

Gas Natural Fenosa Green Bond Framework

Introduction

Gas Natural Fenosa (hereafter “GNF” or “the Issuer”) is committed to support sustainable development and is convinced that innovation and technological development are key for ensuring reliable and sustainable energy supply in the long run. In this respect, the investments and management initiatives of the current strategic plan of GNF focus in the development of renewables and networks, as well as in advancing in the digitalization and innovation of the services and energy solutions that we provide to our customers, contributing to higher energy efficiencies.

GNF’s commitment to long term value creation and sustainable management is set out in our Corporate Responsibility Policy, approved by the Board of Directors, which introduces the following group’s undertakings with its stakeholders:

- Commitment to results
- Service excellence
- Responsible management of the environment
- Interest in people
- Health and safety
- Responsible supply chain
- Commitment to society
- Integrity and transparency

In addition to this, and following the recommendations of the CNMV code of good governance in issues of corporate responsibility, the Board of Directors approved in March 2017 a Sustainability Master Plan. This plan develops the eight undertakings mentioned above through the implementation of 39 lines of action that translate into 178 specific actions to be implemented, including those related to innovation and energy efficiency, climate change, diversity and employee wellbeing, and ethics and anticorruption policies among others.

As a major energy producer and supplier company, GNF is committed to integrate and increasing share of renewable energy in its overall capacity generation of electricity and to reduce its GHG emissions, with targets that are consistent with the low-carbon transition to limit global warming to less than 2°C by 2100 compared to preindustrial era.

- GNF intends to reduce by 26% its GHG emissions (scopes 1 and 2) in 2025 (vs. 2012) and to reach an emission factor of 278 tCO₂eq/GWh by 2025.
- According to its Strategic vision 2016-2020, GNF strategy is also to increase the renewable power generation facilities by 2.5 GW.

GNF is also committed to play a key role in terms of reduction of GHG emissions through the development of renewable energies, and to reach carbon neutrality by 2050.

As part of this commitment, GNF has elected to develop a Green Bond Framework.

The environmental benefits from the inaugural Green Bond transaction using this framework are expected to contribute to between 10-12% of our corporate environmental targets.

1.- Objectives of the Green bond Framework

This Green Bond Framework has been created to facilitate transparency, disclosure, and integrity of GNF's Green Bond issuances as recommended in the Green Bond Principles.

In alignment with the Green Bond Principles, published by the International Capital Markets Association ("ICMA"), GNF's Green Bond Framework is presented through four pillars: (i) use of proceeds, (ii) process for evaluation and selection of projects, (iii) management of proceeds before allocation and (iv) reporting. Information about the external review is also provided.

This framework will apply to any Green Bond issued by GNF after its publication.

2.- Use of proceeds

The net proceeds of the Green Bond will be used to finance or invest in the development, construction, installation and maintenance of new or existing projects located in the European Union, either in whole or in part, and falling under the following categories of eligible projects:

1. Renewable energy generation projects: wind power, e.g. projects located in Spain with a generation capacity of over 660 Mw, including small scale offshore wind projects
2. Renewable energy generation projects: solar energy, e.g. projects located in Spain with a generation capacity of over 200 Mw.

Any existing projects will not date back further than 2016.

All eligible projects are subject to GNF's robust environmental, social, and governance management systems. For a full list of applicable programmes, please see the Appendix.

Lastly, GNF has committed to exclude from any Green Bond eligible projects subjected to the two following conditions: (i) rated by RepRisk¹ as "very high risk controversy"² in RepRisk's ESG matters monthly report, and (ii) subjected to a final and condemnatory sentence (i.e., a concluded legal proceeding with a result against the company).

GNF will finance projects related to wind & solar renewable energy generation, with clear expected environmental benefits on climate change mitigation, promotion of clean technology and clean energy transition, and a clear contribution to GNF's corporate environmental targets.

GNF's Green Bond Framework will result in the production of low carbon energy, a cleaner energy mix for GNF and a reduction in the necessity and load factor of fossil fuel generation.

¹ RepRisk is a leading research and business intelligence provider, specializing in ESG and business conduct risks. (For more details please see <https://www.reprisk.com/about-reprisk>).

² The level of risk of a controversy depends on severity, influence and novelty. A very high risk incident is an incident which is systematic and with major extent and consequences, published in high influence sources (international media -e.g. the FT, NY Times, BBC, and others)

Consequently, the Framework will result in net sustainability benefits, including **Climate Change Mitigation** (GHG emissions avoidance or reduction) and **Clean Energy** (increase of the share of renewable energy in the global energy mix), in line with two U.N. Sustainable Development Goals: climate action (UN SDG 13) and affordable and clean energy (UN SDG 7).

3. Process for evaluation and selection of projects

Process for project evaluation and selection

Projects aligned with the Use of Proceeds section will be considered eligible for Green Bond proceeds allocation. To be eligible, projects must correspond to one or several of the defined categories of eligible projects (wind power and solar power renewable energy generation), in line with GNF's strategic environmental priorities.

GNF is committed to the transparency and efficiency of the selection process and the responsible management of the proceeds and financed projects, through eligibility criteria defined. Accordingly, GNF has created a Green Bond Committee (or "Committee") in charge of the overall Green Bond process: definition, project evaluation and selection, management of the eligible projects and its proceeds, and reporting. This Committee is responsible of the selection of a list of potential eligible projects from a pool of potential GNF investments; then it evaluates their compliance with the defined eligibility criteria, in order to select only a limited number of projects, and to reject projects subject to the exclusion criteria.

The process for project evaluation and selection is based on relevant internal expertise and internal roles and responsibilities are clearly defined, as the Committee comprises representatives from the key GNF's internal directions involved in the Green Bond process (Financial, Environment and Social Assessment, and CSR departments). Accordingly, it gathers skills and competences covering most issues related to the management of the Green Bond, and when relevant, it requests external expertise from other departments or from external consultants.

The Green Bond Committee will meet at least once a year, or ad hoc whenever required, to decide, manage and review the eligible projects and the Bond proceeds. The funds traceability is ensured throughout the process, using documented meeting minutes.

Beyond Green Bond Principles, and in line with international standards, GNF will integrate other ESG factors³ in the process for project evaluation and selection:

- Environmental, including environmental strategy of the project, reduction of natural resource consumption and environmental externalities, biodiversity conservation, etc.
- Social, including respect for human and labor rights, health and safety, and community involvement
- Governance, including business ethics, responsible procurement and relation with suppliers, internal control and audit, and responsible governance.

These ESG criteria are all incorporated structurally across all of GNF's operations, and therefore also apply to the Eligible Projects.

³ See appendix

4. Management of proceeds before allocation

The Green Bond proceeds will be allocated to finance eligible projects started from 2016 upward. GNF intends to allocate the proceeds within 24 months after the issuance date of each Green Bond.

The net proceeds of the Bond issuance will be managed within GNF's treasury liquidity portfolio, in cash or other short term and liquid instruments that do not include GHG intensive activities nor disputable activities.

GNF commits to maintain a minimum level of cash equivalent to the unallocated funds of the Green Bond at the end of the financial year.

In the case of project postponement, cancelation or divestment, the net proceeds will be re-allocated to other eligible projects which are evaluated and compliant with the process defined in this framework.

The tracking of the allocation and of the use of the proceeds from the Green Bond will be made through GNF's general accounting system. Allocation of the funds and unallocated funds will be reviewed annually by external auditors.

5.- Reporting

GNF will include the following information in GNF's annual Corporate Responsibility Report, within 6 months after the completion of the external assurance of each financial year.

This report will be prepared annually until the full allocation of the net proceeds and if necessary afterwards in the event of new developments, on:

- **Use of proceeds**

Reporting indicators at project level	Reporting indicators at Bond level
- Description of the financed projects (technologies, location, year of implementation, stage, percentage of completion...)	- Number of projects
- Amounts allocated (in EUR)	- Amounts allocated (in EUR)
- Share of each project financed by the Bond proceed (in %, if co-financed)	- Total allocated amount vs total proceeds (in %)
	- Description of the unallocated proceeds management

- **Environmental benefits**

Eligible Projects	Impact indicators	Methodology and assumptions
Renewable energy generation units (wind + solar)	<ul style="list-style-type: none"> - GHG emissions avoided (ex-ante estimates and then annual assessment, in t CO2eq) - Energy production capacity (ex ante estimates, then annual assessment, in MW) - Energy production generated (ex ante estimates, then annual assessment, in MWh/year) 	<ul style="list-style-type: none"> - Verification is made in accordance with the International Standard on Assurance Engagements 3410 (ISAE 3410) and/or ISO 14064 and/or the GHG protocol methodology and/or the guidance for inventory realization for IPCC 2006. - Assurance report included in the Carbon Footprint Report elaborated in compliance with ISAE 3410 and/or “the greenhouse gas protocol. A corporate accounting and reporting standard” and/or the UNE-ISO 14064 norms on GHG and/or IPCC 2006 guidelines for national inventories. - GHG inventories are verified by a third party with a limited level of assurance, in compliance with International Standard on Assurance Engagements (ISAE 3410), Assurance engagements on Greenhouse Gas Statements issued by the IAASB of the International Federation of Accountants (IFAC) and/or ISO 14064 and/or the GHG protocol methodology and/or the guidance for inventory realization for IPCC 2006

Monitoring and reporting of the management of the environmental, social and governance (ESG) factors of the eligible projects is done at the corporate level. Performance on these factors is disclosed in GNF’s annual Corporate Responsibility Report, which is written according to the GRI principles and verified by a third party. GNF’s Corporate Responsibility Reports are available on our website.⁴

Should there be any significant breaches of the GNF’s ESG management systems observed at the project level, resulting in a RepRisk “very high risk controversy”, and/or a legal conviction, it would result in the project becoming ineligible for Green Bond allocation, and proceeds would be re-allocated. If there are any pending legal processes related to the Eligible Projects, these will be disclosed in the annual reporting for the Green Bond.

When convenient and appropriate, GNF will substitute any of the selected indicators and integrate any other indicators to disclose the performance of the eligible projects.

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<http://www.gasnaturalfenosa.com/en/sustainability/reports+and+publications/1285338472647/corporate+responsibility+reports.html>

6. External Review

GNF has also decided to employ two types of external review for his Bond:

- 1) Second Party Opinion: GNF has appointed Vigeo Eiris, as sustainability consultant, on the responsible credentials of the Bond, based on pre-issuance commitments, covering (but not limited to) the key features of the Bond in line with the Green Bond Principles. The results of this assessment are documented in Vigeo's Second Party Opinion, which is available on GNF's website (www.gasnaturalfenosa.com).
- 2) Verification: external audit by qualified parties (third party ESG and/or financial audit), to verify the management of the proceeds (funds) and quantitative environmental benefits (metrics), until the full allocation of the net proceeds and if necessary afterwards in the event of new developments.

Appendix: ESG Criteria (as determined by GNF and reviewed and assessed by GNF) (I)

Criteria	GNF's commitment in construction and O&M	Supporting element
Integrated environmental strategy	- Application of environmental management model based on ISO 14001	- Management Integrated System (SIG) - ISO 14001 Certification
	- Comply with the requirements set by project's specifications and environmental approvals requested by the Administration, as well as with GNF's internal EMS, using systematically the "mitigation hierarchy" (avoid, mitigate, restore, compensate)	- Management Integrated System (SIG) - Legal compliance reports
Eco conception / reduction of natural resources consumption	- Efficient resources consumption management - All providers are assessed on their social and environmental performance, and GNF make them sign its Code of ethics for Suppliers	- Avoided energy consumption in O&M phase according to Base Line certified by MDL methodology of UNFCC - ESG assessment of GNF's providers
Reduction of environmental externalities (on water resources, soils, wastes)	- Implementation of the process: "Identification and assessment of environmental impacts in design phase", covering (non exhaustive): - Analysis and evaluation of environmental risks and impacts of the project (including: noise and vibration by the wind farm, impacts on Natura 2000 network...) - Definition of prevention measures - Compliance with any other requirements proposed by relevant environmental authorities - Selection of the waste management contractors partly assessed considering their capacity to valorize vs. to eliminate the wastes. - Solar and wind technologies used are of with low impacts (regarding oil spilling from wind farm, solar panels materials) - Systematic mitigation measures and cautious management of wastes	- SIG - Risk Report
Atmospheric emissions	- GHG emissions mitigation	- Application of environmental manual of good practices
Accidental pollution prevention and control	- Guarantee the Application of internal procedures and of the Legal requirements in prevention an control of accidental pollution - For all works, Environmental Emergency Protocol (EEP) are defined covering discharges into water resources or damage to riparian vegetation and fauna	- Management Integrated System (SIG) - Emergency Plan / environmental manual of good practices / Operational procedures - Audit reports
Protection and improvement of biodiversity	- Identification of the project possible adverse effects on the environment and definition of prevention measures	- Management Integrated System (SIG) - Environmental impact report - Environmental surveillance Plan

Appendix: ESG Criteria (as determined by GNF and reviewed and assessed by GNF) (II)

Criteria	GNF's commitment in construction and O&M	Supporting element
Management of end-of-life products and equipment	<ul style="list-style-type: none"> - Decommissioning and/or Dismantling plans are planned since the construction phase. They include restoration measures. - Used equipment (i.e. used batteries, used solar panels...) will be collected and treated by authorized providers 	<ul style="list-style-type: none"> - Deconstruction plans - Collection and treatment contracts
Guarantee and improvement of Human Rights and prevention of its violation	<ul style="list-style-type: none"> - GNF applies its corporate Human Rights Policy with 10 commitments to be implemented and respected, aligned with UN Guiding Principles on Business and Human Rights - GNF assess Human Rights Impacts from the beginning of each project (construction) and during the operation of each project (O&M) 	<ul style="list-style-type: none"> - CSR Policy - Human Rights Policy - Code of Ethics
Guarantee and improvement of Labor Rights and prevention of its violation	<ul style="list-style-type: none"> -GNF implements high labor rights standards according to ILO and local legislation (if in accordance with Human Rights Policy), respecting freedom of association, collective bargaining and avoiding discrimination/including for contractors employees. 	<ul style="list-style-type: none"> - CSR Policy - Human Rights Policy - Code of Ethics
Guarantee and Improvement of health & safety & work conditions	<ul style="list-style-type: none"> -GNF implements since 2013 a Safety Commitment Plan which establishes a Zero Accident target for the whole company - The executive committee has personal objectives related to safety ratios in constructions and operation - Health and safety measures also applies to contractors employees 	<ul style="list-style-type: none"> - CSR Policy with a commitment focused on safety and Health
Consultation and inclusion of local stakeholders	<ul style="list-style-type: none"> - GNF applies its Human Rights Policy and CSR Policy which rules the dialogue with stakeholders and a Code of Ethics with a grievance mechanism - As for the Environmental Management Plan for O&M, each site implements regular noise and vibration measures. GNF discloses an annual report to the local authority (at Province level). In case non compliance related to noise and vibrations are detected, they will be managed within GNF's Integrated Management System based on the ISO 14001 norm, corrective and preventive actions will be defined and implemented in order to remedy to the situation - In case stakeholders ask for information related to noise and/or vibration generated by the wind farm facilities, the information is disclosed with full transparency 	<ul style="list-style-type: none"> - CSR Policy - Human Rights Policy

Appendix: ESG Criteria (as determined by GNF and reviewed and assessed by GNF) (III)

Criteria	GNF's commitment in construction and O&M	Supporting element
Integration of environmental and social factors in the supply chain	<ul style="list-style-type: none"> - Assess our suppliers on 16 ESG criteria through our purchasing platforms according to a level of risk classification on Atmosphere, biodiversity, water, landscape, waste and resource consumption, Community welfare, Human Rights, workers' rights, data protection, product quality and safety, health and occupational hazard prevention, fraud, corruption, rivalry, terrorism, professional ethic and compliance In addition GNF get the suppliers to acknowledge that they have read, understood and accept GNF's Code of Ethics for Suppliers 	<ul style="list-style-type: none"> - CSR Policy (chapter on Responsible Supply & Internal Purchasing norms) - Human Rights Policy - Gas Natural Fenosa Code of Ethics For Suppliers - Assessment of the providers
Sustainable relation with the suppliers	<ul style="list-style-type: none"> - GNF applies Corporate level policies to all suppliers, including for the selected projects of this green bond 	<ul style="list-style-type: none"> - CSR policy and reporting
Prevention of corruption fraud, money laundering and funding of terrorism	<ul style="list-style-type: none"> - GNF has implemented Corporate level Due Diligence Procedure as a part of GNF's Criminal Prevention Model to cover the main legal and reputational risks in business relationships with third parties and specifically to cover crimes associated with the risk of corruption - GNF has implemented also a code of ethics channel (whistle blowing system for internal and external incident reporting) - Training of all employees on GNF's Code of Ethics 	<ul style="list-style-type: none"> - Code of Ethics - Anti-Corruption Policy - Internal Purchasing norms - Third-Party Due Diligence Procedure
Internal control and audit	<ul style="list-style-type: none"> - Continuous review and improvement of GNF internal control system, as well as safeguarding compliance with external and internal norms and the control models to safeguard the efficacy and efficiency of operations, and to mitigate the main risks in each fields in which the group operates, particularly operational, corruption, fraud and legal risks - Individual approval of the project according to de General Growth Opportunities Norm and the General Investments norm - Billing and payments control procedures in the Eco-Fin area. - Follow-up mechanisms of the project evolution. 	<ul style="list-style-type: none"> - Internal Audit Plan - General Growth Opportunities Norm - General Investments Norm
Responsible Corporate Governance	<ul style="list-style-type: none"> - GNF has a specific commission depending on the Board of Directors, the Appointments and Remuneration Commission, in charge of supervising the Sustainability Plan (where ESG issues and performance are measured and supervised, including controversies). This commission is chaired by an independent Director. 	<ul style="list-style-type: none"> - Annual corporate Governance report - Annual accounts and management report - CSR risks Map