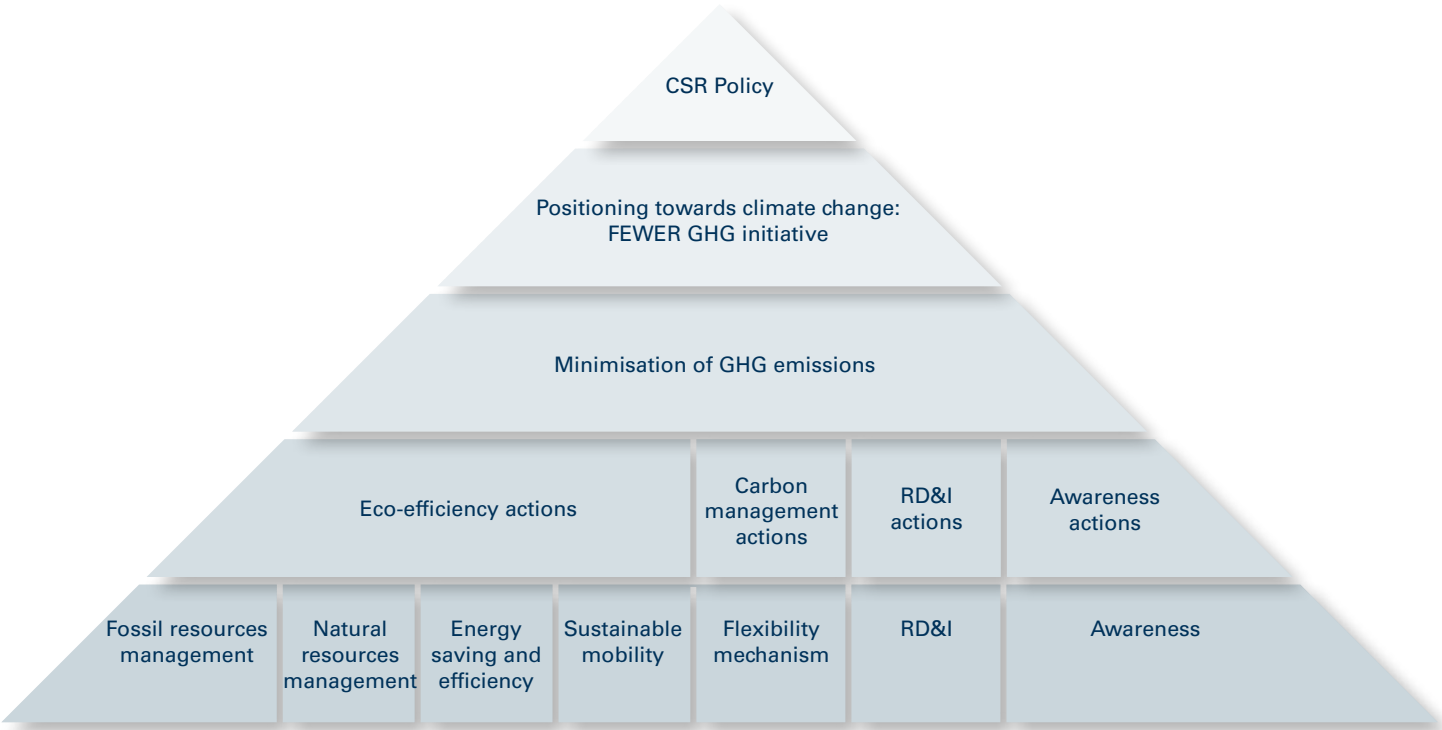
The efficacy and effectiveness of the actions performed by Gas Natural Fenosa with regard to climate change were reflected in the fact that it occupies third place worldwide in the Carbon Disclosure Project, an initiative backed by institutional investors from around the world to distinguish the best performing companies in the fight against climate change.

We should point out the company's commitment to transparency through the publication of the Carbon Footprint Report, which includes

information concerning climate change performance. The information included is consistent with this report and is targeted at stakeholders that specialise in this global problem.

Other major initiatives in 2012 were the CO<sub>2</sub> Abatement Curve project and development of the Climate Change Risk Map. The former assigns an economic cost to the reductions achieved through different actions to reduce emissions, whilst the latter incorporates climate change actions into the Corporate Risk Map.

Pyramid showing the climate change strategy of Gas Natural Fenosa





## Positioning towards climate change



Gas Natural Fenosa, with the  
“**FEWER GreenHouse Gases**” initiative, undertakes to:

**F**ocus on maintaining energy strategies and policies in keeping with security of supply, competitiveness and environmental sustainability.

**E**stablish quantifiable objectives for reducing greenhouse gas emissions.

**W**ork on levelling the balance of social, environmental and economic aspects to contribute to a low carbon economy.

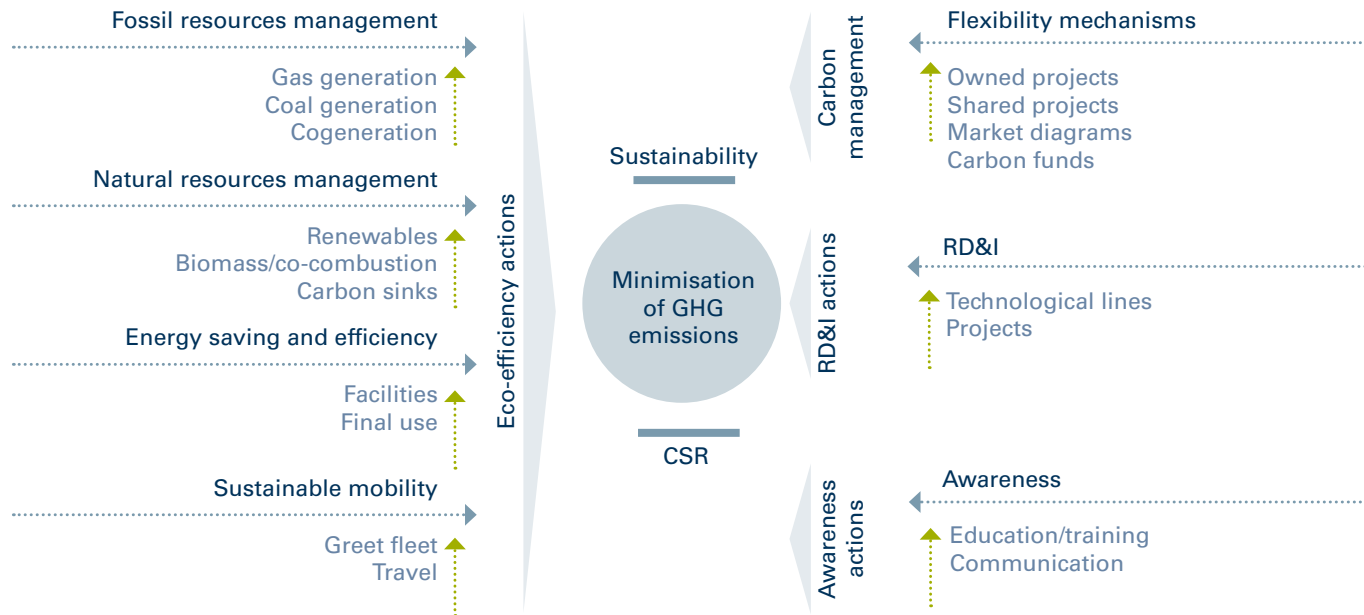
**E**ncourage and optimise energy saving and efficiency at our facilities and those of our customers, as the most efficient way of combatting global warming.

**R**esort to being active in coal markets and supporting their globalisation so that energy production and consumption trends can be sustainable.

**G**uide the company’s actions in order to raise awareness in society in general regarding the global solution for climate change.

**H**ave specific measures to ensure fair and sustainable commitments on reducing global emissions are met.

**G**et behind projects to reduce greenhouse gas emissions on a global scale, paying special attention to developing countries.



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

The combined-cycles of gas represent the most efficient technology to produce electricity from fossil fuels, with a performance close to 60%. Gas Natural Fenosa is one of the leading combined-cycle operators in the world, as it has over 9,000 MW of installed power using this technology, enabling it to produce environmentally friendly energy.

With regard to eco-efficiency, of particular note is the use of coal with higher calorific power, improved performance of the thermal power plants, the set-up of a performance supervision system at the coal power plants and development of projects to optimise combustion.

Gas Natural Fenosa calculates its CO<sub>2</sub> footprint through an inventory, control and check of greenhouse gas emissions from its activities in all countries where it is present. In 2012, and in accordance with the reporting conditions mentioned previously, total direct emissions were 24.3 MtCO<sub>2</sub>e, with an energy mix emission factor of 454 g CO<sub>2</sub>/kWh.





The company prevented the emission into the atmosphere of more than 15.8 million tonnes of CO<sub>2</sub> over the same period. Of that sum, 11.45 MtCO<sub>2</sub> corresponded to emissions prevented at the electrical systems of Spain and Mexico, through combined-cycle production, and 1.4 MtCO<sub>2</sub> through production of new renewable energies, such as small hydro and wind energy, in the Spanish electricity system.

Similarly, these prevented emission led to energy savings of over 91,733 TJ. Of that sum, 51,910 TJ corresponded to emissions prevented at the electrical systems of Spain and Mexico through combined-cycle production, and 16,520 TJ through production of new renewable energies (small hydro and wind energy in the Spanish electricity system).

Gas Natural Fenosa also took part in programmes for the efficiency, capture and storage of CO<sub>2</sub>, such as the R&D Cenit programme, at the Spanish CO<sub>2</sub> Association and Technological Platform (AECO2-PTECO<sub>2</sub>) and the European Technological Platform for Zero Emissions Power Plants (ETP-ZEP). The company also co-leads the Cenit CO<sub>2</sub> project.

Gas Natural Fenosa also backs electricity generation using renewable sources. In 2012, it increased renewable energy-based installed capacity.

The promotion of sustainable mobility is another of the areas that Gas Natural Fenosa is turning to in order to reduce emissions. The company is acting along four main lines: green fleets, travel, vehicle recharging stations and transversal actions.



## Main indicators

	2012	2011
Direct emissions (MtCO <sub>2</sub> e)	24.27	23.18
Emission factor (g CO <sub>2</sub> /KWh)	453.58	371.00
Emissions prevented (MtCO <sub>2</sub> e/year)	15.81	> 17
Emissions prevented by CDM projects (MtCO <sub>2</sub> e/year)	0.97	0.92
Emissions by leaks in networks (tCO <sub>2</sub> e/km grid)	11.53	11.76

Initiatives for reducing GHG emissions (tCO<sub>2</sub>) and associated energy savings (TJ)

	2012 energy savings (TJ)	Emissions prevented in 2012 (kt CO <sub>2</sub> e)	Emissions prevented in 2011 (kt CO <sub>2</sub> e)
<b>Electricity generation: combined-cycle (CC)</b>	<b>51,910</b>	<b>11,451</b>	<b>13,561</b>
- Spain	30,187	7,826	9,211
- Mexico	21,723	3,625	4,351
<b>Electricity generation: renewable</b>	<b>16,520</b>	<b>1,396</b>	<b>1,253</b>
- Wind farms, Spain	14,227	1,202	1,071
- Small hydro power stations, Spain	2,293	194	182
<b>Electricity generation: energy efficiency</b>	<b>8,121</b>	<b>1,371</b>	<b>792</b>
- Small hydro power station repowering, Spain	1,124	95	143
- Boiler change Meirama, Spain	6,395	1,143	466
- High-efficiency cogeneration, Spain	602	133	152
<b>Gas and electricity T&amp;D: energy efficiency</b>	<b>1,309</b>	<b>441</b>	<b>664</b>
- Pipe replacement, Spain	1,309	441	441
<b>End use of gas and electricity</b>	<b>10,114</b>	<b>182</b>	<b>9</b>
- Energy services, Spain	10,114	182	9
<b>Clean Development Mechanism (CDM).</b>	<b>3,758</b>	<b>968</b>	<b>925</b>
<b>Total</b>	<b>91,733</b>	<b>15,809</b>	<b>17,376</b>

Emissions of CO<sub>2</sub> from electricity generation (kt CO<sub>2</sub>)

	2012	2011	2010
Cogeneration plants	197	206	196
Specific atmospheric emissions (g CO <sub>2</sub> /kWh)	585	462	448
Combined-cycle thermal power stations	13,512	15,083	15,120
Specific atmospheric emissions (g CO <sub>2</sub> /kWh)	376	374	372
Coal-fired power plants.	7,582	4,416	797
Specific atmospheric emissions (g CO <sub>2</sub> /kWh)	1,002	989	1,033
Fuel oil-fired power stations	1,173	1,281	1,132
Specific atmospheric emissions (g CO <sub>2</sub> /kWh)	657	714	657

Direct fixed-source CO<sub>2</sub> emissions. Total Gas Natural Fenosa (kt CO<sub>2</sub>)

	2012	2011	2010
Electricity	22,464	20,986	17,246
Gas (Up & Mid/distribution/retailers)	239	595	671
Mining	22	17	22
<b>Total</b>	<b>22,725</b>	<b>21,601*</b>	<b>17,946*</b>

\* Includes emissions from corporate areas.

Direct fixed-source GHG emissions.  
Total Gas Natural Fenosa (kt CO<sub>2</sub>e)

	2012	2011	2010
Fixed sources. Direct CO <sub>2</sub> emissions	22,725	21,601	17,943
Fixed sources. Direct CH <sub>4</sub> emissions	1,423	1,383	1,370
Fixed sources. Direct N <sub>2</sub> O emissions	56	89	–
Fixed sources. Direct SF <sub>6</sub> emissions	68	81	36
Fixed sources. Direct CFC and HFC emissions	0.2	3.3	n,d,
<b>Total</b>	<b>24,272</b>	<b>23,177*</b>	<b>19,372*</b>

\* Includes emissions from the fleet.



Indirect GHG emissions. Total Gas Natural Fenosa (kt CO<sub>2</sub>e)

	2012	2011	2010
Fixed sources. Indirect CO <sub>2</sub> emissions. Scope 2	817	951	1,084
Movable sources. Indirect CO <sub>2</sub> emissions (travel by plane and train) Scope 3	6	6	7
Movable sources. Indirect CO <sub>2</sub> emissions (employee commuting). Scope 3	20	21	n.d.

NB: The figures for indirect emissions from logistics were mainly due to fuel transport and were reported in the Carbon Footprint inventory. Figures owing to employee commuting were reported within indirect emissions as a new category in 2011.

### Reduction in network methane emissions

Methane emissions by Gas Natural Fenosa occur in gas exploration, transport, distribution and combustion operations. In 2012, they totalled 1.4 million tonnes of CO<sub>2</sub>e.

In transportation and distribution of natural gas, the use of better materials along with the renewal of pipes and connections in Brazil and Mexico allowed the company to reduce its emissions of CH<sub>4</sub> per unit of grid length by 1.9% in comparison with 2011.

### Reduction of emissions through Clean Development Mechanism (CDM) projects

Gas Natural Fenosa conducts integral management of its CO<sub>2</sub> emissions rights portfolio within the framework of the EU Emissions Trading System (EU ETS) for the 2008-2012 and 2013-2020 periods, acquiring the necessary rights and credits through its active participation in secondary markets and in primary offset projects and carbon funds.

In 2012, total emissions of CO<sub>2</sub> from the coal and gas power stations in Spain totalled 15.4 million tonnes of CO<sub>2</sub>, versus an allocation of emission rights for 10.5 million tonnes, in accordance with the National Allocation Plan for Greenhouse Gas Emission Allowances, 2008-2012.



In order to comply with the obligations of the Spanish National Allocation Plan, the company purchased rights from the Clean Development Mechanisms (CDM) and Joint Application (JA) projects, through participation in different carbon funds in which it has a committed investment of almost 60 million euros. We are referring to the Spanish Carbon Fund (promoted by the Ministry of Agriculture, Food and Environment, and administered by the World Bank), the Multilateral Carbon Fund (administered by the European Bank for Reconstruction and Development and the European Investment Bank), the Natsource Carbon Asset Pool (administered by Natsource Asset) and the Community Development Carbon Fund (managed by the World Bank). Added to these are the bilateral procurement of emission rights from primary offset projects in different sectors.

To date, Gas Natural Fenosa has registered nine CDM projects with the United Nations: the Bii Hioxo wind farm in Oaxaca, Mexico (234 MW); the hydroelectric plants: Los Algarrobos (9.7 MW), Macho de Monte (2.4 MW) and Dolega (3.1 MW) in Panama; La Joya (50 MW) in Costa Rica and Amaime (18 MW) in Colombia; the use of biogas for energy at the Doña Juana Landfill in Bogotá (Colombia); the Sombrilla project to replace fuel-oil with natural gas in furnaces, boilers, drying rooms and other equipment at eight industrial plants located in Bogotá (Colombia); and the Quimvale project in which fuel-oil was replaced with natural gas in the drying boiler of a calcium carbonate industry in Rio de Janeiro (Brazil). Significant progress was also made in 2012 in validation of the hydroelectric power plant project in Torito, registration of which is expected to be confirmed the United Nations in 2013.

## Location of Gas Natural Fenosa's CDMs





## Energy efficiency promotion

Energy efficiency is the main lever for reducing CO<sub>2</sub> emissions in Europe. This energy and regulatory context, in which energy efficiency and the reduction of emissions at energy service companies takes on greater importance, is in line with the strategy of Gas Natural Fenosa, based on generation of value for the customer and improved competitiveness.

The company has a line of business that is focused on improving the energy efficiency of companies through the study of their entire business process. The analysis identifies, measures and improves all the elements and processes within an organisation and of its supply and waste management chain by means of the following methodology: emissions monitoring and mitigation (identifying the main sources of emissions and proposing eco-efficiency plans based on the best available technology); determination of efficiency and sustainability of facilities and their processes; and the creation of a programme with yearly targets that allow them to guarantee that targets are met with cost efficiency.

The financing of energy savings and efficiency plans includes a plan that allows them to meet their reduction targets profitably, seeking the best opportunities to put these plans into practice: identifying, selecting and prioritising those projects with higher economic returns; seeking EU, state and regional government assistance designed for such purposes; and seeking the best means of finance for each case.

Further information about these services can be found in the “Energy services” section, in the “Sustainable Opportunities” chapter of this report.

## Calculation of the customer's carbon footprint

Gas Natural Fenosa's tools to promote energy efficiency includes on that enables the carbon footprint of each of its major customers to be calculated.

The purpose of this product offered by Gas Natural Fenosa is to calculate emissions of Greenhouse Gases (GHG) using a calculation methodology based on application of the UNE-EN ISO 14040, UNE-EN ISO 14044, UNE-EN ISO 14064 standards and the GHG Protocol and IPCC standards.

The process for calculating the carbon footprint generates a detailed report for the following purposes:

- To assist companies in preparing an exhaustive and representative GHG inventory of their actual emissions, by updating the points of focus and standardised principles.
- To offer information to companies that can be used to set up effective strategies for the management of emissions (reduction, offsetting), management of risks associated to the GHGs and identification of opportunities.
- To provide information that helps companies take part in obligatory and voluntary GHG programmes (Carbon Disclosure Project, Dow Jones Sustainability, FTSE4Good, etc.).
- To increase the consistency and transparency of the accounting and GHG public reporting systems between different companies and programmes.
- To prepare reliable information for inclusion in the corporate responsibility policies, to recognise and publish those actions targeted at reducing emissions.
- To have data for participation in GHG trading programmes.

Thanks to tools like the carbon footprint calculation one, Gas Natural Fenosa offers its customers services with high value-added, helping them to diversify their business and, consequently, increasing the loyalty of their customers.





## Biodiversity

The application of the undertaking included in the Corporate Responsibility Policy of looking after the environment and reducing the company's influence over the same, particularly the principle of minimising adverse effects on ecosystems and encouraging the preservation of biodiversity, can be seen in the definition of a sustainability and biodiversity strategy. This action line is based on: knowledge, sustainability and restoration.

By implementing this, the company can oversee and organise a range of actions to improve its performance and to maximise benefits.

In order to be more effective, the strategy in sustainability and diversity has a particular effect on those activities with a greater potential impact on the environment, such as the generation of electricity and distribution of gas and electricity.

## Study of ecosystems

Gas Natural Fenosa prepares studies on the land, aquatic and freshwater ecosystems that surround its electricity generation facilities in order to characterise the natural environment, thus enabling the impact caused by its installations to be studied. These studies take into consideration biodiversity and the effects on this as a factor of importance.

The ecological parameters studied differ depending on the facility or activity for which the impact is to be analysed, and the quality of the environment they could affect. Most studies are conducted before carrying out a possible activity, in the context of environmental assessment, and the aim is to avoid or minimise adverse effects.

A number of environmental impact analyses (EIA) concerning transportation and distribution grids of gas and electricity were conducted in 2012. By the same token, exhaustive

environmental vigilance plans (EVP) are carried out during the construction and operation of facilities, and these periodically monitor the state of the environment. The information obtained from these studies is sent to the competent bodies, leading to the take-up of preventive or corrective measures whenever required.

Similarly, in areas close to facilities where there is a greater risk of impact, Gas Natural Fenosa voluntarily conducts environmental studies. These analysis, which have been carried out since the 1990s, are based on biological indicators and provide very valuable information on the quality and capacity of the environment surrounding the facilities.

The studies on the land and aquatic ecosystems carried out in 2012 confirmed normal conditions observed in recent years, and concluded that the studied facilities had an acceptable impact on their environment.

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

Location	Status	Position	Type of operation	Size (km <sup>2</sup> )	Value of biodiversity
Bolarque Region of La Acarria, Guadalajara (Spain).	Owned.	River Tagus.	Electricity generation.	n/a	SCI sierra de Altomira. SPA and Special Area of Conservation (SAC) and forms part of the Natura 2000 network.
Tambre Region of La Noia, A Coruña (Spain).	Owned.	Estuary and lower course of the River Tambre, downstream from the Barrié de la Maza Dam and Reservoir.	Electricity generation.	n/a	SCI Esteiro do Tambre. It is part of the Natura 2000 network.
Frieira Region of Baixo Miño, Pontevedra (Spain).	Owned.	Rver Minho.	Electricity generation.	n/a	SCI Baixo Miño.
Cabo Vilano Region of Tierra de Soneira da Costa da Morrte, A Coruña (Spain).	Owned.	Municipality of Camariñas (A Coruña).	Electricity generation.	0.37	SCI Costa da Morte, also declared a Special Area for Protection of Natural Values (ZEPVN).
Somozas Region of Ferrol, A Coruña (Spain).	Owned.	Municipality of Somozas (A Coruña).	Electricity generation.	0.29	SCI Ortigueira-Mera. Coastal wetland (Ortigueira estuary).
Hinojos Region of El Condado de Huelva (Spain).	Owned.	Specially regulated area of Doñana National Park.	Gas production/ extraction.	0.01	Area catalogued by the Unesco as a biosphere reserve and special area for the protection of birdlife.
Aznalcázar Region of El Aljarafe, Seville (Spain).	Owned.	Located on the boundary of the River Guadiamar ecological corridor.	Gas production/ extraction.	0.01	"Los Pinares de Aznalcázar" protected natural area.
Carmona Region of Campiña de Carmona, Seville (Spain).	Owned.	Near the natural park on land making up the "Altiplanos de Écija" hydrogeological unit.	Gas production/ extraction.	0.03	The area can be classified as a mixture of pasture land and scrubland with tree cover.
Bollullos de la Mitación Region of El Aljarafe, Seville (Spain).	Owned.	Located on the aquifer of the Aljarafe, which constitutes the eastern extension to the aquifer system of Almonte-Marismas.	Gas production/ extraction.	n/a	This area is heavily anthropised with extensive farming.
Almazán, Soria (Spain).	Administrative contract. Private use of publicly owned asset.	Close to the river banks of the River Duero and tributaries.	Electricity generation.	0.009	This is a listed wetland.
San Juan Nepomuceno, Bolívar Department, (Colombia).	Owned.	Los Colorados Flora and Fauna Sanctuary.	Electricity distribution.	0.1	Area of high biodiversity forming part of the National Natural Parks System of Colombia.
Isla de Ometepe, Rivas. Municipality of Altagracia, entrance to Puerto San Miguel, (Nicaragua).	Owned.	Located inside the Biosphere Reserve on Ometepe Island.	Electricity distribution.	0.01	Inside the buffer zone of the Volcán Maderas Natural Reserve on Ometepe Island.

### Land occupied by electricity distribution lines in protected areas

	Length of lines in SCI (km)	Length of lines in SPA (km)	Length of lines in IBA (km)	Surface area of lines in SCI (Ha)	Surface area in SPA (Ha)	Surface area of lines in IBA (Ha)
Spain	3,383	2,722	5,798	6,206	5,117	10,672
Colombia	2	0	0	3	0	0
Panama	0	75	0	0	5	0
<b>Total</b>	<b>3,385</b>	<b>2,797</b>	<b>5,798</b>	<b>6,209</b>	<b>5,122</b>	<b>10,672</b>

SPA: Special Protection Areas.  
SCI: Sites of Community Importance.  
IBA: Important Bird Areas.

### Number of species whose habitats are in areas affected by operations

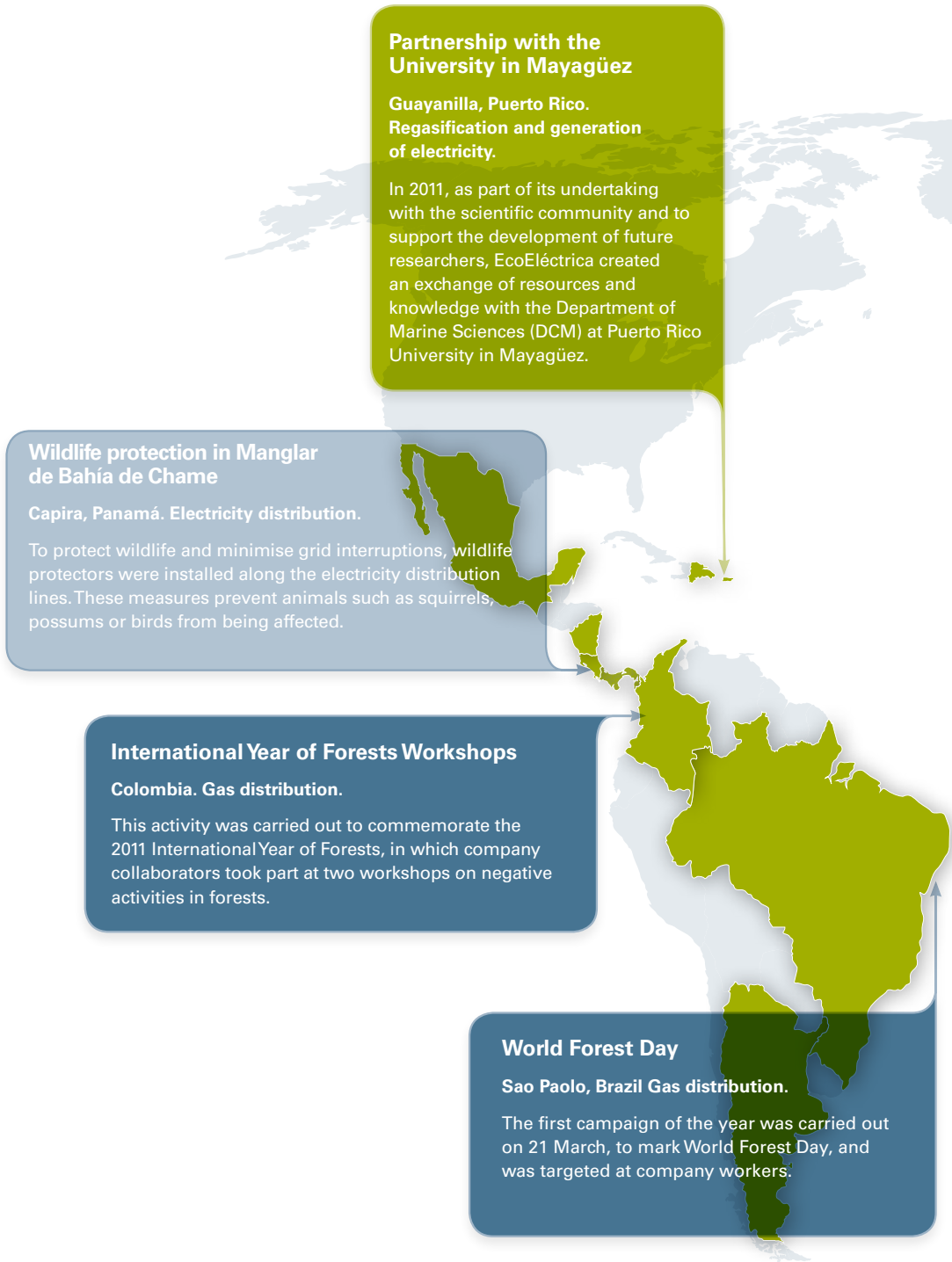
	No. of critically endangered species	No. of endangered species	No. of near threatened species	No. of species of least concern	No. of vulnerable species
Spain	2	1	4	11	17
Colombia	1	12	28	62	30
Mexico	0	3	0	18	14
Moldova	0	3	11	214	5
Nicaragua	0	0	0	18	0
Panama	0	1	4	0	1
<b>Total</b>	<b>3</b>	<b>20</b>	<b>47</b>	<b>323</b>	<b>67</b>

#### Actions to conserve biodiversity

Among the many actions performed by Gas Natural Fenosa to maintain biodiversity, three types of initiatives can be mentioned:

- Actions aimed at effectively improving biodiversity, whether of a protective nature or to directly encourage species of interest. Within these initiatives, actions for ecological improvement and reduction of incidents on species are pooled together.
- Education and raising awareness, as basic functions to protect biodiversity. It is standard practice for the company to raise awareness about conservation among employees and populations where Gas Natural Fenosa performs its activity.
- Collaboration with different organisations and authorities through agreements and partnerships in those countries where the company is present. The synergies made possible through these agreements have a direct impact on the biodiversity of each country.

# Initiatives for the development of biodiversity



## Agreements for improvement of fish preservation

### Galicia, Spain. Generation

From 2003 to date, the Xunta de Galicia Regional Government and Gas Natural Fenosa have been conducting joint operations targeted at preserving nature in Galicia. Part of these actions involve building infrastructures for the movement of fish.

### Adaptation of support for protection of the golden eagle.

#### Lugo, Spain. Electricity distribution.

In order to minimise the risk of the electrocution of threatened birds, such as the golden eagle, several actions were adopted to protect the bird fauna from collision and electrocution.

### Planting trees in the Riscani Park

#### Riscani, Moldova. Electricity distribution.

Clean-up works were performed and trees planted in protected areas in Riscani park.

Company personnel took part in the operation.

### Kayole reforestation project

#### Nairobi, Kenya. Generation of electricity.

In 2011, the company continued with the tree planting campaign, this time together with local authorities and the young persons' development group from the Kayole district in Nairobi.

### Recovery of the Limeisa Lake

#### A Coruña, Spain. Mining.

In 2011, in the area where the old LIMEISA mine used to be, a range of actions were carried out to improve vegetation. This stimulated the presence of a wide range of mammals and birdlife, particularly some migratory aquatic species.

- Initiatives for active improvement.
- Education and awareness initiatives.
- Agreements and alliances with third parties.

Environmental impact

Gas Natural Fenosa calculates its carbon footprint by quantifying the target evolution over time of environmental aspects and the impact of its activities.

The company carries out environmental impact studies for its projects. Public participation in the procedures to approve these projects is ensured through national and regional legislation in each country where the company carries them out.

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



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

Initiatives relating to use of materials

Business	Country	Initiative	Result
Electricity generation.	Spain.	Technical improvements in the motor.	Lower fuel consumption.
Electricity generation.	Mexico.	Reduction of chemical products at the PTA.	Optimise use of materials.
Gas transport.	Morocco.	Reduction of fuel consumption.	Lower fuel consumption.
Electricity distribution.	Nicaragua.	Purchase of transformers with dielectric vegetable oil.	Consumption of biodegradable products.

Initiatives relating to water consumption

Business	Country	Initiative	Result
Electricity generation.	Spain.	Contribution of demineralised water into the water-steam cycle, ceasing to use the water pumps.	Reduction of water consumption.
Electricity generation.	Mexico.	Use of sodium hydroxide in the physio-chemical processes water.	Reduction of water consumption.
Electricity distribution.	Panama.	Campaign to save water.	Reduction of water consumption.
Electricity distribution.	Moldova.	Changes in the inland grid.	Fewer losses of water.



**Initiatives relating to emissions**

<b>Business</b>	<b>Country</b>	<b>Initiative</b>	<b>Result</b>
Electricity generation.	Spain.	Modification of air filters and burners.	Reduction of emissions.
Gas distribution.	Spain.	Recovery of excavated soil.	Reduction of emissions from transportation vehicles.
Electricity generation.	Dominican Republic.	Installation of a housing blow-off filter on the generators.	Reduction of emissions.
Mining.	Spain.	Foster video conferences.	Reduction of emissions.

**Initiatives relating to effluents**

<b>Business</b>	<b>Country</b>	<b>Initiative</b>	<b>Result</b>
Electricity generation.	Spain.	Replacement of sulphuric acid for neutralisation of effluent with CO <sub>2</sub> .	Removal of hazardous products and risks of overacidification with strong acids.
Gas distribution.	Argentina	Construction of a sampling chamber at Peak Shaving Plant.	Determine the overspill parameters of liquid effluent from the process cooling towers.
Electricity generation.	Kenya.	Construction of the effluent separation dyke.	Separation of water and oil.

**Initiatives relating to noise**

<b>Business</b>	<b>Country</b>	<b>Initiative</b>	<b>Result</b>
Electricity generation.	Spain.	Shielding Generator III.	Reduction in noise levels.
Gas distribution.	Spain.	RMS soundproofing.	Reduction in noise levels.
Gas distribution.	Brazil.	Generator with acoustic skirting.	Reduction in noise levels.
Electricity generation.	Kenya.	Installation of acoustic doors in the engine room.	Reduction in noise levels.

**Initiatives relating to waste**

<b>Business</b>	<b>Country</b>	<b>Initiative</b>	<b>Result</b>
Electricity generation.	Spain.	Replacement of ferric chloride dosage for colourless and metal-free coagulant.	Elimination of hazardous waste.
Electricity distribution.	Panama.	Replacement of blue silica with orange silica gel.	Elimination of hazardous waste.
Electricity generation.	Costa Rica.	Replace acetone as solvent with biodegradable gel.	Elimination of hazardous waste.
Gas distribution.	Brazil.	Reuse of digging material.	Minimisation of waste generated.
Electricity generation.	Mexico.	Removal of Freon R22 refrigerant.	Elimination of hazardous waste.



Initiatives relating to visual impact

Business	Country	Initiative	Result
Electricity generation.	Costa Rica.	Maintenance of gardens.	Reduction of visual impact.
Mining.	Spain.	Lookouts and wooden fences.	Reduction of visual impact.

Initiatives relating to energy efficiency

Business	Country	Initiative	Result
Electricity generation.	Spain.	Oxygen sensor capsules.	Saving energy and indirect emissions.
Gas distribution.	Spain.	Installation of solar panels.	Saving energy and indirect emissions.
Gas distribution.	Colombia	Construction of an odourising station with solar panels.	Saving energy and indirect emissions.
Electricity distribution.	Moldova.	Changeover from incandescent bulbs to low consumption ones.	Improvement of efficiency and sustainability.

## Active participation in biodiversity: corridors for the brown bear

Gas Natural Fenosa's commitment to protecting and encouraging biodiversity is mirrored in initiatives such as the creation of corridors for the Iberian brown bear, classified as a species in danger of extinction.

The aim of this project, set up by the Brown Bear Foundation (FOP) is to encourage the movement of bears between the two sub-populations that exist in Spain, both in the Cantabrian mountain range, to increase biodiversity in the inter-population corridor.

The objectives mentioned above will be achieved by planting local species of trophic interest currently under-represented in the area. Reforestation will be carried out on treeless public and private properties. The idea is to create woodlands that can be used as communication passages, allowing the movement of bears from one sub-population to another. This will assist the genetic exchange between population. In a parallel fashion, another important objective of the project is achieved, namely CO<sub>2</sub> fixation by the new trees.

For many years now, Gas Natural Fenosa has been collaborating in the sponsorship and development of a range of actions to educate and raise awareness. These actions include the release of material for schoolchildren between the ages of four and eight in Asturias; or publishing a hunting manual, in areas where there are brown bears, targeted at local hunters in the Cantabrian and inter-population corridor, which will notably help preservation of the species.



## Interest in people



### Principles of responsible action with employees

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

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

### Persons, key to the success of Gas Natural Fenosa

The Gas Natural Fenosa's business project is carried out in 22 countries. At the close of 2012, the company enjoyed the direct involvement of 17,270 persons, of which 61.1% performed their activity in Europe, 31.8% in America and the remaining 7.1% in other continents. The average age of employees was 43 and the average length of service, 14.79 years.

Gas Natural Fenosa's strategy in the sphere of human resources is based on mutual respect and commitment, generating an environment in which each employee can develop humanly and professionally within the framework of the business objectives, with a balanced perspective between their professional and personal lives.

In 2012, Gas Natural Fenosa made a decisive decision to pursue globalisation, uniformity and quality in all its processes (talent management, screening, mobility) and to look after the employee wherever they may be located. This involved the design and set-up of an Employee Care Service which, through a multichannel approach, allows the consolidation of global and unique models in looking after the company's professionals.



Under this global approach, the company created an innovative technological standard that enabled accessibility to the group’s accumulated knowledge and to training for all employees, through the Virtual University, regardless of where they may be located. This project began to spread beyond the perimeter of the company, reaching external suppliers and strategic partners in what has become known as the Extended University. The project was acknowledged at the 10th Expansión y Empleo Awards, backed by the Technical Consultancy of the IE Business School.

Aware of the need for any improvement process to be measurable, traceable and auditable, Gas Natural Fenosa consolidated its certification programme for its human resources management models, and continued with the EFR (Family-Friendly Company) certifications, which already reach 70% of the workforce. This enables the company to show and guarantee third parties that its management models consider persons first and foremost. Moreover,

the group appreciably improved its position in the functional reputation rankings and indicators. By the same token, the social dimension of the prestigious Dow Jones Sustainability Index enabled the company to become the worldwide leader in its sector for the very first time.

Gas Natural Fenosa is completely convinced that employees’ opinion about the shared business project is of vital importance. Consequently, in 2013 it will conduct a new survey on the working climate and commitment with a focus essentially targeted at parameters that ensure sustainability of this commitment and its link to generating value for the company and for its shareholders.



Value actions

Proposed actions 2012

Final approval of the Equality Plan.

Fostering direct communication of employees with management by reinforcing specific actions.

Set up of the Internal Communication Plan for greater prevention of accidents.

Awareness campaign to encourage diversity.

Planned actions 2013

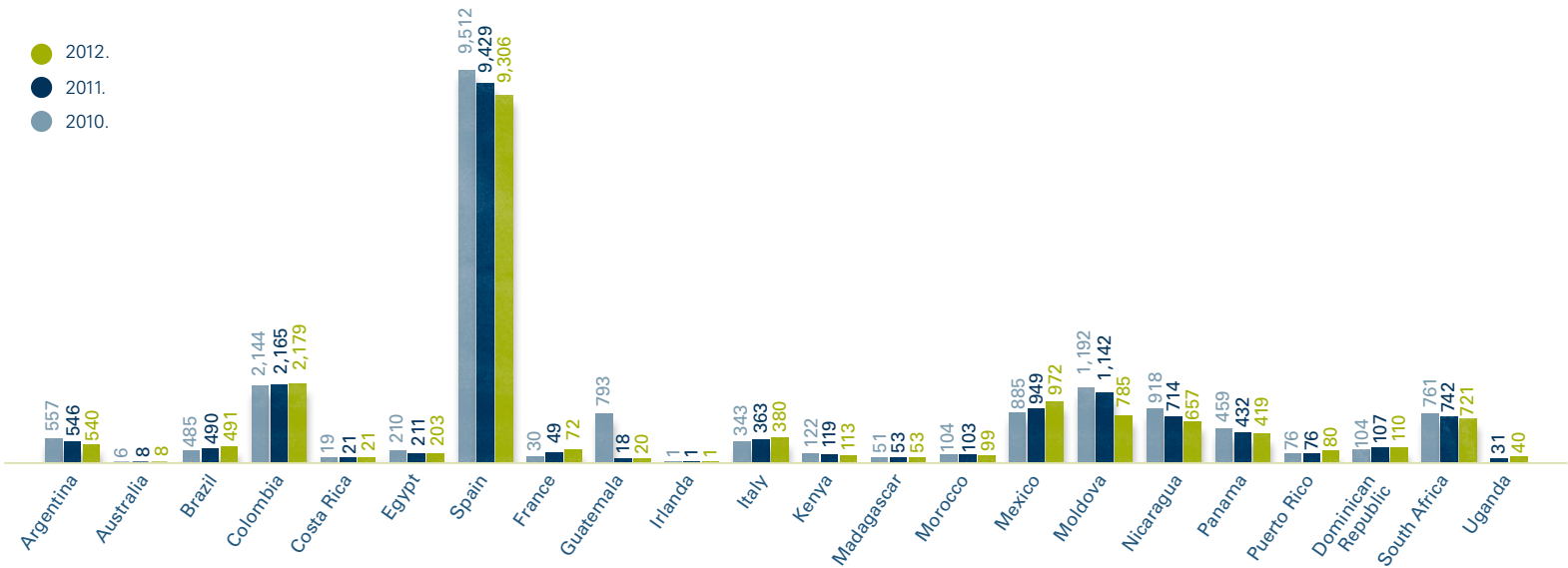
- Setup of the Revitalisation Plan of the Virtual University, with a specific plan for collaboration and contribution.
- Extending the community at the Corporate University for personnel with commercial duties (Commercial Window) to the remaining countries of the group.
- Expansion of the Extended University for suppliers in Brazil, Colombia and Spain.
- Launch of training itineraries of Gas Natural Fenosa.

Level of fulfilment: ● High ● Medium ● Low

Challenges concerning interest in people

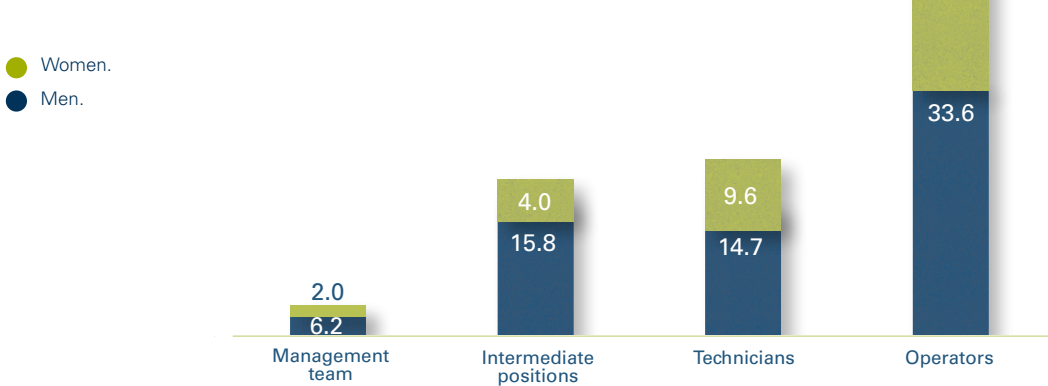
- Attract and retain the best professional talent.
- Offer training that is appropriate to the needs of each employee and each of the businesses.
- Have employees with a high level of motivation and sense of belonging.

Staff rate. Number of employees\*



\* Number of employees according to corporate criterion. The indicators provided in this chapter apply to the workforce with centralised management, corresponding to employees of subsidiaries where Gas Natural Fenosa has a controlling interest and for which personnel and human resources are managed with the same criteria. It accounts for 14,355 people; 7,533 in Spain and 6,822 distributed in Argentina, Australia, Brazil, Colombia, Costa Rica, Egypt, France, Guatemala, Ireland, Italy, Madagascar, Morocco, Mexico, Moldova, Nicaragua, Panama, Puerto Rico, Dominican Republic and Uganda.

Breakdown of staff according to professional category and gender (%)





## Knowledge management

### Corporate University

The Corporate University of Gas Natural Fenosa was created in 2000 and is the pioneer of Spanish corporate universities. Since then, the evolution of its model has been constant, adapting to the needs of the company and of its professionals. With the new approach adopted in 2011, the Corporate University was transformed into a lever for talent development that seeks excellence through professional development. Its mission ("to contribute to developing professionals that make the vision of Gas Natural Fenosa a reality"), aims and structure are permanently aligned with corporate strategy. This connection between the strategy, the best international practices and development programmes is guaranteed by its Advisory Board.

The Advisory Board defines the mission and aims of the Corporate University and oversees their fulfilment. It encourages the establishment of institutional relations and organisations, and proposes new approaches and reports on trends. The company's senior management representatives form part of this Board, together with consultants from business schools, universities, consultancies and academic institutions of worldwide renown.

In 2012, the Corporate University, in line with its ongoing strategy of adaptation to the needs of the businesses and their personnel and to innovative trends in knowledge management, reinforced and extended its scope as a key tool in the development of persons. Its main objective is to meet the group's training requirements at all levels and areas of the organisation, in three phases: identification of needs -through managers- arising from business plans, design of training and knowledge management programmes set out in the Annual Plan and, lastly, measuring results to ensure the quality and the practical result of the activities performed, and to establish continuous improvement plans. Its activity is supported by the effort and participation of managers and internal experts, the major players in transferring knowledge. Gas Natural Fenosa's interest in people was acknowledged for the sixth consecutive time with the highest score (100%) in the area of Human Capital Development of the Dow Jones Sustainability Index World (DJSI).



In 2012, twelve educational itineraries were designed together with the business areas that allowed learning to be organised with a view to the long-term and covering the areas of knowledge of context, functions and skills. This allows greater scalability and coverage of training, as well as responding to needs with greater flexibility and dynamics, as these needs adapt and evolve in accordance with the businesses. The itinerary is a training tool that plans, implements and assesses specific actions, combining different teaching methods that are adapted to the requirements and availability of each person.

October 2012 marked the first anniversary of the launch of the Virtual University in Spain. By the close of the year, this tool was available to all the company's professionals in Argentina, Brazil, Colombia, France, Italy, Morocco, Mexico, Moldova, Nicaragua, Panama and the Dominican Republic. During this time, this collaborative platform has served as a vehicle for training and a repository for the company's knowledge and best practices. This initiative was acknowledged by the Mexican Centre for Philanthropy (CEMEFI) as a Best Practice in Corporate Social Responsibility.



A global penetration index of 77% was achieved in 2012 (persons that access the platform at least once), with an average of 8.2 visits and 4.5 downloads per user. The proportion of employees receiving training through the Virtual University reached 58.6% of the workforce.

The Extended University also began its activity in 2012 for the purpose of ensuring the consistency and quality of the training and skills offered by Gas Natural Fenosa to its collaborating companies, introducing major improvements to the processes for interaction with participants in the value chain. This new channel fosters the employability and development of professionals in different countries by contributing to the professionalisation of companies and improving quality and

safety in their work. The model was started up in Mexico in 2012 and has led to the training of employees from more than 200 supplier companies. It will be expanded in 2013 to Brazil, Colombia and Spain.

Over the last year, the Extended University trained 715 persons at collaborating companies in Mexico, with more than 13,000 training hours, 14% of which were given online. It is worth noting the 91% pass rate, as well as the high level of satisfaction with the training received, with a score of 9.5 out of 10.

The overlap in time between the Virtual University and the Extended University led to the Virtual and Extended University (VEU) project, an initiative acknowledged with the prize for Innovation in Human Resources at the 10th Entrepreneurs and Employment Awards given by the business newspaper *Expansión*.

The Corporate University model is based on a continuous cycle of identifying training needs, setting up programmes, measuring results and improving quality; activities that take place over a year. With the support of its own business units and the Human Resources business partners, the Corporate University provides the resources required to cover these needs. Once the training actions are given, the efficacy of the practical results are measured before introducing action plans for improvement. The purpose of measuring is to achieve excellence in the professional activity of those persons that form part of the group.

This annual cycle starts in October with the identification of the training needs. It starts with an email sent from the Head of Human Resources to the general managers, requesting their active participation in the process. The business partners of the respective businesses are responsible for disseminating this communication among the different units, adapting the messages to the individual characteristics of the business or, where appropriate, the country.



Subsequently, there is a meeting with the Strategy and Development Department, which reports on the company's medium- and long-term targets. With the general guidelines already set, the Corporate University team has meetings with those in charge of the different business units and their Human Resources business partners. The purpose of these meetings is to detect how the Corporate University can collaborate in achieving the goals of the different businesses, through training, knowledge management and professional development.

Having incorporated the needs and prioritised them by business, the most relevant needs are reflected in the Training Plan document, which specifies those business targets to be improved, the group at which training is targeted, the learning methodology, and even the calendar quarter of the year in which training will take place.

Here, we should point out that knowledge transfer is an ongoing process, the *raison d'être* of the Corporate University, supported by the internal experts and teachers. 36% of annual training hours are given by executives of the organisation, who also design and arrange the contents of the majority of priority programmes included in the annual training plans. The company is completing identification of internal experts, after which it will have a teaching body of more than 600 persons. In 2012, total training hours given by company professionals within the framework of the Corporate University totalled 285,000.

This commitment to internal training, which provides not only knowledge but also experience and know-how, is carried out precisely to consolidate the group's internal knowledge.



Part of this internal knowledge can be found at the Virtual University, a new channel of knowledge transfer and one that is a priority in the company's training strategy, not only as a documentary repository but as a training platform. A large number of classroom-based courses have been made available in digital formats and included at the Virtual University, so that all employees can access them at any time and from anywhere in the world. Moreover, professionals from the different businesses collaborate in preparing the contents of many online courses and other training resources: videos, virtual visits, simulators, etc. At the end of 2012, the Virtual University already had more than 1,600 contents, many of great methodological and pedagogical quality.

The exchange of knowledge in workgroups is organised and can be accessed on the platform to complement more traditional training. The debates and their follow-ups can also be consulted at the Virtual University website.

Also in 2012, a specific action plan was designed to be introduced in 2013, which will increase the activity of the Virtual University with the incorporation of facilitators. These professionals will be responsible for encouraging and facilitating participation, and they will include: business experts, people that solve doubts within their sphere of knowledge. Publishers will also be incorporated, whose job will be to add documentation proposed by users and experts.

In addition, on finalisation of training actions the company will assess the quality of the services provided. The purpose of this measurement is to ensure the practical result of activities and mirror the Corporate University's commitment to quality and ongoing improvement. To this end, the Corporate University has for some years had its own, integrated model up in 12 countries. This system assesses how satisfied participants are with training; the application of knowledge acquired to the job, questioning both participants as well as their direct managers; and checking with managers to find out the perception of services provided by the company. In 2012, the efficacy index was 81%, obtained from the weighted average of the satisfaction index (8.7 out of 10), of the application index (75.1%) and of the measurement of perception index (7.9 out of 10), conducted simultaneously with the identification of training needs.

As a consequence of these assessments, throughout the year actions were implemented that cover different facets (acquiring knowledge, efficacy and application to the job, infrastructures and means), the ultimate aim of which is to improve the rating of the Corporate University's activity.



## Programmes and contents of the Corporate University

The programmes offered by the Corporate University, founded as a result of the identification of the business training needs, are based on its two institutes: Leadership Institute and the Technical Institute.

### Leadership Institute

Its aim is to develop and to perfect the management function, focusing on management experience and knowledge in the development of skills and in fostering leadership.

The following programmes are of particular importance at the Leadership Institute:

- **Corporate Leadership Programme.** Three courses conducted by the IESE and four by Esade Business School, at which 235 executives from eight countries spent a total of 8,990 hours.
- **Executive Development Programme (EDP).** The High Potential School held an edition of the Executive Development Programme (EDD) given inside the company in Spain by Esade. 40 key persons from nine countries perfected their management knowledge and skills through a programme that combines classroom and online courses, and which exceeded 5,000 training hours.

- **Efficiency Improvement Programme.** Aligned with the company's Efficiency Improvement Plan, a total of 26 participants from Spain attended.
- **Programmes focused on management skills.** With a catalogue of 14 specific programmes, a total of 38,702 hours were offered. In 2012, 3,127 persons took part in the courses given to reinforce leadership and management skills within the framework of the Management Skills School.

### Technical Institute

It aims to provide technical training at the group's different businesses and in crosscutting processes. Prominent here is the Occupation Risk Prevention Classroom, which offered more than 128,000 hours to over 16,800 attendees. The programmes given in this classroom encourage practical training to reinforce the qualification in security and inculcate a preventive attitude in all professionals of Gas Natural Fenosa. Also of particular note is the training given in the integral health classroom, which featured participation by 317 persons.

The Pompeu Fabra University awarded certificates of achievement to those attending the Higher Course of Economic-Financial Expert, which commenced in November 2011. In 2012, a total of 2,303 training hours were given to 183 attendees. The purpose of this training is to implement ongoing improvement of economic-financial processes and the effective communication of these processes to the different areas.

We should also mention that the Commercial Window was enabled in 2012, a new private group of the Virtual University that offers contents in multiple formats aimed at professionals with commercial duties in different areas of Gas Natural Fenosa. During this initial stage, the group comprised 1,400 professionals. In 2013, it will be extended to remaining countries and to persons with the same duties, until we have more than 2,600 users. At the end of 2012, a total of 180 training hours had been given in this virtual space, with more than 5,000 accesses.

Also at the Virtual University, training related to the Code of Ethics was given to 7,874 employees in Argentina, Brazil, Colombia, Spain, Mexico, Nicaraguan, Panama and the Dominican Republic. The Human Rights Policy course of Gas Natural Fenosa, launched in Spain in 2011, was taken by 633 persons from five countries. By the same token, "Find out how to contribute" featured participation by 859 students. This is virtual training that encourages the inclusion of disabled persons.

The “Basic Knowledge of Energy Efficiency” course was given at the Energy Markets School of the Technical Institute. Its aim is to disclose the most relevant aspects of policies, trends and technologies that will be implemented in the market to all those employees of Gas Natural Fenosa in Spain that are interested. 23 persons received eight hours’ classroom training from internal experts in 2012. The “Environmental Management” course, which combines classroom and online training, focuses on minimising repercussions the business activity has on the environment and encourages ongoing improvement. The course was taken by 542 participants from Argentina, Brazil, Colombia, Spain, Italy, Mexico, Moldova and Panama.

Training about “Climate Change” was given to 1,368 persons from Argentina, Brazil, Colombia, Spain, Italy, Morocco, Mexico, Moldova, Nicaragua, Panama and the Dominican Republic. Through a combination of classroom and

online training, aspects on mitigation of climate change were studied, and the Kyoto Protocol and the tools used to reduce emissions were analysed in more depth. The 1,076 attendees from the aforementioned countries were taught about “Environmental Sustainability” to make them aware of the impact of the company’s activities and their repercussions, to raise awareness about applying preventive and corrective actions that minimise or mitigate their effects.

Knowledge about disabled persons in the workplace was taught through the “Find out how to contribute” online module, which was attended by more than 700 executives and managers with staffing responsibilities, with a constructive focus and presenting disability as an additional source of diversity, enrichment of organisations and talent.

Lastly, the Corporate University has a network comprising seven training centres and 80 classrooms located at different work sites. The aggregate of academic and residential venues in 12 countries (Argentina, Brazil, Colombia, Spain, Egypt, Italy, Morocco, Mexico, Moldova, Nicaragua, Panama and the Dominican Republic) exceeds 47,000 m<sup>2</sup>. In 2012, occupation of the network of centres worldwide was close to 62,000 stays and obtained a global satisfaction index of 8.7 out of 10.

### Gas Natural Fenosa training indicators

	2012	2011	2010
Staff trained (%)	94.30	94.40	81.80
Training hours per employee	52.70	52.20	47.80
Total course hours	782,462	809,853	794,769
Men	578,472	592,017	–
Women	203,990	217,836	–
Annual investment in training (euros)	8,982,897	8,827,857	8,057,570
Investment in training per person (euros)	605.10	569.20	484.90
Attendees	68,809	67,834	53,473
Users of online training schemes over total staff (%)	58.60	32.30	22.60
Participants’ degree of satisfaction (out of 10)	8.70	8.50	8.40



## Training hours by areas of knowledge

Area of knowledge	Hours
Technical Institute	708,160
Business	187,530
• Up & midstream and regulation	16,918
• Generation	42,852
• Energy markets	4,329
• Gas distribution	38,791
• Electricity distribution	57,248
• Commercial	27,392
Processes	283,532
• Occupational risk prevention	128,638
• Quality and environment	45,365
• Engineering and innovation	10,094
• Information systems	50,631
• Other corporate services	48,804
Internationalisation	237,098
• Corporate culture and responsibility	87,864
• Languages	149,234
Leadership Institute	74,302
• Management and high potential	35,600
• Skills school	38,702
<b>Yearly plan total</b>	<b>782,462</b>

## Training hours per employee and professional category

	Management team	Intermediate positions	Technicians	Operators
Staff trained (%)	100	98	91	93
Training hours per employee	103.8	66.8	56.6	36.0
Total course hours	126,540	196,714	203,913	255,295



## Virtual and Extended University (VEU) project

The purpose of the Corporate University is to offer the best-in-class training in the energy sector, providing training to its own employees and its network of suppliers. The reason training is offered to suppliers is because on occasions they do not have the professional experience and knowledge required and this prevents them from being able to offer the services at the grade of Gas Natural Fenosa. This also leads to other associated benefits, such as professionalism or decreasing the levels of internal rotation.

The Virtual University was designed in accordance with the company's needs to be able to offer online training and optimum management of knowledge. The Extended University was designed to provide training to all agents involved in the value chain of Gas Natural Fenosa, beyond its own employees. The VEU project arises from the combination of the two concepts and encompasses the benefits of both. It allows the overall service quality of Gas Natural Fenosa to improve, as it exports know-how from the Corporate University to a group that may not have appropriate training. Professionals taught under this programme will have training that increases their quality of service, image and value in the market. It also increases the competitiveness of SMEs that provide energy services, which in the long-term will lead to benefits for society as a whole.

The VEU project has had a positive impact from the outset, as can be seen in the qualitative and quantitative indicators put in place to measure its effectiveness. This model was started up in Mexico in 2012 and has led to the training of employees from more than 200 supplier companies. This model will be expanded in 2013 to Brazil, Colombia and Spain.

It is worth pointing out that the VEU project was acknowledged with the prize for Innovation in Human Resources at the 10th Entrepreneurs and Employment Awards given by the business newspaper *Expansión*.



### Talent management and leadership model

Gas Natural Fenosa applies a Talent Management Model as a commitment to individual development and professional career evolution.

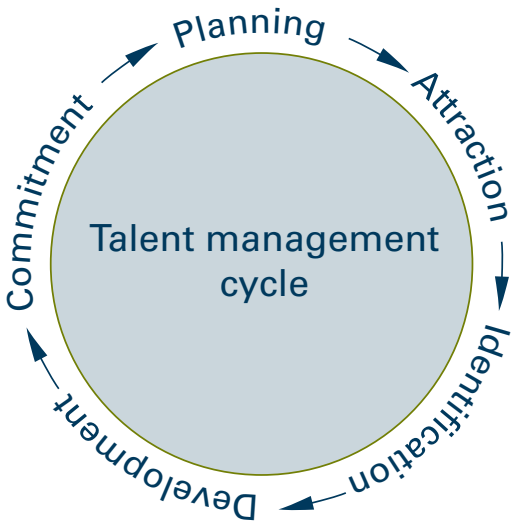
This model was updated during the last quarter of 2011 and the first of 2012 in order to ensure management of the full talent cycle in an integrated manner and for the controlled and consistent definition of the learning process for our professionals to ensure that their development is in line with the company's needs.

The model defines "talent" as the combination of performance and potential, where performance is considered as referring to what employees do and how they do it, and potential as what they can achieve, where the capacity for learning, interest and motivation play an essential role.

A double focus is proposed for talent management: a focus on positions, to guarantee the needs of the company are covered with suitable succession plans; and another focus on people, to implement a culture for individual development, with a learning model based on experience and feedback, and focused on development.

The basic pillars of the model are as follows:

- 70-20-10 learning model (70% practical learning, 20% learning from others and 10% formal learning) in which learning through experience should account for around 70% of the individual's development actions (assignment on projects, extension of responsibilities, temporary assignments, position changes) and in which the employee's commitment and disposition are key.
- Single leadership model for all employees, made up of skills (observable, usual conduct that contributes to success in a management function or task) focused on achieving a sound business balance and growth.
- Individual Development Plans (IDP), personalised according to the needs of the collaborator and the company, including employees in succession plans and focused on learning through experience as a fundamental part of development.



The following new lines of action were put in place:

- Definition of the Leadership Model itself.
- Skills appraisal based on the defined leadership model.
- Creation of Individual Development Plans, depending on the results of the skills appraisal.
- Formalisation of priority succession plans, considering both the criteria associated with the priorities of business and importance of technical knowledge, and risks of departure (owing to age or the market).

First of all, the company completely defined its new Leadership Model to achieve operative excellence, promoting efficiency and transversality as part of corporate culture, and for it to be a genuine representation of the company and the organisation's values. In terms of talent management, this Leadership Model fosters employees' professional growth, staying with them throughout their working lives, identifying the skills that are most necessary in each stage of their career and promoting a close, objective relationship between manager and collaborator, focused on achieving targets.

The preparation of this model included the participation of 200 executives from across the company, in different workshops, with 45% of them from Latin America. Thanks to these workshops, the new model was defined with 24 skills, integrated along three lines (vision, people and management), which, in turn, include five dimensions (strategy and innovation, people management, cooperation, decision and execution). These 24 skills correspond to the professional development of all members of staff as they are required at various professional levels.

After defining the Leadership Model, the company started to implement the Talent Management Model at an executive level, as a first step prior to the extension to the remainder of the management team and technical personnel.

Skills appraisal was conducted at an executive level in 2012 by means of 180-degree multi-source feedback. Together with the individual notification of the results of the appraisal, specific training sessions were designed for the interpretation of the results.

The sessions also included specific training for the preparation of Individual Development Plans (IDP) according to the needs of people and the company, based on the results of the corresponding skills appraisal. Accordingly, IDP were prepared for executives, setting measurable development targets to ensure compliance, focused on learning through experience as a fundamental part of development and in agreement with the hierarchical superior.

During the transition period to the new Talent Management Model, and in order to assure consistency and traceability of information related to talent identification processes, the company updated its assessment, with the system effective in 2011, for a group of 2,592 individuals not covered by bargaining agreements, 32% of whom are employed internationally.

In specific areas for attracting talent, the selection processes and internal and external mobility also included the new Leadership Model for the appraisal of individual skills as from 2012. With regard to the attraction and incorporation of high-potential experts, in 2012, new professionals were incorporated on the MBA Programme to cover key vacancies, a two-year rotation programme included directly in the general departments. The Summer Internship Programme was also continued with students from various degrees and subjects.





With regards to talent planning, internal management profiles for the succession plans affecting key positions were analysed throughout the year.

The targets of the Talent Management Model are as follows:

- To identify and develop talent from a global viewpoint to guarantee the appropriate cover of present and future requirements.
  - Existence of solid succession plans.
  - Increase of cover for key positions with the company's own personnel.
  - Better preparation of successors for the new position.
  - Increase in management mobility.
- To put into practice an individual development culture based on three pillars:
  - Systematic focus of development based on self-knowledge.
  - Learning model based on experience.
  - Feedback culture focused on development.
- To add value to the company, the director and the employee through tools of proven worth that are simple, scalable and focused on career-long professional development.
- To ensure participation of the business from the beginning and throughout the process, with Human Resources as a guarantee of methodological consistency.
- To overcome the feeling of talent as property, fostering its transversal management.
- To guarantee a pragmatic focus that involves specific actions for developing both performance and potential.
- To propose talent development as a commitment between employee and company, with rights and obligations.

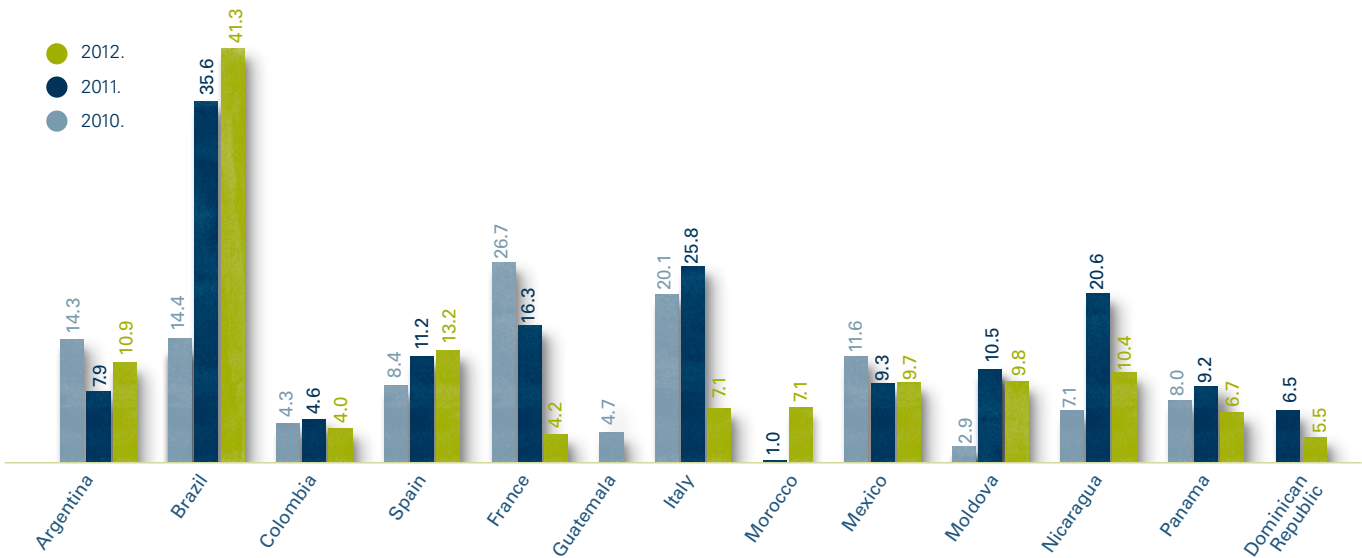
The main results and benefits obtained after the implantation of the Talent Management Model were as follows.

- Consistency of the behaviour pattern expected of all employees and formalisation of a specific development framework for each organisational level, depending on the skills required of each one.

- Effective implementation of self-knowledge as a key value in professional development through skills appraisals.
  - Development of feedback culture between manager and collaborator, through specific training and practical application in the framework of the IDPs.
  - Results valued by the organisation: clarification and adaptation of the criteria defined in the Leadership Model, operative through conducts and actions that are to be incorporated or developed on a professional level.
- Registration of individual expectations regarding professional development in the medium term (1-2 years) and long-term (3-5 years).
  - Definition of indicators for the subsequent valuation of the level of progress of the actions defined in the IDPs. Validation of IDP quality through personalised consultancy and guidance sessions regarding their definition.
- Availability of high-quality support guides for development that are easy to understand and apply.
  - Implementation of the IDPs through the launch of improvement actions in the position and assignments to projects to consolidate learning through experience as a practical and operative instrument for development.
- Results valued by people:

  - Access to a multi-source evaluation tool that is considered valid for defining and prioritising development targets.

Staff promotions



NB: No promotions were made of staff in Australia, Costa Rica, Egypt, Guatemala, Ireland, Madagascar, Puerto Rico or Uganda in 2012.



Human and social development

Employment quality and mobility

Employee satisfaction depends largely on the existence of professional development opportunities. Accordingly, Gas Natural Fenosa offers its employees, first of all, quality employment, since more than 95% of its employees have open-ended contracts and, secondly, a professional career that is sound, structured and attractive.

Employees still have the Internal Mobility Programme, which makes it possible to balance the offer of internal employment with their demands, and offers the possibility of opting for any vacancy with no requirements other than having the qualifications required for the position. In 2012, Gas Natural Fenosa's Internal Mobility Programme remained key to the ongoing nature of professional development, and the offer of opportunities was extended to every country in which the company operates. Accordingly, employees can now opt for specific positions regardless of where they are located.

In 2012, the number of vacancies advertised internally in Spain exceeded 500,380 of which were managed through the internal mobility procedure. 182 of them were covered internally and the rest were transferred to external selection and recruitment. Internationally, 76 positions were covered by this procedure, with applications from 743 internal candidates totalling 822 applications.

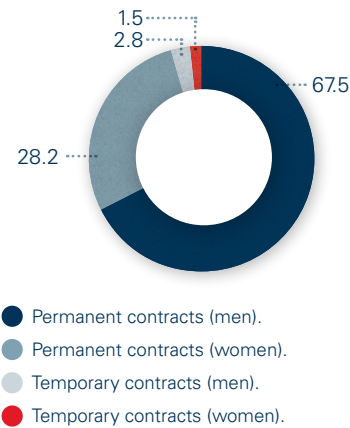
During 2012, a total of 1,525 employees, 10.6% of the workforce, applied for vacancies, leading to 2,523 applications, an average of 1.6 applications per employee. Men outnumbered women in the Internal Mobility Procedure, and the average age was around 40.3.

With the main aim of strengthening Gas Natural Fenosa's image as an employer, a unique global model was put in place in 2012 for external selection and internal mobility in every region in which the company operates. This has guaranteed best practices in the identification and attraction of professional talent required for business development.

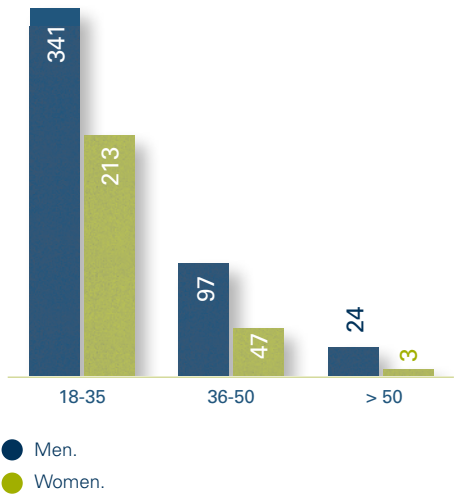
Across the entire company, 725 vacancies were covered externally and successfully; 239 corresponded to the business in Spain. 263 of all the employees hired were women.

For the employees included in the agreement, some of the company's tools are the Professional Development Programme (PdP) and the Competence Management Model (CMM). Those not included in the collective bargaining agreement use the Management by Objectives (MbO) tool.

Type of contract (%)



New employees by gender and age group





## Diversity and equal opportunities

Respect for people, the development of talent and the promotion of a working environment that is respectful of employees are some of the people management targets that were established at Gas Natural Fenosa.

The company is involved in the training and development of its personnel, strengthening its commitment and encouraging diversity of opinions, outlooks, cultures, ages and gender, as part of its strategy for human and social development in each of the countries in which it operates.

Guaranteeing equal opportunities, fostering and respecting diversity, and offering an attractive and stimulating career form part of the company's commitment to its employees.

Gas Natural Fenosa specifically rejects all forms of discrimination. This commitment covers the selection and promotion processes, which are based on the assessment of the individual's skills, the analysis of the requirements that apply to the position, individual performance levels and merit.

Accordingly, the signing of the Gas Natural Fenosa Equality Plan in Spain, in accordance with law, is of particular relevance, as is the creation of a joint monitoring committee to ensure fulfilment of the principles, commitments, targets and measures that are defined by said committee.

With regard to gender diversity, 29.66% of employees were women at the close of 2012.

Gas Natural Fenosa's commitment to equal opportunities between men and women applies directly to the company's 16 business in Spain and to 4,258 of its professionals, without prejudice to it subsequently being extended to its other activities and business.

Gas Natural Fenosa meets legal requirements on equal opportunities and the social integration of disabled people, beyond strict legal requirements and fostering their direct employment in the group's companies. In Spain, the minimum target is for 2% of the staff to be made up of individuals with various disabilities. In accordance with this commitment, in 2012, the Aflora and Capacitas programmes were implemented as part of the actions taken by the company's Human and Social Development Plan.

Thanks to these programmes, the number of disabled people in Spain was increased by 37, which was up 50% on the previous year.

Furthermore, the company launched a specific package of economic, medical and training measures for this collective.

Internationally, exceeding minimum legal requirements and even in their absence, the percentage of persons with disabilities employed by the company accounts for significant figures, such as 3.26% of the workforce in Brazil, 2.39% in Panama, 3.03% in Morocco, 5.26% in Italy and 1.34% in Mexico.

The companies in Gas Natural Fenosa foster the integration of disabled people and the application of public policies established to promote greater equality and to foster a corporate culture based on merit. There are collaboration agreements in place in Spain with the Adecco and Carriegos Foundations, in addition to an agreement signed with the Generalitat of Catalonia Regional Government to favour the incorporation of women suffering from gender violence and at risk from social exclusion into the workforce, and the collaboration with the Ared Foundation for the same purpose. Accordingly, Gas Natural Fenosa signed its adhesion to the Incorpora programme of “la Caixa”

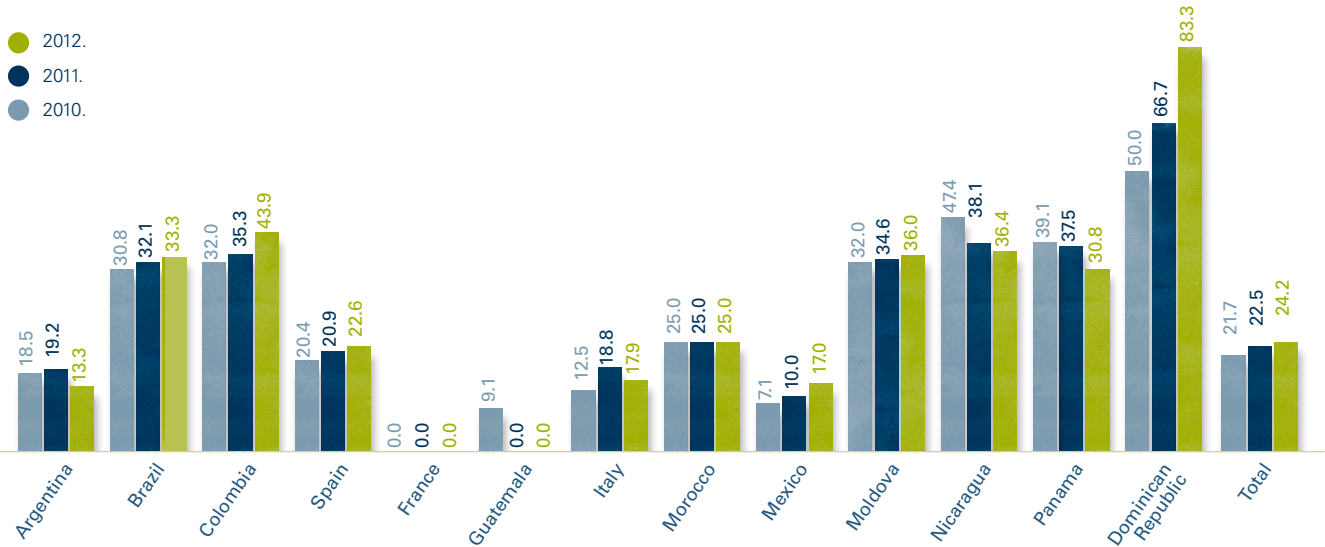
Special mention should be given to the achievement in 2012 by Gas Natural Fenosa of the Diversity Excellence certification under the EDC model. This methodology, a pioneer in Europe, enables the company’s

organisational and management system to be improved in order to encourage integration of disability. This certification recognises the process of continuous improvement underway at Gas Natural Fenosa to encourage diversity in its values, strategy and process management. In 2012, the EDC certificate evolved towards the Bequal model, sponsored by the ONCE Foundation and other organisations, and based on the Seeliger y Conde Foundation methodology, which will strengthen and extend the requirements associated with these accreditations in society and companies.

All of the Gas Natural Fenosa’s subsidiaries maintain their commitment to contributing to the development and progress of the communities in which they operate, systematically implementing actions aimed at fostering social promotion activities through the voluntary intervention of employees

(Solidarity Day Association, created in 1997, yearly environmental awareness campaigns and sports activities); through cooperation agreements with foundations, associations, institutions and research centres in Spain and other countries (Mexican Red Cross, Pro CNIC Foundation for cardiovascular disease research, Domus Down project - Down Syndrome Foundation of Madrid, Nenes i Nens amb Càncer Foundation of Barcelona); and through the encouragement of sporting, music, cultural, educational, scientific and environmental activities.

Women in management posts (%)





## "Committed to Capacity" campaign

In 2012, Gas Natural Fenosa launched its "Committed to Capacity" campaign, which arose from the company's interest in strengthening the feeling of integration of disabled people. As part of the Human and Social Development Plan, it focuses on two targets: the value of persons and their potential as professionals regardless of their situation.

The aim of "Committed to Capacity" is for all the company's employees to be aware of the different types of disability and offer information about the specific measures in place in the business world for disabled people.

"If you can, we can too" was one of the key phrases that has publicised this campaign among employees. The campaign included the publication of various internal communication material, in particular, a video recorded with the organisation's disabled employees at their work and with their colleagues. The video won the Agripina Advertising Prize in the Entities category.

Also as part of the campaign, the main work centres in Madrid, Barcelona and A Coruña held accessibility awareness days that involved more than 650 employees. During the days, they were able to experience, discover and feel the barriers that affect disabled people.

Initiatives of this kind are an example of Gas Natural Fenosa's commitment to diversity, convinced that they enrich the company and that each person can contribute with their own talent to achieve business targets from within their different skills.



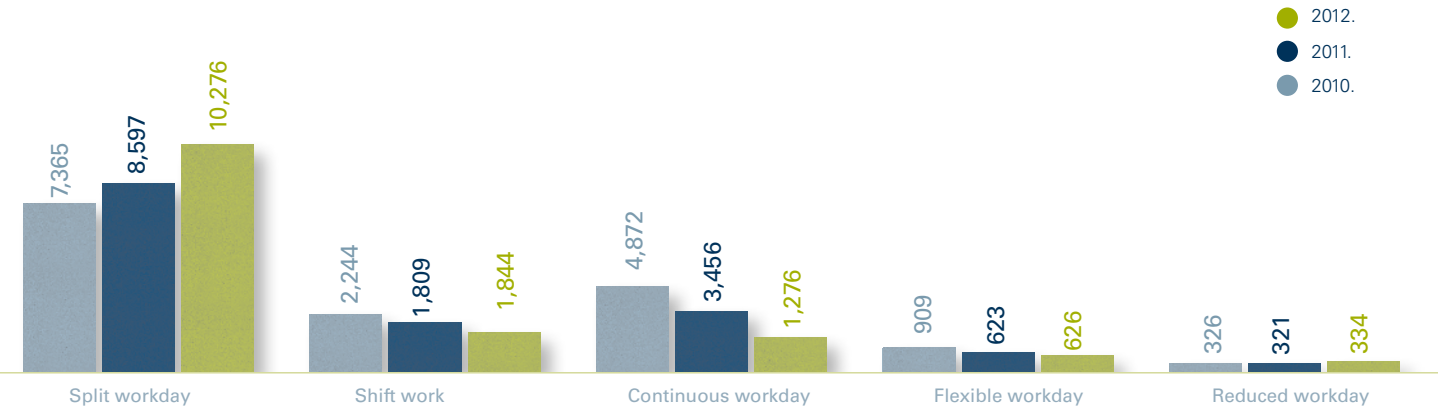
Flexibility and support for the personal environment

At Gas Natural Fenosa, finding a balance between employees’ professional and personal lives is an important part of the labour and services flexibility measures and the benefits adapted to their requirements, so that they can organise their options in accordance with their development plans and the company’s interests.

One of the measures in this field is flexitime to allow professionals to adapt their working hours to their personal lives. This measure was the most highly valued and appreciated in all the external studies and benchmarking processes to which the company had access.



Flexibility and support for the personal environment





Gas Natural Fenosa offers its employees such benefits as the possibility of shorter working hours on Fridays, and, for specific groups, every day in the summer months.

Furthermore, the legal entitlements to reduce the number of daily hours worked and the temporary limitations to them are extended by the company, including accumulating leave for breastfeeding and, in certain cases, increasing the terms of calculation. Female employees have the possibility of avoiding travel that involves moving away from their homes during pregnancy or breastfeeding.

Likewise, employees who are looking after relatives under special circumstances are eligible for policies that enable them to work closer to home.

With strict respect for the legal frameworks applicable to each area and the values of the various cultures in which it carries on its business, Gas Natural Fenosa offers its employees social benefits in every country in which it operates. In particular, under different names and content, depending on the area, country and agreement, it offers the following:

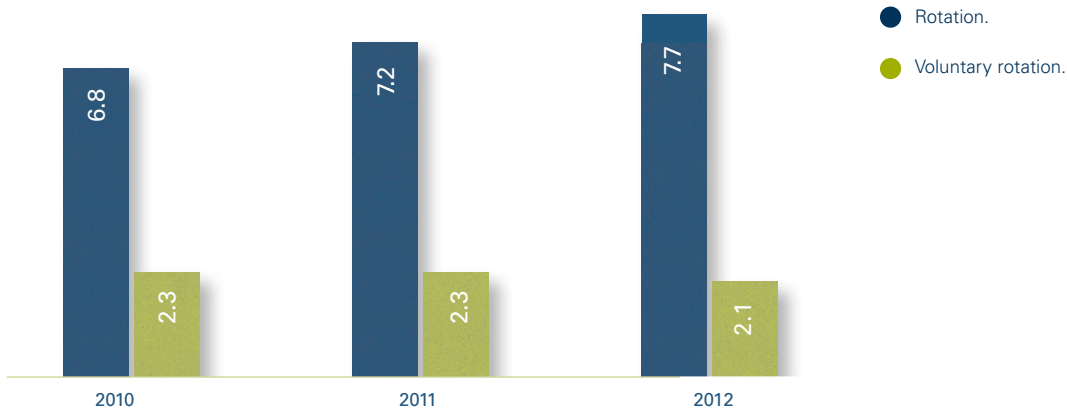
- Work-life balance policies.
- Medical insurance and services (hospitalisation, care, medicines, ophthalmology assessment, dentistry plan and similar). Supplements to public welfare benefits in cases of temporary invalidity.
- Sponsorship of sport and leisure activities.
- Financial assistance for meals (breakfast and lunch vouchers, allowances for meals and expenses, etc.).
- Family Plan, for relatives (parents, children, brothers and spouses) of Gas Natural Fenosa's employees with a level of disability equal to or greater than 33% and between 0 and 65 years of age.
- Study grants for employees and scholarship grants for their children, education allowances and a scholarship fund subject to differing regulations and scope.
- Defined contribution and complementary pension plans.
- Loans, advances and credit and insurance facilities for employees and their families.
- Electricity or natural gas consumption allowances.
- Preferential agreements with insurance companies and banks.
- Existence of the specific activity day (gas workers' day, electricians' day).
- Summer residences.
- Family allowance for the birth of a child, marriage, financial assistance for nurseries and crèches and for disabled children.



As proof of all these measures, Gas Natural Fenosa maintained the EFR certificate for all its companies in Spain in 2012, and extended said certificate to its businesses in Colombia and Brazil. This certification, granted by Másfamilia Foundation and endorsed by the Ministry of Health, Social Services and Equality, underscores the company's commitment to human and social development, and is in line with the UN Development Programme (UNDP).

The group is also working on a global certification model for all its companies in collaboration with the Másfamilia Foundation and Aenor, since it considers that its human resources management policies on these matters are universal and consistent for every society and business in the world.

#### Rotation index and voluntary rotation index (%)\*



\* Rotation: layoffs/average staff. Voluntary rotation: voluntary layoffs/average staff.

NB: the breakdown of this indicator according to geographical location is available in the appendix of this report.

#### Rotation indices according to gender and age group (%)

		Rotation index	Voluntary rotation index
18-35	Men	1.4	0.8
	Women	0.8	0.4
36-50	Men	1.7	0.4
	Women	0.4	0.1
> 50	Men	2.9	0.4
	Women	0.4	0.1

## Compensation, remuneration and results

### Remuneration policy

Gas Natural Fenosa's remuneration policy is governed by equity on an internal scale and competitiveness from the market point of view. The governing criteria are as follows:

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

Gas Natural Fenosa regularly carries out comparative studies to assess the competitiveness of its remuneration policy and applies a model based on the market performance and the company's results.

The policy established on variable remuneration covers 55.2% of the employees who are directly managed by the company (14,355 employees). This policy is based on the fulfilment of yearly targets determined by the company and the corresponding business unit, together with individuals' performance assessment, depending on the targets of their post and their professional actions.

In 2012, the company launched a Flexible Remuneration System for its management personnel and technicians excluded from the scope of the Collective Bargaining Agreement in Spain. The system made it possible for said workers to design their remuneration package voluntarily to adapt it to their personal and family requirements. Accordingly, they were able to allocate part of their cash remuneration to contracting certain products with tax and financial benefits in accordance with current legislation at all times.

As part of the Flexible Remuneration System, after the corresponding resolution was adopted by the General Meeting of Shareholders, a Shares Purchase Plan was adopted so that part of the gross annual remuneration could be allocated to purchase shares in the company. The aforementioned plan offers these workers the possibility of owning a share in the company's capital, which increases their motivation and commitment, and benefiting from more favourable tax options in accordance with current legislation at all times.

### Breakdown of personnel costs (millions of euros)

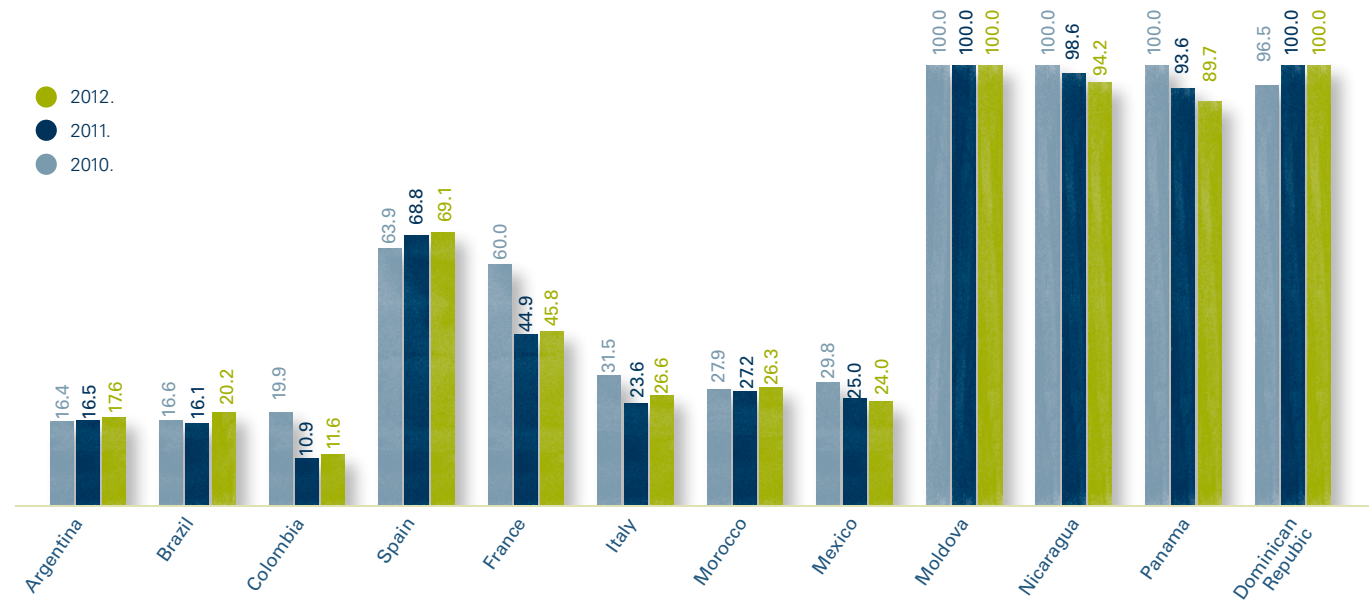
	2012	2011	2010
Wages and salaries	707	699	643
Social Security costs	129	126	125
Definitive contribution plans	32	32	33
Definitive benefit plans	4	4	6
Work carried out for the company's fixed assets	(85)	(82)	(82)
Others	84	79	73
<b>Total</b>	<b>871</b>	<b>858</b>	<b>798</b>

Share in results

The Management by Objectives (MbO), Performance Management (PM) and Variable Commercial Remuneration are methods in place at Gas Natural Fenosa as incentives for employee involvement in achieving the company's targets and direct share in results. Gas Natural Fenosa developed different communication actions, with an abundance of training on methodologies, the applicable common criteria and the use of the new computer system.

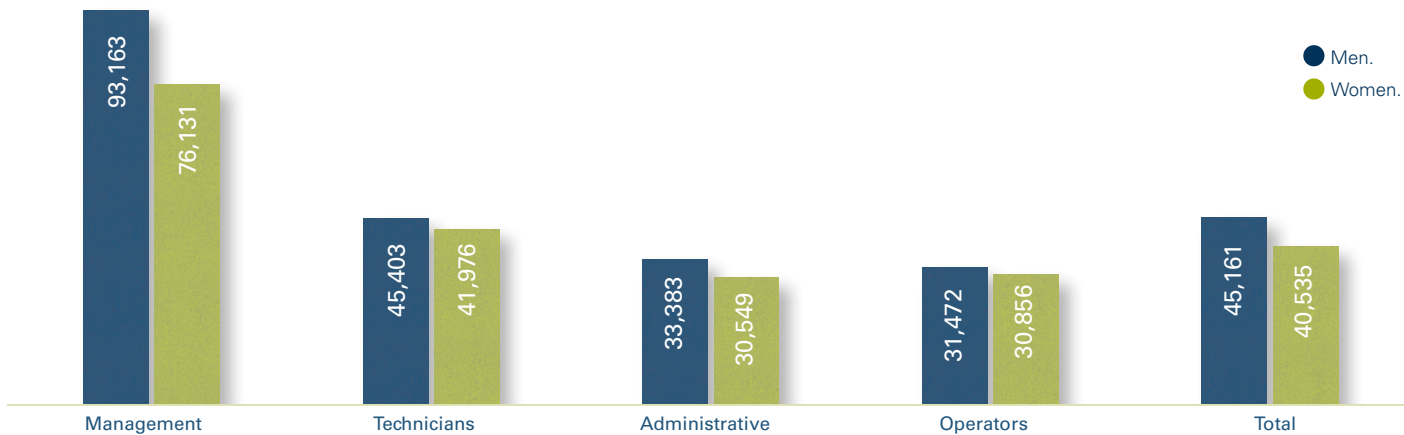


Performance Management (PM) and Management by Objectives (MbO) Indicators\*



\* Percentage of participants in the MbO and Performance Management systems. The breakdown by gender for this indicator is available in the appendix of this report.  
NB: there is no central management of variable remuneration in Australia, Costa Rica, Egypt, Ireland, Madagascar, Puerto Rico and Uganda. The figures for Spain include the workforce in Portugal, since human resources for both counties are managed jointly.

Average salary of men and women according to professional category (euros)



NB: Figures for Spain. The breakdown of this indicator according to geographic location is available in the appendix of this report. The difference in salary shown by the results is in line with the context of the sector and generated mainly by the company's past gender make-up, which means greater average seniority of men in comparison with women.

Trade union representation and contact with social players

Gas Natural Fenosa respects the right of free association and trade union representation in all countries in which it is present. The companies in the group have workers' representatives who are elected freely, with full respect for the principal of legality and trade union membership. The following 2012 figures are highlighted:

- 33 organisations were represented in all spheres of operation, 7 in Spain and 26 in the international business.
- After the trade union elections held in Spain in 2012 in many workplaces, there were 436 freely elected trade union representatives.

In 2012, the creation of the Negotiation Board for the 1st Collective Bargaining Agreement of the Gas Natural Fenosa's group of companies in Spain was particularly important. It aims to set up a single legal framework for 24 of the companies that carry on their business in this country and whose negotiations remain in process.

Similarly, in Spain, and without prejudice to the provisions laid down in current legislation, the means of communication and information between the company and union representatives, through the corresponding work commissions and committees, were kept.

Gas Natural Fenosa maintains permanent communication channels with trade union representatives and social players as an active part of its corporate policies.

Internal communication to bring employees into line with a common goal

Internal communication is an essential tool for achieving Gas Natural Fenosa's targets. The purpose of the internal communication channels is to contribute to the employees ability to carry out their work with greater commitment and in line with the organisation's strategic targets, creating a feeling of belonging and motivation.

The purpose of the internal communication campaigns is to inform, involve people in the company's strategy, foster the use of certain tools, increase commitment and motivation; in short, to bring employees' conduct and how they work into line with the company's needs.

All the internal communication actions are evaluated so that they can be optimised and adapted to the organisation's real needs. Accordingly, the company has resources that include the Employee Panel, through which it launches opinion studies and surveys.

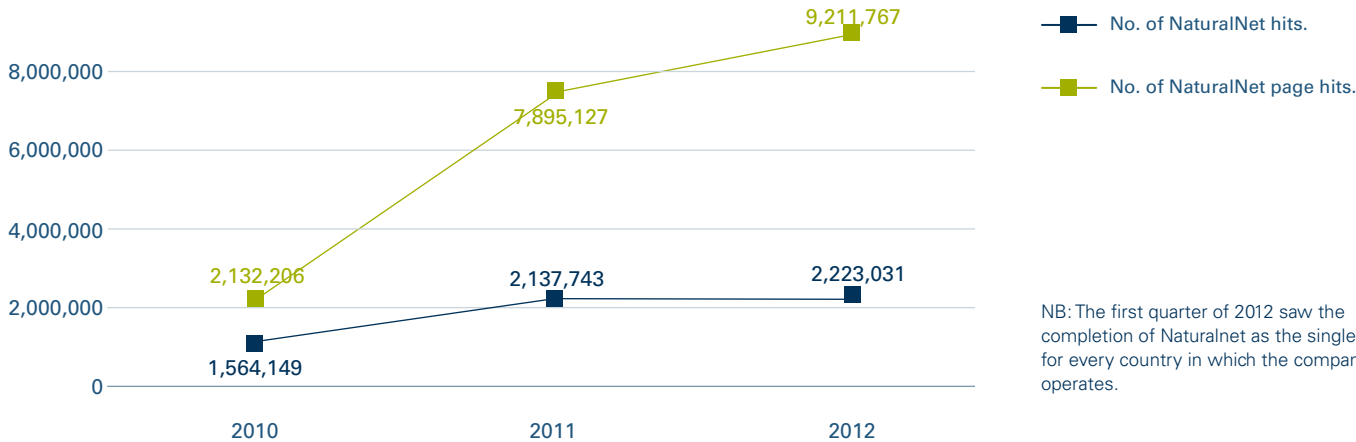
The company has the following internal communication channels:

- NaturalNet, the corporate intranet. Unified since 2012 for the entire company, it has helped foster employees' involvement and participation.
- Natural, the in-house magazine. Available in four languages, it brings employees news of the company and fosters the feeling of unity.
- Direct communication spaces. Basically created to bring management closer to employees.
- Communication campaigns, which focus on actions and projects people need to be familiar with and in line with which they should do their work.

In 2012, the awards were given for the 1st edition of the Our Energy Awards. The initiative fosters innovation and continuous improvement in the organisation through the contribution of ideas by employees.



Gas Natural Fenosa intranet indicators



NB: The first quarter of 2012 saw the completion of Naturalnet as the single intranet for every country in which the company operates.



Annex of indicators

			Argentina	Australia	Brazil	Colombia	Costa Rica	Egypt	Spain	France	Guatemala
Breakdown of staff according to age range (%)	18-35		16.1	62.5	36.7	23.6	42.9	100.0	21.0	81.9	55.0
	36-50		36.5	37.5	48.1	51.8	52.4	0.0	48.5	16.7	35.0
	> 50		47.4	0.0	15.3	24.6	4.8	0.0	30.5	1.4	10.0
Breakdown of staff according to gender (%)	Men		73.9	62.5	61.1	68.6	90.5	100.0	71.3	56.9	85.0
	Women		26.1	37.5	38.9	31.4	9.5	0.0	28.7	43.1	15.0
Women in management posts (%) <sup>1</sup>	2010		18.5	–	30.8	32.0	–	–	20.4	–	9.1
	2011		19.2	–	32.1	35.3	–	–	20.9	0.0	–
	2012		13.3	–	33.3	43.9	–	–	22.6	0.0	0.0
Senior managers from the local community (%)	2010		67.0	–	40.0	83.0	–	–	100.0	0.0	–
	2011		68.0	–	40.0	80.0	–	–	99.0	–	–
	2012		66.7	–	57.1	87.5	–	–	100.0	0.0	0.0
Breakdown of staff according to professional categories and gender (%)	Management team	Men	4.8	0.0	4.5	1.5	0.0	0.0	9.1	9.7	5.0
		Women	0.7	0.0	2.2	1.2	0.0	0.0	2.7	0.0	0.0
	Intermediate positions	Men	8.0	0.0	12.6	11.7	28.6	0.0	16.4	4.2	50.0
		Women	4.1	0.0	6.5	4.3	0.0	0.0	3.1	2.8	5.0
	Technicians	Men	9.3	62.5	18.9	10.3	9.5	100.0	16.5	37.5	30.0
		Women	3.7	37.5	13.0	8.8	4.8	0.0	10.4	23.6	5.0
	Operators	Men	51.9	0.0	25.1	45.1	52.4	0.0	29.3	5.6	0.0
		Women	17.6	0.0	17.1	17.1	4.8	0.0	12.6	16.7	5.0

<sup>1</sup> There are no executives in Australia, Costa Rica, Egypt, Ireland, Madagascar, Puerto Rico or Uganda.

Ireland	Italy	Madagascar	Morocco	Mexico	Moldova	Nicaragua	Panama	Puerto Rico	Dominican Republic	Uganda	Total
0.0	20.0	67.9	18.2	49.0	30.6	39.3	30.1	60.0	38.2	67.5	26.1
100.0	62.9	28.3	68.7	45.2	37.8	47.4	30.1	20.0	52.7	32.5	47.4
0.0	17.1	3.8	13.1	5.9	31.6	13.3	39.9	20.0	9.1	0.0	26.6
0.0	77.9	86.8	84.8	73.6	71.1	55.5	67.5	60.0	80.0	82.5	70.3
100.0	22.1	13.2	15.2	26.4	28.9	44.5	32.5	40.0	20.0	17.5	29.7
–	12.5	–	25.0	7.1	32.0	47.4	39.1	–	50.0	–	21.7
–	18.8	–	25.0	10.0	34.6	38.1	37.5	–	66.7	–	22.5
–	17.9	–	25.0	17.0	36.0	36.4	30.8	–	83.3	–	24.2
–	0.0	–	0.0	0.0	0.0	0.0	0.0	–	0.0	–	67.0
–	0.0	–	0.0	17.0	50.0	0.0	100.0	–	–	–	88.0
–	0.0	–	0.0	0.0	50.0	0.0	50.0	0.0	50.0	–	87.9
0.0	6.1	0.0	3.0	4.5	2.0	2.1	4.3	20.0	0.9	0.0	6.2
0.0	1.3	0.0	1.0	0.9	1.1	1.2	1.9	0.0	4.5	0.0	2.0
0.0	12.6	17.0	36.4	17.0	16.7	20.9	22.7	0.0	18.2	42.5	15.8
0.0	1.3	0.0	2.0	3.4	4.5	11.0	8.6	0.0	3.6	5.0	4.0
0.0	13.4	7.5	11.1	21.3	6.6	8.9	15.3	20.0	7.3	10.0	14.7
100.0	6.8	7.5	1.0	9.2	6.1	12.6	9.3	0.0	8.2	0.0	9.6
0.0	45.8	62.3	34.3	30.8	45.7	23.6	25.3	20.0	53.6	30.0	33.6
0.0	12.6	5.7	11.1	13.0	17.2	19.6	12.6	40.0	3.6	12.5	14.1

## Annex of indicators

			Argentina	Australia	Brazil	Colombia	Costa Rica	Egypt	Spain	France	Guatemala
Average salary of men and women according to professional category (euros) <sup>2</sup>	Executives	Men	61,913.5	–	70,792.1	76,362.3	–	–	93,163.0	92,219.5	–
		Women	55,470.3	–	60,688.3	69,442.9	–	–	76,131.0	–	–
	Technicians	Men	29,457.7	–	24,831.0	17,704.7	–	–	45,403.0	43,489.0	–
		Women	26,587.1	–	22,265.9	16,062.4	–	–	41,976.0	42,651.0	–
	Administrative staff	Men	20,577.8	–	12,520.5	8,016.1	–	–	33,383.0	25,500.0	–
		Women	19,138.1	–	17,380.1	7,769.7	–	–	30,549.0	28,885.0	–
	Operating staff	Men	24,314.7	–	13,779.1	7,021.3	–	–	31,472.0	–	–
		Women	19,988.9	–	14,911.0	6,847.6	–	–	30,856.0	–	–
Ratio between the standard minimum salary and the local minimum salary according to country and gender <sup>3</sup>	Total		2.6	–	2.9	1.3	–	–	2.1	1.5	–
	Men		2.3	–	2.8	1.4	–	–	2.1	1.5	–
	Women		2.8	–	3.1	1.3	–	–	2.0	1.5	–
Rotation index (%) (number of layoffs/ average staff)			5.9	0.0	6.3	4.2	0,0	0,0	3.7	16.7	10,5
Voluntary rotation index (%) (number of voluntary layoffs/ average staff)			5.0	0.0	2.6	2.8	0,0	0,0	0.2	15.0	10,5
Performance Management and Management by Objectives (MbO) Indicators <sup>4</sup>	Men		11.9	–	12.0	6.6	–	–	52.9	29.2	–
	Women		5.7	–	8.1	5.0	–	–	16.3	16.7	–
	Total		17.6	–	20.2	11.6	–	–	69.1	45.8	–

<sup>2</sup> There is no centralised management for remuneration purposes in Australia, Costa Rica, Egypt, Ireland, Madagascar, Puerto Rico or Uganda.<sup>3</sup> In 2012, no figures were provided for Australia, Egypt, Puerto Rico, Uganda, Costa Rica, Guatemala, Ireland or Madagascar given that the volume of data reported by those countries are not significant indicators.<sup>4</sup> There is no centralised management for remuneration purposes in Australia, Costa Rica, Egypt, Ireland, Madagascar, Puerto Rico or Uganda. The figure for Spain includes staff in Portugal.

Ireland	Italy	Madagascar	Morocco	Mexico	Moldova	Nicaragua	Panama	Puerto Rico	Dominican Republic	Uganda	Total
–	64,610.8	–	64,773.8	43.731.4	18,203.7	22,550.1	26,949.6	–	91,852.9	–	–
–	58,069.2	–	58,698.3	38,777.7	29,689.9	17,258.0	31,190.7	–	69,238.9	–	–
–	34,132.8	–	25,030.2	16,293.3	6,528.7	5,724.3	11,330.0	–	20,916.0	–	–
–	35,535.8	–	24,046.5	14,667.4	7,059.0	5,720.3	12,322.3	–	23,386.9	–	–
–	27,822.1	–	10,749.1	8,674.3	7,187.6	3,584.3	13,005.9	–	13,845.8	–	–
–	26,301.3	–	9,859.3	10,039.4	8,416.7	3,494.0	12,001.8	–	8,935.9	–	–
–	27,941.4	–	15,256.5	6,236.8	4,205.3	3,542.9	8,664.4	–	12,138.3	–	–
–	–	–	–	6,081.9	4,404.6	3,257.7	8,094.8	–	–	–	–
–	1.2	–	2.7	3.0	3.1	1.4	1.2	–	1.9	–	–
–	1.1	–	2.6	3.0	3.1	1.3	1.2	–	1.7	–	–
–	1.2	–	2.9	3.0	3.1	1.4	1.2	–	2.0	–	–
0,0	3.2	5.7	3.9	10.7	40.3	12.3	14.4	20.0	6.6	30.3	–
0,0	0.8	3.8	2.0	5.5	3.2	4.8	11.6	20.0	0.9	24.2	2.1
–	17.4	–	22.2	18.0	71.1	51.7	60.1	–	80.0	–	–
–	9.2	–	4.0	6,0	28.9	42.5	29,6	–	20.0	–	–
–	26.6	–	26.3	24.0	100.0	94.2	89.7	–	100.0	–	–

rs for the sample under study.

## Annex of indicators

		Argentina	Australia	Brazil	Colombia	Costa Rica	Egypt	Spain	France	Guatemala
Staff promoted (%) <sup>5</sup>	2010	14.3	–	14.4	4.3	–	–	8.4	26.7	4.7
	2011	7.9	–	35.6	4.6	–	–	11.2	16.3	–
	2012	10.9	–	41.3	4.0	–	–	13.2	4.2	–
Seniority rate. Average length of service according to country (years)	2010	19.6	1.3	10.5	12.5	3.4	4.7	16.6	1.2	9.3
	2011	20.1	2.0	10.2	13.4	4.0	6.0	16.6	1.2	5.6
	2012	20.2	3.0	10.4	13.4	5.0	7.0	16.7	1.2	5.5
Employees with collective bargaining agreement	Not covered by collective bargaining agreements	28.0	0.0	23.4	14.8	0.0	0.0	22.2	93.1	0.0
	Covered by collective bargaining agreements	72.0	100.0	76.6	85.2	100.0	100.0	77.8	6.9	100.0
Trade union membership (%)	2010	48.1	0.0	20.4	44.7	0.0	0.0	25.9	0.0	59.7
	2011	48.9	0.0	17.4	47.7	0.0	0.0	26.3	0.0	0.0
	2012	48.2	0.0	20.2	47.5	0.0	0.0	26.6	0.0	0.0
Employees five years from retirement age (%)	Management team	3.3	–	6.1	5.3	–	–	3.0	0.0	0.0
	Intermediate positions	6.2	–	4.3	4.9	–	–	6.2	0.0	9.1
	Technicians	10.0	0.0	1.9	2.9	0.0	0.0	2.2	0.0	0.0
	Operators	22.7	–	1.9	16.6	–	–	5.7	0.0	0.0
	Total	18.0	0.0	2.6	11.8	0.0	0.0	4.5	0.0	5.0
Employees ten years from retirement age (%)	Management team	30.0	–	18.2	26.3	–	–	8.9	0.0	0.0
	Intermediate positions	26.2	–	12.8	18.6	–	–	17.9	0.0	9.1
	Technicians	24.3	–	7.0	11.9	–	–	7.6	0.0	0.0
	Operators	41.1	–	6.3	40.9	–	–	22.9	6.3	100.0
	Total	36.5	0.0	8.6	31.4	0.0	0.0	16.2	1.4	10.0

<sup>5</sup> There were no staff promotions in Australia, Costa Rica, Egypt, Guatemala, Ireland, Madagascar, Puerto Rico or Uganda in 2012.



Ireland	Italy	Madagascar	Morocco	Mexico	Moldova	Nicaragua	Panama	Puerto Rico	Dominican Republic	Uganda	Total
–	20.1	–	–	11.6	2.9	7.1	8.0	–	–	–	–
–	25.8	–	1.0	9.3	10.5	20.6	9.2	–	6.5	–	–
–	7.1	–	7.1	9.7	9.8	10.4	6.7	–	5.5	–	–
7.0	11.7	1.9	11.4	6.1	14.7	12.8	24.1	5.0	7.6	–	19.6
8.0	11.9	2.9	12.3	6.3	15.1	12.3	24.9	6.0	8.8	0.0	14.9
9.0	12.4	3.4	13.3	6.7	15.5	12.4	17.1	7.0	8.8	0.6	14.8
0.0	1.8	0.0	31.3	20.2	49.1	54.2	0.0	2.7	0.0	0.0	21.7
100.0	98.2	100.0	68.7	79.8	50.9	45.8	100.0	97.3	100.0	100.0	78.3
0.0	56.9	0.0	68.3	27.9	75.3	57.7	64.1	0.0	0.0	0.0	–
0.0	51.8	0.0	68.3	22.4	74.1	43.1	44.2	0.0	0.0	0.0	–
0.0	47.1	0.0	69.0	21.9	68.0	39.3	38.7	0.0	0.0	0.0	–
–	0.0	–	0.0	1.9	4.0	4.5	15.4	0.0	0.0	–	3.4
–	0.0	–	0.0	2.5	15.7	1.9	15.3	–	8.3	0.0	6.1
0.0	0.0	0.0	8.3	2.0	10.0	7.1	14.6	0.0	0.0	0.0	3.1
–	0.5	5.6	2.2	2.1	23.5	8.9	29.6	0.0	6.3	0.0	10.1
0.0	0.3	3.8	2.0	2.2	19.5	6.1	20.5	0.0	5.5	0.0	7.1
–	0.0	0.0	25.0	9.4	16.0	18.2	34.6	0.0	0.0	–	11.2
–	1.9	0.0	21.1	6.1	30.7	8.7	29.8	–	12.5	–	17.2
–	1.3	0.0	25.0	4.1	13.0	16.4	27.2	–	0.0	–	8.9
–	2.3	5.6	8.9	8.5	37.2	18.8	63.5	–	12.7	–	40.3
0.0	1.8	3.8	16.2	6.7	32.1	15.0	42.2	0.0	10.0	0.0	19.2

Annex of indicators

		Argentina	Australia	Brazil	Colombia	Costa Rica	Egypt	Spain	France	Guatemala
New employees	2011	16	2	49	99	2	0	281	24	1
	2012	26	0	32	85	0	0	239	33	4
No. of employees with maternity or paternity leave entitlements <sup>6</sup>	Men	4.0	0.0	8.0	14.0	0.0	0.0	201.0	2.0	1.0
	Women	2.0	0.0	11.0	30.0	0.0	0.0	117.0	3.0	2.0
	Total	6.0	0.0	19.0	44.0	0.0	0.0	318.0	5.0	3.0
No. of employees who took maternity or paternity leave	Men	4.0	–	8.0	14.0	–	–	184.0	2.0	1.0
	Women	2.0	–	11.0	30.0	–	–	116.0	3.0	0.0
	Total	6.0	–	19.0	44.0	–	–	300.0	5.0	1.0
No. of employees who did not return to work once their maternity or paternity leave was completed	Men	0.0	–	0.0	0.0	–	–	1.0	0.0	0.0
	Women	0.0	–	0.0	1.0	–	–	3.0	0.0	0.0
	Total	0.0	–	0.0	1.0	–	–	4.0	0.0	0.0
Ratio of employees who returned to their position following paternity or maternity leave and continue in the company one year after their leave (%)	Men	100.0	–	100.0	93.1	–	–	98.6	100.0	100.0
	Women	100.0	–	92.3	94.1	–	–	98.0	50.0	–
	Total	100.0	–	96.6	93.7	–	–	98.4	66.7	100.0

<sup>6</sup>The concept of maternity or paternity leave and the related social benefits present specifics that are connected to the labour laws in force in each of the countries where Gas Natural Fenosa operates and must be paid by the Social Security system. After this period, they have the right to take maternity leave of absence for up to 3 years, with 30% payment by the social security system, and from 3 to 6 years of unpaid leave, which explains why not all employees are entitled to take maternity leave.

Ireland	Italy	Madagascar	Morocco	Mexico	Moldova	Nicaragua	Panama	Puerto Rico	Dominican Republic	Uganda	Total
0	33	7	0	160	64	37	42	0	9	31	857
0	31	3	0	126	36	28	48	5	10	19	725
0.0	11.0	11.0	7.0	31.0	23.0	10.0	0.0	3.0	9.0	4.0	339.0
1.0	17.0	2.0	1.0	23.0	11.0	16.0	5.0	1.0	1.0	–	243.0
1.0	28.0	13.0	8.0	54.0	34.0	26.0	5.0	4.0	10.0	4.0	582.0
–	3.0	11.0	7.0	31.0	0.0	10.0	0.0	0.0	9.0	4.0	288.0
–	17.0	2.0	1.0	23.0	11.0	16.0	4.0	0.0	1.0	–	237.0
–	20.0	13.0	8.0	54.0	11.0	26.0	4.0	0.0	10.0	4.0	525.0
–	0.0	0.0	0.0	0.0	–	–	–	–	0.0	0.0	1.0
–	0.0	0.0	0.0	0.0	11.0	10.0	0.0	–	1.0	–	26.0
–	0.0	0.0	0.0	0.0	11.0	10.0	0.0	–	1.0	0.0	27.0
–	–	100.0	100.0	74.2	–	80.0	–	–	100.0	100.0	95.7
–	92.9	–	–	91.7	100.0	90.0	–	–	100.0	–	97.3
–	92.9	100.0	100.0	81.8	100.0	86.7	–	–	100.0	100.0	96.6

It should be taken into account when interpreting this information. For instance, legislation in Moldova determines that women have the right to maternity leave of 126 days 100% paid by the Social Security Fund. This is one of the reasons why the number of people who did not return to work after their leave was complete was so high for this country. Another significant example is Morocco, where only legally married women

# Health and safety

## Principles of responsible action in health and safety

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

- Ensuring that safety is everyone's responsibility.
- Proper training and setting up information, consultation and participation channels as key elements of prevention.
- Incorporating hazards prevention criteria in the company's decisions and processes, new projects, products and services to ensure on-going improvement.
- Rejecting any conduct that may create an unsafe, intimidating or offensive working environment.

## Health and safety, a priority for Gas Natural Fenosa

Guaranteeing adequate working conditions that prevent hazards is a fundamental corporate commitment that is part of the company's culture, as shown in the Code of Ethics and Corporate Social Responsibility Policy.

Carrying out operations under a system that does not take these principles into account is ethically unacceptable; it is also a considerable source of hazards for the company's activity and the profitability of its business. Safety-related issues are particularly sensitive in a sector such as that in which Gas Natural Fenosa operates.

The company has made great efforts in recent years to avoid this type of situation, since carrying on its business in a healthy, safe environment is as important for Gas Natural Fenosa as other business parameters. As a result, not only has the frequency of occupational accidents been reduced, but there has also been continuous improvement to results in every management area related to occupational health and safety.

This has led to considerable benefits: reduction of costs associated with accidents; interruptions to activities; greater worker motivation and productivity; recognition of the company as sector leader in safety issues; and improvement to acceptance of the company's activities by the local community.

The company also has a Health Monitoring Area, whose activities are vitally important for the prevention of occupational hazards and for improving working conditions, the working climate and productivity.

The company is fostering a qualitative change in its safety culture by applying a new focus based on safe individual conduct and on the identification and anticipation of hazard situations by workers. This focus is being developed in accordance with the following lines of strategy:

- Certification of the management system as compliant with the international OHSAS standard.
- Development and implementation of the Health and Safety Commitment Plan.
- Consolidation of the Safe Conduct Observation tool in the activities of various business areas.
- Fostering the use of contractors' accident rate monitoring tools to identify areas for improvement and reduce occupational accidents.

With this focus, Gas Natural Fenosa seeks to become the best place to work, to continue as a reference in the sector and to contribute to the business targets set in the Strategic Plan.

## Value actions

### Proposed actions 2012

Development of a programme to improve the level of occupational health and safety for everybody at Gas Natural Fenosa.

Finalisation of the process to certify the occupational hazards prevention management system, in accordance with the OHSAS 18001, for all of the company's business departments.

Set up of the Safe Conduct Observation tool (SCO) in activities of maintenance and distribution of gas and in hydroelectric production.

Development of tools to monitor the accident rate of contractors.

### Planned actions 2013

● Launch of the accident monitoring scorecard.

● Unification of criteria and launch of general occupational hazards prevention procedures.

● Continuation of the "Your health always on your agenda" campaign designed to foster a cultural change in which health is considered as personal responsibility.

● Investigation study to compare the chronological and biological ages of the company's workers.

Level of fulfilment: ● High ● Medium ● Low

## Health and safety challenges

### In the area of prevention

Develop the programme to improve the level of commitment to occupational health and safety across the company. Achieve the global target of zero accidents.

### In the area of health

Inculcate a health and safety culture in which each employee identifies it as both a right and responsibility.

## Health and safety management

The creation of a health and safety environment is a visible commitment and the responsibility of all those who make up Gas Natural Fenosa. This commitment is led by senior management and assumed proactively by the entire organisation and its suppliers.

The integration of safety criteria is now complete on every level of the company and is part of the corporate culture. The involvement of management is mandatory in the activities carried out in this area, such as accident investigations, equipment audits, documented inspections and communications to contractors on safety matters.

Health and safety management at Gas Natural Fenosa is organised preferably according to business units and the criticality of the hazards in an attempt to make the most of synergies created by geographic distribution.

The targets set in this area are materialised through the Integrated Management System, which is present in most businesses and action areas. It was implemented according to the main international references, i.e. OHSAS 18001 in the case of health and safety, and the aim is to make the company's management consistent in the areas in which it operates and effectively put in place a culture of prevention.

As part of its health and safety management, Gas Natural Fenosa also plays a prominent role in the Joint Prevention Service. This specialised unit provides all the businesses and companies to which it provides a service with the most highly qualified technical personnel for consultancy services in prevention. It also makes it possible to apply common criteria in transversal processes in every business, such as training, personal protective equipment management, the establishment of actions in emergency situations and the design and implementation of the occupational health and safety management system.

## Launch of the new Health and Safety Commitment Plan

In 2012, Gas Natural Fenosa launched its new Health and Safety Commitment Plan. The plan pursues a qualitative change in the company's safety culture through a new focus based on safe individual conduct and the identification and anticipation of hazard situations by workers.

The plan will apply across the company and will also guarantee the safety of those who work at collaborator companies in all the businesses and countries in which the company operates.

For its implementation, Gas Natural Fenosa will receive support from Dupont as a strategic partner, a world reference in the application of best practices in occupational health and safety. The plan will be developed in two stages: an initial stage of diagnosis and fieldwork to learn the initial situation regarding health and safety management; and a second stage of development and implementation of a new health and safety culture. Four lines of action have been put in place (employees, contractors, installations and processes), for which new management tools will be developed and set up for the change. Its design and subsequent application will focus on multi-discipline working parties called Design and Implementation Networks.

With the full execution of the plan, scheduled for 2015, the aim is for all employees to understand that safety is a first-level priority and that tolerance of unsafe actions in the company and its social perimeter must be zero. The aim is also for all employees to feel motivated and proud of working in a safe environment and aware that their contribution is vital. Furthermore, its objective is to turn Gas Natural Fenosa into a reference for these practices in the sector.



## Gas Natural Fenosa's commitment to health and safety

The main aim of the Areas of Safety, Risk Prevention and Health Monitoring is to avoid the materialisation of hazards and improve workers' health conditions. Accordingly, the company has a number of specific mechanisms designed to prevent this type of occurrence and reduce any consequences.

### Occupational hazards assessment

The assessment of occupational hazards is designed to estimate the magnitude of those that could not be avoided. Accordingly, the company obtains the information it needs in order to decide on the need for adopting preventive measures and, where applicable, those that are most appropriate.

A hazards assessment is performed when there are changes to working conditions, new equipment or work procedures are used, workers who are particularly sensitive join the company or there have been accidents or health has been damaged. As a general rule, these assessments are reviewed at least once every three years.

For the assessment, the company applies a method based on that defined by the National Occupational Health and Safety Institute and it is extended to all the companies in the group.



### Action plans

Gas Natural Fenosa has specific action plans to achieve its target of reducing the number of accidents to a minimum. They were all designed to act on the issues in which the company has the best possibilities of improvement. The main plans in place at the present time are as follows:

- **Health and Safety Commitment Plan**

Its main aim is to achieve a qualitative change in the company's safety culture through a new focus based on safe individual conduct and the identification and anticipation of hazard situations by workers. The plan will apply across the company and will also guarantee the safety of those who work at collaborator companies in all the businesses and countries in which the company operates.

The plan is structured along four lines of action: leadership, employees, contractors and installations and processes. Its complete execution is

scheduled for 2015 and the aim is for all the employees to feel motivated and proud of working in a safe environment and aware that their contribution is vital to achieve the target.

- **Zero Accident Plan**

It has the purpose of creating a culture of zero accidents in the workplace, and to promote and share better practices in health and safety. The actions are carried out in all the units in countries in which the generation business is present.



#### • Lessons learned

A lesson learned represents the recommendations obtained from the analysis of accidents and incidents, related to unsafe behaviour, and which is shared with the organisation's workers to avoid recurrence.

In order to promote its dissemination, a new space was posted on the Intranet for the publication of the lessons learned, which means that workers can be made aware of the importance of applying good practices in health and safety as a fundamental step for avoiding occupational accidents or incidents.

#### Prevention

Prevention planning is essential for the effective management of health and safety at Gas Natural Fenosa and for reducing professional diseases. The company put in place the following tools:

- Memorandum and Planning of Preventive Activities, focused on document management.
- Needs-Detection Tool according to training roadmaps to provide direct assistance for training management, drafting an easy, operative report on training needs. The usefulness of this model makes it possible to particularise training in health and safety according to the hazards inherent to each job.

- Save Conduct Observation tool, created to improve safety conditions and turn unsafe acts into safe ones.

Furthermore, in 2012, Gas Natural Fenosa also carried out many preventive activities, including the following:

- Definition and implementation of the new planning system for preventive activities, which guarantees that any hazard, deficiency or breach detected in health and safety matters has the corresponding planning for measures and the monitoring and control thereof.
- Coordination between the business areas and the Joint Prevention Service.
- Work meeting on confined spaces in regulated gas businesses, which focuses on ensuring the consistency of technical criteria.

As part of the prevention work, Gas Natural Fenosa has a Single Health and Safety Committee on which 99.9% of workers are represented. It also has the Unión Fenosa Distribución Committee, with representation of 100% of personnel from the electricity business. 205 meetings were held with workers' representatives in Spain in 2012. The most relevant preventive issues that were consulted were as follows:

- Monitoring of the preventive actions provided in the preventive activity planning.
- Monitoring of the accidents and the measures proposed to avoid their repetition.
- Approval of the Single Prevention Plan Model, prior to the preparation of the new plans for each company.

### Certification according to health and safety standards

Certification according to health and safety standards is a fundamental part of the process for the consistency and standardisation of working conditions at Gas Natural Fenosa and one of the targets set in the Integrated Management System.

In 2012, on an international scale, 18 certification audit processes were performed in accordance with the OHSAS 18001 standard, including one renewal audit and nine follow-up audits.

The company has a Global Certification Plan for the Occupational Health and Safety System; its aim consists of achieving global certification according to the OHSAS 18001 international standard. For its fulfilment, multi-discipline working parties were created as advised by the Prevention Service.

### Training

The training of each employee in the prevention of occupational hazards associated with his/her job is another basic tool for achieving the target of reducing the number of occupational accidents. To provide the appropriate training, the company has set up the Occupational Hazards Prevention Classroom, a tool available for the Corporate University to meet requirements. This classroom has the appropriate training channels to guarantee high levels of the transfer of knowledge and the promotion of best practices in every area in the company.

In 2012, the fundamental target in training focused on attitude. Various prevention awareness programmes were developed for all the company's professionals in keeping with a model based on training roadmaps according to job or function.



Gas Natural Fenosa's training actions include the support of important tools, such as the Virtual University, which makes it possible to offer employees more effective training.



In 2012, the company gave 128,638 training hours in health and safety for 16,883 people as part of 1,610 training actions. The average number of training hours per employee was 8.81.

In 2013, the main lines of action in this area will focus on achieving the globalisation of training, the development of the priority programmes that are in place, the virtualisation of training through the Virtual University, the promotion of training roadmaps and the optimisation of the needs-detection tool.

Summary of preventive actions carried out at Gas Natural Fenosa

	2012	2011	2010
General and specific hazards assessments	9,618	11,011	10,046
Extraordinary activities hazards assessment	1,278	1,052	2,109
Regular control of work conditions	71,777	27,982	20,653
Emergency-related actions	1,367	1,126	803
Other actions	4,264	3,621	2,898
<b>Total</b>	<b>88,304</b>	<b>44,792</b>	<b>36,509</b>

Safety training. Gas Natural Fenosa

	2012	2011	2010
% attendees in terms of total staff	115.7*	74.06	49.75
No. of training actions completed	1,610	1,011	678
Training hours per employee	8.81	8.34	4.76

\* The percentage of attendees in terms of total staff was calculated with the sum of participations in training sessions in 2012. Each attendee at a training session was considered as an individual attendee, which is why the final percentage exceeds 100% of staff.

## Accident indicators

	Target 2013	Target 2012	2012			2011			2010
			Total	Men	Women	Total	Men	Women	
Accidents requiring sick leave <sup>1</sup>	150	165	<b>157</b>	137	20	<b>151</b>	23	151	228
Days lost <sup>2</sup>	3,370	4,610	<b>3,547</b>	3,361	186	<b>3,844</b>	1,009	3,844	5,147
Mortalities <sup>3</sup>	0	0	<b>2</b>	2	0	<b>1</b>	0	1	2
Frequency rate <sup>4</sup>	4.74	5.16	<b>4.96</b>	6.18	2.11	<b>5.43</b>	–	–	6.8
Severity rate <sup>5</sup>	0.10	0.14	<b>0.11</b>	0.15	0.02	<b>0.15</b>	–	–	0.15
Incidence rate <sup>6</sup>	9.80	10.70	<b>10.25</b>	12.78	4.35	<b>11.27</b>	–	–	13.68
Absenteeism rate <sup>7</sup>	2.01	2.79	<b>2.14</b>	–	–	<b>2.94</b>	–	–	3.3

<sup>1</sup> Number of accidents in the workplace leading the employee to take sick leave.

<sup>2</sup> Days not worked due to sick leave caused by accidents at work. Calculated from the day following the day the sick leave is received and considering calendar days.

<sup>3</sup> Number of workers who died due to accidents at work.

<sup>4</sup> Number of accidents with sick leave occurring during the working day for every million hours worked.

<sup>5</sup> Number of days lost as a result of occupational accidents for every 1,000 hours worked.

<sup>6</sup> Number of occupational accidents for every 1,000 employees.

<sup>7</sup> Absence of employees from their jobs.

## Accident indicators according to country

	Accidents requiring sick leave	Days lost	Mortalities	Frequency rate	Severity rate	Incident rate
Argentina	10	142	0	9.47	0.13	18.38
Brazil	1	5	0	0.84	0.00	2.03
Colombia	40	315	2	6.80	0.05	19.48
Costa Rica	1	2	0	25.21	0.05	50.00
Spain	67	2,475	0	4.84	0.18	8.89
France	0	0	0	0.00	0.00	0.00
Italy	1	6	0	1.50	0.01	2.67
Kenya	0	0	0	0.00	0.00	0.00
Madagascar	0	0	0	0.00	0.00	0.00
Morocco	0	0	0	0.00	0.00	0.00
Mexico	18	168	0	9.39	0.09	19.57
Moldova	3	213	0	1.57	0.11	3.14
Nicaragua	12	140	0	8.17	0.10	17.80
Panama	1	5	0	1.11	0.01	2.54
Puerto Rico	0	0	0	0.00	0.00	0.00
Dominican Republic	0	0	0	0.00	0.00	0.00
South Africa	3	76	0	1.85	0.05	4.14

NB: Australia, Egypt, Guatemala, Ireland and Uganda were not included in this indicator as they did not have a reporting system.





### The culture of prevention also in the value chain

The importance of the work carried out by contract companies for Gas Natural Fenosa requires the company to be capable of extending the prevention culture it applies to its own activities to them. The extension of the prevention culture focuses on the definition of safety criteria throughout the various stages of the contract, especially the content and tools that guarantee the correct exchange of information, together with performance monitoring. This is particularly important if consideration is given to the fact that, in the gas business and corporate areas, 738 collaborator companies were registered with a total of 4,412,271 hours worked between contractors and subcontractors.

Gas Natural Fenosa carries out specific monitoring of the accidents occurring between the personnel of collaborating companies, paying special attention to the causes. Accordingly, it has developed an accident monitoring tool for contractors that provides key information for improving corporate health and safety management. This tool will enable the development of lines of action that will affect the most vital issues as far as the accident rate is concerned.

In 2012, backup activities were carried out with contractors in the area of hazards prevention, including the following:

- 2,252 activities relating to the coordination of preventive activities with contractors, most of which were coordination meetings.
- 607 meetings with representatives of businesses, contractors and the Prevention Service.
- 285 meetings with health and safety coordinators in construction sites.
- 48,451 work supervision inspections by contract companies.

In terms of training, Gas Natural Fenosa's contracts include the requirement whereby all its suppliers and contractors must certify that their employees were given specific training in occupational hazards prevention and safety for the work with which they were commissioned. Great efforts were made by the company in 2012 to increase the level of fulfilment with this requirement, which implies significant progress in comparison with previous years.



Finally, beyond its value chain, the company worked in the sector to showcase the knowledge it acquired and transmit the prevention culture to other contractor companies.

In 2012, the Prevention Service took part, in collaboration with the Spanish Gas Association (Sedigas), in the development of the Guide to Good Practices in Safety and the Environment in piping projects. The guide was drawn up in response to the need for providing all the companies involved in piping renewal or construction projects and their workers with a number of good practices to ensure that they carry out their activities in a responsible, safe way and with respect for the environment.

With these actions, Gas Natural Fenosa seeks to become an international reference in working with collaborator companies in the area of safety, an issue it will continue to expand over the coming years.



Accident indicators (contractors and subcontractors)

	2012			2011		
	Total	Men	Women	Total	Men	Women
Accidents requiring sick leave <sup>1</sup>	189	180	9	75	–	–
Days lost <sup>2</sup>	3,402	3,240	162	–	–	–
Mortalities <sup>3</sup>	3 <sup>6</sup>	3	–	7	–	–
Frequency rate <sup>4</sup>	–	–	–	22.03	–	–
Severity rate <sup>5</sup>	–	–	–	0.55	–	–

<sup>1</sup> Number of accidents in the workplace leading the employee to take sick leave.  
<sup>2</sup> Days not worked due to sick leave caused by accidents at work. Calculated from the day following the day the sick leave is received and considering calendar days.  
<sup>3</sup> Number of workers who died due to accidents at work.  
<sup>4</sup> Number of accidents with sick leave occurring during the working day for every million hours worked.  
<sup>5</sup> Number of days lost as a result of occupational accidents for every 1,000 hours worked.  
<sup>6</sup> In 2012, another two workers from collaborator companies died due to a natural disaster. As a result of their cause, they were not considered as occupational accidents.

Occupational health

Occupational health forms part of Gas Natural Fenosa’s commitment to offering its employees a healthy working environment, especially in the lines of its business that involve the greatest hazards.

Health Monitoring activities contribute to achieving this target and provide various benefits for the company and its employees (improvements to working conditions, the working climate, productivity and performance), with a positive impact in terms of costs and profitability.

Medical check-ups are the main task in this field. Thanks to them and, above all, to the fact that they correspond to the hazards that affect workers in their jobs, each employee can be certified as apt for his/her specific work and, where necessary, adaptations or changes can be proposed to guarantee occupational health.

The Health Monitoring Area carries out work related to ergonomics and applied psycho-sociology, such as ergonomic hazards assessments, ergonomic conditions monitoring, adaptation of working conditions for individuals with special requirements and specific psycho-social interventions.

Health Monitoring is also part of the health promotion campaigns. These campaigns are designed after studying workers’ epidemiological data, analysing the shortages and needs in health matters, recommendations issued by official bodies and the demands made by the company’s employees. The campaigns are designed with the aim of improving workers’ health. In 2012, the most successful were strengthened, i.e. the anti-smoking campaigns and those designed to prevent obesity. Two new campaigns were also launched: one for the vaccine against the human papillomavirus and another to inculcate in workers a culture of responsibility for their own health;

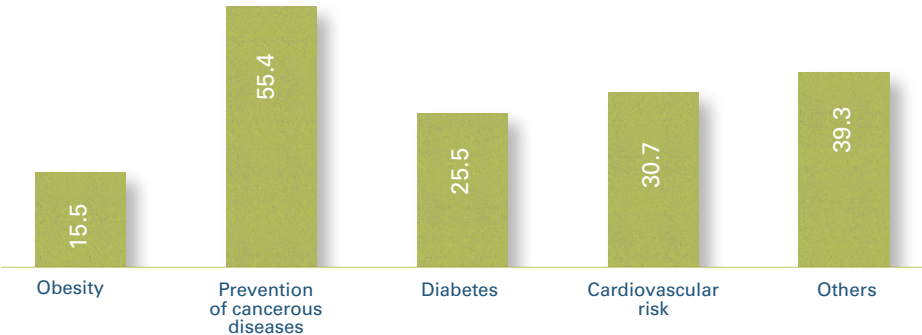
the campaign was titled “Your health always on your agenda”. This campaign is to last several years and also focuses on the employee’s family environment.

Gas Natural Fenosa’s main work centres have cardio-protection thanks to the presence of semiautomatic external defibrillators.

Participants in occupational health campaigns. Gas Natural Fenosa

	2012	2011	2010
Prevention and early detection campaigns	20,406	14,978	31,534
Vaccination campaigns	4,080	3,690	5,488
Acknowledgements	11,892	12,891	11,667
Medical assistance	25,295	23,769	25,091

Staff taking part in prevention campaigns (%).  
Gas Natural Fenosa



Hazards management at industrial facilities

Industrial hazards management is a significant part of Gas Natural Fenosa’s preventive activity since it not only constitutes a moral obligation, but also directly influences business results. In this area, the company’s main targets include the detection and minimisation of hazards affecting activities, products and services that may have a significant effect on the company’s facilities or its environment, causing economic, environmental and social damages.

- Accordingly, it has the Industrial Technical Safety Unit, which works according to a methodological model based on the following:
- A hazards map that provides an overview of those that may have the greatest effect on the company and its facilities.
  - Training activities designed on the basis of the lessons learned to avoid industrial accidents and incidents.
  - Support and dissemination activities based on cooperation with other entities in the sector.
  - Safety audits to verify compliance with current legislation and regulations.

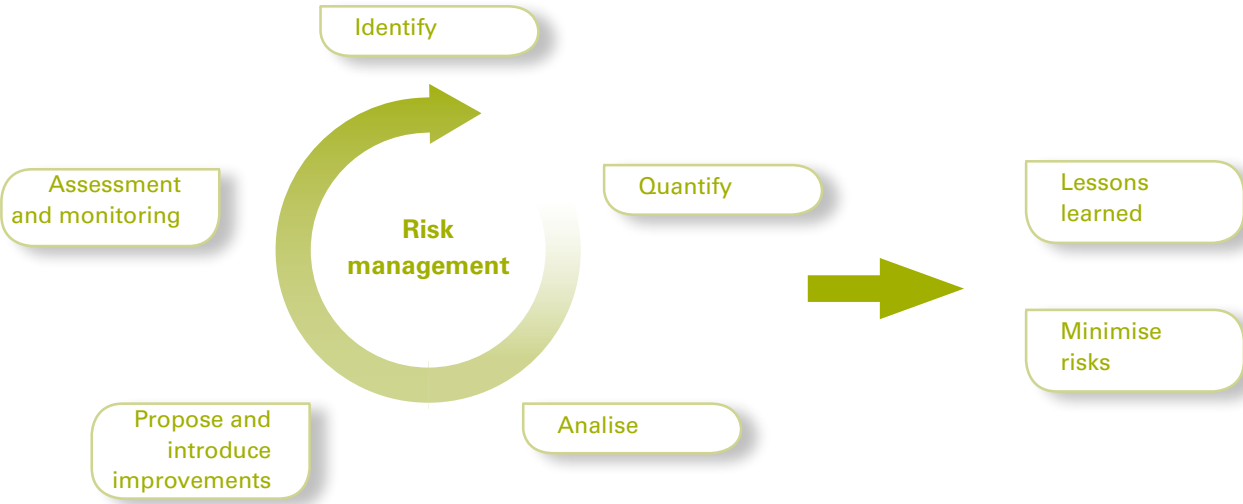
- Actions in the area of technology and accident and incident investigation, in accordance with the route-causes methodology, establishing the improvements that are necessary to ensure that, after they have been identified, they are not repeated in the future.

In relation to industrial safety, the company is working on the Risk Maps Project, which provides information about the status of the main facilities and their positioning and comparison between similar facilities. The purpose of these maps includes being a prevention tool and enabling the monitoring of the improvement points put in place to minimise the hazards that are detected in accordance with regular assessments.

Furthermore, certain facilities, in relation to their intrinsic hazards, have implemented a Serious Accidents Management System in accordance with the various laws and internal regulations defined by Gas Natural Fenosa, including the definition of the corresponding Emergency Plan, where necessary. Accordingly, there were no serious safety accidents in 2012 on the company's facilities.

As a result of contact with the distribution assets and in accordance with the registers of the various companies, 220 accidents occurred involving the general public, causing 231 injuries and 50 deaths in 2012. At the end of the year, two legal actions were brought against Gas Natural Fenosa for these causes.

Gas Natural Fenosa works continuously to reduce this type of accident through specific actions and the active training of the company's personnel. The 2012 figures demonstrate how effective the measures implemented were.



Accidents involving the general public due to the company's activities

	Accidents	Injuries	Deaths	Legal actions
Gas business	61	99	4	2
Electricity business	159	132	46	0
<b>Total</b>	<b>220</b>	<b>231</b>	<b>50</b>	<b>2</b>

# Commitment to society

## Principles of responsible action with society

Social commitment is one of the aspects laid down in the Gas Natural Fenosa Corporate Responsibility Policy and is based on the following principles:

- Positive integration in the society of the countries where it carries out its activities, assessing the social impact of its activity and respecting the culture, rules and environment.
- Generation of value by own activities and by collaborating with NGOs, local communities and other social players in all of the countries in which the company operates.
- Promotion of education, training, cultural wealth and the inclusion of the more underprivileged collectives through social investment.

## Creation of wealth and well-being where the company operates

Gas Natural Fenosa maximises the capital the company and the environment places at its disposal by providing a basic service, i.e. the reliable and safe supply of energy, but also by minimising the negative effects it has and allocating resources to social investments.

Gas Natural Fenosa implements different types of social investment projects in line with the company's corporate target, contributing to the progress of the communities in which they are carried out.

These projects are based on own initiatives through programmes developed in collaboration with other recognised institutions and social organisations. All these projects are targeted principally at satisfying social needs that are not covered.

In order to maximise its contribution to society, Gas Natural Fenosa has procedures that allow it to prioritise its activities in this area and detect the areas that need to be dealt with more urgently.

The company has four major action lines related to key activities that support its commitment to society:

- Access to energy, aimed at providing and facilitating access to this basic service by those populations with limited resources, in areas where the company performs its activity.
- Relationship with communities, to ensure fluid dialogue and to be aware of the social impact the company's business has.

- Social action, developed through the Latin America Integrated Operational Centre (COIL) because of the strong presence the company has in this area. Three model social action programmes were defined. These programs seek to be aligned with the company's business as well as catering to the different stakeholders with which the company has relations.

- Sponsorship, patronage and donations, through which the company supports projects and initiatives that generate value for society and, in turn, strengthen the company's social commitment. These values are based on support for culture, social causes and the environment. The adoption of these values is channelled through the different sponsorship and activity initiatives, both of the Gas Natural Fenosa Foundation and the Gas Natural Fenosa Contemporary Art Museum.

Gas Natural Fenosa also fulfils its commitment to society by actively collaborating with prestigious sector and business institutions on both a national and international scale, to which it provides its experience, know-how and resources. These include, among others, business

federations for the gas and electricity sectors, Unesa and Sedigas, the International Chamber of Commerce and The Conference Board, respectively.

In the field of corporate responsibility, Gas Natural Fenosa is a member of Forética and of the Spanish Association

for the UN Global Compact. The company also takes part in the Foundation for Renewable Energy & Environment and in the Corporate Excellence-Centre for Reputation Leadership.



Value actions

Proposed actions 2012

- Participation in working parties with social and cultural enterprises and private companies to encourage an improvement in the law governing patronage.
- Improvements in international coordination within the social investments sphere.
- Increase the number of actions that encourage participation by employees and the general public in initiatives that help the community.
- Improvements to key indicators and selecting projects based on results obtained.

Planned actions 2013

- Dissemination and training on the General Sponsorship and Patronage Act contribute to improving transparency and internal control and minimising hazards.
- Increase cultural initiatives.
- Extend the number of support impact and return reports to the cultural sector.
- Increase its presence on social networks and free access to the cinema.

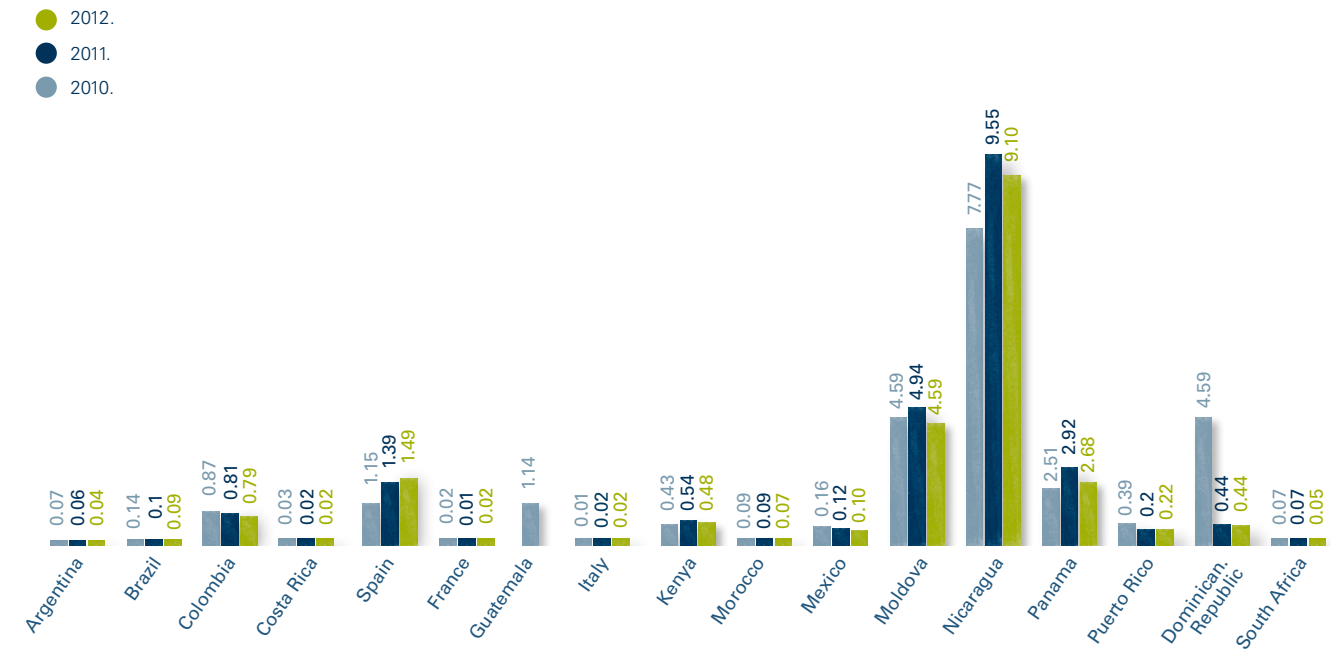
Level of fulfilment: ● High ● Medium ● Low

Challenges involving commitments to society

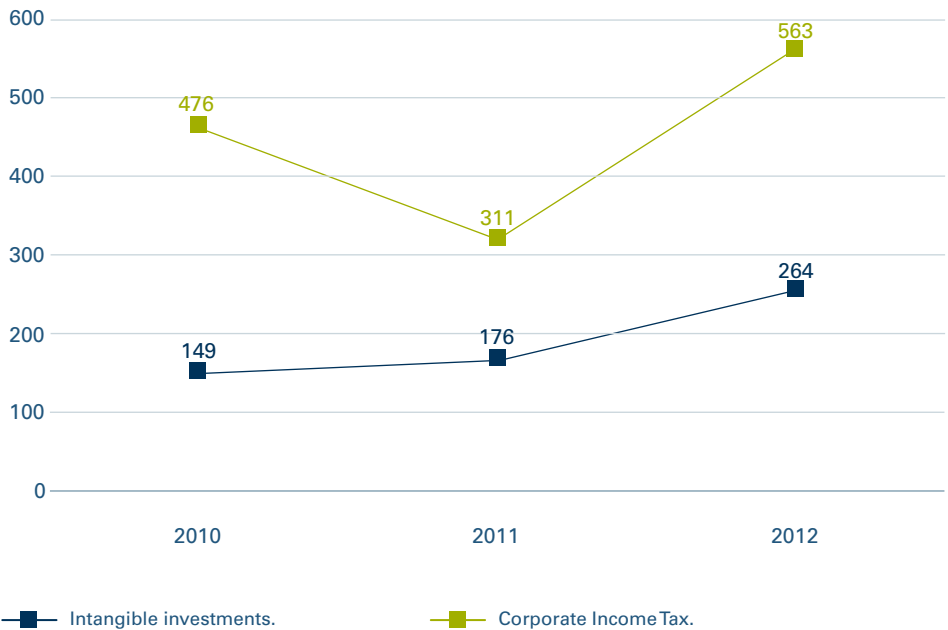
- Consolidate the bond between the main lines of social action and Gas Natural Fenosa's strategy.
- Measure the impact and return on investment of the various social action initiatives.



Contribution to GDP by country (%)



Contribution to society (millions of euros)



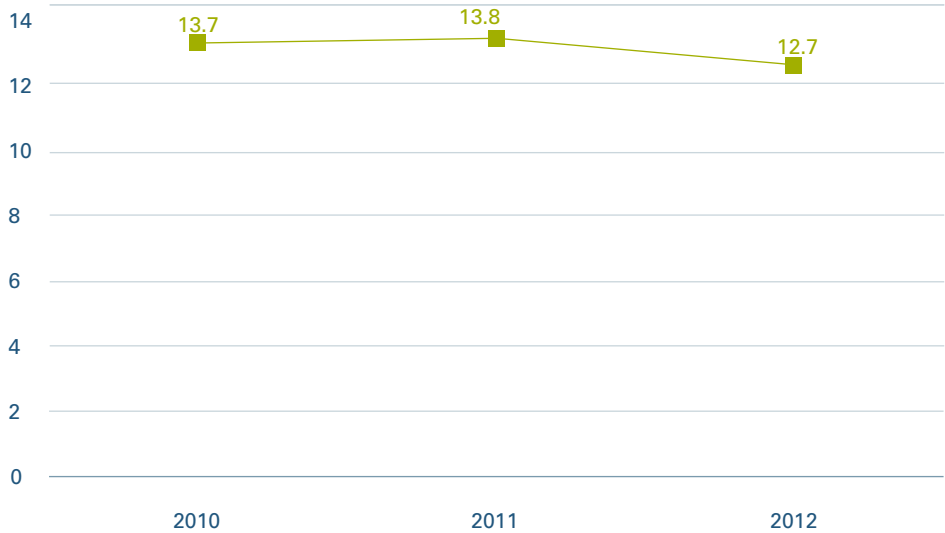
Economic contributions

Economic contributions to social investment programmes are another important part of the company's commitment. In 2012, they totalled 12.7 million euros.

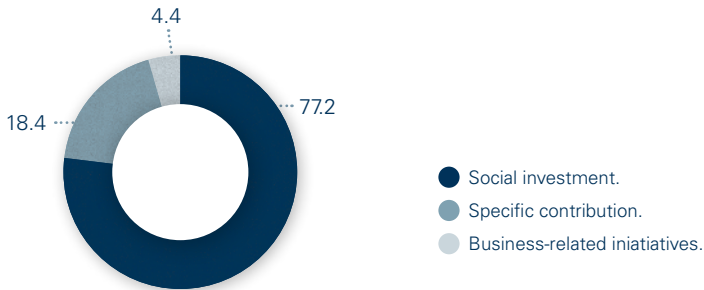
The programmes to which these resources are allocated form part of the business development strategy and the aim is to generate a higher corporate commitment to society.

In order to measure the results, Gas Natural Fenosa has tools for assessing the reputation of the social programmes it carries out. In this regard, as in previous years, in 2012 it continued to use the London Benchmarking Group methodology (LBG), which offers an overall view of social investment and enables a comparison of the results obtained with those of other companies.

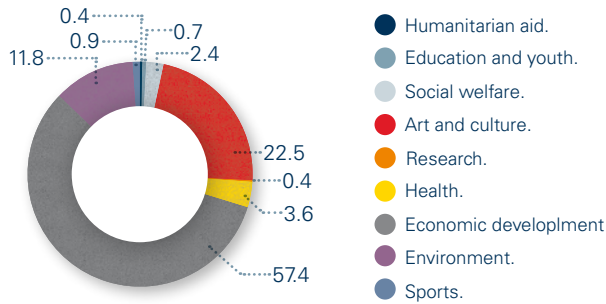
Evolution of contributions (millions of euros)



Motivation for initiatives (%)



Action area (%)



## Access to energy

Human and social progress necessarily requires access to energy.

Gas Natural Fenosa performs its activity in areas where this supply does not reach the entire population. Being able to help people that live in these areas is a priority for the company, and this is why it actively works in developing its distribution networks to offer these populations a service under safe conditions.

Gas Natural Fenosa has a wealth of experience in this area. Accordingly, the projects carried out through its commercialisation company Energía Social in Colombia or the project carried out at Cuartel V in Buenos Aires made it possible to provide natural gas services to tens of thousands of people. In the medium- and long-term, supplying electricity to these areas has two benefits: on the one hand, it increases the number of customers and supply points; and, on the other, the company acquires the experience it needs to expand its business to other areas in the same situation.

More information on energy access programmes can be found in the section titled “Access to energy,” in the “Sustainable Opportunities” chapter of this report.



## Relationship with communities

Gas Natural Fenosa carries on its business in a growing number of countries. The company's prosperity therefore involves developing its business in areas where socioeconomic levels are susceptible to improvement.

In these areas, it is essential for the company to have a proper relationship with local communities so that it can develop its business appropriately. Fluid dialogue with local communities helps development of business activity in optimum conditions, whilst simultaneously encouraging positive impacts and minimising those that are negative on local communities.

Accordingly, as part of its Human Rights Policy, Gas Natural Fenosa reiterated its firm commitment to local communities and their ways of life, undertaking to assess the positive and negative impact of its business on the corresponding communities and to contribute to improving their living conditions.

To fulfil this undertaking, Gas Natural Fenosa developed a method for assessing social impact in 2012. The method is based on the Measuring Impact methodology of the World Business Council for Sustainable Development (WBCSD) and the aim is to define initiatives and programmes for the effective management of social impacts associated with the company's business.



Another of the programmes developed by the company is carried out in communities located in the area of influence of the Torito hydroelectric project, in Costa Rica, which covers 11 communities and directly or indirectly affects 68,000 people. In order to maximise benefits for communities, three strategic vectors were defined for social action: jobs, repairing roads and contributing to social, educational and health infrastructures. Before commencing construction work, an action plan will be drawn up that considers the social compensation measures to be put in place in the communities during the plant construction and operation period.

This methodology was tested and adapted to Gas Natural Fenosa's situation through a project that was carried out in 2012 at the Bujagali hydroelectric plant (Uganda). The company's subsidiary Gas Natural Fenosa Operations & Maintenance was awarded the contract for this operation.

Although the company undertook to obtain a specific methodology for systematising and standardising its policy for relations with local communities in 2012, permanent contact with such communities is not new. For some years, Gas Natural Fenosa has implemented various local programmes in the places where it operates and where the living conditions around its business activities are more critical and far removed from the situation in more developed countries.

Here, special mention must be made of the community action programme developed in the areas with low resources around the fuel thermal power station operated by the company in Nairobi (Kenya) since 1997. The programme is carried out around five leverage points that focus mainly on the social problems that have been identified in the community: education, health, collaboration with local associations, environmental protection initiatives and the promotion of art and culture. Each year, a survey is performed on local residents to discover their perception of the initiatives carried out by the plant. The results show that the company is valued very positively, mainly due to the creation of employment.



## Measurement of the social impact at the Bujagali hydroelectric power station (Uganda)

Since 2012, Gas Natural Fenosa has operated the Bujagali hydroelectric power station (250 MW installed capacity) in Uganda through its subsidiary Gas Natural Fenosa Operations & Maintenance. The potential impact of the power station on the local environment led Gas Natural Fenosa to decide to assess it using proven methodology and the Measuring Impact of the World Business Council for Sustainable Development (WBCSD).

After a preliminary analysis of the living conditions of the communities around the power station, it was discovered that the key factors for local socio-economic development were the eradication of poverty and the promotion of education.

The methodology determined that issues related to suppliers, employment, skills and training, government and products and services were the ones with the highest impact on the local development leverage points that were identified.

After defining the indicators and prioritising according to importance for the company's business and the real impact on the local community, a number of action plans were put in place to maximise the eradication of poverty and the promotion of education. These plans were as follows:

- Local procurement programme, thanks to which the company contributes to increasing the local economic activity and employment. The company is also benefited by reducing costs generated by transactions and inefficiency and taking advantage of low local labour costs.

- Suppliers development programme to foster the creation of SMEs in favour of local development. Accordingly, the company covers its requirements better.
- Support for local training institutions, which improves the local community's access to employment and develops a labour force that meets the company's requirements in terms of qualifications.
- Training of health agents to improve the resources that are available and deal with the community's health needs and, at the same time, reduce days lost through ill-health, which also increases productivity.
- Provision of access to electricity, financing the acquisition of solar lighting systems to reduce CO<sub>2</sub> emissions and generate carbon credits.

This project for measuring the impact of a facility gave Gas Natural Fenosa a starting point for the development of similar projects at other facilities.

In the future, the company hopes to generalise the application of this methodology to other projects in which it is anticipated as having a significant impact on the local community.

Population without an electricity service (%)

	2012	2011	2010
Colombia (Electricaribe)	6.10 <sup>4</sup>	6.10 <sup>4</sup>	6.10 <sup>1</sup>
Nicaragua	27.60 <sup>2</sup>	30.20 <sup>2</sup>	33.20 <sup>2</sup>
Panama	14.00 <sup>4</sup>	14.00 <sup>4</sup>	14.00 <sup>3</sup>

<sup>1</sup> Source: Energy Mining Planning Department of the Government of Colombia. Figures published at December 2010.

<sup>2</sup> Source: Ministry of Energy and Mines of Nicaragua.

<sup>3</sup> Source: Office of the Comptroller General of the Republic of Panama.

<sup>4</sup> Information not available. 2010 value replicated.

Community investment programmes

The significant presence of Gas Natural Fenosa in Latin America means that community investment programmes in this region represent one of the basic points of the company’s commitment to society.

For Gas Natural Fenosa is essential that its community investment programmes focus on the geographical areas where it has a presence and that they be developed in tandem with the corporate activity. To meet this target, the Latin America Integrated Operational Centre (COIL) for Management of Community Investment Programmes was created which, under the motto “Energy to Grow”, implements three kinds of projects:

- Value for suppliers: these are technical and business training projects for suppliers, self-employed workers and micro-entrepreneurs associated with the gas and electricity sector. Its objective is for them to be integrated into the company’s value chain. It has two versions, one for technical training and the other for business training. In 2012, over 1,700 companies received training as part of this programme.

- Responsible use: these projects seek to foster the safe and efficient use of energy by customers and society in general. It has one version designed for children and another for adults. Through the Natural Family, more than 280,000 children and more than 230,000 adults received tips on the safe and responsible use of energy in 2012.
- Leadership training: projects that foster the studies and access to employment for the children and relatives of employees in Latin American countries. This programme is targeted at children and collaborators who are finishing their university or tertiary studies and who wish to apply for a training scholarship at the Corporate University.

Through its community investment programmes, Gas Natural Fenosa fosters the development of local communities, generating value in the business fabric and strengthening local socio-economic development.

Sponsorship, patronage and donations

Sponsorship and donations constitute occasional economic support for specific projects for social development through the promotion of culture, art, science and other disciplines. As general compensation, Gas Natural Fenosa improves its image and attraction for the general public.

In 2012, Gas Natural Fenosa drafted its first General Regulations on Sponsorship and Donations, designed to establish the general management principles for sponsorships and donations by the company and to define the processes that regulate and control its development.





### Social action focused on underprivileged groups

Gas Natural Fenosa drives and supports projects that help reduce social inequality and integrate the most vulnerable social collectives. It therefore collaborates financially with foundations and associations whose corporate purpose is to help reduce or mitigate these problems in some of the countries where it performs its activity.

### Promotion of health and research

Gas Natural Fenosa also has a line of action in its sponsorship and donations programme designed to support health and research. It may help improve the quality of life of many people.

The regulations provide that each country or subsidiary's communication manager must report every four months on its sponsorship activities and donations to the Sponsorship Unit in Spain and to the COIL in Latin America. Similarly, activities related to sponsorship and donations are subject to a process of 100% transparency. The regulations also provide priorities, which can be summarised in social action, culture and energy and the environment.

### Educational initiatives

The educational initiatives for young persons represent one of the main activities of Gas Natural Fenosa as part of its commitment to society, particularly with regard to the good use of energy and to sustainable development.

In 2012, we can highlight the conferences given as part of the programme titled "Energy, the Environment and You", which were attended by a total of 98,306 Spanish students.

By the same token, the company implemented a wide range of collaboration, participation and sponsorship initiatives with different educational entities in Spain, Italy and some Latin American countries.

The various programmes in which Gas Natural Fenosa takes part include research on improving the quality of life of sick people and their relatives, the investigation of cardiovascular diseases, which are the main cause of death in the world, the information campaign for the early detection of breast cancer in Moldova and the campaign for free medical care and rehabilitation for children who have suffered burns in Nicaragua.



### Promotion of music, theatre and films

Gas Natural Fenosa also maintains its commitment to collaborate with the world of film, music and theatre, by providing support to festivals, musical events and concerts.

By supporting the world of film, Gas Natural Fenosa collaborates with one of the industries most affected by the crisis, particularly in the case of festivals, which in recent years have suffered important cutbacks in the public aid they used to receive.

### Fostering cultural enrichment

An important part of the company's cultural investment is carried out through the Gas Natural Fenosa Contemporary Art Museum, an exhibition area in A Coruña, which has been open for 17 years. The museum offers exhibitions, staged, informative and leisure events, as well as taking part in activities to favour social integration of people with any form of disability.

Moreover, the company supports other institutions, such as the National Art Museum of Catalonia (MNAC), the Contemporary Art Museum of Barcelona (MACBA), the Valladolid Science Museum and the Patio Herreriano Foundation.

### Corporate volunteers and employee participation

Gas Natural Fenosa also encourages its employees to participate in community investment programmes of the company.

These actions include the Solidarity Day initiative, created in 1997 and managed by the employees. It involves participants voluntarily donating a one-day fraction of their annual salary to projects targeted at promoting education and teaching children and young persons in countries in which Gas Natural Fenosa operates.

For the Solidarity Day event, the company donates an amount equal to the amount donated by employees and assumes all management costs, so that the total amount raised can be used for the annual selected project. Close to 2,000 employees around the world took part in the initiative.

Since it was created, through its scholarship programmes the Solidarity Day has funded the education of more than 3,000 children and young persons at primary & secondary level as well as technical and university studies in Argentina, Bolivia, Brazil, Colombia, the Philippines, Guatemala, Kenya, Mexico, Moldova, Mozambique, Nicaragua, Panama and the Dominican Republic. In 2012, it collected over 430,000 euros, which shall be used to execute projects in Morocco.



For more information about sponsorships and donations, please visit the corporate website of Gas Natural Fenosa,

[www.gasnaturalfenosa.com](http://www.gasnaturalfenosa.com)

## Gas Natural Fenosa Foundation

The aim of the Gas Natural Fenosa Foundation is to promote essential cultural values in the technological, anthropological and sociological aspects. To do this, it carries out national and international activities, in different countries of Latin America and the Maghreb, in order to adapt its activity to the local reality.

It also performs training actions for gas sector professionals, through the Energy Training Centre, and promotes cultural-type activities targeted at preserving and showing the historic and cultural heritage of the gas sector, which it does through the Gas History Centre and the Gas Museum, in Sabadell.

The Gas Natural Fenosa Foundation works along four lines of business: energy and the environment, international activities, training and historical heritage. Its strategy is based on the following points:

- Improving knowledge and awareness of the environment among the population in general and, specifically, at the professional level, through dissemination and awareness initiatives on issues concerning energy and the environment.
- Protecting and disseminating the historic heritage of Gas Natural Fenosa and of the gas and electricity sectors, through the preservation and dissemination of the company's important historical archives and those of different companies that have been involved. It also does this through the performance of research works and publications issued by the Gas History Centre.



- Training gas and electricity sector professionals, basically in aspects of procedures and processes and in improving customer relations.
- On-going development of international programmes, focused on the dynamics of each geographical zone.

We may highlight in 2012, the opening of the Gas Museum. The purpose of the museum is the preservation, conservation and dissemination of the historic heritage of the gas and electricity sectors, as well as exploring the future of energies and how they interact with the environment. Since it opened, over 20,000 persons have enjoyed its cultural and technological offering.

The Gas Natural Fenosa Foundation was recognised as the most transparent Spanish foundation in the annual ranking drawn up by the Compromiso y Transparencia Foundation



For more, up-to-date information about the Gas Natural Foundation, please visit the foundation's website,

[www.fundaciongasnaturalfenosa.org](http://www.fundaciongasnaturalfenosa.org)



Activities of the Gas Natural Foundation. Spain

	2012	2011	2010
No. of active agreements with autonomous regions	20	18	18
No. of seminars or courses held	18	18	19
Budget allocation (out of total) (%)	29	12	12
No. of publications	3	3	4
Environmental education fact sheets	1	1	1
Information sheets	9	9	9

International activities of the Gas Natural Fenosa Foundation

	2012	2011	2010
No. of activities	13	13	15
% of the total budget	17	14	12
No. of countries in which it operates	7	8	8



# Integrity

## Principles of responsible action at the company

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

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

## Integrity is key to the company's success

Gas Natural Fenosa is a story of 170 years of success based on the company's social commitment, integrity and ethical conduct.

From the beginning, the growth attained by Gas Natural Fenosa has been based on these principles, which have formed part of the corporate culture and its vocation to service for customers and the society in which it participates. Indeed, ethics and honesty are the fundamental pillars of the declaration of the company's mission, vision and values, its strategic plans and the Corporate Social Responsibility Policy. They are also commitments assumed by the highest body of government.

Gas Natural Fenosa believes that operating on the basis of integrity directly contributes to achieving business targets and sustainable business management. Proceeding in an ethical way, as recognised by many reference institutions in these areas, such as the World Economic Forum or Transparency International, reduces operating costs, avoids the risk of violating legislation, promotes the retention of talent and favours the correct operation of the market and the distribution of business profits. It not only favours the company, but also contributes to institutional strengths and the creation of societies that are prosperous and fairer.

These principles are even more important in the present context. The economic crisis that is affecting all of us appears not only on an economic scale, but also in a way that has affected the trust of many players in the correct operation of the markets and the capacity of enterprise to achieve the sustainable growth of

society as a whole. Faced with this situation, the company's priorities are twofold:

- Strengthening the confidence of its key stakeholders, mainly institutions, shareholders, investors and customers, in the markets on which it operates and based on its ethical principles.
- Extending the way it works to new international environments that offer the company opportunities for growth. The maintenance of integral conduct to help local institutions grow stronger and guarantee the development of a competitive local business fabric is a basic focus that enables the company to take advantage of the great opportunities that can be found.

Gas Natural Fenosa faces challenges regarding integrity through a management approach based on various policies and procedures and specific tools. These elements seek to ensure that the company's activities and those of its employees comply with applicable standards and laws in every country in which it operates. They also seek to ensure that all the units and organisations behave impeccably in accordance with ethical values and formal commitments to conduct, and to preventing and detecting any breach in the appropriate time and manner.

Gas Natural Fenosa put in place various Corporate Integrity Programmes (CIP) to guarantee the above targets:

- Code of Ethics Management Model.
- Crime Prevention Model.
- Antifraud and anticorruption policies.
- Human Rights Policy.

These programmes give rise to indicators that can be used for the management, control and supervision

of the company's ethical conduct, which makes it possible to measure the effectiveness of the programmes that are in place and develop new improvement plans adapted to the specific needs of the business.

Value actions

Proposed actions 2012	Planned actions 2013
<b>Code of Ethics.</b> Preparation of a workflow to automate the declaration of compliance with the Code of Ethics.	● Recurring process for compliance with the Code of Ethics through the automatic workflow.
Improvement of the space for the Code of Ethics on the company's Intranet.	●
Process for the declaration of compliance with Gas Natural Fenosa's Code of Ethics by every employee on an international scale.	● Implementation of a space on the website for access to the Code of Ethics by suppliers.
<b>Antifraud and anticorruption policies.</b> Amendment of the internal regulations and definition of the appropriate protocols and mechanisms in prevention of criminal liability of Gas Natural Fenosa.	● Formalisation of the Antifraud and Anticorruption Policy to standardise all developments.
<b>Human Rights Policy.</b> Rollout and monitoring of the Human Rights Policy Implementation Plan.	● Strengthening of the action plan for the implementation of the Human Rights Policy.

Level of fulfilment: ● High ● Medium ● Low

Integrity challenges

<b>Code of Ethics.</b> Guarantee compliance with the Code of Ethics on every level and both internally and externally.
<b>Human Rights Policy.</b> Implement and guarantee compliance with the Human Rights Policy across the company and in every country in which Gas Natural Fenosa operates.
<b>Crime Prevention Programme.</b> Satisfactory external certification of the Crime Prevention Model.





## Code of Ethics Management Model

The Code of Ethics, drawn up and approved by the Board of Directors, is Gas Natural Fenosa's basic instrument for integral, responsible and transparent action.

It lays down the principles for the company's employees and determines what conduct is expected in matters relating to corruption and bribery, respect for people, professional development, equal opportunities, occupational health and safety, and caring for the environment, among others. It also defines the guidelines for relations between the company's employees and its collaborator companies.

The importance of guaranteeing said behaviour has led Gas Natural Fenosa to perform numerous actions to disseminate and extend its Code of Ethics to all its activities. Since 2005, which is when it was adopted, the code has been renewed regularly to adapt it to the new situations that affect the company.

Gas Natural Fenosa also has a Code of Ethics Management Model led by the Internal Audit Department, whose targets are to ensure the knowledge, application and fulfilment of the code. This Management Model includes the following:

- The Code of Ethics itself.
- The Code of Ethics Committee, chaired by the Director of Internal Audit to ensure its objectiveness and independence, is responsible for ensuring the dissemination and fulfilment of the code through the supervision and control of the security systems. It has local committees in the countries in which the company carries out its major activities<sup>1</sup>.
- Safeguard systems are the company's mechanisms for ensuring the dissemination and fulfilment of the Code of Ethics. They are as follows:
  - Reporting channel, through which all the employees and suppliers can send queries or notify breaches of the code, in good faith, in a confidential manner and without fear of reprisal.
  - Annual declaration procedure, through which all the employees repeatedly declare that they have read, understood and comply with the code.
  - Online course with training on the issues included in the code, mandatory for all employees.

<sup>1</sup> More information is available on this section in the chapter of this report titled "Corporate Responsibility at Gas Natural Fenosa".



The Code of Ethics Management Model also provides that the Audit and Control Committee of the Board of Directors and the Management Committee must receive quarterly reports from the Code of Ethics Committee on the most relevant issues related to this area. It is, among other things, the body responsible for receiving notifications related to fraud, audits, decisions on accounting processes and internal control. In 2012, 38% of the notifications received were related to alleged fraud, none of which had any significant impact.

Mention should also be made of the fact that the committee did not receive any notification of incidents taking place in the Gas Natural Fenosa related to labour or child exploitation or in relation to the rights of the corresponding local communities and human rights. 13% of the notifications were related to the principle of respect for people, and they were all solved appropriately. No notification was related to discrimination.

The Code of Ethics Committee also has a multi-year work plan with the ultimate goal of extending the code to the highest possible number of activities and people at the company. It includes actions in the short- and medium-term to improve integrity management at Gas Natural Fenosa.

In 2012, the annual work plan of the Code of Ethics Committee included, among others, the following actions:

- Coordination and leadership of the process for the declaration of compliance with Gas Natural Fenosa's Code of Ethics by every employee on an international scale. The declaration process is carried out recurring leap across the entire company.
- Definition of the "Declaration of Fulfilment" workflow.
- Training and information activities aimed at company employees.
- External informative actions.
- Activities for extending the code to suppliers in Spain and abroad.
- Review of the security of the processes related to query and notification procedures.
- Online training course on the Code of Ethics to develop and strengthen knowledge of the Code of Ethics among all employees.
- Monitoring of the implementation of the code in relations with suppliers.

The actions planned by the Code of Ethics Committee in 2013 include the following:

- Finalisation of the process for the declaration of compliance with Gas Natural Fenosa's Code of Ethics by every employee.
- Collaboration on the definition of an anti-fraud programme, which will include the company's gifts policy.
- Carry out a regular process for the declaration of compliance with the Code of Ethics of Gas Natural Fenosa by every employee through an automatic workflow.

- Continuity of the actions drawn from the requirements suggested in the reform of the Penal Code.

- Actions for improving suppliers' access to contents related to the Code of Ethics and the query and notification procedure (amendment of clauses in contracts, promotion of ethical practices in accordance with the Code of Ethics, access to the channel for consultation and notification).

In 2012, the committee held 7 working meetings, and the local committees held 21.

The company set up local committees in Argentina, Brazil, Colombia, Italy, Mexico, Moldova, Nicaragua and Panama. With a structure similar to that of the Code of Ethics Committee, the mission of these committees is to reproduce the functions the committee carries out in Spain in each country to cover the company's entire area of action. Accordingly, the company guarantees the existence of safeguard procedures in the different countries in which it operates.

### Code of Ethics chapter to which notifications refers (%)

	Consultas	Notificaciones	Total
Respect for the law, human rights and ethical values	–	11	9
Respect for other persons	–	13	11
Professional development and equal opportunities	11	20	19
Cooperation and dedication	–	7	6
Health and safety at work	–	9	7
Corruption and bribery	–	22	18
Use and protection of assets	–	4	3
Corporate image and reputation	–	–	–
Loyalty to the company and conflicts of interest	56	4	12
Processing of information and knowledge	11	4	6
Customer relations	–	2	2
Relations with external collaborating companies and suppliers	11	2	4
Respect for the environment	11	2	3
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>



## Crime Prevention Model

In 2011 and 2012, the Criminal Risk Prevention Model was designed and implemented. This model incorporates the already established Gas Natural Fenosa internal control structure. Its purpose is to effectively prevent the occurrence of offenses under the Organic Law 5/2010 governing the Amendment of the Penal Code, which entered into force on 23 December 2010. This modification introduces in Spain the criminal responsibility of artificial persons in cases in which they do not exercise due control over the systems of individuals subject to their authority. The model was designed and implemented by the Legal Services

Department and is annually supervised by the Audit and Control Committee through the Internal Audit Area.

The model contains 21 crimes that have been identified, together with definitions of their probabilities of occurrence, mechanisms for their control and minimisation, and responsibilities with regard to their fulfilment. The model itself is one of the company's factors of differentiation in the area of integrity, enabling it to prevent crimes that could give rise to legal or other kinds of problems.

In 2012, the model was assessed by an independent third party, which issued a satisfactory certificate on its design and effectiveness.

## Antifraud and anticorruption plans and policies

Although fraud and corruption are covered in the crime prevention system, the company worked to amend its internal regulations and define specific protocols and mechanisms in this area.

The aim is to formalise an anticorruption and antifraud policy to cover all the actions in this area and avoid conduct that may give rise to fraud or corruption and lead to situations that are damaging for Gas Natural Fenosa from a legal point of view or in relation to its reputation.

Gas Natural Fenosa's Antifraud Programme focuses on three key areas:

- Establishment of an antifraud culture through training and awareness.
- Implementation of proactive measures to assess the risk of fraud, monitoring and controls.
- Development of measures and response plans in the event of situations that constitute fraud. These plans and measures include the investigation of the episodes, the definition of solutions and the establishment of disciplinary measures.

## Human Rights Policies

Since 2011, Gas Natural Fenosa has had a Human Rights Policy adopted by the Management Committee. The development and approval of this policy is the company's response to growing local requirements, especially in areas in which the protection of human rights is particularly important.

Gas Natural Fenosa's Human Rights Policy formalises the company's commitment to protect human rights in its area of influence. It seeks to avoid situations where any of the procedures, operations and other policies applied by the company cause abuse or violations of human rights that correspond to Gas Natural Fenosa's people or third parties related to the company. The policy is particularly applicable in locations in which local legislation does not provide a sufficient level of protection for human rights. In these cases, Gas Natural Fenosa undertakes to guarantee a level of protection equivalent to the other areas in which it carries on its business.

The policy provides ten commitments, which were determined on the basis of the main risks that affect human rights in the company. To guarantee compliance with the commitments, specific responsibilities and indicators were defined and the final supervision of their compliance corresponded to the Corporate Reputation Committee. Based on the information for 2011, the accounts auditor, PwC, verified the status of the implementation of the policy in the organisation and the effectiveness of the procedures in place. According to the verification, the action lines will be established to improve the implementation procedures.





The policy also accepts the stipulations of the Report of the Special Representative of the UN Secretary-General on issue of human rights and transnational corporations and other business enterprises (John Ruggie Report), and the bodies created by virtue of human rights treaties.

Knowledge of and compliance with the policy are strengthened at the company through the communication and training plan, which includes an online course that is mandatory for all employees. The number of people who had completed the course on the Human Rights Policy at the Virtual University totalled 9,681 in 2012. Furthermore, other training courses on human rights were also given with an estimated duration of 9,890 hours.

It is also important to note that, in 2012, 662 security officers provided an active service across the group, and 557 of them (84%) took part in the various refresher courses on private security. As part of the training and in accordance with the clause of the contract regarding the updating of knowledge and procedures in relation to respect for human rights, a total of 3,188 training hours were given.

Extending the way the company operates, based on respect for human rights, helps the institutional strength of the countries in which it operates and offers guarantees for taking advantage of business opportunities and developing projects in the long-term. Accordingly, the policy is also notified to suppliers. In 2012, a project began to review the clauses of mercantile contracts and orders and it has achieved significant results. Among other countries, Argentina, Brazil and Nicaragua progressed notably in this area.

To fulfil the commitment provided in the policy on respect for the communities and traditional ways of life, the company will analyse the application of human rights especially in areas where institutional protection is on a lower level. This analysis will be carried out mainly through social impact studies on the company's investment projects<sup>1</sup>. In 2013, the Internal Audit Department is to carry out a project to review the level of implementation of the Human Rights Policy at the company in accordance with the Internal Audit Plan 2013 adopted by the Audit and Control Committee on 24 January 2013.

### Non-compliances and fines

Gas Natural Fenosa works actively towards carrying out its business activities in accordance with applicable laws. For that purpose, the company carries out preventive actions with executives and areas of greatest risk and implements the corrective actions necessary to prevent occurrences which could breach the regulations of each one of the countries in which the company operates.

In Spain, the company was given a fine for 100,000 euros in 2012 for processing data without consent and violating the principle of data quality. An administrative-contentious appeal was brought against the decision before the National Court.



In Latin America, the company was given an administrative fine in Brazil for 237,941 euros in relation to accidents. In Panama, the subsidiary was fined 378,941 euros for breach of the Operating Regulations of the National Dispatch Centre. In Argentina, Colombia, Costa Rica, Nicaragua, Puerto Rico and Dominican Republic there were no relevant administrative fines during 2012.

In 2012, the company registered no fines for monopolistic practices or for breach of regulations on marketing communications, including advertising, promotions and sponsorship

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<sup>1</sup> More information can be found about this in the section of this report titled "Commitment to society".



## additional **information**

Process for drafting this report. 208  
Contents and GRI indicators. 212  
Global Compact, MDGs and GRI. 236  
GRI application level check statement. 238  
Independent review report. 239

## Process for drafting this report



### Scope and focus of report

The information included in this Corporate Responsibility Report refers to all activities conducted by Gas Natural Fenosa in 2012, as a worldwide gas and electricity operator. The report considers the production and distribution of electricity, the gas supply, production, liquefaction, transport, distribution, storage and regasification operations, the energy commercialisation operations, coal-mining operations and other activities in the sphere of telecommunications.

The report has been drawn up in accordance with the recommendations given in the latest version of the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI 3.1). It includes additional information required by the "Utilities" supplement, which contains specific indicators for electricity sector companies. The company therefore considers that the level of application of these guidelines in the report is deserving an A+ rating. In addition, this document includes the applicable indicators given in the "Oil & Gas" supplement, that contains specific indicators for companies in this sector. Also included are a number of indicators from the draft GRI G4 Guidelines, scheduled to be approved in the second quarter of 2013. This report was also drawn up in accordance with the AA1000APS standard, 2008.

Using a more integrated focus, the 2012 report shows to what extent the commitments and initiatives in corporate

responsibility have a repercussion on the company's business targets and help generate value. This approach enables stakeholders to get a more in-depth picture of the risks and opportunities facing Gas Natural Fenosa. Consequently, new items include a section on "Sustainable opportunities," which provides a detailed explanation on the medium- and long-term business points the company believes will be key within the sphere of sustainable development. Those in charge of each functional area were actively involved in preparing the contents of the report. This is to give the reader an accurate picture of the business targets pursued through the major initiatives set up in each area, in line with the principles of the Corporate Responsibility Policy. All this is for the purpose of complying with the reporting transparency and integrity undertakings.

The take-up of an integrated reporting focus was based on the approaches given by the International Integrated Reporting Council (IIRC) in the discussion paper currently available. This paper represents the basis of the future framework that will guide companies in the implementation of integrated reports, the definitive approval of which is scheduled for December 2013.

The figures for Gas Natural Fenosa in 2012 submitted in this Corporate Responsibility Report are consolidated and refer to the company overall for the entire year, although they show peculiarities in some chapters.

In human resources, figures on staff and personnel expenses are reported for the countries in which Gas Natural Fenosa operates. The exception to the foregoing rule includes Angola, Belgium, Luxemburg, Oman and Portugal, countries in which the company carries out its activities but has no employees or, if there are any employees, they belong to Spanish companies. For the remaining indicators, information is provided on the countries in which Gas Natural Fenosa uses centralised management, on most occasions and to the extent possible. Similarly, the report includes certain information on Kenya and South Africa, countries where the company has a managed workforce, but not centralised management. In each case, the criteria is clearly indicated in the chart or table.



The information included in the 2012 section on the environment refers solely to those companies or activities in which the participation is equal to or greater than 50%, that have the capacity to influence environmental management or which have a significant capacity to impact environmental data, considering the global data.

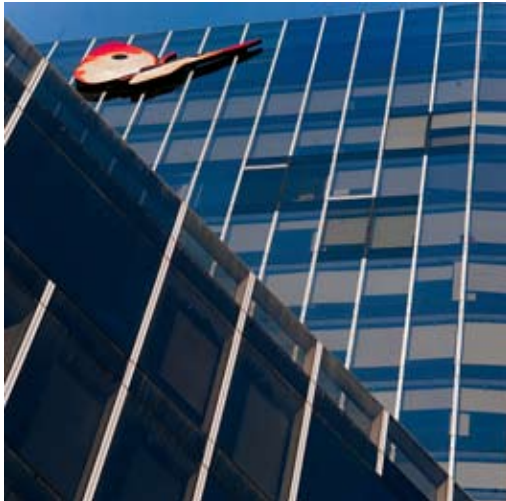
To facilitate comparisons and enable the reader to get an idea of the timeline with regard to the figures given in this report, these are given in a general way for 2010, 2011 and 2012.

### Application of the AA1000APS standard when drafting this report

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

- **Inclusiveness.** This is defined as stakeholders' participation in the development and achievement of a strategic and responsible response from the company in sustainable development. In relation to this principle, particular importance is placed on the information presented by Gas Natural Fenosa on actions that lead to dialogue with its stakeholders





- **Relevance.** This refers to the need for determining the importance of matters related to corporate responsibility and sustainability for the company and its stakeholders. One relevant issue is that which influences the decisions, actions and performance of an organisation or its stakeholders. The significant issues for Gas Natural Fenosa are included in its Corporate Responsibility Policy, that was approved in December 2010. This 2012 Corporate Responsibility Report is structured according to them.
- **Capacity for response.** This principle refers to the company's response to relevant issues related to corporate responsibility or sustainability. The capacity for response can be seen in the decision-taking processes, actions taken and performance, as well as in communications with stakeholders. Thus, this 2012 Corporate Responsibility Report includes key performance indicators of Gas Natural Fenosa, as well as its core policies and management systems in the spheres taken into account.

## Principles for drafting this report

In accordance with the Global Reporting Initiative (GRI) recommendations, the balanced and reasonable presentation of the organisation's performance requires application of certain principles to determine the content of public information on this issue.

- **Materiality.** Materiality is the threshold from which an aspect of sustainability is of sufficient importance to be included in the Corporate Responsibility Report. The importance of materiality is determined by the significant impacts of the organisation that could have a sizeable influence on stakeholders' assessments and decisions. For the 2012 report, materials were considered as those analysed in the 2011 materiality study. This analysis was conducted taking into consideration the requirements of institutional investors, documentation of sectorial prescribers, sustainability indices and proposals presented at general meetings of shareholders in the energy sector, enabling Gas Natural Fenosa's performance with regard to these items to be verified. With this premise in mind, for the 2012 report the company updated the material items based on the requirements detected by specialised analysts and investors.

For Gas Natural Fenosa, the aspects included in the GRI are materials; in particular, this extends to those that can be found in the "Utilities" and "Oil & Gas" supplements of the aforementioned organisation and the RepTrak analysis, a methodology used by Gas Natural Fenosa to gauge its reputation.

The company believes that, in this way, all the issues that are of relevance in view of its characteristics and those of the sectors in which it operates were included in this 2012 Corporate Responsibility Report.

- **Participation of stakeholders.** The establishment of an active dialogue with stakeholders is a fundamental principle of Gas Natural Fenosa's strategy. The company defined its stakeholders, identified its expectations and set actions to establish a two-way dialogue. This process is explained in the sections on dialogue with stakeholders and corporate responsibility governance.
- **Sustainability context.** The report offers an analysis of the company's performance in the context of the economic, environmental and social requirements of its social and market environments. The sections on business model, strategy and sustainable opportunities focus specifically on this area.
- **Exhaustiveness.** The outline of contents are defined with the help of those in charge of the key management areas of the company. This guarantees that essential aspects and impacts that each activity area of Gas Natural Fenosa has on its environment and on its own business targets are taken into consideration.

## Quality of the information given

As in previous years, Gas Natural Fenosa has followed the GRI recommendations to ensure the quality of the information that is being disclosed in this report. The consideration of the principles given hereunder guarantees that the information offers the appropriate guarantees of quality.

- **Balance.** The report clearly shows the positive and negative aspects of the organisation's performance, which enables a reasonable valuation thereof.
- **Comparativeness.** The information given in this report makes it possible to analyse the evolution of the company performance over time.
- **Accuracy.** All the information in the report is accurate and given in sufficient detail for the company's stakeholders to be able to value its performance in an appropriate manner.
- **Frequency.** Gas Natural Fenosa publishes its Corporate Responsibility Reports annually, as soon as the information is available, so that the stakeholders have a good understanding of the company.
- **Clarity.** The information is presented in a way that is understandable, accessible and useful. To enable its correct understanding, the use of technical terms is avoided. In addition, it uses graphs, diagrams, tables and indicators to describe the company's most relevant impacts and make it easier to read the document.

- **Reliability.** The figures given in this 2012 Corporate Responsibility Report were checked by PwC. The drafting of the report took into account the three principles required by the AccountAbility AA1000 standard in relation to relevance and materiality, accuracy and whether or not the information given responds to the stakeholders' concerns and requirements.

## Verification

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

In the said policies and in accordance with the GRI recommendations, Gas Natural Fenosa committees an annual external verification of the contents of its Corporate Responsibility Report. This review is made by an independent expert, PwC, which reviews the adaptation of the contents of the Corporate Responsibility Report to the provisions laid down in the GRI and the AA1000APS standard.

As a result of the said process, an independent review report is drawn up to include the goals and scope of the process, as well as the verification procedures used and the corresponding conclusions. After the assessment of the information included in the 2012 report, the independent expert applied the level of assurance specified in the Independent Review Report.

## Queries and additional information

In addition to this 2012 Corporate Responsibility Report, Gas Natural Fenosa has published the Annual Report and the Audit and Control Committee Report, all pertaining to 2012. The company also has a website ([www.gasnaturalfenosa.com](http://www.gasnaturalfenosa.com)), where anyone interested can consult up-to-date information about the company. Furthermore, special mention must be made of the fact that Gas Natural Fenosa publishes corporate responsibility reports in Argentina, Colombia and Mexico, and that this year, for the first time, it will also publish them in Brazil, Italy, Moldova and Panama.



Readers can send their doubts, queries or requests for information to the company's website,

[www.gasnaturalfenosa.com](http://www.gasnaturalfenosa.com)

# Contents and GRI indicators

The following table indicates the chapters and the pages of the 2012 Corporate Responsibility Report of Gas Natural Fenosa

containing the different requirements established by the Global Reporting Initiative (G3.1 Guidelines, 2011).

<b>1. Strategy and analysis</b>	<b>Reporting level</b>	<b>Issues not reported</b>	<b>Reason for the omission</b>	<b>Comments</b>	<b>Pages</b>
1.1 Chairman's statement.	Complete				4-5
1.2 Description of main impacts, risks and opportunities.	Complete				50-55
<b>2. Organisation profile</b>	<b>Reporting level</b>	<b>Issues not reported</b>	<b>Reason for the omission</b>	<b>Comments</b>	<b>Pages</b>
<b>Organisation profile</b>					
2.1 Name of organisation.	Complete				8, back cover
2.2 Main brands, products and services.	Complete				18-20
2.3 Operational structure of organisation, including the main divisions, operating entities, subsidiaries and joint ventures.	Complete				8-9, 18-20
2.4 Location of the organisation's head office.	Complete				Back cover
2.5 Location and name of the countries in which significant activities are performed or which are relevant specifically with regard to sustainability matters addressed in the report.	Complete				8-9, 18-20
2.6 Nature of ownership and legal personality.	Complete				8
2.7 Markets served (including the geographical breakdown, the sector supplied and the types of customers/beneficiaries).	Complete				8-9, 20

2. Organisation profile	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
2.8 Dimensions of the organisation (including number of employees, net sales or revenues, total qualifications, amount of product or service rendered).	Complete				8-17
2.9 Significant changes in the size, structure and ownership of the organisation over the period covered by the report.	Complete				8-25
2.10 Prizes and awards received during the period in question.	Complete				70
EU1 Installed capacity, broken down by primary energy source and by regulatory regime.	Complete				11
EU2 Net energy output, broken down by primary energy source and by regulatory regime.	Complete				12
EU3 Number of residential, industrial, institutional and commercial customer accounts.	Complete				77, 90-91
EU4 Length of above and underground transport and distribution lines by regulatory regime.	Complete				14
EU5 Assignment of CO <sub>2</sub> emission rights or equivalent, broken down by carbon market.	Complete				126
3. Parameters of report	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
<b>Profile of report</b>					
3.1 Period covered by the information contained in the report.	Complete				208-209
3.2 Date of most recent previous report.	Complete				211
3.3 Cycle for presentation of reports (annual, twice-yearly, etc.).	Complete				211
3.4 Contact details for questions relating to report or its content.	Complete				211
<b>Scope and coverage of report</b>					
3.5 Process of definition of report contents.	Complete				210-211
3.6 Coverage of report.	Complete				208-210
3.7 State any limitations in the scope or coverage of report.	Complete				208-210

3. Parameters of report	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
Scope and coverage of report					
3.8 Information on joint ventures, subsidiaries, leased installations, subcontracted activities, and other entities which could significantly affect the comparison between periods and/or organisations.	Complete				102, 208-210
3.9 Techniques for measuring data and bases for making calculations, including the assumptions and techniques underlying the estimates applied in the compiling of indicators and other information in the report.	Complete				208-211
3.10 Description of the effect that the restatement of information belonging to previous reports could have, together with the reasons for said restatement.	Complete				208-211
3.11 Significant changes relating to previous periods in the scope, coverage or in the valuation methods applied in the report.	Complete				102, 208-210
Index of GRI contents					
3.12 Table indicating the location of the basic contents of the report.	Complete				212-235
Verification					
3.13 Policy and current practice in respect of requesting external verification of the report.	Complete				211
4. Governance, commitments and participation of stakeholders	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
Governance					
4.1 Governance structure of organisation.	Complete				44-49
4.2 State whether the Chairman holds an executive post.	Complete				48
4.3 Number and gender of members of the highest governing body who are independent or not executive.	Complete				48-49

4. Governance, commitments and participation of stakeholders	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
<b>Governance</b>					
4.4 Mechanisms for shareholders and employees to notify the highest governing body of recommendations and indicators.	Complete				48-49
4.5 Link between the remuneration of the highest governing body, senior management and executives and the performance of the organisation.	Complete				AR 247-250
4.6 Procedures implemented to prevent conflicts of interest in the highest governing body.	Complete				AR 275-277
4.7 Procedure for determining the composition, qualification and experience required from members of the highest governing body and its committees, including any consideration on gender and other diversity indicators.	Complete				AR 255
4.8 Mission and values statements developed internally, codes of conduct and policies relating to economic, environmental and social performance, and the state of the implementation thereof.	Complete				60-61, 199-201
4.9 Procedures of the highest governing body to supervise the identification and management, by the organisation, of the economic, environmental and social performance, including the related risks and opportunities, and the adherence or compliance with internationally agreed standards, codes of conduct and principles.	Complete				AR 270-272
4.10 Procedures to assess the performance of the highest governing body, particularly regarding the economic, environmental and social performance.	Complete				AR 255



4. Governance, commitments and participation of stakeholders	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
<b>Commitments with external initiatives</b>					
4.11 Description of how the organisation has adopted a preventive approach or principle.	Complete				50-55
4.12 Social, environmental and economic principles or programmes carried out externally, and those which any other organisation may subscribe or approve.	Complete				46, 188
4.13 Main associations to which it belongs and/or national and international entities which the organisation supports.	Complete				153, 186
<b>Participation of stakeholders</b>					
4.14 List of stakeholders which the organisation has included.	Complete				71-73, 210
4.15 Base for identifying and selecting the stakeholders to which the organisation is committed.	Complete				71-73
4.16 Approaches taken for the inclusion of stakeholders, including the frequency of their participation by types and the category of the stakeholders.	Complete				71-73
4.17 Main concerns and areas of interest which may have arisen through the participation of the stakeholders and the way in which the organisation has responded thereto in the drawing up of the report.	Complete				71-73

## Performance Indicators

### Economic Performance Indicators

Management Approach	18-20, 92
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#### Aspect: Availability and Reliability.

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EU6	Management approach to ensure short and long-term electricity availability and reliability.	Complete				21

#### Aspect: Demand Management

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EU7	Demand-side management programs including residential, commercial, institutional and industrial programs.	Complete				31-33, 36-38, 78-81, 128

#### Aspect: Research and Development

EU8	Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development.	Complete				22-24, 40-41
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#### Aspect: Decommissioning of Power Stations

EU9	Provisions for decommissioning of nuclear power sites.	Complete				110
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#### Aspect: Economic Performance

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EC1 (P)	Direct value generated and distributed.	Complete				9
EC2 (P)	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	Complete				51
EC3 (P)	Coverage of the organisation's defined benefit plan obligations.	Complete				157-158
EC4 (P)	Significant financial assistance received from governments.	Complete				AR 127

**Aspect: Presence in Market**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EC5 (A)	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	Complete				166-167
EC6 (P)	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation.	Complete			Gas Natural Fenosa does not have a specific policy for contracting local suppliers, yet makes every endeavour to ensure local purchase.	89
EC7 (P)	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Complete			Although the company does not have an official policy for recruiting local employees and managers, it does promote their hiring over other options.	164-165

**Aspect: Indirect Economic Impacts**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EC8 (P)	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Complete				186-191
EC9 (A)	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Complete				189

**Aspect: Availability and Reliability**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EU10	Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime.	Complete				25

**Aspect: System Efficiency**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EU11	Average generation efficiency of thermal plants by energy source and by regulatory regime.	Complete				13
EU12	Transport and distribution losses as a percentage of total energy.	Complete				14

**Aspect: Reserves**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
OG1	Volume and type of estimated proved reserves and production.	Not applicable				

**Environment Performance Indicators**

Management Approach	60-61, 101-102
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**Aspect: Materials**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EN1 (P)	Materials used, by weight or volume.	Complete				117
EN2 (P)	Percentage of materials used that are recycled input materials.	Not applicable			Owing to the nature of Gas Natural Fenosa's activities, recycled materials are not used.	

**Aspect: Energy**

Código GRI	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EN3 (P)	Direct energy consumption by primary energy source.	Complete				116
OG2	Total amount invested in renewable energy.	Complete				24
OG3	Total amount of renewable energy generated by source.	Complete				13
EN4 (P)	Indirect energy consumption by primary source.	Complete				116
EN5 (A)	Energy saved due to conservation and efficiency improvements.	Complete				123
EN6 (A)	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Complete				123, 134-136
EN7 (A)	Initiatives to reduce indirect energy consumption and reductions achieved.	Complete				123, 134-136

**Aspect: Water**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EN8 (P)	Total water withdrawal by source.	Complete				115
EN9 (A)	Water sources significantly affected by withdrawal of water.	Complete				115
EN10 (A)	Percentage and total volume of water recycled and reused.	Complete				115

**Aspect: Biodiversity**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EN11 (P)	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high bio-diversity value outside protected areas. Identify operational sites owned, leased, managed in, located in, adjacent to, or that contain protected areas and areas of high biodiversity value outside protected areas.	Complete				129-130
EN12 (P)	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Complete				129-130
EU13	Biodiversity of offset habitats compared to the biodiversity of the affected areas.	Complete				129-130
EN13 (A)	Habitats protected or restored.	Complete				129-130
EN14 (A)	Strategies, current actions, and future plans for managing impacts on biodiversity.	Complete				129-130
OG4	Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored.	Complete				129-130
EN15 (A)	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Complete				131



**Aspect: Emission, Spills and Waste**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EN16 (P)	Total direct and indirect emissions of greenhouse gas emissions, by weight.	Complete				118, 123
EN17 (P)	Other relevant indirect green-house gas emissions by weight.	Complete				125
EN18 (P)	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Complete				123
EN19 (P)	Emissions of ozone-depleting substances by weight.	Complete				112
EN20 (P)	NO <sub>x</sub> , SO <sub>x</sub> and other significant air emissions by type and weight.	Complete				112
EN21 (P)	Total water discharge by quality and destination.	Complete				115
OG5	Volume and disposal of formation or produced water.	Not applicable				
EN22 (P)	Total weight of waste by type and disposal method.	Complete				113-114
EN23 (P)	Total number and volume of significant spills.	Complete				108
OG6	Volume of flared and vented hydrocarbon.	Not applicable				
OG7	Amount of drilling waste (drill mud and cuttings) and strategies for treatment and disposal.	Not applicable				
EN24 (A)	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annexe I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not applicable			Gas Natural Fenosa administrates its hazardous waste as generated by the company's activities through authorised handlers, in accordance with current legislation in each country. Consequently, it does not transport said waste itself.	
EN25 (A)	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoffs.	Complete				115

**Aspect: Products and Services**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EN26 (P)	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Complete				134-136
OG8	Benzene, lead and sulfur content in fuels.	Not applicable				
EN27 (P)	Percentage of products sold and their packaging materials that are reclaimed by category.	Complete				113-114

**Aspect: Compliance with Laws**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EN28 (P)	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Complete				109

**Aspect: Transport**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EN29 (A)	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.	Complete				125

**Aspect: General**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EN30 (A)	Total environmental protection expenditures and investments by type.	Complete				110, AR 174

### Society Performance Indicators Labour Practices and Decent Work

#### Management Approach

60-61, 138-139

#### Aspect: Employment

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EU14	Programs and processes to ensure the availability of a skilled workforce.	Complete				141-146
EU15	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region.	Complete				168-169
EU16	Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors.	Complete				172-182

#### Aspect: Employment

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
LA1 (P)	Total workforce by employment type, employment contract, region and gender.	Complete				140, 153, 164-165
LA2 (P)	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Complete				138, 153, 159, 166-167
EU17	Days worked by contractor and subcontractor employees involved in construction, operation & maintenance activities.	Partial	Days worked by electrical contractors.	The information systems allow access to this information. This information is expected to become available in 2014.		180
EU18	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training.	Complete				180
LA3 (A)	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Complete				157-158
LA15 (P)	Return to work and retention rates after parental leave, by gender.	Complete				170-171

**Aspect: Labor/ Management Relations**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omissionw	Comments	Pages
LA4 (P)	Percentage of employees covered by collective bargaining agreements.	Complete				168-169
LA5 (P)	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Complete			Gas Natural Fenosa, in all spheres, has permanent channels of communication with union representatives and social agents as an active part of its corporate policies, particularly in those cases in which there are organisational changes that entail substantial modification, and the company reports this as expeditiously as possible.	162

**Aspect: Occupational Health and Safety**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
LA6 (A)	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Complete				177
LA7 (P)	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region and gender.	Complete				16, 179
LA8 (P)	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Complete				177, 182
LA9 (A)	Health and safety topics covered in formal agreements with trade unions.	Complete				177

**Aspect: Training and Education**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
LA10 (P)	Average hours of training per year per employee by employee category.	Complete				146-147
LA11 (A)	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Complete				141-146
LA12 (A)	Percentage of employees receiving regular performance and career development reviews by gender.	Complete				161, 166-167

**Aspect: Diversity and Equal Opportunities**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
LA13 (P)	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Complete				47-48, 155, 164-165

**Aspect: Equal Remuneration for Women and Men**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
LA14 (P)	Ratio of basic salary of men to women by employee category.	Complete				162, 166-167

**Society Performance Indicators Human Rights**

Management Approach 60-61, 185-186, 197-198, 203-204

**Aspect: Investment and Procurement Practices**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
HR1 (P)	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human Rights concerns, or that have undergone human rights screening.	Complete				189-190
HR2 (P)	Percentage of significant suppliers, contractors and other business partners that have undergone screening on human rights and actions taken.	Complete				86-87, 203-204
HR3 (A)	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Complete				17, 203-204

**Aspect: Non-Discrimination**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
HR4 (P)	Total number of incidents of discrimination and corrective actions taken.	Complete				203-204

**Aspect: Freedom of Association and Collective Bargaining**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
HR5 (P)	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	Complete				162, 203-204

**Aspect: Child Labor**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
HR6 (P)	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	Complete				199-201

**Aspect: Forced and Compulsory Labour**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
HR7 (P)	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	Complete				199-201

**Aspect: Security Practices**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
HR8 (A)	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Complete				203-204



**Aspect: Indigenous Rights**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
HR9 (A)	Total number of incidents of violations involving rights of indigenous people and actions taken.	Complete				17, 203-204
OG9	Operations where indigenous communities are present or affected by activities and where specific engagement strategies are in place.	Complete				189-190

**Aspect: Assessment**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
HR10 (P)	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Complete				189-190, 203-204

**Aspect: Remediation**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
HR11 (P)	Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms.	Complete				17, 199-201

**Society Performance Indicators: Society**

Management Approach	60-61, 185-186, 197-198
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**Aspect: Community**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EU19	Stakeholder participation in the decision making process related to energy planning and infrastructure development.	Complete			The company's decision-taking processes on new investments take into consideration the opinion of stakeholders affected by them in order to maximise the positive impact of the project.	
EU20	Approach to managing the impacts of displacement.	Complete			Note 1	

**Aspect: Disaster/Emergency Planning and Reponse**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EU21	Contingency planning measures, disaster/emergency management plan and training programs, and recovery/ restoration plans.	Complete				183-184

Note 1: Gas Natural Fenosa envisages the social and environmental impacts or those that affect human rights, and which could occur as a consequence of its projects and investments, especially those concerning displacement of the population. In developing the preliminary studies and pre-feasibility of projects, Gas Natural Fenosa focuses special attention on the social impact of these and gives priority to those alternatives that do not affect nearby populations and which minimise the environmental impact of each project. In this regard, all individual travel was avoided in 2012 as a result of the company's infrastructures development projects.

**Aspect: Community**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
SO1 (P)	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Complete				189-190
EU22	Number of people physically or economically displaced and compensation, broken down by type of project.	Complete			All individual travel was avoided in 2012 as a result of the company's infrastructures development projects.	
SO9 (P)	Operations with significant potential or actual negative impacts on local communities.	Complete			Note 2	189-190

**Aspect: Community**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
SO10 (P)	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Not applicable				
OG10	Number and description of significant disputes with local communities and indigenous peoples.	Complete			No record of incidents of this type.	
OG11	Number of sites that have been decommissioned and sites that are in the process of being decommissioned.	Complete			No record of sites in this situation.	

Note 2: There is no evidence that the company's operations have had significant negative impacts on local communities. In this regard, Gas Natural Fenosa focuses special attention on the social impact that the company could cause through the development of its projects, and conducts preliminary studies of prefeasibility. Moreover, it gives priority to those alternatives that do not affect nearby populations and which minimise the environmental impact of each project.

**Aspect: Corruption**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
SO2 (P)	Percentage and total number of business units analyzed for risks related to corruption.	Complete				56-57
SO3 (P)	Percentage of employees trained in organization's anti-corruption policies and procedures.	Complete				147, 199-201
SO4 (P)	Actions taken in response to incidents of corruption.	Complete				199-205

**Aspect: Public Policy**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
SO5 (P)	Public policy positions and participation in public policy development and lobbying.	Complete			Gas Natural Fenosa does not defend positions other than those declared in its Corporate Responsibility Policy.	
SO6 (A)	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Complete			Through its Code of Ethics, Gas Natural Fenosa states its stance against improper remuneration and influence peddling.	

**Aspect: Anti-Competitive Behaviour**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
SO7 (A)	Total number of legal actions for anti-competitive behaviour, trust, and monopoly practices and their outcomes.	Complete				205

**Aspect: Compliance**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
SO8 (P)	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Complete				205

**Aspect: reasentamientos involuntarios**

OG12	Operations where involuntary resettlement took place, the number of households resettled in each and how their livelihoods were affected in the process.	Complete			No record of resettlements in the operations performed by the company.	
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**Aspect: integridad de los activos y seguridad de los procesos**

OG13	Number of process safety events, by business activity.	Complete				183-184
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**Society Performance Indicators: Product Responsibility**

Management Approach						60-61, 76-77
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**Aspect: Management Approach on Product Responsibility**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
EU23	Programs, including those in partnership with government, to improve or maintain access to electricity and customer support services.	Complete				28-30,
EU24	Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity and customer support services.	Complete				83

**Aspect: Customer Health and Safety**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
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.	Complete			Natural gas and electricity, products sold by Gas Natural Fenosa, are not subject to life cycle phase assessment procedures.	
PR2 (A)	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.	Complete				205
EU25	Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases.	Complete				184

**Aspect: Product and Service Labeling**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
PR3 (P)	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Complete			Note 3	

Note 3: The general terms and conditions of contracting for the services provided by Gas Natural Fenosa provide customers with the appropriate information about their rights and obligations and about the features of the services provided (gas and electricity). There are no records of breaches of agreements regarding the legal obligations required in each country in which the company operates in this area.



Aspect: Product and Service Labeling

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
PR4 (A)	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Complete		There have been no significant breaches of this kind.		
PR5 (A)	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Complete				85, 90-91

Aspect: Marketing Communications

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
PR6 (P)	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Complete			Note 4	
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.	Complete				205

Note 4: Gas Natural Fenosa is a member of Autocontrol, a non-profit association that manages the Spanish advertising self-regulation system. By the same token, Gas Natural Fenosa is affiliated to the Advertising Self-Regulation Code for Environmental Arguments, which was drawn up by the Ministry of Agriculture, Food and Environment and the Association for the Self-Regulation of Commercial Communication (Autocontrol). The companies which have subscribed to this code undertake to use advertising messages including environmental arguments responsibly and truthfully. See certificate at the end of this report.

**Aspect: Customer Privacy**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
PR8 (A)	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Complete				205

**Aspect: Compliance**

GRI code	GRI description	Reporting level	Issues not reported	Reason for the omission	Comments	Pages
PR9 (P)	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Complete				205

**Aspect: Fossil Fuel Replacement**

OG14	Volume of biofuels produced and purchased meeting sustainability criteria.	Not applicable				
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**Aspect: Access**

EU26	Percentage of population unserved in licensed distribution or service areas.	Complete				192
EU27	Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime.	Complete				90-91
EU28	Power outage frequency.	Complete				82
EU29	Average power outage duration.	Complete				90-91
EU30	Average plant availability factor by energy source and by regulatory regime.	Complete				13

# Global Compact, MDGs and GRI

Principles	GRI indicators (direct relevance)	GRI indicators (indirect relevance)	Millennium Development Goals
<b>Human Rights</b>			
Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence.	HR1-11	LA4, LA13, LA14; SO1; S09-10 EU16, EU18, EU20, EU24, EU26	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 right abuses.	HR1-2, HR8; HR10-11	EU16, EU18, EU20, EU26	
<b>Workplace</b>			
Principle 3. Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.	HR5; LA4,LA5		
Principle 4. Business should uphold the elimination of all forms of forced and compulsory labour.	HR7	HR1-3; HR10-11	Goal 2: Achieve universal primary education. Goal 3: Promote gender equality and empower women.
Principle 5. Business should uphold the effective abolition of child labour.	HR6	HR1-3; HR10-11	
Principle 6. Business should eliminate discrimination in respect of employment and occupation.	HR4; LA1- 2, LA10, LA12-15	HR1-2; EC5, EC7; LA3; LA7	

Principles	GRI indicators (direct relevance)	GRI indicators (indirect relevance)	Millennium Development Goals
<b>Environment</b>			
Principle 7. Business should support a precautionary approach to environmental challenges.	4.11	EC2 EU9	Goal 7: Ensure environmental sustainability.
Principle 8. Business should undertake initiatives to promote greater environmental responsibility.	EN2, EN5-7, EN10, EN13-14, EN18, EN 21-22, EN26-27, EN30 EU8, EU13	EC2; EN1, EN3-4, EN8-9, EN11-12, EN15-17, EN19-20, EN23-25, EN28-29; PR3-4	
Principle 9. Business should encourage the development and diffusion of environmentally-friendly technologies.	EN2, EN5-7, EN10, EN18, EN26-27, EU7, EU8		
<b>Anti-Corruption</b>			
Principle 10. Business should act against corruption in all its forms, including extortion and bribery.	SO2-4	SO5-6	

## GRI application level check statement



### Statement GRI Application Level Check

GRI hereby states that **Gas Natural Fenosa** has presented its report "2012 Corporate Responsibility Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see [www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf](http://www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf)

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 6 March 2013

  
Nelmara Arbex  
Deputy Chief Executive  
Global Reporting Initiative



The "+" has been added to this Application Level because Gas Natural Fenosa has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

*The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. [www.globalreporting.org](http://www.globalreporting.org)*

**Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 25 February 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

# Independent review report



*Free translation from the original in Spanish, in the event of a discrepancy, the Spanish language version prevails.*

## INDEPENDENT REVIEW REPORT ON THE 2012 CORPORATE RESPONSIBILITY REPORT

To the Management Committee of Gas Natural SDG, S.A.

### Scope of the work

We have carried out a review of the following aspects of the 2012 Corporate Responsibility Report (CRR) of Gas Natural SDG, S.A. and its Group of Companies (hereon Gas Natural Fenosa) for the year ended 31 December 2012:

- The adaptation of the contents of the 2012 CRR with the Guide for the Preparation of Sustainability Reports of the Global Reporting Initiative (GRI) version 3.1 (G3.1) (hereon GRI-G3.1 Guide), and validation of the core performance indicators and additional indicators proposed in that guide and in the GRI Electric Utilities and Oil and Gas Sector Supplements (referenced to pages 217-235 of the 2012 CRR) and the "Key Corporate Responsibility Indicators" included on pages 15-17 of the 2012 CRR, in accordance with the reporting criteria of Gas Natural Fenosa.
- The adaptation of the contents of the 2012 CRR with the principles of inclusivity, materiality and responsiveness of the AA1000 AccountAbility Principles Standard 2008 issued by AccountAbility, Institute of Social and Ethical Accountability (hereon AA1000APS (2008)).
- The information provided concerning the actions carried out in 2012 for each corporate responsibility commitment, specified in pages 64, 77, 93, 102, 139, 173, 186 and 198 of the 2012 CRR.

The preparation of the 2012 CRR and its content are the responsibility of the Management of Gas Natural Fenosa, who is also responsible for defining, adapting and maintaining the management and internal control systems from which information is obtained. Our responsibility is to issue an independent report based on the procedures applied in our review.

This review was performed with the following scopes:

- Reasonable assurance for the key indicators of "Commitment to results" and "Integrity" for 2012, included in "Key Corporate Responsibility Indicators" of the 2012 CRR.
- Limited assurance for:
  - GRI-G3.1 indicators for 2012 included in the "Contents and GRI indicators" of the 2012 CRR and other indicators included in "Key Corporate Responsibility Indicators".
  - Actions performed in 2012 for each corporate responsibility commitment.

### Criteria and procedures applied to carry out the review

We carried out our review in accordance with Standard ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). This standard lays down two levels of review, a lower or limited level of assurance ("Limited Assurance

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Engagement") and another more advanced, a reasonable level of assurance ("Reasonable Assurance Engagement"). In both cases, it is necessary to obtain sufficient evidence to support the information presented. In the case of reasonable assurance, the scope of the review processes is greater in order to reduce the risk of omission or error in the information presented to an acceptably low level.

We have also carried out our work in accordance with AA1000 Assurance Standard 2008 of AccountAbility under a moderate type 2 assurance engagement.

Our review work consisted of enquiries of management and various units of Gas Natural Fenosa that have participated in the preparation of the 2012 CRR and the application of certain procedures which are generally described below in order to obtain reasonable or limited assurance, as appropriate:

a) Work performed - reasonable assurance:

- Meetings with Gas Natural Fenosa personnel for the analysis of the processes of data compilation, validation and consolidation at corporate and country level.
- Analysis and documentation of processes through flow-diagrams, indicating key controls for subsequent validation.
- Assessment of IT and internal control systems in relation to the preparation of selected indicators.
- Testing, through sampling, of reported data and validation of key controls identified.
- Verification through substantive review testing of the consistency and reasonableness of the quantitative and qualitative information of the indicators and their adequate compliance.

b) Work performed - limited assurance:

- Meetings with Gas Natural Fenosa personnel to know the management approaches applied and obtain the necessary information for external review.
- Analysis of the processes to compile and validate the data presented in the 2012 CRR.
- Analysis of the adaptation of 2012 CRR content to GRI-G3.1 Guide and GRI Electric Utilities and Oil and Gas Sector Supplements and AA1000APS (2008) standards.
- Analysis of the documentation and actions carried out in relation to the application of the principles of inclusivity, materiality and responsiveness of AA1000APS (2008) standard with respect to the information included in the 2012 CRR on the basis of stakeholder requirements.
- Review of the information on management approaches applied to each group of indicators.
- Verification, through analytical review and substantive tests, on the basis of a sample selection, of the consistency and reasonableness of quantitative and qualitative information of the principal and additional indicators and key indicators of corporate responsibility for 2012, included in the 2012 CRR, and their appropriate compilation on the basis of the data provided by the information sources of Gas Natural Fenosa.
- Analysis of the information on actions performed in 2012 by Gas Natural Fenosa for each corporate responsibility commitment.



### **Independence**

We have carried out our work in accordance with the independence rules laid down by the Code of Ethics of the International Federation of Accountants (IFAC). The work was carried out by a team of sustainability specialists with broad experience in the review of this type of reports.

### **Conclusion**

- With respect to the reasonable assurance work, as a result of our review we conclude that the information reported on the key indicators of "Commitment to results" and "Integrity" for 2012, included in the section on "Key Corporate Responsibility Indicators" (pages 15-17) of the 2012 CRR, has been prepared appropriately and reliably in all significant respects, in accordance with the reporting criteria of Gas Natural Fenosa.
- Concerning the limited assurance work, as a result of our review, we have identified no significant departures or omissions with respect to:
  - the reasonableness and consistency of the information reported in the 2012 CRR relating to the principal and additional performance indicators and other key indicators.
  - the preparation of the 2012 CRR report of Gas Natural Fenosa, in all significant respects, in accordance with the GRI-G3.1 Guide for the Preparation of Sustainability Reports and the GRI Electric Utilities and Oil and Gas Sector Supplements.
  - information on actions performed in 2012 for each of the corporate responsibility commitments specified on pages 64, 77, 93, 102, 139, 173, 186 and 198 of the 2012 CRR.
- Similarly, we have not identified any significant departures or omissions in the preparation of the 2012 CRR in accordance with the principles of inclusivity, materiality and responsiveness laid down in AA1000APS (2008). Specifically:
  - with respect to the basic principle of inclusiveness, no significant departure or omission has been identified in the information presented by the management of Gas Natural Fenosa concerning attentiveness to processes of stakeholder engagement and participation.
  - with respect to the principle of materiality, no significant departure or omission has been identified in the information presented by the management of Gas Natural Fenosa. There is a balanced understanding of the sustainability aspects important to the organisation and its stakeholders.
  - with respect to the principle of responsiveness, no significant departure or omission has come to light in the information presented by the management of Gas Natural Fenosa. There is a process for developing replies attentive to significant topics and the expectations of stakeholders in relation to the establishment, management and follow-up of sustainability policies and objectives.



### **Recommendations**

During the verification process, certain observations and recommendations have come to light that are submitted to the management of Gas Natural Fenosa in an internal document. Set out below is a summary of the main recommendations concerning improvements in the application of the principles of inclusivity, materiality and responsiveness, which do not alter the conclusion expressed in this report.

#### **Inclusivity**

The Gas Natural Fenosa 2012 CRR reflects the company's relationship with its key stakeholders and the communication channels used. It is recommended to develop policies and procedures to systematically update and incorporate stakeholders expectations and integrate them into the Corporate Responsibility (CR) Strategy of the company.

#### **Materiality**

Gas Natural Fenosa is in the process of implementing the CR Strategy that has been developed. It is recommended to align the CR strategic lines with the guidelines of the company's Global Strategic Plan currently under internal review.

#### **Responsiveness**

Gas Natural Fenosa has a CR Committee integrated by different corporate areas and business units of the company. Within this Committee all actions carried out in the CR area are discussed. It is recommended to further enhance the role of the CR Committee as an executive transversal mechanism that allows a continuous improvement on the efficiency of the responsiveness to stakeholder expectations and allows the jointly monitoring of the CR Strategy.

PricewaterhouseCoopers Auditores, S.L.



Ferrán Rodríguez  
Partner  
20 March 2013



**AA1000**  
Licensed Assurance Provider  
000-42



[ Asociación para la Autorregulación de la Comunicación Comercial ]

## **CERTIFICADO DE RESPONSABILIDAD SOCIAL CORPORATIVA**

Autocontrol (Asociación para la Autorregulación de la Comunicación Comercial), es una asociación sin ánimo de lucro establecida en 1996 que se encarga de gestionar el sistema de autorregulación en España. Está formada por los principales anunciantes, agencias, medios y asociaciones sectoriales y su objetivo es contribuir a que la publicidad constituya un instrumento particularmente útil en el proceso económico, velando por el respeto a la ética publicitaria y a los derechos de los consumidores, con la exclusión de la defensa de intereses personales.

Autocontrol forma parte de EASA (European Advertising Standards Alliance) y es el único organismo privado en España incorporado a la red EJE (European Extra-judicial Network) de organismos extrajudiciales de resolución de controversias sobre órganos de resolución extrajudicial de litigios con los consumidores por cumplir los requisitos establecidos en la Recomendación 98/257/CE.

### **GAS NATURAL FENOSA**

#### **Calidad de Asociado**

Es socio de pleno derecho de AUTOCONTROL y mantuvo su calidad de asociado durante el período comprendido entre el 1 de enero y el 31 de DICIEMBRE de 2012, como así consta en la relación de asociados que publicamos en nuestra memoria anual de 2012.

#### **Cumplimiento de Códigos Deontológicos**

Se compromete a cumplir en todas sus comunicaciones comerciales el Código de Conducta Publicitaria de Autocontrol, basado en el Código de Prácticas Publicitarias de la International Chamber of Commerce.

#### **Actividad de control previo de la licitud y corrección deontológica de la publicidad**

Puede, con anterioridad a su difusión, solicitar el asesoramiento del Gabinete Técnico de Autocontrol en aquellos casos en los que tenga dudas acerca de la licitud y corrección deontológica de sus comunicaciones comerciales, con el fin de garantizar las mismas.

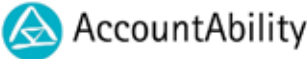
#### **Sometimiento al Jurado de la Publicidad**

Se compromete, así mismo, a cumplir las resoluciones emitidas por el Jurado de la Publicidad como resultado de eventuales reclamaciones presentadas ante este órgano de resolución extrajudicial de controversias, ya sea por parte de consumidores u asociaciones de consumidores, empresas de la competencia u otros sectores, u organismos de la Administración.

Para que así conste, firmo el presente certificado, en Madrid, a 1 de MARZO de 2013

José Domingo Gómez Castallo  
Director General

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