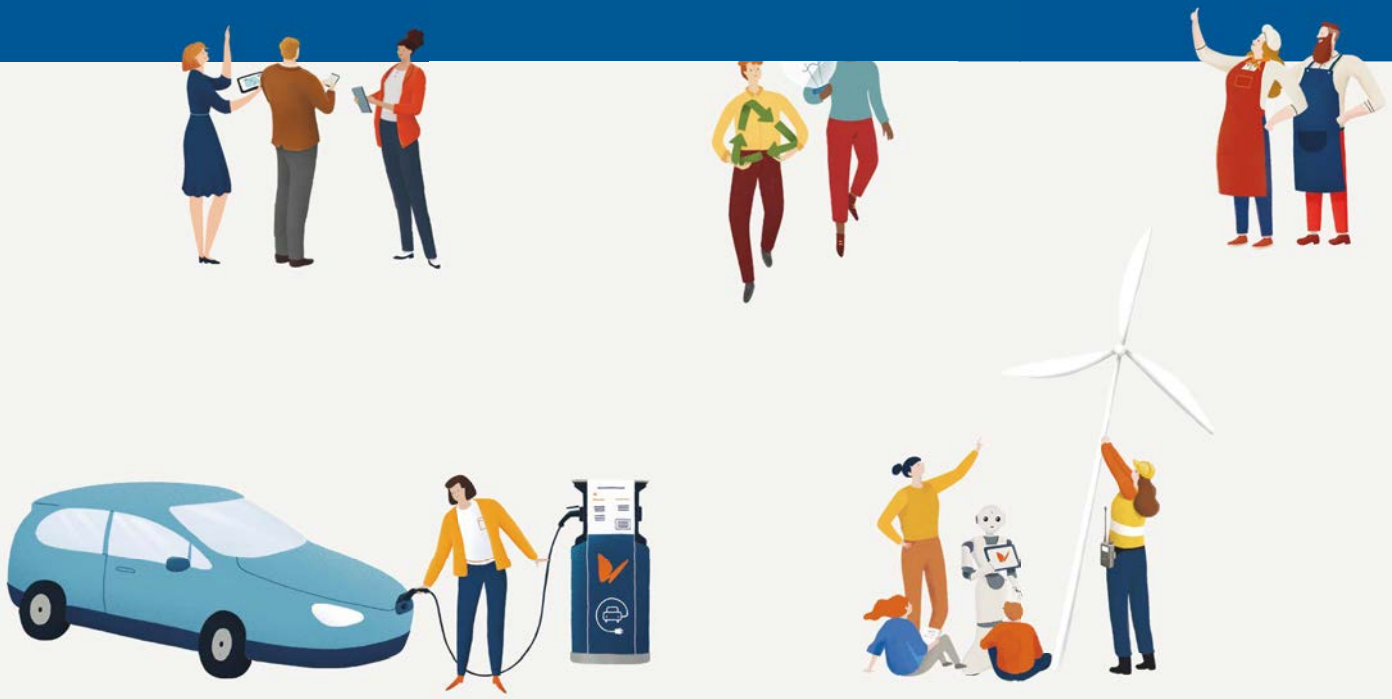
Naturgy

Sustainability Report and Non-Financial Information Statement

2021



Naturgy

Transforming together

This document is a transcript of Appendix II of the Annual Consolidated Report, that has been adapted to a more visual format to make it easier to read. To access the full report, including references to standards, applicable regulations, verifiers' opinions and other consolidated financial, operating and legal information that the company is required to present at the end of the financial year, scan this QR code or click on the following link:

https://www.naturgy.com/accionistas_e_inversores/la_sociedad/informes_anuales

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2021
Annual Reports

Sustainability Report and Non-Financial Information Statement

2021

Naturgy's purpose is: **Transforming** the world through energy, determinedly tackling the challenges of the **energy transition** and the demands of **society** and of our **customers**, working with **excellence**, **transparency** and the **talent** of a committed **team**. And we want to do it **together**: with our employees, customers, shareholders and partners.

Letter from the Chairman

Dear readers,

During 2021 we have witnessed how the world tried to heal the human, social and economic damage caused by the health crisis and to recover the usual pace of pre-COVID-19 times in a context of great uncertainty about the evolution of the pandemic.

These last few years have shown us that there is a global will to accelerate recovery and the commitment to move towards a truly sustainable development model. Governments, regulators, markets, companies and, in short, individuals are increasingly united in the face of challenges such as climate change, the circular economy and inequality.

The commitment to the fight against climate change is increasing at regulatory level, as demonstrated by the European Union's goal of becoming the first climate-neutral continent by 2050, which will lead to a sweeping transformation of all productive sectors, with an especially significant impact on the energy sector.

A company that transforms

In this context, at Naturgy we continue to work on the company's future, adapting to the changing environment. Our answer is the Strategic Plan 2021-2025, unanimously approved by the Board of Directors, which will boost our role in the energy transition and decarbonisation. It is a challenging roadmap aligned with the transformation that Naturgy has been introducing over the last four years.

This Strategic Plan, with an investment of Euros 14 billion, has growth as its primary objective, while maintaining financial discipline, consistent with the energy transition and which should help us to accelerate this transformation.

In addition, the company has also presented investment opportunities worth a further Euros 14 billion, for the Next Gen EU programme. in six strategic areas: renewable gases, renewable electric energy, sustainable mobility, Just Transition, energy efficiency and digitalisation.

Additionally, at Naturgy we want to consolidate our position as a best-in-class operator in all the businesses in which we operate - generation, distribution and commercialisation of energy - and we want to achieve this through the continuous improvement of our operations, relying on greater digitalisation and reinventing our relationship with our customers.

This ambitious Plan is supported by two more fundamental pillars: the commitment to Environmental, Social and Governance (ESG) aspects and the consolidation of a corporate culture driven by a transformational purpose that puts people at the forefront of all our goals.

We have structured this firm commitment in our Sustainability Plan 2021-2025, which defines 6 drivers with 21 lines of action and 74 objectives committed to and aligned with the Sustainable Development Goals of the 2030 Agenda.

We are aware that executing this strategy requires a cultural evolution, which mainly involves strengthening employee passion for the project, consolidating core values and aligning everyone with our stakeholders. To this end, we have defined our purpose: "Transforming together".

"Transforming together" means that at Naturgy we are convinced that together we can transform the world through energy, tackling with determination the challenges of the energy transition and the demands of society and our customers, working with excellence, transparency and the talent of a committed team.

At Naturgy, we want to address this transformation collectively and under four fundamental values: from an innovative, proactive and adaptive vision, facing the challenges and driving the opportunities of the energy transition, new business models and digitalisation (Forward Vision); through leadership, determination and continuous improvement, focused on generating value from each of the businesses and markets, and responding rigorously to the expectations of all stakeholders (Excellence Driven); from the most human side, taking into account the needs of people (People Oriented) and to contribute to a more sustainable world (One Planet).

A company that grows

During 2021, Naturgy has made progress in the fulfilment of its roadmap.

Although the year was marked, especially in the second part of the year, by volatility in the international gas markets and regulatory uncertainty, Naturgy experienced a recovery in demand and ended the year with a net ordinary profit of Euros 1,231 million.

The most important ordinary performance measures showed:

- Net turnover amounted to Euros 22,130 million.
- Gross operating profit was Euros 3,983 million.
- Cash-flow generation stood at Euros 2,113 million.
- Total net debt came to Euros 12,831 million.
- Growth Capex amounted to Euros 952 million.
- We paid Euros 1,140 million in direct taxes, and Euros 1,120 million in mainly VAT.

A company focused on climate neutrality

In 2021, we learnt from the IPCC's Sixth Assessment Report that human activity has unequivocally warmed the global climate since pre-industrial times. Naturgy, as a company present in multiple regions, is increasingly committed to the fight against climate change, which we also see as a strategic opportunity. That is why we want to play a leading role in this transformation of the energy sector. Proof of this is that more than 60% of the estimated investment in the strategic plan will be used to triple the company's installed renewable generation capacity to 14 GW by 2025.

In addition, we are committed to the promotion of renewable gases such as biogas or green hydrogen as a way to decarbonisation. During the second quarter of 2021, Naturgy became the first company in Spain to inject renewable gas into the gas distribution network, placing us at the forefront of innovation in the development of this new energy vector, which will contribute significantly to decarbonisation of the energy system and, consequently, to the reduction of carbon emissions and the promotion of the circular economy. In our strategy we estimate the injection of more than 1 TWh of renewable gas into the gas grid in Spain by 2025. Presently, 95% of Naturgy's gas distribution networks are already prepared for renewable gas and hydrogen.

Naturgy looks to be a key player in the energy transition, so it is committed to becoming carbon neutral by 2050, reducing total emissions, scopes 1, 2 and 3, by 24% in 2025 compared to the base year 2017, as reflected in the Strategic Plan and our Sustainability Plan.

In this regard, during 2021 we have continued to take firm strides towards achieving our goals. Proof of this is the evolution of direct Scope 1 emissions, which were 13 $MtCO_2eq$, representing 37% less than in 2017, our base year, or the total carbon footprint, which also incorporates indirect emissions, which was 150 $MtCO_2$, 9% lower than in 2017.

One notable milestone in the regulatory field has been the final approval at the end of 2021 of the Delegated Regulations with the technical criteria for the selection of sustainable economic activities in accordance with the EU Taxonomy and the contents, presentation and methodology for their disclosure. This year Naturgy has undertaken the classification of its activities in accordance with the Taxonomy in a rigorous and uniform way, to determine the company's level of contribution to the defined environmental objectives and, at the same time, to provide shareholders and investors with security in the face of greenwashing.

In this way and in anticipation of the 2022 disclosure requirements, the company has conducted a preliminary analysis of the proportion of eligible and aligned activities in accordance with the European Taxonomy. Eligibility results for turnover, Opex and Capex indicators are 10%, 37% and 61% respectively. Additionally, 10 of the 11 eligible activities are 100% aligned.

However, the company's environmental commitment is not limited to climate change. Biodiversity protection is also closely linked to the climate challenge and requires urgent action by everybody. Naturgy allocates resources and collaborates with entities and experts with the aim of minimising the impact on biodiversity and achieving no net loss of biodiversity, promoting the net creation of natural capital whenever possible. By 2025, we are committed to more than 350 activities per year. We are on track to achieve this goal, as by 2021 the company has carried out 302 biodiversity actions.

A company focused on excellence

In an increasingly demanding environment, with high competitiveness and in a challenging context, we are unable to comprehend transformation without excellence. Excellence that implies leadership, determination and continuous improvement.

Leadership, because in a year in which the price of electricity has broken records on a daily basis, Naturgy has thought about people and has taken a step forward by launching the Commitment initiative. The initiative allocates all available infra-marginal installed capacity to supply electricity at a competitive price of Euros 65/MWh, which will be held for three years and will be applied automatically for current and new customers. Thus, the company wants to help households, companies and SMEs to cope with a situation never seen before.

During 2021, the company has continued to adapt its products, processes and channels to suit customer needs, making them more digital, simple, understandable and sustainable. Good examples of these premises are our Zen tariff, a flat rate that provides peace of mind to residential customers; or our Naturgy Solar product, which provides customers with a worry-free self-consumption installation. We are aware that there is still a long way to go, but we are making steady progress with our customers always in mind.

The excellent service that Naturgy provides to its customers would not be possible without a supply chain that is committed and aligned with our business values and purpose. During 2021, Naturgy worked with more than 6,000 suppliers and contractors. We have audited more than 70% of our purchase volume with high ESG risk and are working to increase this percentage to 95% by 2025.

A socially responsible company

The energy transition has also an impact on the changes that need to be undertaken to change our energy model. Although they represent an opportunity, they may also generate short-term collateral effects in some communities that are impacted by the changes in the economy and employability of their territories.

The closure of our coal-fired power stations is one example. To address this, Naturgy is implementing plans that seek to foster economic activity in these locations, consistent with the historical link the company has in these territories, as reflected in our Just Transition report published in July 2021. In this regard, I would like to highlight the project we are developing at the site where La Robla power station was located, in León, where we are planning to develop a project to produce renewable hydrogen from a photovoltaic plant and an electrolyser to cover local consumption and injection into the gas grid.

These are just examples of our commitment to society. This commitment is a fundamental part of the development of new infrastructure projects. Our vocation of permanence and rootedness in the territories means we accompany our developments with social impact assessments and maintain a constant dialogue and relationship with the communities affected by the company's activities.

In addition, during 2021, Naturgy, through its Foundation, has continued to implement the Energy Vulnerability Plan throughout Spain. The Plan has been consolidated as a priority and the core of the activities developed by the Foundation to alleviate the situation of vulnerability and energy poverty in Spain. This past year, we have collaborated with 18 entities and 769 rehabilitations have been carried out based on donations from individuals and contributions from the Foundation.

A people-focused company

We want to develop our transformative purpose together, working for and on behalf of people. That's why in 2021 we have committed to boosting young talent and gender parity, through new recruitment drives such as Flex & Lead and talent development initiatives such as Internal Lead Talent, with the goal of reaching 40% of women in management positions by 2025 and attracting young people under 30. We have also implemented a new model for measuring satisfaction and commitment among our professionals through the Happy Force platform.

In health and safety, we have approved the Health and Safety Action Plan 2021-2023; based on six transversal drivers and more than 30 action lines that have already had the first internal results, as reflected in the reduction of mortality in collaborating companies during 2021.

A company with integrity, reliability and transparency

As a responsible company with a deep conviction in ethics and integrity, in 2021 we amended the Code of Ethics to add explicit reference to the new policies and social concerns such as conflicts of interest and digital rights. The requirements and approval of these policies and other corporate governance regulations, as well as the impeccable performance of our business, comes from the Board of Directors. A body that not only demonstrates compliance with the highest standards of good governance, but also corroborates the commitment of the company's shareholders to sustainability as a fundamental driver for long-term value creation. Along these lines, part of the management team's variable compensation is linked to ESG aspects as a sign of everyone's commitment to sustainability.

The year 2021 has confirmed that digitisation is an essential element in the company's day-to-day business. The ability to adapt to the digital environment and to respond to cybersecurity incidents or attacks is a sine qua non condition for maintaining a competitive position in the market. Thus, the company has completed the implementation of the Cyberincident Response Plan in the group's global security operations centre.

And in terms of accountability, while Naturgy diligently complies with current non-financial disclosure obligations, during 2021 it has undertaken an exercise to prepare for future requirements by adopting the Sustainability Accounting Standards Board (SASB). With this work, the company adds a new reporting framework to the GRI Standards, the requirements of Law 11/2018, the United Nations Guiding Principles Reporting Framework and the recommendations of the TCFD regarding climate risks, and thus increases information transparency and responsible, truthful, effective and complete communication of financial and non-financial information on the company's actions. In addition, the report also includes our contribution to the Paris Agreement and to the United Nations Sustainable Development Goals, with our renewed commitment to sustainability for yet another year through the Global Compact.

A recognised company

The profound transformation we are carrying out as a company, under principles that contribute to constructing a fairer society, respectful of the planet and with people at the forefront, merits international recognition.

Naturgy has been recognised globally as the best energy company of the year in the 2021 edition of the Platts Global Energy Awards; a success that must be attributed to the entire Naturgy's human team.

Likewise, and once again, Naturgy has been valued for its environmental, social and good governance performance in the most relevant international sustainability indices and rankings. As examples of this, the company has continued to be awarded AAA by the MSCI index and is the only Spanish company included in the A-List of the Carbon Disclosure Project (CDP) for its water management -the highest distinction awarded to companies worldwide for their management of water resources- and, for the eleventh consecutive time, it is a world leader in the climate category for its action against climate change.

Lastly, I would like to take this opportunity to thank the trust, work and effort of all those people who make this company project possible. The support of our shareholders, the loyalty of our customers and suppliers, their trust and commitment and, especially, all the professionals involved in the Naturgy project. I am aware of the difficult situations that many of them have had to face, or are facing, on a personal level and the effort they have had to make to ensure continuity of operations and the level of excellence in service to which our customers are accustomed. All the achievements I mention in this letter, and those that appear throughout the report, belong to all of them. None of the results achieved would have been possible without everyone's individual contribution. To all of them, thank you very much for your commitment and your dedication.

I now invite you all to read this report in more detail about our business model, our strategy and our commitments, and to judge for yourselves the results of the 2021 financial year that has just ended.

Thank you all very much,

Francisco Reynés
Executive Chairman

Madrid, March 2022.

Naturgy

Transforming together

At Naturgy, **we're transform** together, innovating for a better future.

1

Our objectives and commitments

1.
Our objectives and commitments

Sustainability Plan 2021-2025

In July 2021 Naturgy launched a new Strategic Plan for 2021-2025 and one of the main pillars of the Plan is sustainability or, in other words, Environmental, Social and Governance (ESG) aspects.

As a result, a Sustainability Plan 2025 has been defined with quantifiable goals that allow the Sustainability Committee to monitor the achievement of the company's sustainable strategy. It is structured in six drivers with 21 action lines and 74 objectives committed to and aligned with the Sustainable Development Goals of the 2030 Agenda.

The key objectives of the Sustainability Plan are shown below and explained in the different sections of this report.

	Target 2025 [1]	**2021**	2020
Sustainability Plan Indicators - Driver 1. Integrity and trust			
Naturgy Energy Group BitSight International Index	790	**690**	680
Coverage level of ESG audits over purchase volume with high ESG risk (%)	95.0	**72.2**	69.6
Maintain and renew ISO37001 and UNE19601 Certification (anti-bribery and criminal compliance management)	Renew	**Yes**	Yes
Sustainability Plan Indicators - Driver 2. The opportunity of environmental challenges			
Absolute GHG emissions Scope 1 and Scope 2 (million tCO_2eq)	11.4	**13.5**	15.5
Absolute GHG emissions Scope 3 (million tCO_2eq)	114.1	**136.5**	123.2
CO_2 intensity in electricity generation (tCO_2/GWh)	171	**261**	297
Generation mix from renewable sources measured in installed capacity over the total of the group (%)	56	**33**	29
Sustainability Plan Indicators - Driver 3. Customer experience			
Global satisfaction with service quality (1-10)	8.0	**7.5**	7.7
Interaction with digital channels (%)	53.8	**48.7**	41.4
Sustainability Plan Indicators - Driver 4. Commitment and talent			
Women in management posts (%)	>40	**21.2**	22.6
Employee satisfaction (eNPS) - 0 to 100. Number of actions with an impact on overall satisfaction (%)	40	**24**	Not available
Own staff lost time accidents frequency rate (OSHA criterion)	*0,12	**0.10**	0.04
Own personal lost time accident severity rate (OSHA criterion)	*6,15	**2.61**	4.14
Sustainability Plan Indicators - Driver 5. Innovation and new business development			
Renewable gas projects in service (number)	>30	**2**	2
Challenges and proofs of concept with start-ups in open innovation programmes (number)	>100	**5**	12
Sustainability Plan Indicators - Driver 6. Social responsibility			
Total social investment [2] (million euro)	*>8	**10**	10

[1] The objectives marked with an asterisk (*) are objectives under review, since less information was available at the time of their definition than is currently available, which means that their level of ambition should be reconsidered.
[2] Includes social investment in the local community and philanthropic investment. It is estimated that when a methodology for assessing social impact is available, these figures will vary and definitive objectives will be established.

Naturgy

Transforming together

We're transforming the world through **innovation**, **proactivity** and adaptability, facing challenges and promoting opportunities of the **energy transition**, new business models and **digitalisation**.

2

Business model and sustainable strategy

2.
Business model and sustainable strategy

1. Business model resilience

Naturgy's history of more than 175 years shows that the company's permanence is the result of having been able to adapt its business model to the social, technological and economic changes that the world has experienced throughout this time, taking advantage at every moment of the opportunities that the environment has provided.

Once again, faced with a paradigm shift in the energy sector as a result of the global challenge posed by the fight against climate change, Naturgy is transforming itself and refocusing its business model towards the energy transition.

Achieving success in adapting to the challenges and opportunities of the environment is possible because the company has a solid and robust management model, which has been proven throughout history in different contexts, as well as a characteristic transformative culture.

Today, Naturgy faces the global challenges surrounding the energy transition and those that society must face in the coming decades, through a transformative strategy and a business model that is sustainable and resilient to social and environmental challenges.

Organisational structure and businesses in which it operates

Naturgy Energy Group, S.A. was incorporated in 1843 and its registered office is at Avenida America, number 38, Madrid.

Naturgy Energy Group, S.A. and its subsidiaries (hereinafter Naturgy) is a group dedicated to the generation, distribution and commercialisation of energy and services. The group's business model of the group, focused on value creation, is committed to the sustainable development of society, guaranteeing the supply of competitive and safe energy with maximum respect for the environment.

Naturgy operates in over 20 countries, where it supplies gas and electricity to 16 million customers. Our installed power is 15.9 GW and we offer a diversified mix of electricity generation.

Naturgy is a relevant actor in the regulated and liberalised gas and electricity markets and operates chiefly in the following areas:

- Gas and electricity distribution.
- Electricity generation and commercialisation.
- Gas infrastructure, procurement and commercialisation.

Our vision of the future—without overlooking our roots and over 175 years of history—aims to transform the current business model and lay the foundations to continue creating value, committing to renewable energies, developing renewable gas (hydrogen and biomethane) thanks to the leadership position in the conventional natural gas market, and promoting energy efficiency and the circular economy.

With this vision, the company's **new purpose,** developed during the process of preparing the Strategic Plan 2021-2025, has been designed to respond to the need to build a sustainable growth model that will enable us to meet the challenges of the energy transition.

Transforming together

We transform the world through energy, tackling with determination the challenges of the energy transition and the demands of society and our customers, working with excellence, transparency and the talent of a committed team. And we want to do it together with our employees, customers, shareholders and partners, based on four values that build the company's DNA:

FORWARD VISION
Innovating for a better future

We transform the world through innovation, proactivity and adaptability, facing the challenges and promoting the opportunities of the energy transition, new business models and digitalisation.

PEOPLE ORIENTED
Transforming from the most human side

We transform the world through proximity, transparency and trust, activating its firm commitment to people, employees, customers, shareholders and collaborators, transforming talent and passion into positive impact.

EXCELLENCE DRIVEN
Working with excellence

We transform the world through leadership, determination and continuous improvement, committed to generating value from each of its businesses and markets, and responding rigorously to stakeholders' expectations.

ONE PLANET
For a more sustainable society

We transform the world through sustainability, respect and commitment to the environment, society and corporate governance, demonstrating that it is a responsible company that contributes significantly to the progress, well-being and future of the planet.

In a challenging environment, Naturgy's goal is to maintain a sound an sustainable financial and business profile. The company's business model is committed to sustainability and pursues a balance between regulated and unregulated activities, while applying a strict finance policy.

For this reason, Naturgy's **new Strategic Plan 2021-2025** focuses its efforts on the following pillars:

- Grow: pursue organic growth consistent with the energy transition and deploy opportunistic asset rotation to speed up the transformation.
- Focus on: Renewables and Networks activities in stable geographies and regulatory frameworks and reduce volatility in supply commitments.
- To be a best-in-class company: to carry out continuous improvement processes, increasing the digital footprint and reinventing the relationship with customers.
- Continue to incorporate ESG aspects: rooted in the essence of the company, aligned with the SDGs and guided by tangible goals to meet commitments.
- Change the culture: drive passion in employees through core values and be aligned with different stakeholders.

Business model

Naturgy's business model is implemented through a large number of companies mainly in Spain, Latin America (Argentina, Chile, Brazil, Mexico and Panama) and Australia.

Naturgy organises its businesses around three strategic areas (Energy and Network Management, Renewables and New Businesses and Commercialisation), which provide visibility for the evolution of the businesses and on the basis of which the following operating segments are defined:

- Energy Management and Networks:
  - Iberia Networks: comprises the gas and electricity network businesses in Spain.
  - Latin America Networks: includes the gas network business in Argentina, Chile, Brazil and Mexico and the electricity network business in Argentina and Panama.
  - Energy Management: includes the businesses of International LNG Commercialisation, Markets and Supplies, Pipeline Management, Thermal Generation Spain and Thermal Generation Latin America (Mexico, Dominican Republic and Puerto Rico).
- Renewables and New Businesses:
  - Renewables Spain and the United States: includes the management of the facilities and projects for the generation of hydraulic, wind, mini-hydraulic, solar and cogeneration energy sources. Until 2020, the activities included in this segment were carried out exclusively in Spain. In 2021, Naturgy acquired a portfolio of 8 GW solar projects in the United States along with 4.6 GW of energy storage projects, of which 25 projects for a total of 3.2 GW of solar and 2 GW of storage could be operational by 2026.
  - Renewables Latin America: includes the management of renewable electricity generation facilities and projects of Global Power Generation (GPG) located in Latin America (Brazil, Chile, Costa Rica, Mexico and Panama).
  - Renewables Australia: includes the management of the renewable electricity generation facilities projects for GPG located in Australia.
- Commercialisation: the goal is to manage the business model for end customers for gas, electricity and services, incorporating new technologies and services and developing the full potential of the brand.

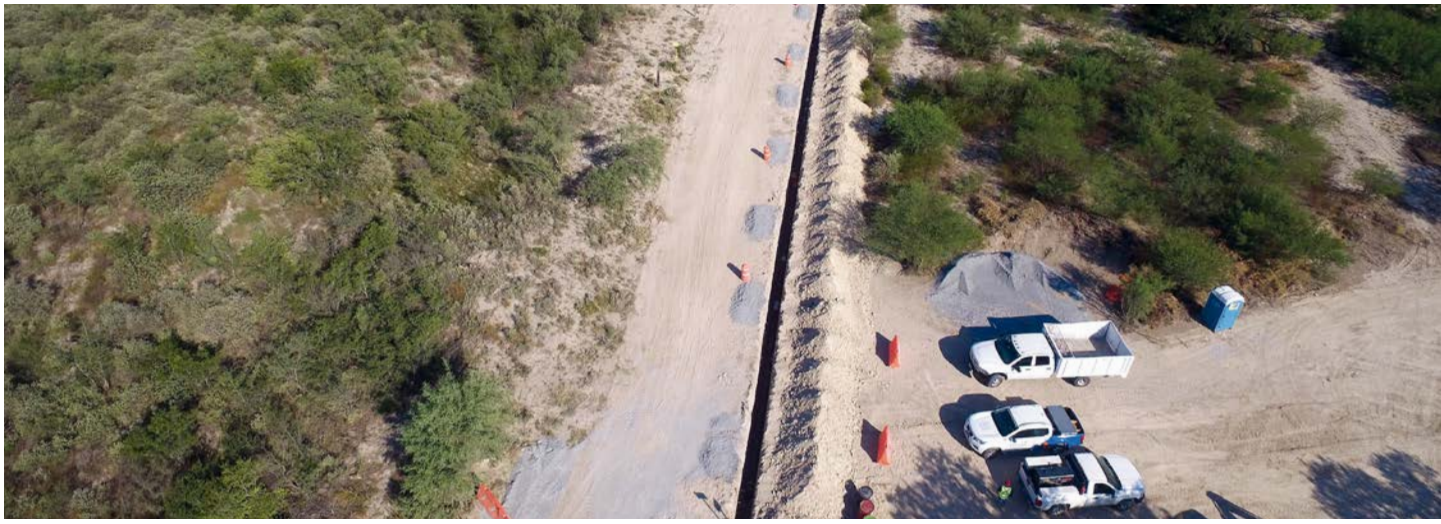
Throughout the value chain, Naturgy's Business Model stands apart as a leader in the gas sector and a key player in the electricity sector, in both cases ensuring the continuity of supply, which is essential to providing a quality service and fulfilling the company's social mission; providing a broad range of value-added services and fostering sustainable innovation to drive development.

Annex I to the Consolidated Annual Accounts has detailed information on the companies that form part of Naturgy and the activities they carry out.

Businesses in which it operates

Leadership in the gas business

	Networks	Gas
	Gas distribution	**Infrastructure**
	11 million supply connections. 135,640 km of network.	Long term methane tankers. Medgaz gas pipeline.
Our positioning	**Spain** Leader in Spain with a 68% market share, distributing natural gas to more than 1,100 municipalities in nine autonomous regions and 5.4 million customers. **Latin America** Latin America's top distributor, catering for more than 5.6 million customers. Presence in Argentina, Brazil, Chile and Mexico and in five of the largest Latin American cities.	- Nine methane tankers (1,43 Mm^3). - 24.5% stake in the Medgaz gas pipeline. - Stake in the Ecoeléctrica regasification plant and the liquefaction plant of Qalhat. - 0.8 bcm of company-owned storage capacity and 0.8 bcm of leased capacity.
Our strengths	Naturgy is a leader in the markets where it operates, affording it an excellent platform for organic growth, in terms both of attracting new customers in municipalities with gas and of expanding networks to areas without gas. Investment and development of projects in new renewable, CO_2-neutral or even CO_2-negative gas technologies.	Naturgy has an integrated gas infrastructure that affords it considerable stability, making its operations more flexible and enabling it to transport gas to the best business opportunities.



Procurement	Commercialisation
~ 29 bcm supply portfolio.	**372 TWh** of gas supplied.
Business Model based on diversification and flexibility that have made Naturgy a global operator with a strong international profile. Naturgy has procurement contracts with suppliers worldwide, both in a gaseous state (NG) and in the form of liquefied natural gas (LNG).	Access to **11 million** customers and LNG sales in numerous countries worldwide. A global operator with the flexibility to tap markets offering attractive margins. 45,9% market share of gas contracts in Spain. Competitive supply to combined-cycle plants (CCGT).
A diversified and flexible portfolio of procurement contracts, with review mechanisms in the event of price mismatches.	Naturgy has a diversified portfolio of end customers, and supplies gas both in Spain and internationally. Naturgy is a leader in dual fuel supply and it offers a broad range of value-added services.

A key player in the electricity business

	Networks	Electricity
	Electricity distribution	**Thermal generation**
	4,7 million supply connections. **153,981** km of network.	**10.6 GW** of generation capacity.
Our positioning	**Spain** The third-largest operator in the Spanish market, where it distributes electricity to **3.8** million customers. **Latin America** Presence in Argentina and Panama (**0.9** million customers). Naturgy is a leader in the markets where it operates.	**Spain** Capacity of **8.0 GW** (7.4 GW combined cycle plants and 0.6 GW nuclear). In June 2020, the group abandoned the coal generation business. Naturgy's market share is **17.5%.** **International** Capacity of **2.6 GW**: 2.4 GW combined cycle plants (Mexico) and 0.2 GW oil-fired (Dominican Republic).
Our strengths	Naturgy is an efficient operator in terms of operation and maintenance costs in the electricity distribution business. In July 2021, the sale of the electricity distribution business in Chile, an activity classified as held for sale, was completed.	The company has far-reaching knowledge in all generation technologies in which it operates and provides an infrastructure which is able to adjust to the needs of each energy model and the real situation in each particular country. Investment and development of projects in new renewable, CO_2-neutral or even CO_2-negative gas technologies.

Renewable generation	Commercialisation
5.2 GW of generation capacity.	**23.9 TWh** supplied.
Spain Capacity of **4.1 GW** (2.0 GW hydro, 1.8 GW wind, 0.2 GW solar and 0.1 GW cogeneration). Naturgy's market share excluding cogeneration is **6.1%.** **International** Capacity of **1.1 GW**: 0.1 GW hydroelectric (Costa Rica and Panama), 0.7 GW wind (Mexico, Chile and Australia) and 0.3 GW solar (Brazil and Chile).	Leader in the mainstream consumer and residential segments, with a total market share of **10%** in Spain. One of the main traders in the Spanish market. A dual fuel supply and a broad range of value-added services.
Naturgy maintains a good growth-oriented positioning in Spain and Australia, which will allow it to take advantage of investment opportunities in generation in these geographies. In 2021, Naturgy acquired a portfolio of 8 GW solar projects in the United States along with 4.6 GW energy storage projects.	Being a leader in the combined commercialisation of natural gas and electricity affords the company major advantages, such as lower service costs, integrated customer care and lower acquisition costs, not to mention greater customer loyalty.

Geographical presence

USA
Renewable generation projects (8 GW solar and 4,6 GW storage).

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

Dominican Republic
Generation (198 MW, fuel-oil).

Mexico
Gas distribution (fifteen states including Mexico City and 1.6 Mn customers) and generation (2,446 MW, combined cycles and 234 MW, wind).

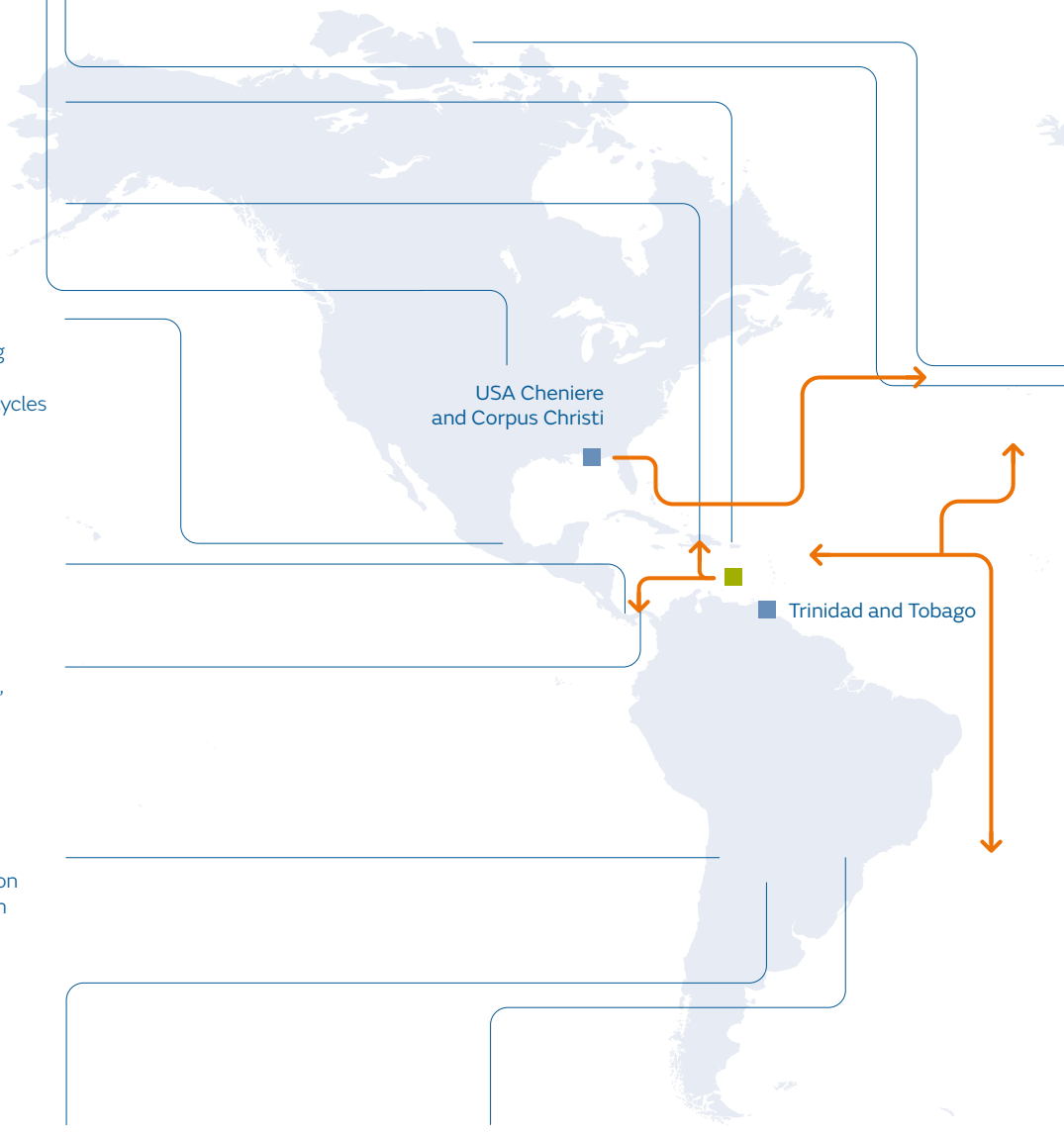
Costa Rica
Generation (101 MW, hydraulic).

Panama
Electricity distribution (Panamá Central, West, Inland, Chiriquí and 0.7 million customers) and generation (22 MW, hydraulic).

Chile
Gas distribution (4 regions and 0.7 million customers). NG/LNG commercialisation and generation (206 MW wind and 101 MW solar).

Portugal
NG/LNG and electricity commercialisation.

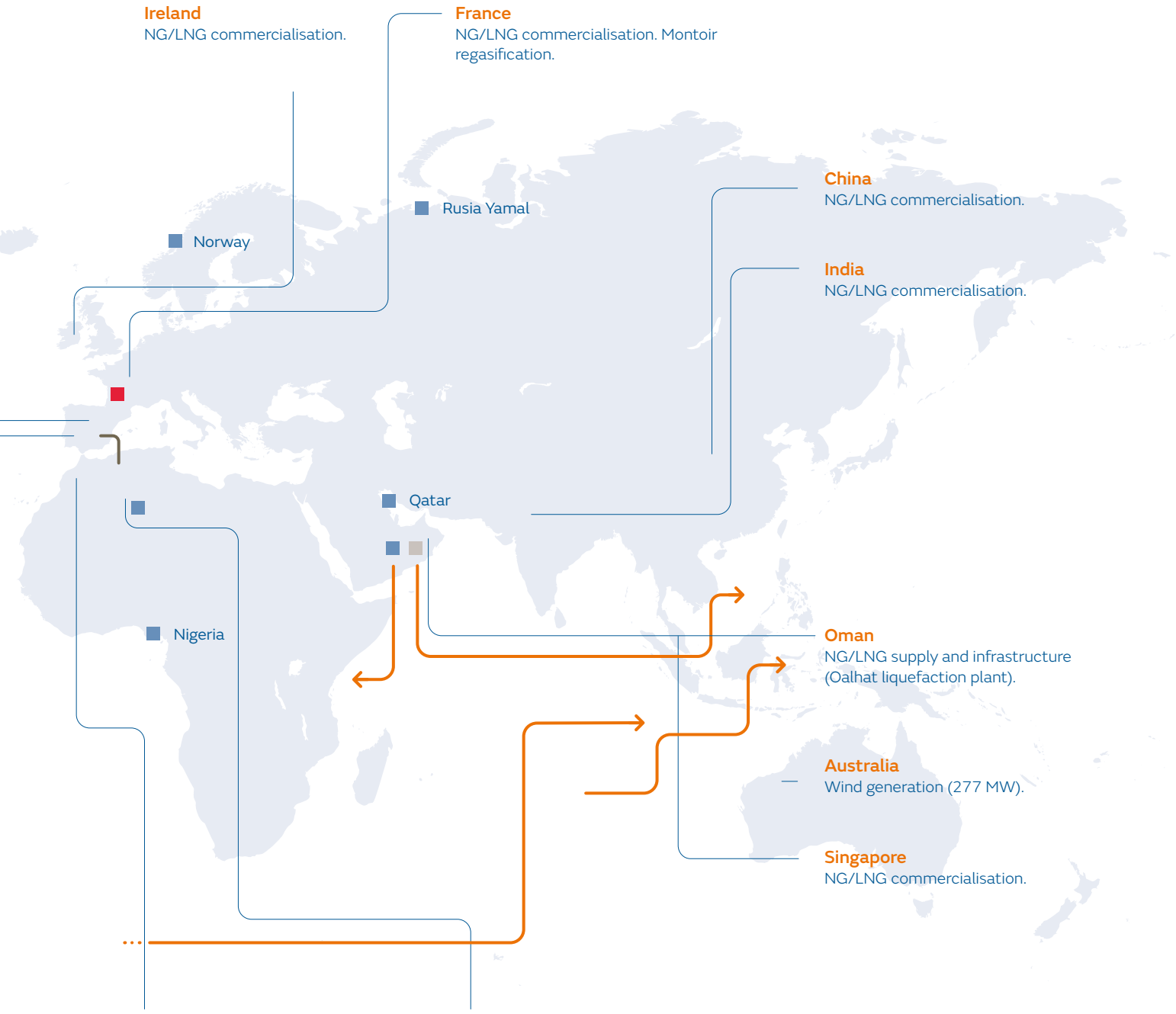
Spain
Exploration, transportation, distribution and commercialisation of gas and electricity. Generation (combined cycles, nuclear, hydraulic, solar, co-generation, mini-hydraulic and wind).



- Gas flow.
- Medgaz gas pipeline.
- Liquefaction plant.
- Regasification plant.
- Leased regasification plant.
- Long-term gas contracts.

Argentina
Gas distribution (5 provinces including Buenos Aires and 2.2 million customers and electricity distribution (0.2 million customers).

Brazil
Gas distribution (Rio de Janeiro state, São Paulo South and 1.1 million customers). NG/LNG commercialisation and generation (153 MW solar).



Chile electricity distribution, Perú gas distribution and coal generation in Spain were considered as discontinued operations as at 31 December 2020.

Company situation

Evolution and results 2021

• Overall results

Net turnover	Net revenues for 2021 amounted to Euros 22,140 million, an increase of 44.3% compared to 2020, mainly as a result of higher energy demand and prices in the period, with a particularly positive impact on energy management activities.
Ebitda performance	Ebitda for 2021 amounted to Euros 3,529 million, including non-core items. Ordinary ebitda reached Euros 3,983 million in 2021, 7.2% higher than in 2020, mainly supported by the gradual recovery of energy demand, higher energy prices and the positive impact of open positions in the energy markets, positively affecting energy management and trading activities. . The networks business remained resilient, while renewable energies were affected by some specific events and adjustments in Spain. Commercialisation activity in Spain was impacted by higher gas supply costs and pool prices, especially during the second half of the year.
Debt ratio	Net debt amounted to Euros 12,831 million while Net financial debt/ebitda stood at 3.6 times compared to 3.9 times at 31 December 2020.
Cash-flow	Free cash-flow for 2021 after minorities amounted to Euros 2,113 million, driven by cash from operations and cash receipts from the sale of CGE and the agreement to exit UFG, and after Capex of Euros 1,423 million in the period. On the other hand, the spike and volatility in gas prices had a temporary negative impact on working capital consumption, especially in the fourth quarter of 2021, which has partially offset the expected reduction in net debt. However, this impact is considered transitory and WC consumption is expected to normalise in the coming quarters.

Continues ›

Completed transactions	- Naturgy, ENI and the Arab Republic of Egypt completed the agreement reached in 2020 to amicably resolve the conflicts affecting Unión Fenosa Gas (UFG) with capital gains for a total amount of Euros 127 million and have consolidated globally (100%) the UFG assets transferred to Naturgy. - The sale of Naturgy's entire shareholding (96.04%) in CGE Electricidad to State Grid International Development Limited (SGID) was completed proceeds of Euros 2,591 million. - Refinancing of loans and revolving credit lines in Spain and international businesses for a total of Euros 3,771 million and Euros 299 million, respectively, which include: ▪ Refinancing of a syndicated revolving credit line by increasing the limit from Euros 1.75 billion to Euros 2 billion with ESG metrics in the pricing mechanism. ▪ GPG has obtained the extension of its USD 1.4 billion syndicated loan for an additional year. - Naturgy completed the issuance of Euros 500 million and Euros 66of subordinated perpetual securities, redeemable as of February 2027, with an annual yield of 2.375%. As part of the transaction, the company made a public offering, limited to Euros 500 million respectively, for the outstanding subordinated perpetual securities redeemable as of November 2022.

Investments

The tangible and intangible investments for the 2021 totalled Euros 1,484 billion, with an increase of 16.0% year-on-year.

Maintenance Capex in 2021 amounted to Euros 532 million, compared to Euros 546 million in 2020, a reduction of 2.6%.

Growth Capex in 2021 represented approximately 65% of total Capex and amounted to Euros 952 million. Growth Capex in 2021 includes the following:

- A total of Euros 579 million invested in the construction of different renewable projects, of which Euros 213 million in Spain, Euros 328 million in Australia and Euros 38 million in Latin America.
- Euros 249 million invested in network development, of which Euros 127 million in Spain and Euros 122 million in Latin America.
- Euros 113 million in procurement activity.

In addition, Naturgy has reached several agreements that confirm its commitment to renewable growth:

- Naturgy reached several agreements in Australia that will increase its presence in the country to more than 750 MW by 2022.

- On 15 January, 2021, Naturgy, through its wholly owned subsidiary Naturgy Solar USA, LLC, acquired 100% of an 8 GW solar project portfolio along with 4.6 GW of energy storage projects spanning 9 U.S. states. 25 of these projects amount to 3.2 GW of solar and 2 GW of storage and could be operational by 2026. As part of the transaction, Naturgy also signed a 5-year development agreement with Candela Renewables, a world-class team with more than 20 years' experience in the field, with a proven track record in the development of solar and energy storage projects in the United States.
- On 15 March 2021, Naturgy was awarded 45 MW of solar capacity in the Canary Islands, which will allow the Group to double its current installed capacity in the region.
- Finally, on 26 January and 19 October 2021, Naturgy was awarded a total of 235 MW and 221 MW of wind and solar projects, respectively through Spanish renewable auctions.

Stock market performance and profitability

Naturgy shares closed 2021 at a price of Euros 28.63 and stock market capitalisation of Euros 27,760 million, which represents a 51.0% decrease versus the previous year-end.

Key financial figures of Naturgy

	2021	2020
Net turnover (million euro)	**22,140**	15,345
Gross operating profit or ebitda (million euro)	**3,529**	3,449
Total investments (million euro)	**1,484**	1,279
Net profit (million euro)	**1,214**	(347)
Dividend paid (million euro)	**1,290**	1,370
Share price as at 31 December (euros)	**28.63**	18,96
Earnings per share (euros)	**1.26**	(0,36)

NB: generalized improvement of the indicators in 2021 due to the impact in 2020 of the COVID-19 effect and asset impairment of €1,019 million (after tax).

Contribution to ebitda by activity (%)

	2021	2020
Renewables, New Business and Innovation	**13.8**	10.4
Commercialisation	**(2,7)**	9.5
Energy and Network Management	**92.6**	82.6
Other	**(3,7)**	(2,5)

Stock market indicators

	2021	2020
No. of shareholders (in thousands)	**60**	75
Share prices at 31/12 (euros)	**28.63**	18,96
Earnings per share (euros)	**1.26**	(0,36)
Share capital (No. of shares)	**969,613,801**	969,613,801
Stock market capitalisation (million euro)	**27,760**	18,384

Financial ratios

	2021	2020
Debt (%) [(1)]	**59.1**	54,7
Ebitda/Cost of net financial debt	**7,2x**	6,9x
Net debt/ebitda	**3,6x**	3,9x

[(1)] Net financial debt (Net financial debt + Equity).

Profit by country (million euro)

	2021	2020
Spain	**512**	(642)
Argentina	**15**	(126)
Brazil	**62**	48
Chile	**151**	117
Mexico	**141**	144
Panama	**17**	11
Rest of Latin America	**56**	24
Total Latin America	**442**	218
Rest of the world	**260**	77
Total	**1,214**	(347)

NB: an asset write-down of Euros 1,019 million (after tax) was made in 2020

Main operational figures of Naturgy

	2021	2020
Gas distribution sales (GWh)	**449,435**	403,910
Gas transportation/EMPL (GWh)	**74,241**	49,383
Gas distribution supply points (in thousands)	**11,037**	11,052
Electricity distribution supply points (in thousands)	**4,776**	4,727
Gas distribution network (km)	**135,640**	134,802
Length of electricity distribution and transportation lines (km)	**153,981**	151,495
Electricity generated (GWh) [1]	**41,754**	41,977

[1] 2020 includes coal-fired electricity in Spain.

Gas supply and transportation (%)

	2021	2020
Others (LNG)	**9.4**	15.5
Nigeria	**5.2**	5.6
Trinidad and Tobago	**6.7**	10.3
USA	**21.3**	17.5
Others (NG)	**6.5**	14.1
Algeria	**22.8**	15
Oman/Egypt/Others [1]	**11.9**	4
Qatar	**5.1**	3.8
Norway	**0.6**	3.2
Russia	**10.5**	11

[1] In 2020 gas from Unión Fenosa Gas.

During 2020, the reduction in demand due to the pandemic was addressed by putting into action existing flexibility tools in some of the supply contracts, such as those of the USA and Algeria. In 2021, the LNG supply contract from Corpus Christi (USA), which began operations in the second quarter of 2020, already supplied 100% of its contractual volume. As for the supply of NG from Algeria, the contract that supplied gas through the Maghreb ended in October, leaving only the contracts that are supplied through the Medgaz gas pipeline.

Renewable gas

	2021	2020
Renewable gas projects in service (number)	**2**	2
Renewable gas production or injection capacity (TWh)	**0.14**	0

Renewable gases, including biomethane and hydrogen, are a key driver for the decarbonisation of Naturgy's gas business. Therefore, new projects are being promoted to increase its generation and injection into the networks. More detailed information is provided in the chapters "The opportunity of environmental challenges" and "Innovation and new business development".

Energy mix of Naturgy (%)

	2021	2020
Thermal	**1.2**	4.6
Hydroelectric	**13.1**	13.1
Wind	**15.6**	12.8
Nuclear	**3.8**	3.8
Small hydro	**0.7**	0.7
Solar	**3.2**	2.5
Cogeneration	**0.3**	0.3
Combined-cycle	**62.1**	62.2

NB: in 2020, coal-fired power stations were completely shut down.

Installed capacity by source of energy (MW)

	2021	2020
Nuclear	**604**	604
Coal	**0**	530
Combined-cycle	**7,427**	7,427
Cogeneration	**51**	51
Thermal production. Spain	**8,082**	8,612
Hydroelectric	**1,951**	1,951
Wind	**1,764**	1,691
Solar	**250**	249
Small hydro	**111**	111
Renewable production. Spain	**4,076**	4,002
Total installed capacity. Spain	**12,158**	12,614

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Installed capacity by source of energy (MW)

	2021	2020
Fuel-oil	**198**	198
Combined-cycle	**2,446**	2,446
Thermal production. International	**2,644**	2,644
Hydroelectric	**123**	123
Wind	**717**	330
Solar	**254**	153
Renewable production. International	**1,094**	606
Total installed capacity. International	**3,738**	3,250
Total installed capacity	**15,896**	15,864

2020 includes coal activity despite being presented as discontinued operations in the Consolidated Income Statement.

Net production by energy source (GWh)

	2021	**%**	2020	%
Nuclear	**4,274**	**10**	4,387	10
Coal	**0**	**0**	958	2
Combined-cycle	**12,675**	**30**	12,856	31
Cogeneration	**342**	**1**	315	1
Thermal production. Spain	**17,291**	**41**	18,516	44
Hydroelectric	**2,991**	**7**	3,011	7
Wind	**3,856**	**9**	3,546	8
Solar	**268**	**1**	320	1
Small hydro	**507**	**1**	524	1
Renewable production. Spain	**7,622**	**18**	7,401	18
Total production. Spain	**24,913**	**60**	25,917	62
Fuel-oil	**637**	**2**	481	1
Combined-cycle	**13,305**	**32**	13,778	33
Thermal production. International	**13,942**	**33**	14,259	34
Hydroelectric	**566**	**1**	465	1
Wind	**1,790**	**4**	1,041	2
Solar	**536**	**1**	295	1
Renewable production. International	**2,892**	**7**	1,801	4
Total production. International	**16,834**	**40**	16,060	38
Total production	**41,747**	**100**	41,977	100

2020 includes coal activity despite being presented as discontinued operations in the Consolidated Income Statement.

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

	2021	2020
Chile	**573**	0
Costa Rica	**462**	371
Spain [1]	**7,622**	7,715
Mexico	**694**	754
Panama	**104**	94
Brazil	**290**	295
Australia	**769**	287
Total	**10,514**	9,516

[1] In 2020, cogeneration is included.

Average efficiency by technology and regulatory system (%)

	2021	2020
Combined-cycle (Spain)	**52.8**	52.8
Coal thermal (Spain)	**0.0**	31.2
Combined-cycle (International)	**55.1**	55.3
Fuel-oil (International)	**40.5**	40.5

Average availability factor by technology (%)

	2021	2020
Hydroelectric (Spain)	**87.3**	85.7
Coal thermal (Spain)	**0.0**	48.9
Nuclear (Spain)	**87.3**	90.5
Combined-cycle (Spain)	**82.2**	87.3
Wind (Spain)	**98.5**	98.5
Solar (Spain)	**99.1**	99.0
Small hydro (Spain)	**96.9**	96.5
Cogeneration (Spain)	**91.4**	87.0
Hydroelectric (international)	**95.5**	94.7
Wind (international)	**92.8**	93.0
Solar (international)	**96.3**	98.5
Fuel-oil (international)	**87.0**	83.8
Combined-cycle (international)	**96.5**	90.4

Electrical energy losses in transport and distribution (%)

	2021	2020
Spain	**8.5**	8.3
Argentina	**13.3**	13.2
Chile [1]		9.7
Panama	**14.5**	14.4

[1] Business sold in July 2021.

2. Naturgy's Strategy

The ecological transition to a carbon neutral economy is an opportunity in environmental, social and economic terms. It allows us to reduce our dependence on foreign energy, improve our trade balance and move towards a modern and prosperous economy. In this global context, meeting the challenge of climate neutrality requires a transformation of the energy system. Achieving this objective requires a cross-cutting vision that moves from the classic consideration in which the main energy uses (electricity, heating, industrial thermal uses, transportation) were analysed and managed individually to an integrated intelligent management that flexibly combines renewable generation, storage, demand management and the generation of renewable fuels to optimise energy resources.

It is this vision that inspires the company's strategic lines and business plan for the next five years.

Strategic Plan 2021-2025

Strategic pillars

Growth

Our growth is intended to be:

- Mainly organic, maintaining financial discipline.
- Consistent with the energy transition.
- Opportunistic asset rotation to accelerate transformation.

Focus

We focus on:

- Renewables and networks.
- Stable geographies and regulatory frameworks.
- Reduced volatility in procurement commitments.

Best in class

We are committed to:

- Continuous improvement.
- Increased digital footprint.
- Reinventing our relationship with customers.

ESG

We have a strong commitment to environmental and social issues. Our roadmap includes a Sustainability Plan with solid environmental, social and governance objectives, thus integrating ESG into the core of the company.

- Rooted in the essence of the company.
- Aligned with the Sustainable Development Goals (SDGs).
- Tangible objectives to meet commitments.

Culture

Thanks to our corporate culture.

- Driving passion in our employees.
- Consolidating fundamental values.
- Aligned with stakeholders.

Main investment objectives

In economic terms, our Strategic Plan pursues ambitious investment objectives, setting an estimated investment for this period of **Euros 14 billion.**

This investment is established by maintaining financial discipline as a pillar and focusing on projects with predictable return. Moreover, 80% of the planned investment will be eligible according to the EU taxonomy of sustainable finance and therefore aligned with the energy transition.

The investment is distributed as follows:

Renewables

Euros 8,700 million

- Proven generation technologies.
- Focus on attractive geographies.
- Commitment to innovation.
  - Distributed generation.
  - Biogas and hydrogen.
  - Sustainable mobility.

Networks

Euros 4,100 million

- Focus on solid frameworks with proactive regulatory management.
- Ongoing projects to achieve full automation and remote operation.
- Adaptation of existing infrastructures to play a key role in the energy transition.

ESG at the core of our vision

The Strategic Plan is part of Naturgy's commitment to the environment, society and governance (ESG). Placing sustainability as the backbone of our strategy on our roadmap allows us to reduce our environmental impact, increase the involvement and commitment of all our stakeholders and endorse us as a responsible company in energy transition.

Our 2025 **ESG** objectives are as follows:

(A) Environment

Zero net emissions by 2050

- Reduce total CO_2 emissions by 24% (2025 vs 2017).
- Protecting diversity, reaching a total of more than 350 projects to preserve ecosystems.

(S) Social

Gender parity by 2030

- Promote diversity, reaching more than 40% of women in management positions.
- Extend ESG policies in the supply chain to 95%.

(G) Governance

ESG-aligned management remuneration

- Establish a 10% remuneration aligned with ESG objectives.
- Implement climate change risk reporting and taxonomy to maintain leading positions in sustainability indices.

Commitment to sustainability

Naturgy's sustainable purpose

Represented by its new "Transforming together" proposal and its four values that identify Naturgy's culture, the company is focused on this through its Corporate Responsibility Policy and its Sustainability Plan 2021-2025, setting out a series of commitments that guarantee the well-being -current and future- of the people and the environments with which it relates.

Corporate Responsibility Policy

Naturgy's Corporate Responsibility Policy —last updated and approved by the Board of Directors in 2019— defines the commitment to long-term value creation and sustainable management through a common framework of action, which guides the company's socially responsible behaviour.

The main purpose of this policy is to introduce the action principles and the company's commitments to its stakeholders, in harmony with the company's corporate strategy, as well as setting out the responsibilities and specific monitoring instruments to guarantee compliance with these.

As well as applying to all group companies, those persons or companies that work with the company and who have an influence on the company's reputation are also encouraged to be familiar with the policy and to apply it.

Naturgy's commitments

The eight commitments of the Corporate Responsibility Policy with its stakeholders are:

01 Service excellence

02 Commitment to results

03 Responsible environmental management

04 Interest in people

05 Health and safety

06 Responsible supply chain

07 Commitment to society

08 Integrity and transparency

These commitments are horizontal and are present throughout the company's business process, based on the generation of economic, social and environmental wealth.

Sustainability Plan

To support the development of the strategy, Naturgy has defined a Sustainability Plan for the period 2021-2025 which, through 6 drivers, 21 lines of action and 74 objectives, aims to contribute to the achievement of the Sustainable Development Goals (SDGs) of the 2030 Agenda.

Contribution to the SDGs

In August 2015, the United Nations Organisation (UN) introduced the 2030 Agenda for Sustainable Development, establishing 17 Sustainable Development Goals (SDG) and 169 related targets.

Thus, Naturgy, analysing each of the goals, joined these universal challenges in two ways:

- Direct contribution: through initiatives, programmes or actions that contribute towards said goal.
- Indirect contribution: through the impact of policies and practices in countries in which the company operates.

Naturgy is committed to actively contributing to the overall achievement of the 17 goals. However, through its business activity it contributes directly to:

- **Goal 7.** Ensure universal access to affordable, reliable and modern energy, increase the use of renewable energy and promote energy efficiency. In 2021, Naturgy increased its installed capacity in renewable energies by 10% and works actively to offer society and its customers alternative forms of environmentally-friendly energy such as renewable gas.
- **Goal 11.** Make cities and human settlements inclusive, safe, resilient and sustainable. Naturgy works actively to offer products and services to its customers that help improve energy efficiency and air quality in cities by making them healthier.
- **Goal 13.** Take urgent action to combat climate change and its effects. In 2021, Naturgy prevented the emission into the atmosphere of 142 $MtCO_2eq$.

Listed below are the main drivers and lines of action defined in the Sustainability Plan, their alignment with the commitments of the Corporate Responsibility Policy and the main SDGs to which they will contribute, both directly and indirectly.

Driver	Line of action	SDG	CR Policy commitment
Integrity and trust	Governance and reporting. Risk management. Compliance.	8 10 12 16 17	Integrity and transparency. Responsible supply chain.
The opportunity of environmental challenges	Climate change and energy transition. Circular economy and eco-efficiency. Natural capital and biodiversity. Governance and environmental management.	3 6 7 9 11 12 13 14 15	Responsible environmental management.
Customer experience	Customer experience. Digitalisation. Services with value-added. Service quality.	7 9 11 12 17	Service excellence.
Commitment and Talent	Transformation. Talent management. Diversity. Health and safety.	3 4 5 8 9 10	Interest in people. Health and safety.
Innovation and new business development	New business. Optimisation. Innovation.	7 8 9 11 12 13 15 17	Commitment to results. Service excellence.
Social responsibility	Energy vulnerability. Social contribution. Just Transition.	1 3 7 8 10 11 12 17	Social commitment. Responsible supply chain. Integrity and transparency.

In addition, the Sustainability Plan helps to facilitate supervision of the Corporate Responsibility Policy and performance of the sustainable strategy within the Sustainability Committee, defines a roadmap to continue to occupy leading positions in the management of environmental, social and good governance (ESG) aspects; promotes compliance with the 2030 Agenda and allows Naturgy to define its medium-term ambition in ESG aspects; all this in response to the expectations of Naturgy's stakeholders.

Definition of the sustainability plan and its associated indicators

For preparation of the Sustainability Plan, a materiality analysis was carried out, including an internal analysis, which took into consideration:

- The company's strategy.
- Risk map.
- Annual Reports.
- Corporate Responsibility Policy.
- Code of Ethics.
- Other internal policies and internally developed documentation on ESG performance.

An external analysis was also carried out, which took into consideration:

- Regulatory and industry trends.
- Analyst and investor requirements.
- Competitor analysis.
- News from different media.
- The change of context resulting from the COVID-19 crisis.

The analysis identified the key issues for the company and its stakeholders.

The Plan focuses on, and is oriented towards, enhancing those facets of the industry transformation where the company is lagging.

The 74 monitoring indicators that have been defined are as follows:

	Target 2025 (1)	**2021**	2020
Driver 1. Integrity and trust			
Sustainable financing and/or financing compatible with energy transitions (green finance, transition bonds...) (million euro)	*5.492	**6,337**	3,155
Meetings held with ESG investors (number)	50	**16**	15
Implementation of the ESG risk quantification methodology (scale 0 low risk - 5 high risk)	1.9	**2.1**	Not available
Cost of resolving cybersecurity incidents (direct, indirect and reputational cost) (€) / IT disbursement (%)	0.30	**0.0**	0.50
Cybersecurity incidents / Millions of attacks (%)	4.30	**3.7**	10.3
Naturgy Energy Group BitSight International Index	790	**690**	680
Coverage level of ESG audits over purchase volume with high ESG risk (%)	95.0	**72.2**	69.6

Continues ›

	Target 2025 [1]	**2021**	2020
Driver 1. Integrity and trust			
Purchase volume with acceptance of the Code of Ethics (%)	95.0	**94.2**	89.2
Implementation of the Social Media Management and Use Policy.	Implanted	**No**	No
Maintain and renew ISO37001 and UNE19601 Certification (anti-bribery and criminal compliance management)	Renew	**Yes**	**Yes**
Criminal indictments for corruption-related offences (number)	0	**0**	0
Annual external audit of the Crime Prevention Model in accordance with article 31 bis of the Criminal Code.	Favourable outcome in all subject countries	**Favourable outcome in all subject countries**	**Favourable outcome in all subject countries**
Infrastructure projects (counterparties and new investors) with human rights due diligence (%)	100	**Not available**	Not available
Non-financial indicators with qualifications (number)	0	**0**	0
Publish the Tax Transparency Report.	Publish the Tax Transparency Report	**In progress**	Not available
Degree of compliance with the new recommendations of the CNMV' Good Governance Code (%)	Absorb all modifications to the CNMV's recommendations that may arise and undertake to comply with any others that are not related to the composition of the shareholding structure and the right to proportional representation, or related to previously acquired commitments.	**81**	81
Compliance with the critical infrastructure governance model (%)	95	**40**	20
Driver 2. The opportunity of environmental challenges			
Absolute GHG emissions Scope 1 and Scope 2 (million tCO_2eq)	11.4	**13.5**	15.5
Absolute GHG emissions Scope 3 (million tCO_2eq)	114.1	**136.5**	123.2
CO_2 intensity in electricity generation (tCO_2/GWh)	171	**261**	297
Generation mix from renewable sources measured in installed capacity over the total of the group (%)	56	**33**	29

Continues >

	Target 2025 [1]	**2021**	2020
Driver 2. The opportunity of environmental challenges			
Renewable gas production or injection capacity (TWh)	1	**0.14**	0
Total water consumption (hm^3)	15.6	**15.2**	20.3
Total waste production (hazardous + non-hazardous) (kt)	110.0	**98.0**	159.2
Total waste recycled and recovered (hazardous + non-hazardous) (%)	75	**57**	61
Initiatives to improve biodiversity throughout the life cycle of the facilities (construction, operation, dismantling) (number)	350	**302**	265
Environmentally restored cumulative area (ha)	Pending definition	**In progress**	In progress
ISO 14001-certified industrial ebitda (%)	95.0	**93.1**	92.2
Implementation of a methodology for the decentralised determination of climate risks according to TCFD	Implanted	**In progress**	Not available
Capex eligible and aligned with European Taxonomy (%)	80.0	**61.2**	Not available
Driver 3. Customer experience			
Net Promoter Score (NPS) Spain marketing (global) (%)	40.0	**18.5**	23.8
Net Promoter Score (NPS) Spain electricity networks (customer service) (%)	30.0	**22.3**	28.5
Net Promoter Score (NPS) Spain gas networks (customer service) (%)	39.0	**18.9**	24.7
Net Promoter Score (NPS) Argentina (global) (%)	55.0	**34.0**	32.0
Net Promoter Score (NPS) Brazil (global) (%)	68.0	**56.5**	60.2
Net Promoter Score (NPS) Chile gas (global) (%)	70.0	**64.3**	68.2
Net Promoter Score (NPS) Mexico (global) (%)	27.0	**11.8**	22.0
Net Promoter Score (NPS) Panama (customer service) (%)	24.0	**3.0**	1.7
Global satisfaction with service quality (1-10)	8.0	**7.5**	7.7
No. of complaints registered / No. of contacts (%)	<3	**4.8**	2.2
Customers with online billing. Spain (%)	>50	**41.0**	35.0
Contracts per customer. Spain (number)	>1,75	**1.56**	1.56
Units with Crisis Management Plans prepared and tested (years/actual case), with respect to the total number of units/ countries that should have one (%)	90	**15**	15
Partnerships with third parties providing value-added solutions for customers. Spain (number)	*5	**5**	1
Interaction with digital channels (%)	53.8	**48.7**	41.4
Driver 4. Commitment and talent			
People trained out of the total number of employees included in talent transformation programmes (%)	*>50	**69.94**	61.73
Training per employee (hours)	>35,0	**28.8**	26.6
Unwanted rotation in key positions (structural positions)(%)	<0,5	**0.90**	1.00

Continues ›

	Target 2025 [1]	2021	2020
Driver 4. Commitment and talent			
Employees subscribed to the benefits platform (%)	49.7	**8.9**	6.5
Women in management posts (%)	>40	**21.2**	22.6
Geographic diversity in executive and managerial positions (of total) (%)	14	**15**	14
Diversity of skills (out of total) (%)	2.5	**1.1**	1.4
Diversity of profiles. Different qualifications (number)	Pending definition	**150**	Not available
Employee satisfaction (eNPS) - 0 to 100. Number of actions with an impact on overall satisfaction (%)	40	**24**	Not available
Own staff lost time accidents frequency rate (OSHA criterion)	*0,12	**0.10**	0.04
Own personal lost time accident severity rate (OSHA criterion)	*6,15	**2.61**	4.14
Absenteeism rate due to common contingency (%)	*≤3,0	**2.0**	2.4
Response time to test (PCR or antigens) in response to a possible contagion alert (hours)	*<72	**<72**	<72
Response time vs. notification in app/SAE (hours/days)	*<72	**<72**	<72
Staff working from home (%)	40	**21**	15
Weekly working hours carried out remotely (%)	30	**20**	20
Staff eligible for the efficient vehicle leasing service. Spain (%)	36	**19**	17
Driver 5. Innovation and new business development			
Energy billed for mobility services (GWh)	*>500	**939**	822
Managed recharging points for NG-LNG vehicles (number)	19	**12**	11
Recharging points for electricity vehicles (number)	5,000	**352**	1
Customers acquired for self-consumption products (number)	2,886	**560**	77
Amount of stored energy (GWh)	>82	**0**	0
Energy storage solution projects (number)	>6	**0**	0
Renewable gas projects in service (number)	>30	**2**	2
Signals remotely monitored / MW installed renewable technologies (number)	240	**123**	95
ICEIT. Spain (minutes)	*36,4	**35.8**	39.5
Spending and investment in innovation over ebitda (%)	>2	**1.7**	1.1
Challenges and proofs of concept with start-ups in open innovation programmes (number)	>100	**5**	12
Driver 6. Social responsibility			
Attendees at energy efficiency workshops in Spain (number)	7,900	**3,861**	3,939
Energy rehabilitations. Spain (number)	>5.000	**769**	721
Volunteers (number)	1,000	**477**	418

Continues >

	Target 2025 [1]	**2021**	2020
Driver 6. Social responsibility			
Collaborating social entities (number)	20	**18**	14
Initiatives with impact assessment (%)	100	**0**	0
Develop and implement a methodology for measuring natural and social capital	Measurement in 2021 with targets for improvement from first measurement	**In process**	Not available
Total social investment [2] (million euro)	*>8	**10**	10
Purchase volume assigned to local suppliers (%)	*> 85,0	**92.2**	95.2

[1] The objectives marked with an asterisk (*) are objectives under review, since less information was available at the time of their definition than is currently available, which means that their level of ambition should be reconsidered.
[2] Includes social investment in the local community and philanthropic investment. It is estimated that when a methodology for assessing social impact is available, these figures will vary and definitive objectives will be established.

3. Value creation

Naturgy's transformative purpose represents a commitment to creating long-term value for all its stakeholders.

The commitments made with stakeholders in the Corporate Responsibility Policy are implemented through a business strategy structured by the actions and objectives defined in the Sustainability Plan.

At the same time, constant dialogue with them allows us to know their expectations and to adapt the responses that the company can give.

Providing a response that meets the expectations and needs of stakeholders requires that the company has management and control systems and a culture of excellence that enable it to achieve its business objectives, fulfil its commitments and meet the demands of society.

As a result of this notion, Naturgy, during its long track record, has implemented its vision and understanding of corporate governance and demonstrated the ability to create value for both its shareholders and society by providing reliable energy solutions, creating stable and quality jobs, meeting social needs with a special focus on disadvantaged groups, and working every day to reduce its environmental impact and contribute to a just energy transition.

For decades, the company has been recognised by various analysts, agencies and rankings that acknowledge its good performance both economically and in terms of its contribution to creating a more sustainable society.

Dialogue with other stakeholders

Naturgy considers it essential for value creation and the building of trust to maintain an integrated and responsible conduct with its stakeholders, as well as to enhance the sustainability and long-term vision of the company; these being the fundamental and intrinsic pillars of its values and corporate culture.

The global scenario lays down a raft of challenges that within the framework of the crisis produced by COVID-19, have only seen their relevance grow. Climate change, energy transition, scarcity of natural resources, technological and digital disruption, or population growth and town planning, are challenges to which Naturgy anticipates and adapts. This enables the company to get ahead of traditional and emerging risks, finding new business opportunities, and responding to the needs of different stakeholders.

Dialogue with other stakeholders

Naturgy has identified the following as its main stakeholders:

- **Shareholders and investors.**
- **Suppliers.**
- **Business partners.**
- **Employees.**
- **Analysts.**
- **Market agents.**
- **Society.**
- **Public administration.**
- **Regulatory bodies.**
- **Financing groups.**
- **Customers.**
- **Insurance and reinsurance agencies.**

The company carries out actions that enable it to discover the expectations and demands of its stakeholders, so that it can evaluate some of the main risks and opportunities associated with the business and establish long-lasting and stable relationships with the key agents in those markets in which it has a presence.

Naturgy's actions as far as dialogue is concerned are divided into:

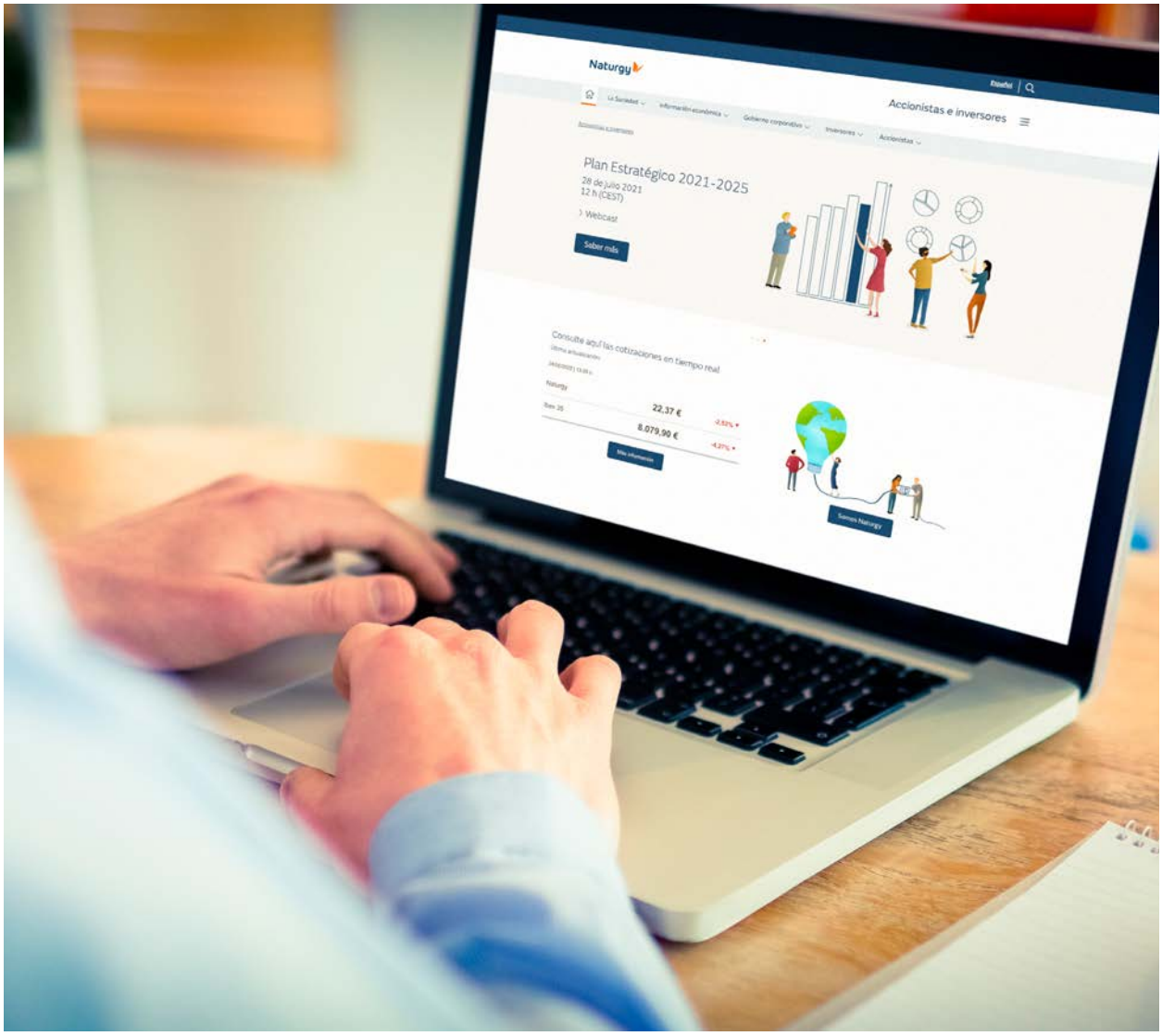
- Consultancy actions: two-way actions. The company and its stakeholders interact to exchange information quickly and fluently.
- Informative actions: one-way actions. The company transmits information to its stakeholders.

Communication channels adapted to the needs of stakeholders and investors

Naturgy has its own communication channels that allow it to offer the best service under a criterion of homogeneity, simultaneity and diligence.

The company provides shareholders with specialised financial reporting through the corporate website. It also offers the shareholder's office, a meeting point and service for minority investors.

Naturgy also continued its Communication Programme with analysts and investors, in order to strengthen and provide more transparent economic-financial information to enable them to monitor Naturgy's business project. Along this line, during 2021 representatives of the company's management team and the Rating and Capital Market Department held 152 meetings with institutional investors.



Communication channel indicators

	2021	2020
Meetings with shareholders and analysts [1]	**152**	169

[1] The reduction in 2021 compared to 2020 is due to the negative impact of the pandemic, coupled with IFM's takeover bid of Naturgy, which lasted from February to October, reducing the attention of fundamental investors on the share price.

Dialogue actions with "Customers" and "Related groups" carried out in 2021

	Frequency
Consultancy actions	
Development of focus groups with customers to collect opinions and opportunities for improvement.	■
Consumer surveys and monitoring of Internet users to find out the degree of digitalisation of the company and companies in the sector.	■
Surveys on the customers' opinion in general and following contact.	■
Surveys of reasons for abandonment (of energy and services)	■
Concept, price and product testing between customers in different markets.	■
Co-creation with specialists and consumers.	■
Active participation in forums related to energy vulnerability.	■
Meetings with installer associations.	■
Proactive digital communications to customers and installers about progress in gas registration status. Both parties have visibility on milestones reached and next steps and become active subjects that contribute to shortening time frames.	■
Informative actions	
Regular meetings with public administrations (social services, energy poverty committees, etc.) and working groups with the administration.	■
Regular meetings with officials and consumer protection agencies.	■
Webinars with installers and associations to publicise the new services and features available on the website.	■
Sending of informative contents about the new functionalities and services offered on the website, as well as advice and news of interest.	■
Sending communications about the registration and contracting processes to improve the new customer's joining experience.	■
Sending informative content about agreements with third party companies that offer advantages and benefits to customers.	■

■ Ongoing. ■ Occasional. ■ Periodic.

Dialogue actions with "Employees" carried out in 2021

	Frequency
Consultancy actions	
Meetings with the management team	■
Virtual meetings between teams	■
Climate and mood survey through HappyForce	■
Surveys of reasons for abandonment (of energy and services)	■
Incident and occupational accident reporting	■
Informative actions	
Information in corporate communication channels	■
Direct informative e-mail to each employee	■
Specific space on the Strategic Plan 21-25	■

■ Ongoing. ■ Periodic.

Dialogue actions with "Society" carried out in 2021

	Frequency
Informative actions	
Energy Prospectives: a series of conversations that brings together figures recognised internationally for their experience, vision and knowledge of the energy sector and entrepreneurs, regulators, managers and academics.	■
Foundation publications on various subjects.	■
Participation in forums and round tables related to the energy sector in particular and ESG issues in general.	■

■ Ongoing. ■ Periodic.

Stakeholder perception. Reputation

At Naturgy, reputation has been incorporated as another indicator that allows to measure the perceptions that society has about the company's performance at a general level. The indicator is based on four concepts: esteem, admiration, good impression and trust (Reptrak Pulse Model).

In 2021, Naturgy consolidates its position as the sector reputational leader with a value of 60.3 points on a scale of 100 points. This result is above the average for the electric utilities sector in Spain, which is 57.2 points. This confirms the good perception of the company's performance by customers and non-customers in a year with a challenging backdrop.

Presence in trade's associations

As part of Naturgy's permanent work with its stakeholders, the participation of the company in several trade associations is fundamental for the contribution to social dialogue and to the construction of better public policies.

Since 2019, Naturgy has had an Institutional Relations policy which, among other matters, regulates these initiatives. At the end of 2021 Naturgy was involved in 120 major partnerships with an investment of more than Euros 3 million per year.

In the area of sustainability, Naturgy is a member of Forética and the Spanish Association of the United Nations Global Compact. The company is also actively involved in the Spanish Green Growth Group and the Foundation for Energy and Environmental Sustainability (FUNSEAM).

Given Naturgy's involvement and its strict commitment to sustainability and the fight against climate change, in 2020 it was decided to review and analyse the position in these areas of the main entities in which the company participates. The analysis made it possible to identify a group of entities with relevant actions in these matters and another group with an uneven degree of formalisation of these commitments. We also ruled out that none of these associations is not aligned with the commitment that Naturgy has in the fight against climate change, in the many ways it can manifest itself.

As a way of systematising this analysis, during 2021 Naturgy has been working on updating its Institutional Relations Policy, which, once approved, will incorporate verification requirements regarding positioning in the fight against climate change, as a prior step to joining new associative entities. This requirement responds to one of the climate action principles reflected in the latest revision of the Environment Policy approved in December, whereby participation in entities or alliances with third parties is conditional upon their alignment with the climate policies emanating from the Paris Agreement.

In terms of tax, Naturgy's action consists of participating in the main business associations and the working groups or committees in charge of analysing the initiatives introduced by public bodies in tax matters, contributing its experience and attempting to transmit the concerns and initiatives of the company's different stakeholders.

(1) Some of the entities, with current membership, identified are: Asociación Empresarial Eólica, Asociación Empresarial para el Desarrollo del Vehículo Eléctrico (AEDIVE), Asociación Española de Gas Natural para la Movilidad (GASNAM), Asociación Mexicana de Energía Eólica, Spanish Chamber of Commerce, Círculo de Economía, Círculo de Empresarios, Club Español de la Energía, Confederación Española de Empresarios (CEOE), Eurogas, European Biogas Association (EBA), Forética, Foment del Treball, Fundación COTEC para la Innovación, Fundación de la Energía de la Comunidad de Madrid (FENERCOM), FUNSEAM, Global Compact, Global Reporting Initiative, Groupe International des Importateurs du Gas Natural Liquefié (GIIGNL), International Gas Union (IGU), Plataforma Tecnológica Española de Redes Eléctricas (FUTURED), Real Instituto Elcano, Sedigas, Unión Española Fotovoltaica (UNEF), World Economic Forum.

Integrated and responsible management

Integrated management system

For years, Naturgy has had an integrated quality, environment, health and safety management system (IMS), certified according to the requirements of the ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 standards. This system is audited externally every year. In 2021 this audit was conducted by AENOR for all businesses.

The scope certified by this system is the management of:

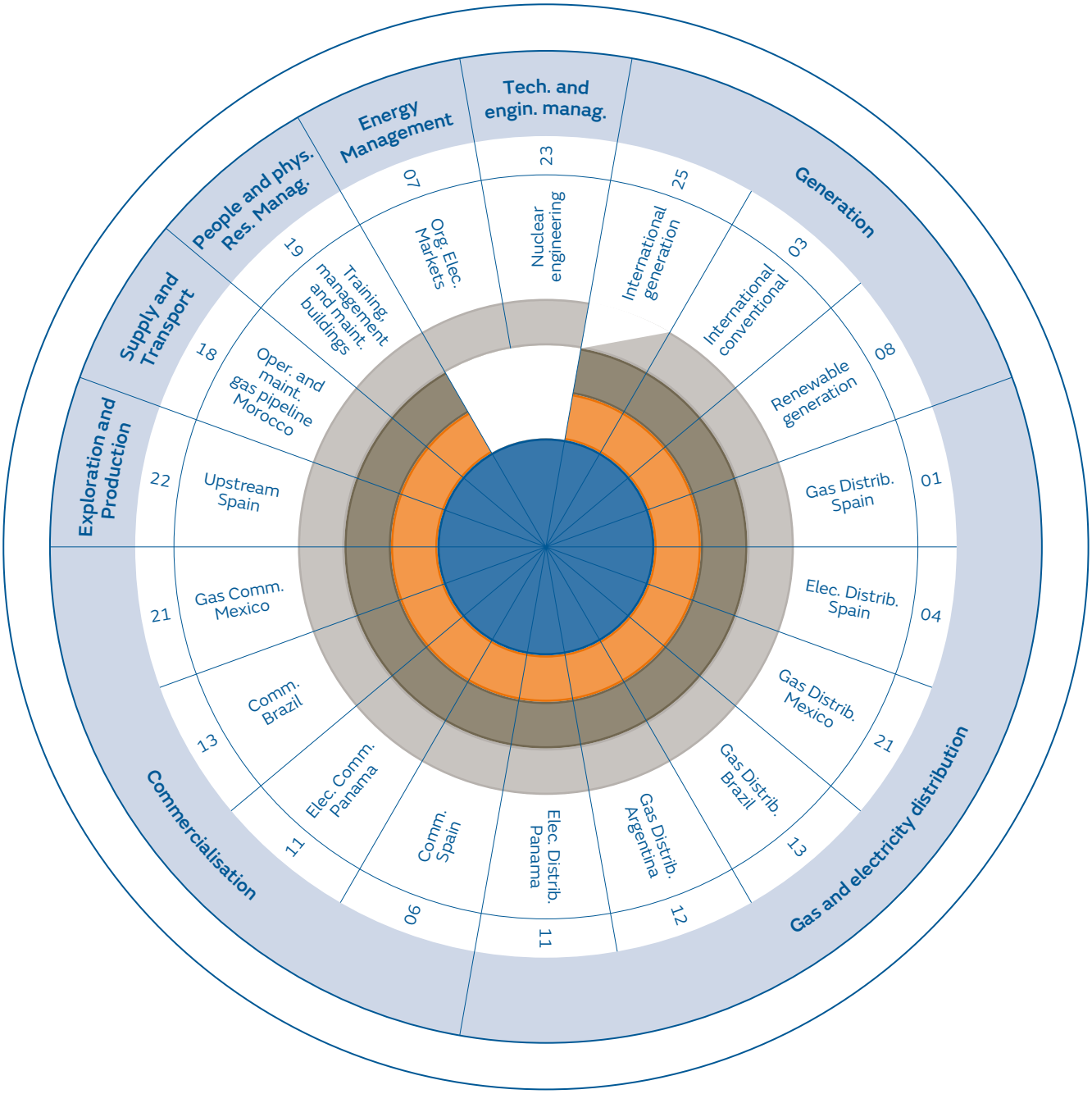
- Extraction and injection of natural gas.
- Transport and operation of the Maghreb-Europe gas pipeline.
- Electricity generation (thermal, hydraulic and renewable sources origin).
- Distribution of natural gas and electricity.
- Gas and electricity transmission.
- Wholesale and retail commercialisation of natural gas and electricity.
- Development and execution of engineering projects.
- Energy management in organised Iberian electricity markets.
- Corporate activities involving training, customer service, billing and collection.

As part of the IMS, the Healthy Company Integrated Management System is also audited and certified annually in the units in Spain, Argentina, Brazil, Chile, Morocco, Mexico and the Dominican Republic, in accordance with the Healthy Company Model.

In addition, the energy services activity included in the marketing of natural gas and electricity in Spain is certified in the energy management system pursuant to the ISO 50001 standard, and the commercial offices open to the public in Spain are certified in the “COVID-19 action measures” protocol.

Quality, environment and health and safety certifications chart

Ed. 36 (08/09/2021)



- Quality (ER) · ISO 9001.
- Environment (EM) · ISO 14001.
- Health and Safety (OHS) · ISO 45001 (2020), OHSAS 18001 (2019).
- Healthy Company (HC) · Healthy Company Model.

Indices and acknowledgements

Presence in sustainability indices

Various analysts and rating agencies regularly assess Naturgy's performance in environmental, social and good governance matters. In the sustainability assessment conducted by S&P Global in 2021, the company received a rating of 78 points out of 100. This score is significantly lower than the one obtained in previous years and, as a result, the company is no longer included in the Dow Jones Sustainability Index. Although the 2020 financial year, on which the assessment was made, was strongly impacted by COVID-19, Naturgy has understood this circumstance as an opportunity to identify potential areas of improvement on which it is already working to regain the leadership position it has traditionally held in the index. Nevertheless, the company continues to hold benchmark positions in other major sustainability indices.

Naturgy has been part of FTSE4GOOD since its creation in 2001. Likewise, during 2021, Naturgy has been evaluated by rating agencies such as MSCI, in which it has once again achieved the highest rating (AAA), and Sustainalytics, in which it maintains a low risk profile compared to the 673 utilities evaluated and has been recognised with the Top-Industry seal. As for ISS ESG, it remains in the top 10% of companies in the sector. Naturgy continues to be part of the three variants of Euronext Vigeo, World 120, Europe 120 and Eurozone 120, based on the evaluation carried out by the Vigeo Eiris agency every two years. Ecovadis, a global provider of corporate sustainability ratings, also awarded Naturgy the gold medal for its performance in environmental, social and governance issues.

In 2021, Naturgy was recognised as a world leader for its management in the use of water resources, as was included in CDP Water's A List 2021 index. It also continues to occupy leadership positions in climate management by being part of the CDP Climate A-List.

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

Acknowledgements

In the 2021 edition of the Platts Global Energy Awards, Naturgy has been recognised as energy company of the year, and its Executive Chairman, Francisco Reynés, as CEO of the year.

The evaluation criteria in the category of best company focused on the cultural and business transformation that Naturgy has undergone over the last year, while in the category of best CEO the panel valued the strategic vision, leadership, integrity and capacity for continuous improvement, as well as the demonstration of clarity of vision, judgment and motivation to transform organisations.

Likewise, the prestigious magazine Forbes Spain has also awarded the work of Francisco Reynés, who was recognised as BEST CEO 2020.

On the other hand, "The Community" campaign received the First Control 2020-2021 Award for the best magazine advertisement. The awards of this specialised media in marketing, advertising and communication have rewarded the work and creative effort that has been made throughout this year to publicise how Naturgy moves towards the future and always transforms itself alongside people.

In Spain, the Association of Communication Directors (Dircom) has given us the Ramón del Corral Award for the communication strategy developed by Naturgy during the COVID-19 crisis. In addition, the company's annual report, which in 2020 presented financial and non-financial performance together, was a finalist in the European Excellence Awards.

4. Sustainable finance and taxonomy

Sustainable financing and investor activities that take ESG criteria into account

Since 2012, Naturgy has been holding meetings with investors focused specifically on evaluating the group's ESG policies. Throughout 2021, Naturgy has continued with this activity, participating in various events, including the ESG conferences organised by Société Générale. The most relevant investors with whom these meetings were held during the year included Blackrock, Axa IM, Allianz and LGT.

Throughout 2017 and in line with its sustainability commitment, Naturgy introduced a framework for the emission of Green Bonds targeted at financing renewable energies. Under this framework, on 15 November 2017, Naturgy issued a Green Bond for an amount of Euros 800 million, maturing in May 2025. The issue pays an annual coupon of 0.875%. At the close of December 2021, all the funds from the issue have been invested in the planned renewable projects. The Green Bond was approved by the Oekom rating agency, obtaining a B+ rating.

In the banking market, in 2021, Naturgy signed green loans totalling Euros 2,880 million, in addition to the Euros 2,355 million signed until 2020. Of the loans signed in 2021, Euros 2 billion correspond to a syndicated loan that introduces an annual contribution to social projects destined for the Naturgy Foundation. This is the first time that the company has agreed to link its financing with a direct benefit for social projects, specifically the rehabilitation and energy adaptation of vulnerable families' homes.

It should be noted that, with the loans signed in 2021, the sustainable financing target set for 2025 has already been exceeded, another example of the company's commitment to sustainability and the energy transition.

The following table shows the evolution of ESG indicators (environmental, social and governance) to which these sustainable financing instruments are linked.

ESG indicators of sustainable financing

	2021	2020
Direct GHG emissions: three-year average reduction ($MtCO_2$ eq)	**14.2**	16.0
CO_2 intensity of electricity generation: three-year average reduction (tCO_2/GWh)	**286.6**	313.7
Water consumption: three-year average reduction (hm^3)	**18.4**	22.3
Percentage of female managers (%)	**21.2**	22.6

Report on the Green Bond

Indicators of use of funds

As at 31 December 2021, the total number of projects assigned to Green Bonds issued on 15 November 2017 was 35, representing a total investment of Euros 800 million. These assigned funds represent 100% of the total amount obtained through the issuance of Green Bonds.

Technology	Location	Name of the project	Year put into practice	Status	Green Bond Financing 2021 (million €)	Financed with Green Bond (%)	Emissions prevented (tCO_2)
Photovoltaic	Spain	C.F. Carpio de Tajo	2019	Operation	30.06	99%	46,919
Photovoltaic	Spain	C.F. La Nava	2019	Operation	30.18	99%	54,747
Wind	Spain	P.E. Ampliación El Hierro	2019	Operation	38.29	96%	65,604
Wind	Spain	P.E. Balcón de Balos	2018	Operation	6.21	50%	24,969
Wind	Spain	P.E. Barasoain	2019	Operation	43.22	89%	60,851
Wind	Spain	P.E. Doramás	2018	Operation	1.88	49%	5,809
Wind	Spain	P.E. Fuerteventura II	2018	Operation	2.96	50%	6,080
Wind	Spain	P.E. La Haría	2018	Operation	2.00	50%	5,474
Wind	Spain	P.E. La Vaquería	2018	Operation	1.96	50%	5,141
Wind	Spain	P.E. Merengue	2019	Operation	42.71	99%	71,358
Wind	Spain	P.E. Mirabel	2020	Operation	23.80	98%	43,230
Wind	Spain	P.E. Monciro	2019-20	Operation	36.37	96%	65,657

Continues ›

Technology	Location	Name of the project	Year put into practice	Status	Green Bond Financing 2021 (million €)	Financed with Green Bond (%)	Emissions prevented (tCO_2)
Wind	Spain	P.E. Montaña Perros	2018	Operation	1.92	50%	6,022
Wind	Spain	P.E. Peñaforcada - Catasol II	2019	Operation	11.01	98%	12,516
Wind	Spain	P.E. Piletas I	2020	Operation	10.43	50%	29,979
Wind	Spain	P.E. San Blas	2019-20	Operation	34.15	98%	59,040
Wind	Spain	P.E. Teso Pardo	2019	Operation	30.52	98%	49,438
Wind	Spain	P.E. Tesorillo	2019	Operation	30.12	98%	43,784
Wind	Spain	P.E. Tirapu	2020	Operation	16.65	90%	20,855
Wind	Spain	P.E. Triquivijate	2018	Operation	3.46	50%	9,901
Wind	Spain	P.E. Vientos del Roque	2018	Operation	3.52	50%	11,940
Wind	Spain	P.E. Montejo de Bricia (ampliación)	2019	Operation	6.87	88%	10,559
Wind	Spain	P.E. Fréscano	2019	Operation	21.74	96%	34,681
Wind	Spain	P.E. San Agustín	2019	Operation	27.22	95%	56,807
Wind	Spain	P.E. Monte Tourado - Eixe	2019	Operation	41.79	98%	70,675
Wind	Spain	P.E. Pastoriza - Rodeiro	2019	Operation	32.75	96%	79,909
Wind	Spain	P.E. Serra do Punago - Vacariza	2019-20	Operation	28.70	96%	56,540
Photovoltaic	Spain	C.f. Picón I	2019	Operation	33.65	97%	15,972
Photovoltaic	Spain	C.f. Picón II	2019	Operation	31.70	97%	16,733
Photovoltaic	Spain	C.f. Picón III	2019	Operation	30.46	95%	18,623
Wind	Spain	P.e. Torozos A	2019	Operation	36.98	97%	66,011
Wind	Spain	P.e. Torozos B	2019	Operation	30.32	96%	56,336
Wind	Spain	P.e. Torozos C	2019	Operation	35.71	96%	67,241
Wind	Spain	P.e. Mouriños	2019	Operation	10.21	98%	20,572
Wind	Spain	Infraestructuras Comunes	2019	Operation	30.48	73%	0
					800.00		**1,269,972**

Green Bond funds as reported at 31 December 2021 have been allocated in full to investments in eligible assets in accordance with the requirements of the Green Bond Framework, remaining unchanged from the projects included in the report at 31 December 2020.

The net funds of the bond issue were managed within the liquidity portfolio of Naturgy's treasury, in cash or other short-term liquidity instruments that did not include intensive greenhouse gas or other controversial activities. At year-end, Naturgy maintained a minimum cash level equivalent to the funds pending award of the Green Bond.

Environmental benefit indicators

The estimated environmental benefit of the Green Bond is expected to total 1,269,972 tCO_2/year in emissions prevented, based on a total of approximately 920.8 MW of installed capacity financed by the green bond, with associated production of 2,191 GWh/year.

The United Nations methodology ACM0002 for Clean Development Mechanisms has been used to calculate the emissions prevented in 2020: "Consolidated Methodology for Generation with Renewable Energy Sources Connected to the Grid", through calculation according to option b) of the Adjusted OM Simple. This method is an improvement over the OM Simple method used in previous years in which the Operating Margin Emission Factor of low operating cost sources is weighted along with base load and other sources depending on the number of hours each is marginal. This improvement in the measurement method used justifies the difference in emissions prevented compared to previous years.

Actions in environmental and social matters

In the projects, sustainability has been considered throughout its life cycle, in partnership with the competent administrations, with participation of the different stakeholders. In the design stage, an environmental study has been carried out in all the projects, where information has been gathered about the environment (physical, biological, socio-economic and cultural). This study has served as a baseline to define the most environmentally and socially sustainable project alternatives, identify and assess the associated impacts and define the necessary prevention, mitigation and, if necessary, compensation measures.

During the construction phase, a thorough environmental and archaeological follow-up is carried out in order to ensure that the project is executed with the established environmental and social guarantees. During the operation stage, the facilities are covered by Naturgy's environmental management system, which is certified and externally audited pursuant to the UNE-EN ISO 14001, which ensures control and compliance with environmental requirements, the prevention of environmental accidents and the ongoing improvement in the reduction of the company's impacts.

Glossary of indicators

Indicators for use of funds	
Description of the financed projects	Description of the projects financed with Green Bonds, with details of generation technology, location (country), project name, year launched, completion status (1. Development, 2. Construction, 3. Operation and maintenance) at year-end.
Assigned Green Bond financing: Amount assigned (in euros) per project and in total	Sum attributable to Green Bonds invested in projects that meet the Green Bond eligibility criteria listed in the Naturgy Green Bond Framework (in euros million) at year-end.
Financed Percentage with Green Bonds	Percentage of project investment attributable to Green Bonds at year-end.
Number of projects	Number of projects with financing attributable to funds from Green Bonds at year-end.
Total quantities assigned relative to total funds (%)	Percentage of the total investment attributable to Green Bonds across all projects relative to the total sum obtained through the issuance of Green Bonds (bond funds) at year-end.
Description of the use of non-invested funds	Description of the management of funds obtained through the issuance of Green Bonds that have not been assigned to any project, at year-end, in accordance with the "Naturgy Green Bond Framework".
Environmental benefit indicators	
Prevented greenhouse gas emissions (GHG)	CO_2 emissions (tonnes of CO_2/year) expected to be prevented each year through renewable energy projects (wind and solar), calculated by multiplying expected energy production by a regional average emissions factor (peninsula and Canary Islands). This emissions factor has been calculated using the methodology used by UNFCCC Clean Development Mechanism (CDM) projects, which allow the use of either an average regional emissions factor excluding emissions from low cost/must-run power stations when generation from these stations represents less than 50% of the electricity system total (simple method) or an average emissions factor from the entire regional electricity mix (including emissions from low cost/must-run power stations) when generation from these stations represents more than 50% of the electricity system total (average method). The data used to calculate the applied emissions factor come from publicly available information sources based on official statistics.
Energy capacity	Total power (MW) corresponding to the projects expected to be financed by Green Bonds.
Energy production	Estimated annual electrical power generation (GWh/year) calculated by multiplying the energy capacity by the estimated average number of operating hours per year for each project expected to be financed by Green Bonds.

EU Taxonomy Report (Regulation 2020/852)

Introduction

To achieve the goals set out in the European Green Deal, the European Commission has committed to mobilise at least Euros 1 trillion for sustainable investment over the next ten years. The active participation of financial markets in financing the sustainable economy is essential for the European Union's plans towards a low-carbon economy. To this end, the European Commission is driving forward a package of measures to help improve the flow of money into sustainable activities across the EU. One of these measures is the Taxonomy Regulation, Regulation (EU) 2020/852, a classification system for sustainable economic activities that defines what is sustainable and what is not, based on objective criteria. It provides a common language for investors and businesses to channel investments into more sustainable technologies and businesses that have a significant positive impact on the climate and the environment, and to promote compliance with the EU's climate targets, the Paris Agreement and the UN Sustainable Development Goals.

In particular, it pursues the following environmental objectives:

- **Mitigation of climate change:** An activity is considered to make a significant contribution to mitigating climate change if that activity makes a substantial contribution to stabilising greenhouse gas concentrations in the atmosphere.
- **Adaptation to climate change:** Adaptation solutions that either significantly reduce the risk of adverse impacts of the current climate or provide for adaptation solutions that help avoid the risk of adverse impacts on people, nature or other assets.
- **Sustainability and protection of water and marine resources:** Contribute to the development of good status of waters, including surface waters and groundwater, or prevent their deterioration where they are already in a good condition.
- **Transition to a circular economy:** More efficient use of natural resources, in particular sustainable bio-based materials and other raw materials, in production by increasing the durability and accountability of products.
- **Pollution prevention and control:** By reducing emissions of pollutants into the atmosphere, improving air quality, eliminating waste, etc.
- **Protect and restore biodiversity and ecosystems:** Achieve favourable conservation status of natural and semi-natural habitats and species or prevent their deterioration where their conservation status is already favourable.

So far, the European Union has published delegated acts on climate change mitigation and adaptation. The remaining targets are expected to be published in the course of 2022.

The taxonomy provides for two levels:

- **Eligibility:** an activity is eligible if it is one of the 72 activities listed in the regulation itself.
- **Alignment:** subset of eligible activities that are not only listed but also meet the criteria of a significant positive contribution to the climate criteria (mitigation and adaptation) and do not cause significant negative harm to the other criteria (water protection, circular economy, pollution prevention and biodiversity).

The regulation stipulates that three economic indicators must be reported: the percentage of eligible or adapted activities in the company's total turnover, Capex and Opex.

Due to the delay in the publication of the Delegated Acts on Climate Change Mitigation and Adaptation, it has been determined for the financial year 2021 that mandatory reporting will be reduced to the scope of eligibility. However, in anticipation of the disclosure requirements for the 2022 financial year, Naturgy has decided to go a step further and has conducted a preliminary alignment analysis.

This analysis was conducted in a rigorous and consistent manner to determine the company's level of contribution to the defined environmental objectives and, at the same time, to provide shareholders and investors with security in the face of greenwashing. The technical requirements for the classification of activities were set out in Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

Scope of the report

All the companies that make up the consolidation scope of the Naturgy Group have been considered in the analysis carried out to establish the eligible activities under the criteria of the European Commission for the Taxonomy.

Results

The proportion of eligible and ineligible activities according to the European Taxonomy is shown below. The results have shown different degrees of eligibility according to the indicator.

The turnover indicator shows 10% eligibility, the Opex indicator rises to 37% eligibility and the Capex indicator reaches 61% eligibility. The result obtained for Capex demonstrates the solvency of a sustainable business model and the creation of long-term value in favour of the planet and people.

In terms of alignment, we observe that 10 of the 11 eligible activities are 100% aligned with the EU Taxonomy after performing the analysis of the environmental criteria (make a substantial contribution, not cause significant damage to the rest of the environmental objectives and comply with the minimum guarantees), the exception is the activity of electricity generation from hydroelectric power with a percentage ranging between 93% of turnover and 76% of Capex.

Turnover

Economic activity	Code	Absolute turnover	Proportion of turnover	Climate change mitigation	Adaptation to climate change	Sustainability and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems	Minimum guarantees	Proportion of turnover that conforms to the taxonomy	Category *
				Substantial contribution criteria					Absence of significant damage criteria			
		€	%	%	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	%	
A. ELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY												
A.1 Environmentally sustainable activities (conforming to the taxonomy)												
Manufacture of hydrogen	C20.11	0	0	100	Yes	Yes		Yes	Yes	Yes	100	
Electricity generation using solar photovoltaic technology	D35.11	60,248,680	0	100	Yes		Yes		Yes	Yes	100	
Electricity generation from wind power	D35.11	306,148,798	1	100	Yes	Yes	Yes		Yes	Yes	100	
Electricity generation from hydroelectric power	D35.11	192,616,315	1	93	Yes	Yes			Yes	Yes	93	
Electricity distribution and transportation	D35.12	1,562,299,354	7	100	Yes		Yes	Yes	Yes	Yes	100	F
Storage of electricity		0	0	100	Yes	Yes	Yes		Yes	Yes	100	F
Anaerobic digestion of sewage sludge	E37	0	0	100	Yes	Yes		Yes	Yes	Yes	100	
Landfill gas capture and utilisation	E38.21	73,443	0	100	Yes			Yes	Yes	Yes	100	
Infrastructure enabling low-carbon road transport and public transport	F42.11	0	0	100	Yes	Yes	Yes	Yes	Yes	Yes	100	F

Continues ›

Economic activity	Code	Absolute turnover	Proportion of turnover	Climate change mitigation	Adaptation to climate change	Sustainability and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems	Minimum guarantees	Proportion of turnover that conforms to the taxonomy	Category *
				Substantial contribution criteria								
					Absence of significant damage criteria							
		€	%	%	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	%	
A. ELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY												
A.1 Environmentally sustainable activities (conforming to the taxonomy)												
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and in parking spaces attached to buildings)	F42	102,714	0	100	Yes					Yes	100	F
Installation, maintenance and repair of renewable energy technologies	F42	1,001,138	0	100	Yes					Yes	100	F
Turnover from environmentally sustainable activities (conforming to the taxonomy) (A.1)		2,122,490,441	10									
A.2 Taxonomy-eligible but not environmentally sustainable activities (activities that do not conform to the taxonomy)												
Electricity generation from hydroelectric power	D35.11	13,392,327	0	0							0	F

Continues ›

Turnover

Economic activity	Code	Absolute turnover	Proportion of turnover	Substantial contribution criteria: Climate change mitigation	Absence of significant damage criteria: Adaptation to climate change	Sustainability and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems	Minimum guarantees	Proportion of turnover that conforms to the taxonomy	Category *
		€	%	%	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	%	
A. ELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY												
A.2 Taxonomy-eligible but not environmentally sustainable activities (activities that do not conform to the taxonomy)												
Turnover from taxonomy-eligible but not environmentally sustainable activities (activities that do not conform to the taxonomy) (A.2)		13,392,327	0									
Total A.1 + A.2		2,135,882,768	10									
B. INELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY												
Turnover from ineligible activities according to the taxonomy (B)		20,004,026,117	90									
Total A + B		**22,139,908,885**	**100**									

* F = Facilitator

Capex

Economic activity	Code	Absolute Capex	Capex ratio	Climate change mitigation	Adaptation to climate change	Sustainability and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems	Minimum guarantees	Proportion of Capex volume that conforms to the taxonomy	Category *
				Substantial contribution criteria								
					Absence of significant damage criteria							
		€	%	%	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	%	
A. ELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY												
A.1 Environmentally sustainable activities (conforming to the taxonomy)												
Manufacture of hydrogen	C20.11	273,350	0	100	Yes	Yes		Yes	Yes	Yes	100	
Electricity generation using solar photovoltaic technology	D35.11	112,811,605	8	100	Yes		Yes		Yes	Yes	100	
Electricity generation from wind power	D35.11	436,885,943	29	100	Yes	Yes	Yes		Yes	Yes	100	
Electricity generation from hydroelectric power	D35.11	7,399,415	0	76	Yes	Yes			Yes	Yes	76	
Electricity distribution and transportation	D35.12	350,909,974	24	100	Yes		Yes	Yes	Yes	Yes	100	F
Storage of electricity		0	0	100	Yes	Yes	Yes		Yes	Yes	100	F
Anaerobic digestion of sewage sludge	E37	0	0	100	Yes	Yes		Yes	Yes	Yes	100	
Landfill gas capture and utilisation	E38.21	0	0	100	Yes			Yes	Yes	Yes	100	
Infrastructure enabling low-carbon road transport and public transport	F42.11	0	0	100	Yes	Yes	Yes	Yes	Yes	Yes	100	F

Continues ›

Capex

Economic activity	Code	Absolute Capex	Capex ratio	Substantial contribution criteria: Climate change mitigation	Substantial contribution criteria: Adaptation to climate change	Substantial contribution criteria: Sustainability and protection of water and marine resources	Substantial contribution criteria: Transition to a circular economy	Substantial contribution criteria: Pollution prevention and control	Substantial contribution criteria: Protection and restoration of biodiversity and ecosystems	Absence of significant damage criteria: Minimum guarantees	Proportion of Capex volume that conforms to the taxonomy	Category *
		€	%	%	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	%	
A. ELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY												
A.1 Environmentally sustainable activities (conforming to the taxonomy)												
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and in parking spaces attached to buildings)	F42	28,701	0	100	Yes					Yes	100	F
Installation, maintenance and repair of renewable energy technologies	F42	150,431	0	100	Yes					Yes	100	F
Capex of environmentally sustainable activities (conforming to the taxonomy) (A.1)		908,459,419	61									
A.2 A.2 Taxonomy-eligible but not environmentally sustainable activities (activities that do not conform to the taxonomy)												
Electricity generation from hydroelectric power	D35.11	2,340,297	0								0%	F

Continues ›

Economic activity	Code	Absolute Capex	Capex ratio	Climate change mitigation	Adaptation to climate change	Sustainability and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems	Minimum guarantees	Proportion of Capex volume that conforms to the taxonomy	Category *
				Substantial contribution criteria	Absence of significant damage criteria							
		€	%	%	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	%	
A. ELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY												
A.2 A.2 Taxonomy-eligible but not environmentally sustainable activities (activities that do not conform to the taxonomy)												
Capex of eligible activities conforming to the taxonomy but not environmentally sustainable (activities that do not comply with the taxonomy) (A.2)		2,340,297	0									
Total A.1 + A.2		910,799,715	61									
B. INELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY												
Capex of ineligible activities according to the taxonomy (B)		573,359,690	39									
Total A + B		**1,484,159,406**	**100**									

* F = Facilitator

Opex

Economic activity	Code	Absolute Opex	Opex ratio	Substantial contribution criteria: Climate change mitigation	Substantial contribution criteria: Adaptation to climate change	Substantial contribution criteria: Sustainability and protection of water and marine resources	Substantial contribution criteria: Transition to a circular economy	Substantial contribution criteria: Pollution prevention and control	Substantial contribution criteria: Protection and restoration of biodiversity and ecosystems	Absence of significant damage criteria: Minimum guarantees	Proportion of Opex volume that conforms to the taxonomy	Category *
		€	%	%	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	%	
A. ELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY												
A.1 Environmentally sustainable activities (conforming to the taxonomy)												
Manufacture of hydrogen	C20.11	196,459	0	100	Yes	Yes		Yes	Yes	Yes	100	
Electricity generation using solar photovoltaic technology	D35.11	2,386,543	1	100	Yes		Yes		Yes	Yes	100	
Electricity generation from wind power	D35.11	38,551,669	15	100	Yes	Yes	Yes		Yes	Yes	100	
Electricity generation from hydroelectric power	D35.11	7,457,707	3	83	Yes	Yes			Yes	Yes	83	
Electricity distribution and transportation	D35.12	46,200,496	18	100	Yes		Yes	Yes	Yes	Yes	100	F
Storage of electricity		95,165	0	100	Yes	Yes	Yes		Yes	Yes	100	F
Anaerobic digestion of sewage sludge	E37	178,127	0	100	Yes	Yes		Yes	Yes	Yes	100	
Landfill gas capture and utilisation	E38.21	0	0	100	Yes			Yes	Yes	Yes	100	
Infrastructure enabling low-carbon road transport and public transport	F42.11	8,100	0	100	Yes	Yes	Yes	Yes	Yes	Yes	100	F

Continues ›

Economic activity	Code	Absolute Opex	Opex ratio	Climate change mitigation	Adaptation to climate change	Sustainability and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems	Minimum guarantees	Proportion of Opex volume that conforms to the taxonomy	Category *
				Substantial contribution criteria				Absence of significant damage criteria				
		€	%	%	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	%	
A. ELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY												
A.1 Environmentally sustainable activities (conforming to the taxonomy)												
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and in parking spaces attached to buildings)	F42	0	0	100	Sí					Sí	100	F
Installation, maintenance and repair of renewable energy technologies	F42	0	0	100	Sí					Sí	100	F
Opex of environmentally sustainable activities (conforming to the taxonomy) (A.1)		95,074,265	36									
A.2 Taxonomy-eligible but not environmentally sustainable activities (activities that do not conform to the taxonomy)												
Electricity generation from hydroelectric power	D35.11	1,570,628	1								0%	F

Continues >

Opex

Economic activity	Code	Absolute Opex	Opex ratio	Substantial contribution criteria: Climate change mitigation	Absence of significant damage criteria: Adaptation to climate change	Sustainability and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems	Minimum guarantees	Proportion of Opex volume that conforms to the taxonomy	Category *
		€	%	%	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	%	
A. ELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY												
A.2 Taxonomy-eligible but not environmentally sustainable activities (activities that do not conform to the taxonomy)												
Opex of eligible activities conforming to the taxonomy but not environmentally sustainable (activities that do not comply with the taxonomy) (A.2)		1,570,628	1									
Total A.1 + A.2		96,644,893	37									
B. INELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY												
Opex of ineligible activities according to the taxonomy (B)		166,616,974	63									
Total A + B		**263,261,867**	**100**									

* F = Facilitator

Eligibility analysis

From the analysis carried out by a transversal work team made up of people from different units, both from business and corporate areas, it is established that according to the Delegated Regulation (EU) 2020/852, the eligible activities within Naturgy's portfolio are the following:

- Manufacture of hydrogen.
- Electricity generation using solar photovoltaic technology.
- Electricity generation from wind power.
- Electricity generation from hydroelectric power.
- Electricity distribution and transportation.
- Storage of electricity.
- Anaerobic digestion of sewage sludge.
- Landfill gas capture and utilisation.
- Infrastructure enabling low-carbon road transport and public transport.
- Installation, maintenance and repair of charging stations for electric vehicles in buildings (and in parking spaces attached to buildings).
- Installation, maintenance and repair of renewable energy technologies.

These activities are integrated into the following businesses:

- Electricity Distribution Spain (UFD).
- Electricity distribution Panama.
- Renewables Spain and the United States.
- Renewables International (GPG).
- New Business and Innovation.
- Commercialisation.

Calculation of the main indicators

Calculation of the percentage of turnover

The proportion of turnover referred to in Article 8(2)(a) of Regulation (EU) 2020/852 shall be calculated as the share of net turnover derived from products or services, including intangibles, associated with economic activities that comply with the taxonomy (numerator), divided by net turnover (denominator) as defined in Article 2(5) of Directive 2013/34/EU.

Turnover shall include revenue recognised in accordance with International Accounting Standard (IAS) 1, paragraph 82(a), adopted by Commission Regulation (EC) No. 1126/2008.

In the case of Naturgy, the numerator includes the sum of the turnover (Group 70 accounts) of the eleven activities mentioned above that are eligible according to the Taxonomy. The denominator corresponds to the total balance of the Naturgy Group of the turnover figure.

Calculation of the percentage of Capex

The proportion of Capex referred to in Article 8(2)(b) of Regulation (EU) 2020/852 shall be calculated as the numerator divided by the denominator; the denominator being the additions to tangible and intangible assets during the relevant financial year before depreciation, amortisation and any new valuations, including those resulting from revaluations and impairments, for the relevant financial year, excluding changes in fair value. The denominator will also include additions to tangible and intangible assets resulting from business combinations.

For non-financial companies applying International Financial Reporting Standards (IFRS) as adopted by Regulation (EC) No. 1126/2008, Capex will cover costs that are accounted for in accordance with:

a. IAS 16 Property, plant and equipment, paragraph 73 (e) (i) and (iii);

b. IAS 38 Intangible Assets, paragraph 118 (e) (i);

c. IAS 40 Investment Property, paragraph 76 (a) and (b) (for the fair value model);

d. IAS 40 Investment Property, paragraph 79, (d), (i) and (ii), (for the cost model);

e. IAS 41 Agriculture, paragraph 50 (b) and (e);

f. IFRS 16 Leases, paragraph 53, (h).

For non-financial companies applying national generally accepted accounting principles (GAAP), Capex will integrate costs accounted for under applicable GAAP that correspond to costs included in capital expenditures by non-financial companies applying IFRS.

Leases that do not result in the recognition of a right to use the asset are not accounted for as Capex.

On the other hand, the numerator will be equal to the portion of fixed asset investments included in the denominator which:

a. is related to assets or processes that are associated with economic activities that conform to the taxonomy;

b. is part of a plan to expand the economic activities that conform to the taxonomy or to allow economic activities eligible under the taxonomy to conform to the taxonomy ("Capex plan") under the conditions specified in the second paragraph of this section 1.1.2.2 (on the "Capex plan");

c. is related to the purchase of production from economic activities that comply with the taxonomy and individual measures that enable the targeted activities to become low-carbon or lead to greenhouse gas reductions, in particular the activities listed in sections 7.3 to 7.6 of Annex I of the delegated act on climate, as well as other economic activities listed in delegated acts adopted pursuant to Articles 10(3), 11(3), 12(2), 13(2), 14(2) and 15(2) of Regulation (EU) 2020/852, and provided that those measures are implemented and operational within eighteen months.

In the case of Naturgy, the denominating data will be the total Capex of the Naturgy Group, as this is the same definition used to monitor this magnitude. In relation to the numerator, it will only be the aggregation of the Capex of the activities considered as taxonomically eligible.

Calculation of the percentage of Opex

The Opex ratio referred to in Article 8(2)(b) of Regulation (EU) 2020/852 shall be calculated as the numerator divided by the denominator; including the latter to direct non-capitalised costs related to research and development, building renovation measures, short-term leases, maintenance and repairs, as well as other direct expenses related to the daily maintenance of property, plant and equipment by the company or a third party to whom activities are outsourced and which are necessary to ensure the continued effective operation of such assets.

Additionally, non-financial companies that apply national GAAP and do not capitalise right-of-use assets will include leasing costs in Opex.

On the other hand, the numerator will include the portion of operating expenses included in the denominator that:

a. relates to assets or processes associated with economic activities that conform to the taxonomy, including training and other human resource adaptation needs, and direct non-capitalised costs representing research and development;

b. the Capex plan shall form part of the Capex plan to expand the economic activities that conform to the taxonomy or to allow taxonomy-eligible economic activities to conform to the taxonomy within a predefined time frame, as set forth in the second paragraph of this section 1.1.3.2 (on the “Capex plan”);

c. is related to the purchase of production from economic activities that comply with the taxonomy and individual measures that enable the targeted activities to become low-carbon or lead to greenhouse gas reductions, as well as individual building renovation measures, as identified in delegated acts adopted pursuant to Articles 10(3), 11(3), 12(2), 13(2), 14(2) or 15(2) of Regulation (EU) 2020/852, and provided that those measures are implemented and operational within eighteen months

In the case of Naturgy, the Opex indicator only considers non-capitalised direct costs related to research and development, short-term leases and maintenance and repairs . Due to limitations in the identification within the Opex concepts used in Naturgy’s internal accounting, other direct expenses related to the daily maintenance of tangible fixed assets, by the company or a third party to whom activities are subcontracted, and which are necessary to guarantee the continued and efficient operation of such assets, have been left out of the indicator. Thus, the denominator will include the expenditure of these three Opex items for the entire Naturgy Group, while the numerator will be made up of the same items, but only for the activities recognised as eligibles.

Alignment analysis

Naturgy, for its part, as mentioned above, has decided to anticipate the regulation and has carried out the analysis of the alignment of Annex 1 of the environmental objective of climate change mitigation with the data for the closing of financial year 2021. This analysis consisted of applying the relevant technical criteria of EU Taxonomy and determining their alignment with each of its three requirements:

- Substantial Contribution technical criterion: under this criterion, the eleven activities detected as eligible were also aligned with the Taxonomy; however, one of them, Generation of electricity from hydroelectric power, is only partially aligned, since a portion of the facilities do not meet the criterion of power density of the electricity generation facility is greater than 5 W/m^2.
- No significant harm criterion: after analysing the criteria required for each of the environmental objectives of the taxonomy for each activity, we can conclude that the eleven activities are aligned under this criterion. The eleven activities have a total of 36 no significant harm criteria (across all environmental objectives) applicable to them and are assessed as aligned.
- Minimum guarantees: Naturgy relies on the company's Global Human Rights Policy, as well as on compliance with the regulatory framework of the different countries in which it operates to conclude that the minimum safeguard requirements are met.

Calculation of the main indicators

The calculation of the % of alignment varies significantly with respect to the calculation of the % of eligibility. In this case, the % is calculated individually per activity, with the denominator being the eligible amount (the numerator in the eligibility calculation), while the numerator will be the aggregate amount of the different facilities, projects, services or products of the indicator that are considered as aligned within EU taxonomy.

In the case of Naturgy, as mentioned above, ten of the eleven eligible activities meet the three technical criteria, and are therefore 100% aligned.

Information consolidation process

The information consolidation process was subject to analysis and control by the business units in charge of reporting data by activities (eligibility) or by facilities, projects, services or products (alignment), and by the corporate Consolidation units (in charge of reporting the Group's consolidated indicators) and by the Sustainability and Social Responsibility Unit (in charge of coordinating and preparing the Taxonomy Report) to ensure consistency in the criteria adopted for reporting the indicators, the treatment of intra-group operations and the breakdown of the indicators by business activity segment or sub-segment.

Naturgy

Transforming together

We're transforming the world through leadership, determination and **continuous improvement**, committed to **generating value** from each of its businesses and markets, and responding rigorously to the expectations of all stakeholders.

3

Integrity and trust

3. Integrity and trust

Naturgy's contribution to the SDG

¿What does this mean for Naturgy?
Risks and management approach

Naturgy strives to be a responsible, trustworthy, integrity-driven and transparent company committed to its stakeholders. To ensure this, Naturgy has various policies, procedures and governing bodies, mainly:

- To address the risks associated with integrity and trust, Naturgy has a set of rules, the cornerstone of which is the **Code of Ethics**, which is developed and supplemented by a set of policies that govern the conduct and management of the company by its directors and employees.
- **Corporate governance** is carried out in accordance with the principles of efficiency and transparency set out in the main national and international recommendations and standards.
- Good governance actions are instrumented through the Board of Directors, mainly through the annual analysis and approval of the company's risk profile, including ethical, social and environmental issues in the planning of activities. In this regard, Naturgy's **Risk Management Model** seeks to ensure predictability of the company's performance in all relevant aspects for its stakeholders.
- To this end, the company frequently reviews its internal audit and **compliance procedures** and uses its internal regulations to set out those practices that should lead to greater knowledge of the company's way of working.
- The current scenario, in which digitalisation is becoming increasingly important and threats and risks related to information systems are on the rise, makes cybersecurity management a priority issue. For this reason, Naturgy has a **global cybersecurity governance system** for the entire organisation.
- However, risks related to integrity extend beyond the company's activity, as it can be severely impacted by the inadequate performance of its suppliers and contractors in terms of the environment, health and safety, human rights, labour practices or corruption. The company has systems in place to analyse and select suppliers, ensuring that the supply chain adheres to the principles set forth in the company's Code of Ethics through the **Supplier Code of Ethics**, in order to minimise and ensure effective management of its value chain.

What is our commitment?

- Reject corruption, fraud and bribery in business dealings and establish measures to prevent and combat them, developing internal channels allowing communication of irregularities while preserving anonymity.
- Comply with the group's internal regulations and with national and international laws and standards in force in the countries in which the company operates, in particular, abiding by the principles expressed in the United Nations Universal Declaration of Human Rights, in the Declaration of the International Labour Organisation (ILO), in the United Nations Global Compact, in the United Nations Guiding Principles on Business & Human Rights, and the OECD Principles of Corporate Governance.
- Act with responsibility in management and comply with fiscal obligations in all jurisdictions in which the company operates, undertaking to act transparently and collaborate with tax authorities.
- Compete fairly on the market and prevent misleading, fraudulent or malicious conduct through which the company could obtain an unfair advantage.
- Promote transparency in information and responsible, truthful, efficient, complete and timely reporting, with regular publication of financial and non-financial information to measure the company's activities.
- Maintain, at all times, permanent dialogue with stakeholders through adequate and accessible channels.

Evolution and results 2021

Integrity and transparency

	2021	2020
Communications received by the Ethics and Compliance Committee	**96**	141
No. of notifications received per 200 employees	**1.7**	1.5
Average time for resolving notifications (days)	**74**	42
Audit projects analysed on the basis of the risk of fraud	**97**	110
Notifications received in the area of human rights	**0**	0
Number of persons trained on the Human Rights Policy	**6,948**	6,827

Code of Ethics notifications

	2021	2020
Queries	**35**	61
Complaints	**61**	80
Total	**96**	141
No. of notifications received per 200 employees	**1.7**	1.5

Code of Ethics chapter to which complaints refer

	2021	2020
Respect for the individual	**16**	17
Corruption and bribery	**21**	26
Loyalty to the company and conflict of interest	**8**	9
Occupational health and safety	**5**	8
Environment and asset protection	**2**	2
Other	**9**	18
Total	**61**	80

NB: more information in the Reporting channel section of this chapter.

1. Compliance

Naturgy faces challenges regarding integrity through a management approach based on various policies and procedures and specific tools, within the framework of the company's Code of Ethics and of the compliance management model.

The regulatory framework is underpinned by the Code of Ethics and complemented by, among others, the Supplier Code of Ethics, the Compliance Policy, the Crime Prevention Model, the Anti-Corruption Policy, tax policies, the Human Rights Policy and other control standards and models that ensure the efficiency of operations, the mitigation of key risks in each area of the business and the continuity of operations.

The internal audit function, designed as an independent and objective assessment function, ensures and protects the company's control system and compliance with external and internal regulations.

Part of being a company of integrity is observing and strictly complying with tax obligations. For this reason, Naturgy has a tax strategy and a Tax Risks Control and Management Policy that governs the basic principles for Naturgy's tax function and the main lines of action to mitigate and adequately control tax risks.

On the other hand, a commitment to integrity means not only understanding and managing one's own risks, but also taking into account the potential risks that the company's activities may have on people and including them in decision-making. Against this backdrop, Naturgy's Human Rights Policy is of particular importance. The policy's ten commitments take into account the stakeholders who may be affected by the company's activities, particularly those who are most at risk.

The following sections detail each of the elements that Naturgy considers essential to meet the expectations of a responsible company.

Compliance management model

Naturgy has a compliance management model based on a number of policy commitments, oversight bodies and safeguards.

Code of Ethics and related policies

The Code of Ethics of Naturgy, formulated and approved by the Board of Directors, is the document that establishes guidelines that must govern the ethical behaviour of managers and employees of the company, in their daily work, with regard to relationships and interactions with all its stakeholders. The code sets out the undertakings entered into by Naturgy in the fields of good governance, corporate responsibility and questions of ethics and regulatory compliance.

Since 2005, when it was adopted, the code has been regularly renewed to adapt it to the new situations that affect the company.

In addition, the company has developed a set of rules with various guidelines that reinforce and extend the principles formulated in the Code of Ethics.

The most important policies are:

- **Compliance policy:** in force since 2019, it sets out roles and responsibilities in relation to the compliance management system and aims to:
  - Promote a culture of compliance and zero tolerance of non-compliance;
  - Ensure, through prevention, detection, monitoring, training and response measures, that the organisation complies with all applicable regulations in all its activities and operations, both external regulations and the internal regulatory system;
  - Thus avoiding possible sanctions, financial losses and reputational damage.
- **Anti-corruption policy:** this is an extension of chapter 4.7. "Corruption and bribery" of the Code of Ethics, which deals with these issues. It establishes the principles which must be used to guide the conduct of all employees and directors of the companies of Naturgy with regard to the prevention, detection, investigation and correction of any corrupt practice within the organisation. This complies with national and international legislation in this matter.

- **Corporate Hospitality Policy:** its purpose is to regulate the conditions in which Naturgy directors and employees can accept or offer courtesies to business counterparts within the framework of the performance of their professional functions. This is to ensure effective compliance with the principles set out in the Code of Ethics, the Compliance Policy and the Anti-Corruption Policy of Naturgy and thus avoid improperly influencing their commercial, professional or administrative relationships, both with public and private entities. Each December, in the run-up to Christmas, all employees are reminded of the principles of this policy.

In 2021, the Board of Directors approved the amendment of the Code of Ethics to include an explicit reference to two new corporate policies on conflicts of interest and digital rights, which were approved in May and July 2021 respectively.

Finally, it is also worthy of particular attention that the Code of Ethics expressly prohibits any contribution to political parties and/or representatives in its section 4.9 "Corporate Image and Reputation": "Naturgy does not finance political parties or their representatives or candidates in those countries where it carries out its activities".

Supervisory bodies

The Ethics and Compliance Committee works to disseminate the Code of Ethics and it also functions as advisor in the event of any doubt or conflict concerning the same. The Ethics Committee is supported by the Compliance Department by monitoring compliance with external regulations and the policies and procedures implemented in the group to mitigate the main risks in this area, including legal risks, corruption and fraud.

Also, the Compliance Unit takes charge of the dissemination of the Code of Ethics of Naturgy by overseeing compliance with its provisions and the Anti-Corruption Policy. This department regularly informs the Ethics and Compliance Committee and the Audit and Control Committee - a delegated committee of the Board of Directors - of the activities carried out within the scope of its duties and submits regular reports addressing the main issues related to the dissemination of and compliance with the Code of Ethics and the Anti-Corruption Policy and monitoring the main indicators.

In 2021, the Ethics and Compliance Committee held five working meetings, including the following:

- September 2021, the resignation of the former group Compliance Officer, Ms. Teresa Olivié, previously accepted by the Audit and Control Committee, and Ms. Isabel González Alfaro, who had previously been appointed by the Audit and Control Committee as the new Head of Compliance in July 2021, was appointed as the new Chair of the Ethics and Compliance Committee.
- October 2021, approval of the amendment of the Code of Ethics to include explicit references to the new Conflict of Interest and Digital Rights policies, prior to approval by Naturgy's Board of Directors.

In addition to a robust set of rules and specific oversight bodies, the compliance management model is complemented by various safeguards to help minimise the potential risks from possible breaches. These mechanisms are:

- Crime Prevention Model.
- Channels for reporting possible non-compliances.
- Counterparty Due Diligence Procedure.
- Dissemination and training actions.

Crime Prevention Model

The company has an international Crime Prevention Model which is updated annually. Thus, in 2021, the model has continued to be adapted to the new organisational structure operated within Naturgy.

From an organisational standpoint, the Board of Directors assigned the functions of autonomous body, described in Organic Law 1/2015, to the Ethics and Compliance Committee, which is responsible for taking significant decisions in relation to the regular monitoring and supervision of the operation of and compliance with the Crime Prevention Model.

In this regard, the Compliance Unit is in charge of managing the Crime Prevention Model and, in collaboration with the different units affected, assesses the risks in the models it develops.

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

Each year, this model is assessed by an independent third party. In 2021, this assessment process was completed in December and the report issued on the design and effectiveness of the model was satisfactory.

Furthermore, in 2021, the model has been subject to the certification renewal process in accordance with the AENOR UNE 19601 standards (criminal compliance management systems) and ISO 37001 (Anti-bribery management systems), obtaining both renewals in November 2021. Worldwide, Naturgy also deploys crime prevention models gradually in countries with laws governing the civil liability of legal persons.

While the crime prevention model identifies various criminal risks, the fight against fraud and corruption and the criminal risks related to money laundering are the most important ones, on which more information is provided below.

Anti-fraud and anti-corruption plans

Naturgy has a range of mechanisms to ensure the proper implementation of the Anti-Corruption Policy, as well as to prevent, detect, investigate and punish cases of corruption, including:

- Monitoring of the operation and assessment of the effectiveness of the organisation, control and compliance models implemented in the different corporate and business areas of Naturgy, especially the Crime Prevention Model.
- In addition, Naturgy provides both its employees as well as stakeholders with channels so they can report to the Ethics and Compliance Committee concerning any breach or irregular or suspicious conduct in this area. Thus, they may use the web channel of the Naturgy Code of Ethics (www.naturgy.ethicspoint.com) to make such communications.
- Counterparty Due Diligence Procedure, to know and analyse the counterparties with whom Naturgy operates and thus evaluate the associated corruption and reputation risks.
- Regular declaration by all employees, in which it is formally stated that they know and comply with the principles established in the Code of Ethics, the Compliance Policy and the Anti-Corruption Policy.

- Regular training initiatives based on the programme with the aim of raising awareness of the importance of fighting against corruption and ensuring that directors, employees and suppliers are given enough and appropriate information to act accordingly. Some of these regular initiatives include the following:
  - Update of the Naturgynet space dedicated to compliance.
  - Periodic report to the Board of Directors on the activities of the Ethics and Compliance Committee (notifications received, activities carried out, etc.).
  - Training course on Crime Prevention Model, Code of Ethics and Anti-Corruption Policy.
  - Specific training in relation to the Crime Prevention Model and Anti-Corruption Policy for new employees and directors.
  - Presentations in Boards of Directors and Management Committees of the Crime Prevention Model.

In 2021, a programme of specific face-to-face training sessions was held for executives, which included, among other points, the Crime Prevention Model, Counterparty Due Diligence Procedure and various competence issues.

Prevention of money laundering

Naturgy has the mechanisms, procedures and policies that seek to prevent and, where appropriate, detect and react to those possible breaches in the area of prevention of money laundering that are detected in the performance of its activity.

The Naturgy Crime Prevention Model includes the one related to money laundering, introducing the necessary controls to prevent the perpetration of said crime.

• Measures adopted to prevent money launderin

Prevention	Detection	Reaction and response
Code of Ethics.	Review and auditing of the Crime Prevention Model by an independent third party.	Code of Ethics Channel operating regulations.
Anti-Corruption Policy.	Reviews of the Internal Audit Area.	Disciplinary regime.
Counterparty Due Diligence Procedure.	Internal control system on financial reporting.	Collaboration with competent authorities in each country when faced with suspicious situations.
General standard for hiring external advisors.	Reporting channel.	
Procedure for granting signature levels.		
Internal Control Procedure for processing payments and cash movements PE.00004. GN-EF.		

There are three control levels that seek to prevent, detect and, if appropriate, react to money laundering:

- **Prevention:** both the Naturgy Code of Ethics and its Anti-Corruption Policy have specific sections that expressly establish the prevention of money laundering as one of the principles that govern the operations of the company and of all its employees. All Naturgy employees receive regular training on the content of the Code of Ethics, the Anti-Corruption Policy and the conduct guidelines that they must heed.
  In addition, Naturgy has other more specific policies and procedures that establish a full series of controls in its daily operations and in the operations it performs, which encompass the prevention of money laundering. Key among these are the Counterparty Due Diligence Procedure; the Global Outsourcing Policy; the Procedure on granting the Signing Level, and the Internal Control Procedure for the processing of payments and cash movements, among others.

- **Detection:** some of the foregoing policies and procedures also allow the risk of money laundering to be detected. Every year, those in charge of controls at Naturgy are subject to a self-assessment in the Crime Prevention Model on compliance with the same, including those where there is a risk of potential money laundering. In addition, to ensure efficiency of this model, it is reviewed regularly and audited every year by an independent expert.
  The Internal Auditing Unit periodically reviews the different processes of Naturgy to detect possible breaches that may have occurred in the different operational risks. These reviews include checks of revenue and payments that may be subject to the risk of money laundering. Naturgy also has an Internal Control System on Financial Reporting that is audited every year by an independent expert.

- **Reaction and response:** Naturgy has an internal disciplinary regime and collaborates with the competent authorities of each country in the fight against money laundering and the financing of terrorism, furnishing all the information they request in accordance with prevailing regulations. The company also reports any suspicious transactions.

Reporting channel

Naturgy expects all its employees to render a high level of commitment to compliance with its Code of Ethics and Anti-Corruption Policy and, therefore, places an emphasis on transmitting the company's culture of integrity. Its breach is analysed according to internal disciplinary procedures, legal regulations and existing agreements.

Following the entry into force of the new Organic Law on Data Protection and Guarantee of Digital Rights, and in accordance with the provisions thereof, the Naturgy reporting channel allows for anonymous consultations and whistleblowing. In 2021:

- 26,22% (21% in 2020) of the notifications were related to the principle of respect for people, and they were all solved appropriately.

- No notifications were reported related to labour or child exploitation or in relation to the rights of local communities and human rights.

During 2021, Naturgy managed various disciplinary situations from complaints made to the Ethics and Compliance Committee, or from situations covered in the Code of Ethics or the Anti-Corruption Policy.

During 2021, a total of two minor, one serious and four very serious offences were dealt with, all of which resulted in dismissal.

In 2021, it was not necessary to repair damages relating to impacts caused by human rights cases.

Internal auditing

Assurance function of Internal Audit

For Naturgy, Internal Audit is an independent and objective assessment activity. For this reason, the Internal Audit Unit reports to the Audit and Control Committee of the Naturgy Group.

Its mission is to guarantee the ongoing review and improvement of the group's internal control system, and to ensure compliance with external and internal regulations and the established control models. Its purpose is to safeguard the effectiveness and efficiency of operations and to mitigate the main risks in each of the company's areas. Likewise, it is responsible for drawing up the report on the internal audit activity to the Audit and Control Committee.

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

The methodology for the assessment of 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 2021, 128 (137 in 2020) internal audit projects were carried out, 97 (110 in 2020) of which corresponded to the review of processes associated with the main risks of the general service and business departments at Naturgy. The analyses carried out reached 100% of the general service and business departments. In the projects performed in 2021, no significant incidents related to corruption were detected.

Taxation

Tax policy

Tax Strategy and Tax Risks Control and Management Policy

Through the Audit Committee, the Board of Directors is responsible for overseeing compliance with the group's tax strategy. At a meeting on 26 January 2019, the Board of Directors approved the Tax Strategy and Tax Risks Control and Management Policy, which sets out the basic principles governing Naturgy's tax function and the main lines of action to mitigate and guide proper control of tax risks. The basic principles governing Naturgy's Tax Strategy are as follows:

- Responsible compliance with tax obligations.
- A low tax risk profile.
- Adoption of tax treatments based on economic reasons.
- Transparency of tax information.
- Co-operation with the Tax Authorities.

The main lines of the Tax Risks Control and Management Policy are as follows:

- Clearly defined tax governance.
- Procedures for controlling the tax risk arising from Compliance.
- Procedures for assessing and controlling tax approaches where there is uncertainty.
- Oversight of the performance of the Tax Control Framework.
- Regular reporting of the tax situation to the Board of Directors.

All of Naturgy's tax policies are aligned with:

- The **Naturgy Corporate Responsibility Policy**, in which one of the commitments and principles of action is to "adopt responsible business management practices and comply with all tax obligations in all jurisdictions in which the company operates, accepting the commitment to accountability and collaboration with the corresponding tax agencies".
- The **Naturgy's Code of Ethics** establishes that "all employees of the group must comply with the laws in force in the countries where they conduct their activities, thereby heeding the spirit and objectives of the laws and behaving ethically in all their actions".
- The **Code of Best Tax Practices (CBTP)**, approved on 20 July 2010 by the Plenary session of the Large Companies Forum, a body established by the Spanish National Tax Agency with Spain's largest companies, including Naturgy Energy Group, S.A. The CBTP contains recommendations by the tax authorities, which Naturgy has adopted voluntarily, that are aimed at improving the application of the tax system by enhancing legal certainty, reducing litigation, fostering mutual co-operation based on good faith and legitimate trust, and the application of responsible tax policies.

Organisational principles ensure that the tax function is carried out in a global (with responsibility for all the group's tax matters in the various management areas), integrated (with a single criterion) and professional (expert teams) manner.

The global and integrated responsibility for the tax function is centralised in the Tax Unit, through the preparation of common tax policies for the entire group, which allow the functions of the Tax Units of the businesses (filing of tax returns and compliance with tax obligations; advice and definition of tax criteria, management and coordination of inspection activities; communication with Tax Administrations; as well as management of tax litigation procedures) to be carried out under a single and common criterion, without prejudice to the peculiarities of each business and jurisdiction.

In order to perform these functions correctly, both the Tax Unit and the individual Tax Units have teams with academic and practical training in accounting, financial and tax matters that enable them to carry out their tasks satisfactorily.

On the other hand, the business and corporate units are responsible for informing and involving its Tax units or the Corporate Tax Unit, of the existence of any function or operation that may affect taxation in order to establish the corresponding interrelationships to ensure the correct identification of all tax risks.

The businesses' Tax Units are responsible for informing the Corporate Tax Unit of any transaction or business whose tax treatment cannot be included in the group's tax policies in order to analyse the operation or business and, if required, adapt the affected tax policy or dictate a new tax policy that allows the tax qualification of the business or operation in accordance with the group's tax strategy.

To align Naturgy's tax policies with these principles, the group has a General Regulation governing the Tax Control Framework, designed in accordance with the guidelines of the Organisation for Economic Co-operation and Development (OECD) for multinational enterprises, and for the design and implementation of a Tax Control Framework.

Naturgy also has a risk map that specifically identifies the tax risks and issues regarding the interpretation or application of tax law. The main matters with a tax impact are detailed in Note 21 "Tax situation" in the notes to the Consolidated Annual Accounts.

Regarding the approach to tax risks, it is worth mentioning that all uncertain tax processes (adopted or those planned to be adopted in tax returns) (which the tax authorities may not accept), are assessed by applying a predefined methodology. Based on the assessments obtained and the defined risk tolerance level, a mitigation, communication and, if applicable, approval plan is established in accordance with the procedures and authorisation levels documented in the General Regulation governing the Tax Control Framework.

Additionally, in the case of transactions that must be submitted to the Board for approval and other transactions with special tax risk, the Company and Board Secretary will inform the Board of Directors of the tax consequences before they are approved by the Board of Directors. The practical implementation of this section of the general standard is carried out by applying the provisions of Naturgy's General Procedure of the Tax Control Framework.

The compliance assessment of the fiscal governance and control framework takes place at year-end and prior to the preparation of the consolidated financial statements. The Secretary General and Secretary of the Board, presents to the Board of Directors the fiscal situation of Naturgy, which includes, among other matters: (i) the tax policies applied during the year, (ii) the information related to taxes by country and that included in the annual financial report, (iii) tax audits, litigation and the tax risk map, (iv) compliance with the obligations assumed by adherence to the Code of Good Tax Practices and (v) the most relevant results of the supervision of the operation of the Tax Control Framework.

On the other hand, periodically, at least once a year, the Tax Unit tests the design and effectiveness of the Tax Control Framework, in order to conclude that tax risks are adequately identified, evaluated and controlled. In the event that significant control deficiencies are detected, the corresponding improvement plans will be incorporated into the Tax Control Framework.

Finally, with regard to the mechanisms for reporting concerns, through the Code of Ethics, queries and/or complaints may be made regarding behaviour contrary to the rules of conduct published by the company or which, without being expressly regulated, any employee may consider that certain actions are contrary to the code of good tax practices approved by the Board of Directors.

Tax havens

The incorporation or acquisition of undertakings domiciled in countries or territories designated as tax havens must be reported to the Board of Directors via the Audit Committee.

At 2021 year-end, the Naturgy Group did not have any company in a territory designated as a tax haven under the related Spanish regulations (Royal Decree 1080/1991, of 5 July, and Royal Decree 116/2003, of 31 January). Nor did it have any companies at the end of 2020.

Tax contribution

Naturgy attaches priority to its obligation to pay any taxes that are due under each territory's rules.

Naturgy's tax contribution in 2021 amounted to Euros 2,769 million (Euros 2,324 million in 2020). The following table shows the taxes actually paid by Naturgy in each country, distinguishing between those that involve an actual expense for the group ("own taxes"), and those that it withholds or that it passes on to the final taxpayer ("third-party taxes"):

	Own taxes						**Third-party taxes**									
	Income tax [1]		Others [2]		**Total**		VAT		Hydrocarbons tax and Electricity tax		Others [3]		**Total**		**Total**	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Spain	**380**	65	**218**	310	**598**	375	**903**	843	**206**	223	**206**	205	**1.315**	1.271	**1.913**	1.646
Argentina	**18**	11	**6**	12	**24**	23	**2**	7	**0**	0	**14**	13	**16**	20	**40**	43
Brazil	**61**	38	**38**	35	**99**	73	**59**	56	**0**	0	**6**	8	**65**	64	**164**	137
Chile	**174**	2	**4**	23	**178**	25	**17**	102	**0**	0	**2**	14	**19**	116	**197**	141
Mexico	**145**	73	**0**	1	**145**	74	**22**	72	**0**	0	**2**	5	**24**	77	**169**	151
Panama	**11**	6	**6**	6	**17**	12	**2**	2	**0**	0	**0**	0	**2**	2	**19**	14
Rest of LatAm	**10**	9	**1**	3	**11**	12	**6**	5	**0**	0	**1**	0	**7**	5	**18**	17
Total LatAm	**419**	139	**55**	80	**474**	219	**108**	244	**0**	0	**25**	40	**133**	284	**607**	503
Rest	**65**	10	**3**	3	**68**	13	**109**	85	**70**	75	**2**	2	**181**	162	**249**	175
Total	**864**	214	**276**	393	**1,140**	607	**1,120**	1,172	**276**	298	**233**	247	**1,629**	1,717	**2,769**	2,324

[1] Refers to income tax actually paid in the year as per the Cash-Flow Statement of the Consolidated Annual Accounts. Does not include accrued amounts. Information regarding the reconciliation between the registered Corporate Income Tax and that which would arise from applying the nominal rate of the tax applicable in the country of the parent company (Spain) on the pre-tax result is indicated in Note 21 "Tax Situation" of the Consolidated Annual Accounts.

[2] Includes energy taxes, which in Spain, due to the return of almost all of the inland water use tax paid since its implementation (176 million euros), results in an overall income of 0 euros (144 million euros in 2020), local taxes, social security payable by the company and other specific taxes of each country.

[3] Basically includes tax withholdings from employees and employee social security contributions.

Information on revenues from sales to third parties and revenues from intra-group transactions with other tax jurisdictions in 2021 is not available on a country-by-country basis on completion of this report. The information will be available for the country-by-country statement submitted in December next year.

Subsidies

The changes in capital subsidies received are detailed in Note 15 to the Consolidated Annual Accounts. Capital grants were received in 2021 in the amount of Euros 1 million (no capital grants were received in 2020). Operating subsidies received are detailed in Note 24 to the Consolidated Annual Accounts; Euros 2 million were received in 2021 (Euros 1 million in 2020).

Global Human Rights Policy

The company's commitment to respecting and protecting human rights is set out in the Global Human Rights Policy, first approved in 2011. The policy is aligned with and accepts the UN Guiding Principles on Business and Human Rights. It was last updated and approved by the Board of Directors in 2019, and details the commitment made by Naturgy in both the Corporate Responsibility Policy and the Code of Ethics.

The ten commitments set out in the policy were defined on the basis of a human rights risk analysis, in which 33 risks were identified. This evaluation was carried out for all the countries where the company carries out some type of activity and with those responsible for each business or country the degree of exposure to this risk and the internal mechanisms available for its management were validated. Based on the risks identified, the commitments that Naturgy should establish to ensure adequate management to minimise the materialisation of these risks were defined.

These commitments include stakeholders that may be affected by the company's activities and, in particular, employees who work for Naturgy through third parties, indigenous peoples, communities surrounding its projects, children and, in general, vulnerable groups.

To monitor these risks, the company carries out regular evaluations of the risks identified. In order to make this assessment, those responsible for each business or country are asked to evaluate each of the risks identified, depending on the level of perceived risk and the degree of management of each issue by the company.

Human Rights Policy Principles and risks identified

Commitment 1. Avoiding any practices which are discriminatory or which might compromise people's dignity	
Risk 1. Failure to respect people	Failure to provide the necessary conditions to enable people to work in an environment where their dignity and rights are respected in the centres and activities of the group.
Risk 2. Discrimination	Failure to avoid discriminatory practices on grounds of gender, ethnic origin, creed, religion, age, disability, political affinity, sexual orientation, nationality, citizenship, civil status or socio-economic status in the processes and practices of the company regarding human resources issues.
Risk 3. Abuse, intimidation and violence	Failure to avoid cases of abuse, intimidation or violence among group employees.
Risk 4. Forced and compulsory labour	Failure to avoid resorting to forced labour or that company employees are unable to freely choose their job position.
Risk 5. Unjust detention	That employees can be detained on unjust or unfair grounds by the authorities or other organisations that use intimidation and violence.
Commitment 2. Eradication of child labour	
Risk 6. Child labour	That the activities and operations of the group breach children's rights.
Risk 7. Minimum working age	The company does not ensure that the ages of all its employees exceeds the minimum working age.
Commitment 3. Ensure freedom of association and collective bargaining	
Risk 8. Freedom of association	In those places where the institutional framework does not guarantee freedom of association and the right to collective bargaining, failure by the company to provide its employees with the conditions for them to meet and freely discuss issues related to their working or employment conditions.
Risk 9. Collective bargaining	Failure to ensure that its employees have the right to freedom of association, trade union membership and collective bargaining.
Commitment 4. Protecting employee health	
Risk 10. Health and safety of employees	Failure by the group's centres and activities to provide the right conditions for people to work in a safe and healthy environment.
Risk 11. Health and safety of third parties	The assets of the company damage the health or physical integrity of third parties through negligence by the group or the injured party.
Commitment 5. Ensure adequate employment and salary	
Risk 12. Dignified wage	Employees do not receive a dignified wage.
Risk 13. Working hours	Within the company, the limits regarding the number of hours worked per week and employees' right to rest are breached.
Risk 14. Rest	In those places where the institutional framework does not establish remuneration conditions or a right for people to take breaks, the company has not established measures in this regard.
Risk 15. Work-life balance	Failure by the company to facilitate conditions that enable people to maintain a proper balance between their personal and professional life.
Risk 16. Privacy	The company does not respect the right to privacy of its employees.

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Commitment 6. Commitment towards people linked to suppliers, contractors and collaborating companies	
Risk 17. Suppliers, contractors and collaborating companies	The company works with suppliers, contractors and collaborating companies whose practices do not respect human rights.
Commitment 7: Respecting indigenous communities and traditional ways of life	
Risk 18. Rights of indigenous communities	The company violates the human rights and fundamental freedoms of the indigenous communities in the areas where it operates.
Risk 19. Indigenous territories	Failure by the company to recognise the right of indigenous communities to maintain their customs and social practices, as well as ownership of those territories that have been given to them legally, according to the provisions of ILO Convention 169.
Risk 20. Land procurement	During the procurement of land and other transactions or trade agreements with communities, the company fails to adequately inform them in advance or compensate them according to local law and practice and, in any case, in an objectively fair manner.
Risk 21. Assessing impacts	Failure by the company to have the necessary mechanisms to assess the potential impact and risk to the rights of communities in its projects.
Risk 22. Environmental impact	The activities of the group generate an unjustified negative impact on the environment.
Commitment 8. Protecting facilities and people on the basis of respect for human rights	
Risk 23. Background on security staff	The staff who protect the security of the facilities and operations of the group have been involved in the abuse of human rights.
Risk 24. Bad practices of security staff	The staff who protect the security of the facilities and operations of the group are involved in injustices and in the inhumane or degrading treatment of people.
Risk 25. Disproportionate use of force	The staff who protect the security of the facilities and operations make disproportionate or unjustified use of force.
Risk 26. Misuse of company assets	The resources and assets of the company are used to violate human rights as a consequence of security staff practices.
Risk 27. Involvement in abuse	The company is involved in the abuse of human rights committed by governmental security forces.
Commitment 9. Support and promote respect for human rights in the wider community	
Risk 28. Public commitment	That the commitment made by the company to human rights issues is not known publicly.
Risk 29. Freedom of opinion and expression	The company does not respect or promote the right to freedom of thought, conscience and religion and the freedom of opinion and expression within its field of activity.
Risk 30. Social rights of the community	Failure by the company to undertake actions or foster plans and/or activities in benefit of social rights, as a part of human rights, in the community where it operates.
Risk 31. Investment analysis	Failure by the company to have the necessary mechanisms to assess the potential impact on and risk to human rights of investment projects.
Risk 32. Partner analysis	The due diligence processes prior to the execution of collaboration agreements with third parties do not analyse the human rights policies and practices of partners.
Commitment 10. Helping to fight corruption and protect privacy	
Risk 33. Corruption	The activities of the company provide incentives for or foster public-private corruption.

The Human Rights Policy is the company's response to growing demands in this field and is particularly applicable in locations in which local legislation does not provide a sufficient level of protection for human rights. In these cases, Naturgy undertakes to guarantee a level of protection equivalent to the other areas in which it carries on its business.

Compliance with the policy is the responsibility of each of the business and corporate areas. The company encourages the policy to be known and to be complied with using a communication and training plan, which includes a compulsory online course for all employees, seminars based around explaining principles of the policy and conflicts which could arise, and guidance sessions about the policy and its role in business activity. By the end of 2021, 6,948 people have taken the online human rights course.

Naturgy undertakes to engage the resources necessary to guarantee the effective implementation of this policy. In this regard, the company regularly analyses the human rights issues that are applicable to its activity and will introduce mechanisms that enable it to assess the risk of breach of these in the environments in which it operates.

The company introduces specific measures for management of potential impacts and risks to human rights from the projects and investments, and will ensure that sufficient resources are targeted at the implementation of the corrective measures identified.

In the due diligence processes prior to formalisation of collaboration agreements, also with governmental agencies, the company undertakes to assess the human rights policies and practices of its counterparts and to act in accordance with the principles laid out in the policy.

Furthermore, as part of the usual assessment of suppliers process, the company includes issues related to human rights practices among the aspects to be evaluated and as a cause for exclusion in the event of an unsatisfactory response from the supplier. Furthermore, by accepting the Supplier's Code of Ethics, they undertake to observe and ensure compliance with human rights at all times, in particular those related to the elimination of all forms or modalities of forced or compulsory labour; child labour; respect for indigenous communities and traditional ways of life; and respect for individuals in general.

In this way, based on the commitments expressed in the Human Rights policy, the company establishes prevention mechanisms with respect to third parties with whom it establishes commercial relations that offer guarantees in relation to the extension of its own principles to the supply chain.

To ensure respect for human rights in the area of protection of facilities and individuals, existing best practices are adopted, such as the UN Basic Principles on the Use of Force and Firearms for personnel belonging to security companies that the company hires.

Any breaches of human rights are studied in accordance with the internal procedures, legal regulations and the prevailing agreements, and could give rise to disciplinary or employment measures as determined in the internal regulations and legislation.

Employees of Naturgy are obliged to report any breach of the undertakings set out in this policy to the company, confidentially and without fear of reprisals. In this regard, those people who, without being company employees, witness potential malpractice in this area may also report this.

Contents Index in accordance with the United Nations Guiding Principles Reporting Framework (UNGPRF)

Indicator	Reference	Level of fulfilment
System of respect for Human Rights (A)		
A1. Policy commitment.	SRNFIS 2021. Global Human Rights Policy. Code of Ethics – pages 8-9.	Complete
A1.1 Development of public commitment.	SRNFIS 2021. Global Human Rights Policy – pages 4-7.	Complete
A1.2 Extent and scope of application of commitment.	SRNFIS 2021. Global Human Rights Policy – pages 3-4.	Complete
A1.3 Form of communication of commitment.	SRNFIS 2021. Global Human Rights Policy – pages 7-9.	Complete
A2. Embedding respect for Human Rights.	SRNFIS 2021. Global Human Rights Policy, page 8. Code of Ethics – pages 8-9. 2021 Annual Report on Remuneration.	Complete
A2.1 Organisation of responsibility in the field of human rights.	SRNFIS 2021. Global Human Rights Policy, page 7.	Complete
A2.2 Human rights issues escalated to the senior management and the governing board.	SRNFIS 2021. Global Human Rights Policy, page 8. 2021 Annual Report on Remuneration.	Partially
A2.3 Raising employees' awareness about human rights issues.	SRNFIS 2021. Global Human Rights Policy, page 7. 2021 Annual Report on Remuneration.	Complete
A2.4 Company's form of stating its commitment towards human rights in commercial relations.	SRNFIS 2021. Global Human Rights Policy, page 5 and 8.	Complete
A2.5 Lessons learnt about human rights and consequences which have arisen as a result.	SRNFIS 2021	Partially
Defining a focus of reporting (B)		
B1. Statement of salient issues.	SRNFIS 2021	Complete
B2. Determination of salient issues.	SRNFIS 2021	Complete
B3. Choice of focal geographies.	SRNFIS 2021	Complete

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Contents Index in accordance with the United Nations Guiding Principles Reporting Framework (UNGPRF)

Indicator	Reference	Level of fulfilment
Defining a focus of reporting (B)		
B4. Additional negative impacts.	SRNFIS 2021. 2021 Internal Audit Report.	Complete
Management of salient human rights issues (C)		
C1. Specific policies.	ISEINF 2021.	Complete
C1.1 Importance of human rights policy for persons responsible for implementing it.	SRNFIS 2021. Global Human Rights Policy, page 3.	Complete
C2. Stakeholders commitment.	SRNFIS 2021	Complete
C2.1 Identification of stakeholders to take part in salient human rights issues.	SRNFIS 2021	Partially
C2.2 Stakeholders which have had relations with the company in connection to human rights.	SRNFIS 2021	Complete
C2.3 Influence of the stakeholders' vision regarding human rights issues.	SRNFIS 2021	Partially
C3. Assessing impacts.	SRNFIS 2021	Complete
C3.1 Patterns or trends in human rights impacts.	SRNFIS 2021	Partially
C3.2 Severe impacts on human rights.	SRNFIS 2021	Complete

Continues ›

Indicator	Reference	Level of fulfilment
Management of salient human rights issues (C)		
C4. Integrating findings and taking action.	SRNFIS 2021	Partially
C4.1 Involvement by the company's parties in applying solutions and taking decisions regarding salient human rights issues.	SRNFIS 2021	Complete
C4.2 Tensions of human rights impacts.	SRNFIS 2021. Global Human Rights Policy, Commitment 6.	Partially
C4.3 Actions taken to prevent or mitigate potential impacts on human rights.	SRNFIS 2021	Complete
C5. Tracking performance.	SRNFIS 2021	Complete
C5.1 Effective management of human rights issues.	SRNFIS 2021	Complete
C6. Remediation	SRNFIS 2021	Partially
C6.1 Means of claiming regarding human rights issues.	SRNFIS 2021. Global Human Rights Policy, page 8. Code of Ethics – pages 22-23.	Complete
C6.2 People's capacity to make claims or complaints.	SRNFIS 2021. Global Human Rights Policy, page 8. Code of Ethics – pages 22-23.	Complete
C6.3 Processing of claims and evaluation of effectiveness of results.	SRNFIS 2021. Global Human Rights Policy, page 8. Code of Ethics – pages 22-23. 2021 Audit and Control Report.	Complete
C6.4 Patterns and trends in claims or complaints.	SRNFIS 2021	Partially
C6.5 Repairs in relation to any impact relating to human rights.	SRNFIS 2021	Complete

Non-compliances and fines

The penalties imposed on Naturgy with a value of more than Euros 10,000 and considered final in administrative proceedings during 2021 are detailed below. This is without prejudice to any legal action that may be taken against them and which could lead to their annulment.

In Brazil, the company has received two sanctions amounting to 48,980 euros for non-compliance with regulations in relation to the offer and use of the organization's products and services.

In Panama, the company has received two penalties, one for Euros 1,059,322 for deficiencies in the electricity service and the other for Euros 3,094,548 for deficiencies in the quality of service of the electricity network.

In terms of Spain and the electricity distributor (UFD), the company has received three penalties amounting to Euros 175,000 in total, for delays in the provision of service and in the delivery of reports required by the competent authority. In relation to the commercialisation business, Naturgy has received two fines for a total amount of Euros 39,000 for incorrect invoicing, a fine of Euros 36,000 for inadequate management of the complaints service, one fine for a total amount of 10,000 euros for improper activation of the supply contract and four fines for the inclusion of abusive clauses in contracts, in the amount of Euros 335,500.

In 2021, the company registered no fines for monopolistic practices.

2. Corporate governance

Good governance for efficient and transparent management

Corporate governance, in constant evolution

Governance at Naturgy is based on the principles of efficiency and transparency established in accordance with the main existing recommendations and standards at national and international level.

The set of governance rules comprise basically:

- Articles of Association (updated in 2021).
- Regulations of the Board of Directors and its Committees (updated in 2021).
- Regulations of the General Meeting of Shareholders (updated in 2020).
- Human Rights Policy (updated in 2019).
- Code of Ethics (updated in 2021).

The main shareholders of Naturgy as of 31 December 2021 and 2020 are as follows:

- **Stake (%)**

	2021	2020
Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" [1]	**26.7**	24.8
Global Infrastructure Partners III [2]	**20.6**	20.6
CVC Capital Partners SICAV-FIS, S.A. [3]	**20.7**	20.7
IFM Global Infrastructure Fund [4]	**12.15**	0.0
Sonatrach	**4.1**	4.1

[1] Stake through Criteria Caixa S.A.U.
[2] Global Infrastructure Partners III, which is managed by Global Infrastructure Management LLC, holds its stake indirectly via GIP III Canary 1, S.à.r.l.
[3] Through Rioja Acquisition S.à.r.l.
[4] Through Global InfraCo O (2) S.à.r.l.

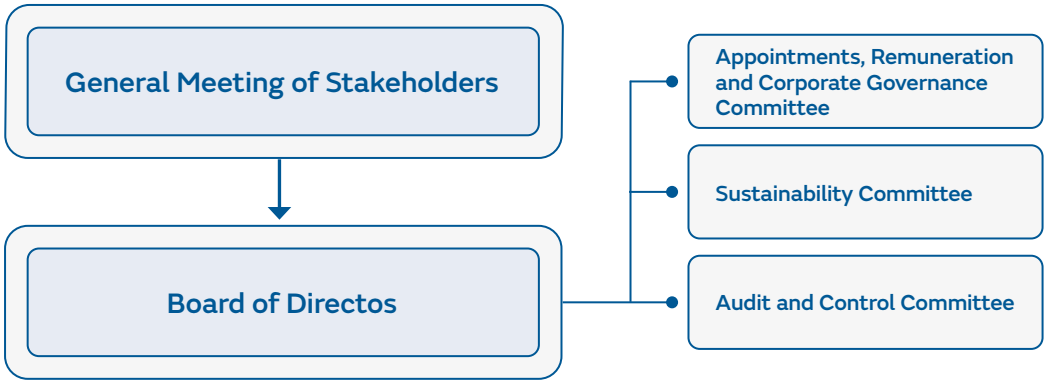
Good governance actions are instrumented through the Board of Directors, mainly through the annual analysis and approval of the company's risk profile, including ethical, social and environmental issues in the planning of activities. To this end, the company frequently reviews its internal audit and compliance procedures and uses its internal regulations to set out those practices that should lead to greater knowledge of the company's way of working.

In 2021, the approval of an amendment to the Corporate Enterprises Act made it necessary to make a number of changes to the company's policies and procedures. Specifically, the following actions have been undertaken to adapt the company's corporate governance to the new system for approving related-party transactions:

- Modification of the Regulations of the Board of Directors and its Committees.
- Review of the Audit and Control Committee's competences.
- Approval of an internal reporting and periodic control procedure to be applied in cases of approval of related-party transactions delegated by the Board of Directors.

Specifically, with regard to the Regulations of the Board of Directors, in 2021, Articles 3 and 7 were amended to bring the system for authorising related-party transactions into line with the CEA (Corporate Enterprises Act) and to modify the materiality threshold for matters for which the Board of Directors is responsible for approving.

Governing structure of Naturgy



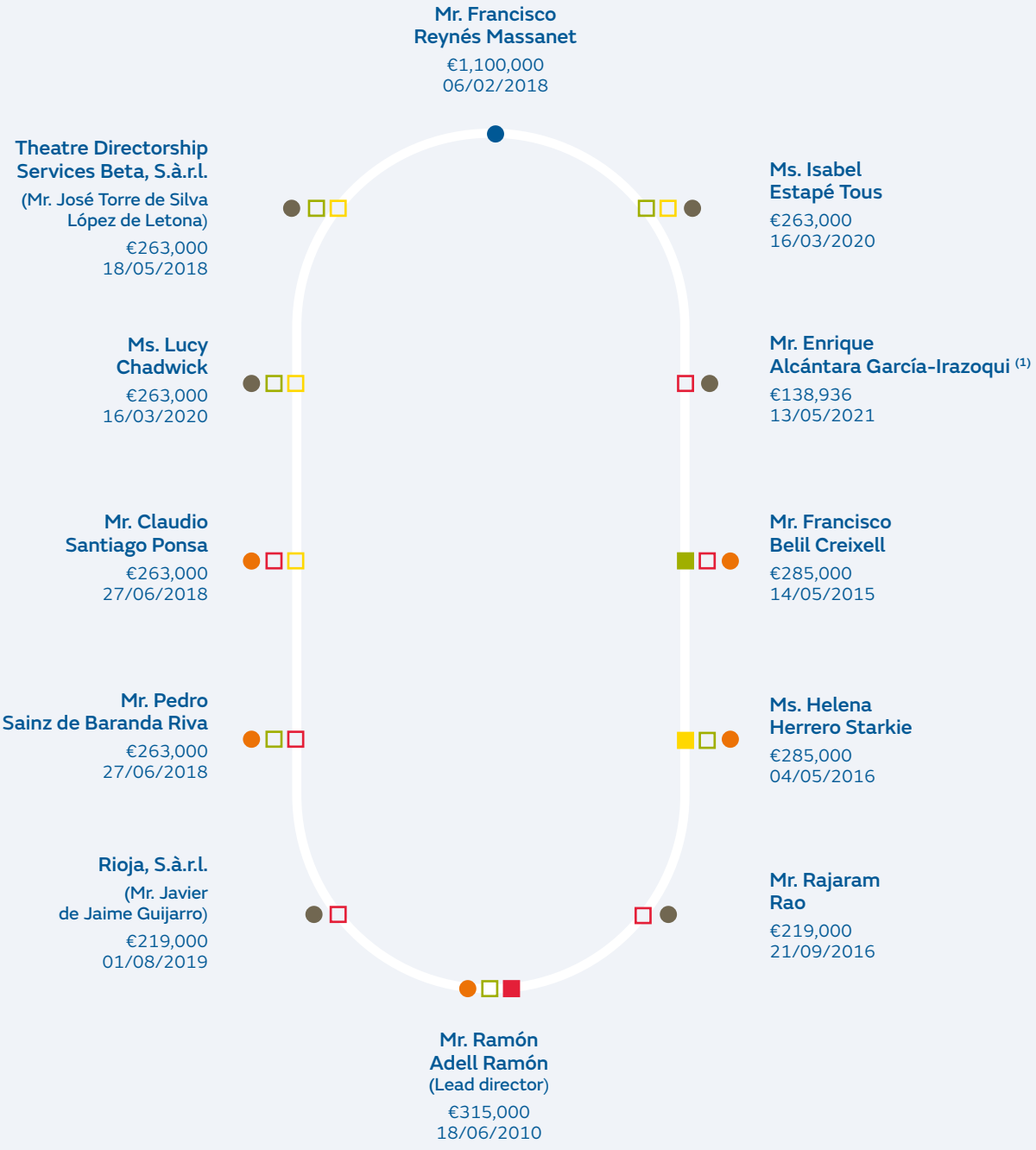
Functions and composition of the Board of Directors

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

The Board of Directors exercises the powers attributed to it through the Law, the Articles of Association and the Regulations for the Organisation and Functioning of the Board. Specifically, the following general powers correspond exclusively to the Board of Directors, according to Article 3 of the Regulations:

- Non-delegable matters:
  - Those provided for in legislation as non-delegable.
  - Creation, investment and supervision of the management of personnel pension plans and any other undertakings involving personnel which imply long-term financial liabilities for the company.
  - The appointment and removal of senior managers who have a direct dependence on the Board or any of its members, as well as the introduction of basic conditions of their contracts, including their remuneration.
  - The matters subject to an enhanced majority contemplated in section 4 of Article 7 of the Regulations.
  - The approval of those related-party transactions whose competence has not been attributed by law to the General Meeting of Shareholders.
- Matters ordinarily non-delegable, but which may be adopted by the delegated bodies or persons, for reasons of urgency duly justified and which must be ratified at the first Board of Directors session held after the take-up of the resolutions, of which the following stand out:
  - The approval of management targets, the annual financing plan, the investment and financing policy, the corporate social responsibility policy.
  - The determination of the company's corporate governance policies, of the risk control and management policy, including tax risks, and supervision of the internal reporting and control systems.
  - The approval of the financial reporting which, due to its status as a listed company, must be made public periodically by the company.
  - The approval of investments or operations of a strategic nature.

Composition of the Board of Directors and its committees (at 31 December 2021)



Type of director

- Executive.
- Independent.
- Proprietary.
- N/A.

Type of committee

- Audit and Control Committee.
- Appointments and Remuneration Committee.
- Sustainability Committee.

- **Chairperson of the Committee.**
- **Member of the Committee.**

(1) Mr. Enrique Alcántara-García Irazoqui replaced Mr. Marcelino Armenter Vidal on 13 May 2021.
Mr Marcelino Armenter Vidal for the exercise of his functions until that date, received: €78,298.

Mr. Francisco Reynés Massanet

Executive Chairman

Management structure

Naturgy's management structure consists of three business units (Energy and Network Management, Renewables and New Businesses, and Commercialisation) as well as corporate units to ensure centralised control.

Senior management is defined as those senior managers who report directly to the **Executive Chairman, Mr. Francisco Reynés Massanet.**

As of 31 December 2021, it comprises the following senior managers:

Business Units

Mr. Pedro Larrea Paguaga | Energy and Network Management Department managed.

Mr. Jorge Barredo López | Renewables and New Business Department managed.

Mr. Carlos Francisco Vecino Montalvo | Commercialisation Department managed.

Corporate Units

Mr. Rafael Blesa Martínez | Information Systems Department managed.

Mr. Steven Fernández Fernández | Capital Markets Department managed.

Mr. Jon Ganuza Fernández de Arroyabe | Planning, Controlling and Administration Department managed.

Mr. Manuel García Cobaleda | Company and Board Secretariat managed.

Mr. Jordi Garcia Tabernero | Sustainability, Reputation and Institutional Relations Department managed.

Mr. Enrique Tapia López | People and Organisation Department managed.

Assessment and capacities of the Board of Directors

Pursuant to the recommendations laid down in the Good Governance Code of Listed Companies and the Board Regulations, the quality and efficiency of the Board and of its committees is assessed every year.

In 2021, a self-assessment process was carried out on the functioning of both the Board of Directors and the Audit and Control, Appointments, Remuneration and Corporate Governance, and Sustainability Committees, from which the high degree of contributions through qualitative comments stands out, agreeing to address the suggestions made by the directors regarding a) improvements in the risk management framework in view of the new disclosure requirements and always in accordance with best practices, ii) reduction in the number of board meetings, iii) progress in the execution of the Strategic Plan linked to renewable-energy targets, and iv) an increase in the capacities of the Executive Director and its management team.

In relation to the training of the members of the Board, it should be noted that in 2021 the Sustainability Committee received a specific training session on ESG issues given by the entity Forética, with extensive experience in this area.

Diversity in the process of appointments and renewal of directors

The Naturgy Board of Directors comprises 12 members, of whom three are female. Among the Board members there is a diversity of professional experience and academic knowledge (engineers, lawyers, economists, among others), as identified in the Board's Competence.

Diversity and competence matrix

	Mr. Ramón Adell	Ms. Isabel Estapé	Mr. Enrique Alcántara	Mr. Francisco Belil	Ms. Helena Herrero	Mr. Javier de Jaime	Mr. Rajaram Rao	Mr. Francisco Reynés	Mr. Pedro Sainz de Baranda	Mr. Claudio Santiago	Ms. Lucy Chadwick	Mr. José Antonio Torre de Silva
	●	●	●	●	●	●	●	●	●	●	●	●
Energy global trends / strategy / technology	■		■	■			■	■		■	■	
Infrastructure (investments in regulated environments)	■	■	■	■		■	■	■		■	■	■
B2C (customer experience and new services)	■				■	■			■			■
Operational excellence and processes optimisation	■			■	■			■	■	■		
Regulators / other public stakeholders relations	■	■	■				■	■			■	
International experience	■	■		■	■	■	■	■	■	■	■	■
Top management experience				■	■			■	■	■	■	
Accounting / Audit / Risk management	■	■	■	■	■	■	■	■	■	■	■	■
Corporate finance	■	■			■	■	■	■	■	■		■
Industrial and Energy technologies (Industrial Tech)				■				■	■	■	■	
Industrial and Energytechnologies (Information Tech)					■			■	■	■	■	
Talent management and remuneration	■	■		■	■	■	■	■	■	■	■	■
Corporate governance and sustainability (ESG)	■	■	■	■	■	■	■	■	■	■	■	■
Climate change		■			■			■		■	■	■

Type of director

● Executive. ● Independent. ● Proprietary.

Experience

■ Professional executive experience.

■ Experience as a director or indirect executive experience.

The company, in its Director Selection Policy, expressly states that the Appointments and Remuneration Committee will ensure that the selection procedures do not suffer from implicit biases that could imply any discrimination, and that measures are introduced to encourage the appointment of a significant number of female senior managers.

Regarding the selection of candidates for the post of director, the process is based on an assessment by the Appointments and Remuneration Committee, which may seek external advice. The analysis is based on the company's needs and on the skills, knowledge and experience needed on the Board, as well as the alignment of the candidate with the principles, values and vision of Naturgy.

Breakdown of the Board of Directors by age (%)

	2021	2020
Under 55 years of age (%)	**25**	25
Between the ages of 55 and 60 years (%)	**25**	25
Over 60 years of age (%)	**50**	50
Total (%)	**100**	100

Average remuneration of Directors

	2021		2020	
	Men	Women	Men	Women
Executive [1]	**1,100**	**-**	1,100	-
Independent / Proprietary	**256**	**270**	269	235

[1] It does not include remuneration for executive functions.

Remuneration model o the Board of Directors

Remuneration of directors represents an issue of major importance in the company's good governance. In accordance with the current legal framework, Naturgy regularly reports on remuneration of members of the Board of Directors through its Integrated Annual Report, the Annual Accounts and the Annual Report on Remuneration of Directors, all publicly available.

Remuneration of directors for sitting on the collegiate decision-making bodies is considered as fixed remuneration. Only the Chairman of the Board of Directors receives remuneration based on the executive functions he performs outside of sitting on the Board.

The determination of each director's remuneration corresponds to the Board of Directors, which shall take into consideration the duties and responsibilities attributed to each director, the Board committees on which they sit and other objective circumstances that are relevant. In this regard, the remuneration of directors must maintain a reasonable proportion with the importance and economic situation of the company, and the market standards of comparable companies.

The system of remuneration established must be targeted at promoting profitability and the long-term sustainability of the company and incorporate the precautions required to avoid the assumption of excessive risks and rewarding unfavourable results.

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

In the 2021 Ordinary General Meeting of Shareholders, the Annual Report on Remuneration of Board Members for 2020 was approved by a majority vote, as follows:

Number of shares that have cast valid votes	**790,325,783**
Total number of valid votes cast	**790,325,783**
Proportion of the share capital represented by valid votes	**81.51**
Votes in favour	**88.452**
Votes against	**11.455**
Abstentions	**0.092**
Quorum of attendance at the General Meeting of Shareholders	**82.40**

Issues dealt with at the General Meeting of Shareholders

The quorum of attendance at the meeting represented 82.4% of all shares in Naturgy.

Issue	Nature of the issue (economic, social or environmental)	Conclusions drawn
Approval of the Annual Accounts and Directors' Report of Naturgy Energy Group S.A. for the year ended 31 December 2020.	Economic	Approved by a majority
Approval of the Consolidated Annual Accounts and Directors' Report of the Consolidated Group for the year ended 31 December 2020.	Economic	Approved by a majority
Approval of the Consolidated Non-Financial Information Statement, included in the Consolidated Directors' Report of Naturgy Energy Group, S.A.	Social/Environmental	Approved by a majority
Approval of the allocation of profits for the year that closed on 31 December 2020.	Economic	Approved by a majority
Approval of management performed by the Board of Directors in 2020.	Economic/Social/ Environmental	Approved by a majority
Approval of the Director Remuneration Policy for 2021-2023.	Economic	Approved by a majority
Consultative vote concerning the Annual Report on remuneration of members of the Board of Directors.	Economic	Approved by a majority

Continues ›

Issue	Nature of the issue (economic, social or environmental)	Conclusions drawn
Appointment of the Auditor of the accounts of the company and its group for the financial years 2021-2022.	Social	Approved by a majority
Information on the modification of the Board Regulations.	Social	
Delegation of powers to supplement resolutions of the General Meeting of Shareholders.	Social	Approved by a majority

3. Risk management

Risk management at Naturgy

A model that anticipates the developing situation

Naturgy's risk management model seeks to guarantee the predictability of the company's performance within a limited and acceptable range. The model quantifies the variability of performance and ensures that it is in line with strategically defined target levels in aspects relevant to its stakeholders.

Essential elements of the risk measurement and management model include ensuring that relevant risk factors are correctly identified, assessed and managed. The ultimate aim is to ensure that the level of risk exposure assumed by Naturgy in the performance of its activities is consistent with the overall objective risk profile defined and with the achievement of the annual and strategic objectives.

The Integrated Risk Management and Control System is structured in the following sections:

- Risk Appetite: definition of risk tolerance through the setting of limits for the most relevant risk categories, by nature of risk and by business according to objectives.
- Risk Assessment: methodology, procedure and process for identifying, evaluating and measuring risks.
- Risk Governance & Management: risk governance and management mechanism for all types of risks and for all businesses.
- Risk Reporting: systematic and periodic reporting and monitoring of risk at different management levels -Business, Business Units, Presidency and Board-.

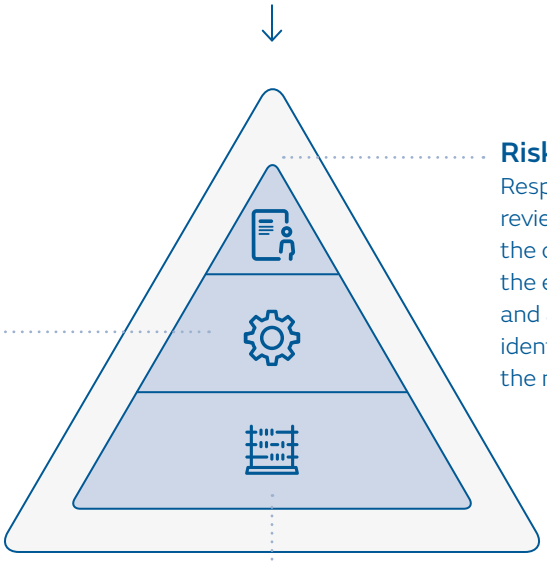
Risk management bodies

Naturgy has a framework that integrates the vision of governance, risks and compliance, enabling an integrated overview of the group's processes, the existing controls over these and the associated risk.

To this end, it has different bodies, with clearly identified areas of responsibility, which ensures predictability and sustainability in the company's operational and financial performance.

Audit and Control Committee

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



Risk Committee

Responsible for determining and reviewing the objective risk profile of the company. It also guarantees that the entire organisation understands and accepts its responsibility in identifying, assessing and managing the most significant risks.

Risk Control Units

Responsible for controlling, managing and reporting the risk assumed and ensuring this is within the limits defined by the objective risk profile. These include the Planning and Risk Management corporate units and the Internal Audit and Planning, Controlling and Administration corporate unit .

Business and Corporate Units

Responsible for application of the comprehensive principles of the General Risk Control and Management Policy and for risk management in their areas of responsibility: observing, reporting, managing and mitigating the different risks.

The Risk Control Units seek to oversee the regularity and sustainability of the performance indicators. One of its key tasks is the modelling of the financial statements, targeted at identifying their main sensitivities and anticipating possible impacts and mitigation actions.

In addition, each business unit has specific information on the main types of risks that may affect it. The goal is to facilitate decision-making, which is positive for the company since it enhances profitability, predictability and efficiency.

An integrated management

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

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

General Risk Control and Management Policy

The General Risk Management and Control Policy was updated and approved by the Naturgy Board of Directors in November 2020. Its aim is to lay down the general principles and guidelines on behaviour to guarantee the appropriate identification, information, assessment and management of Naturgy's exposure to risk.

Corporate Risk Map

The identification and characterisation of the risks to Naturgy's performance 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. It is updated and presented on a yearly basis to the Audit and Control Committee.

Other risk maps

At their discretion, the Naturgy Business Units and Corporate Units promote the creation of risk maps that are specific, consistent and aligned with a common methodology, which serve as the basis for the 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. Naturgy undertakes an analysis of corrective risks, a sensitivity analysis and stress tests for the main risks identified.

Main risks

Description of main risks

Naturgy has defined four risk typologies in the 2021 risk map: economic, financial, operational and reputational/ sustainability.

The economic and financial risk typologies are specified in the categories of market/commodity, exchange rate, interest rate, credit, operational, regulatory, volume, margin/price, legal and tax risks. Quantitative modelling is applied for all of them.

Operational and reputational/sustainability risk typologies are defined in the categories of security, process, fraud, cybersecurity, data protection, environment, customer satisfaction, health and safety, reputation, ESG, climate change and energy transition, compliance and people risks. For these, it generally applies a risk position assessment using heat maps.

Economic	Financial	Operative	Sustainability Reputation
Market (Commodity)	Credit	Security (Critical facilities)	Reputational / Sustainability
Exchange rate	Legal Provisions	Processes	Environmental (E)
Regulation	Interest rate	Fraud against the Company	Social Responsibility (S)
Volume	Taxation	Cybersecurity	Governance (G)
Margin / Price	Liquidity And solvency	Data protection	Compliance
Legal	Rating	Environment	People
Operational	Provisions	Customer satisfaction	Climate Change and Energy Transition
		Health and safety	

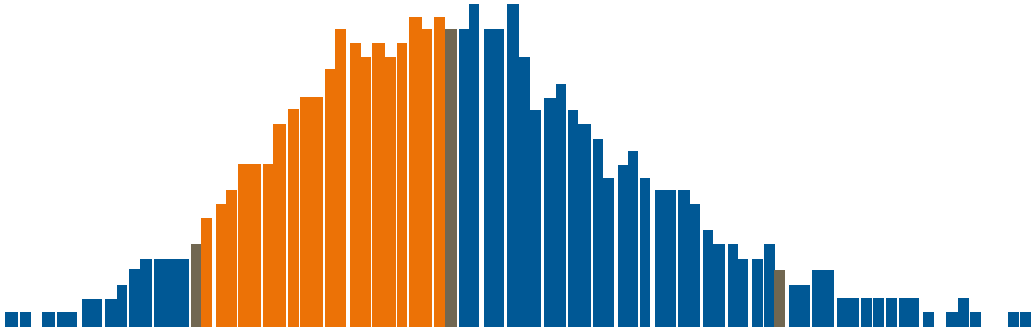
Risk groupings with economic and financial impact

Risk factors with an impact on the ebitda of the businesses and/or impact on the cash flow and balance sheet of the company.

Market/commodity, exchange rate and interest rate risk categories

Stochastic measure of the company's risk, taking as risk the maximum deviation of the market variables to which Naturgy is exposed (gas prices, electricity prices, exchange rates and interest rates) with respect to the reference scenario, according to a predetermined confidence level. Those magnitudes are generally ebitda, earnings after taxes, cash-flow and value.

- **Graphical representation of the distribution of the company's annual ebitda, its expected value and associated risk**

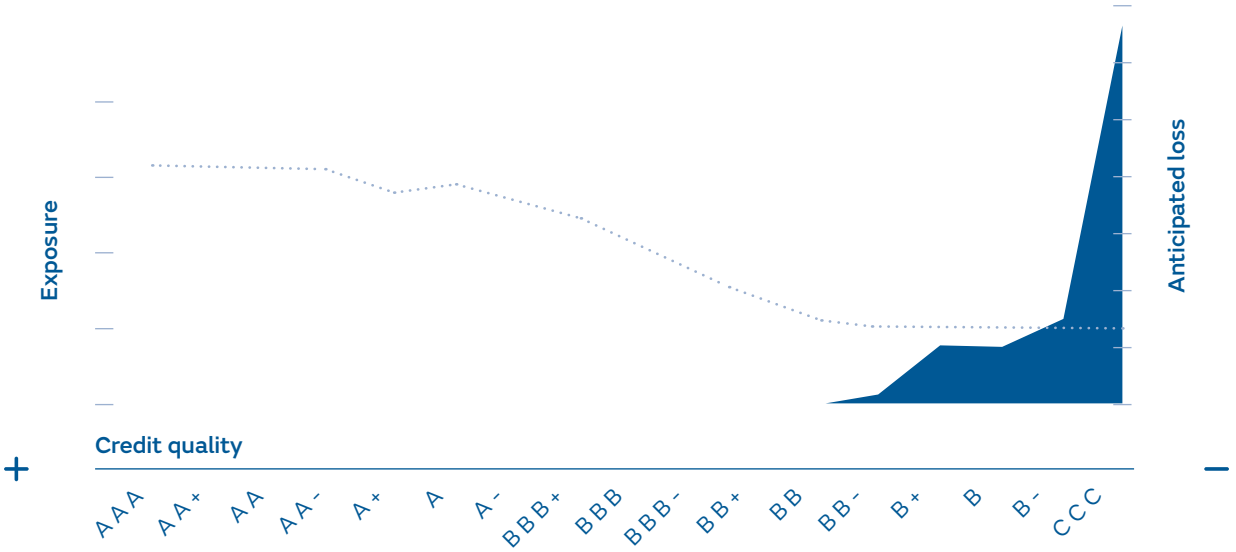


– Probability distribution. – Ebitda at risk. – 5%, 50% and 95% percentiles.

Credit risk

The minimum amount of capital required to be held by an entity as a proportion of its asset base to meet the potential for default and depreciation of assets, in accordance with regulatory agency standards. In Naturgy, the target credit risk profile and the target expected loss are objective. 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.

- **Distribution of the anticipated loss, which increases with the deterioration of customer credit quality**

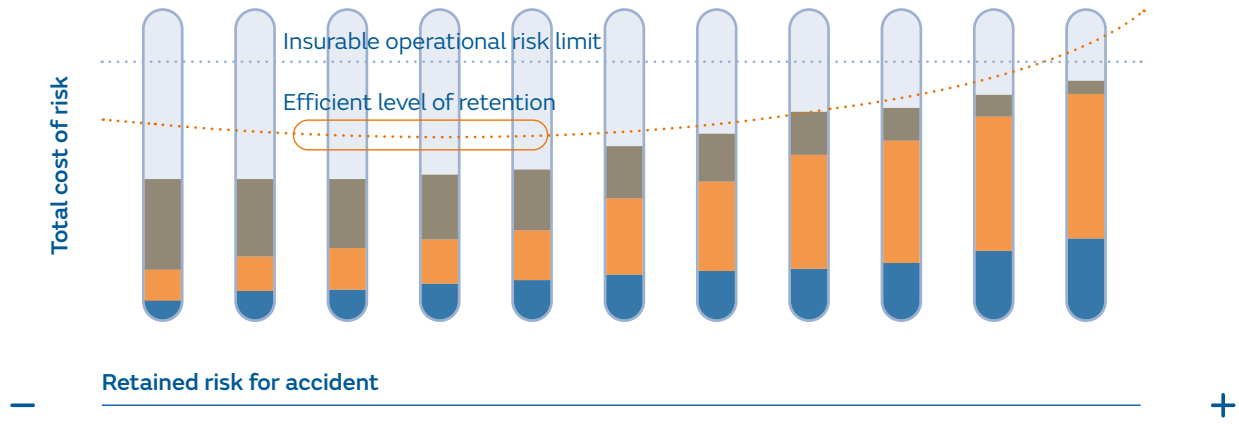


Insurable operational risk

Risk associated with accidents or fortuitous events affecting people and accidents, damage or unavailability of the company's operating assets, after the coverage by Naturgy's insurance program.

Its fundamental magnitudes with regard to management are the level of retention and the breakdown of overall costs associated with the risk: premium, expected loss and unexpected loss.

The insurable operational risk profile is characterised by the level of potential exposure whereby the materialisation of unforeseen events that can be mitigated through insurance policies has an impact on the equity of Naturgy. The quantification of such exposure is likely to be objectified by estimating the total cost of risk.



Regulatory, volume, margin/price, legal and tax risk categories

Deterministic measure of the company's risk, defined as the potential variation in ebitda due to various factors: adverse evolution of demand because of changes in temperature and/or macroeconomic worsening of a country, adverse revision of the regulatory framework of a business, impact on taxes due to uncertainty regarding the acceptance of the tax treatment adopted in the tax returns filed or expected to be filed and uncertainty regarding the probable potential outcome of litigation, arbitration or legal claims filed against Naturgy.

Risk groupings with operational and reputational/sustainability impact

Environmental risk

Risk associated with the possibility that environmental limits set by the regulator may be exceeded naturally or by human action, or that ecosystems or biodiversity may be damaged.

Naturgy has identified the environmental risks in its facilities by using the reference standard—UNE 150008 in Spain—as its basis. To prevent these risks, the company has introduced an integrated system of management which sets out the operational control and environmental management procedures. This system is audited in-house and certified and audited annually by AENOR. In addition, Naturgy has introduced emergency plans at facilities and storage premises at risk of an environmental accident, including an action plan, containment measures and regular drills.

The environmental risk is developed in detail in chapter "05. The opportunity of environmental challenges".

Climate change and energy transition risk

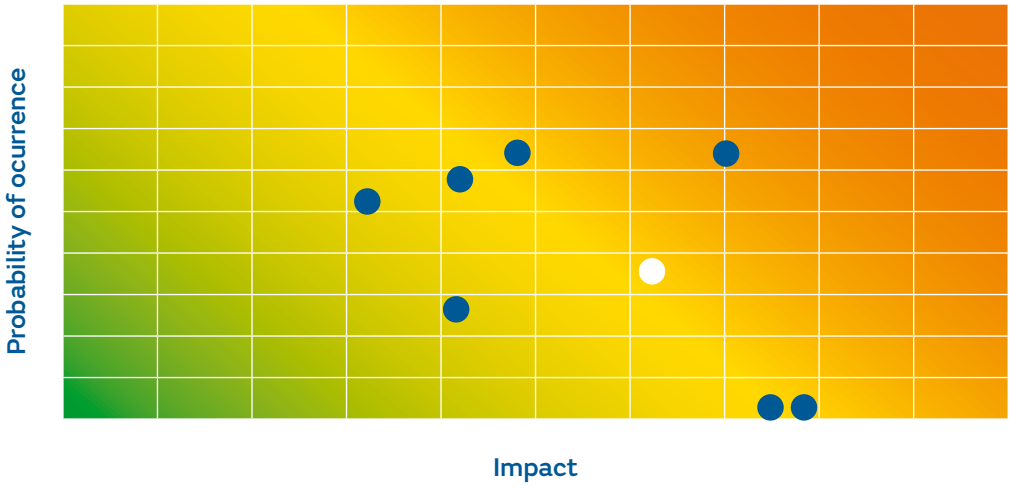
Risk derived from energy transition (regulation, market, technologies) and the physical impacts of climate change (acute and chronic).

In order to integrate the climate variable into Naturgy's risk and opportunity management and strategic planning, the identification, measurement and management of climate change risks and opportunities are conducted in accordance with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). The most outstanding result of this process in 2021 is the incorporation of climate change risks and opportunities in the strategic reflection process that has resulted in the new Strategic Plan 2021-2025, aligned with the international climate agenda.

The risk of climate change and energy transition is developed in detail in chapter "05. The opportunity of environmental challenges".

Risk categories of security, processes, fraud, cybersecurity, data protection, environment, customer satisfaction, health and safety, reputation, ESG, climate change and energy transition, compliance and people.

The risk position is evaluated by means of heat maps, defining critical factors for each risk category, quantifying both the likelihood of occurrence and the impact of each factor, guaranteeing the homogeneity of the criteria used in their measurement.



Description of emerging risks

Looking ahead, the company values emerging risks that may have a significant long-term impact on the business. In this regard, faced with uncertainty in the current domestic and worldwide economic outlook, the company seeks to position itself in countries that promote legal security, economic developments in stable macroeconomic environments that ensure steady growth that contributes to the generation of value and profitability of business and enterprise. In this way, Naturgy seeks to balance the weight of its businesses in its mix of activities, placing greater ambition on increasing the contribution of regulated activities and enhancing its more renewable profile.

The identified emerging risks that continued to be particularly significant for the company in 2021 were:

- Cybersecurity risk or digital information security.
- ESG (Environmental, Social and Governance) risks or responsible investment.

Cybersecurity risk or digital information security

Cybersecurity emerges as a consequence of an increasingly technological environment and a focus on progressive digitalisation. The increase in networked devices has forced organisations to establish new defence mechanisms to prevent attacks on the security of their information.

Potential impact on business if not managed properly:

- Loss of information due to theft of files vital to business operations.
- Phishing.
- Loss of trust.
- Loss of customers.
- Reputational damage.
- Stoppage of activity.
- Economic losses.

Mitigation actions carried out by Naturgy: see the Cybersecurity section in the Security and Privacy section.

ESG (Environmental, Social and Governance) investment risk or responsible investing

The consideration of ESG factors and sustainability criteria in decision-making, from an investment perspective, has taken on particular relevance in recent years. Its aim is to achieve profit without environmental, social and governance-related damage. This can be attributed to different trends:

- Increasing attention to the effects of climate change and other anthropogenic environmental impacts, especially due to the increased frequency and severity of extreme weather events.
- Change in the profile of the global investor (gender, age, interest in ESG factors, etc.).

Potential impact on business if not managed properly:

- Lower profitability, both in terms of business and investment, in the medium and long-term.
- Lower shareholder value.
- Less sustainable development.
- Negative social and environmental impact, along with a negative financial return.
- Worsening competitiveness.
- Worse assessment by analysts and investors.
- Increased costs of funding.

If properly managed, the impact would be the opposite, becoming an opportunity for the business.

Mitigation actions carried out by Naturgy:

- Promote renewable energies, renewable gas and energy savings and efficiency as key elements towards a low-carbon model.
- Offering solutions for cities and land and maritime transport that reduce emissions and improve air quality.
- Innovate in technologies and business models that help reduce greenhouse gas emissions.
- Supporting international climate change negotiations and market mechanisms that foster the development of the most appropriate technologies at each stage of the energy transition.

The environmental and climate risk is developed in detail in chapter “05. The opportunity of environmental challenges”.

Main opportunities

At Naturgy we see the energy transition as an opportunity to transform the business and promote the changes needed to achieve a low-carbon economy. Naturgy’s main opportunities are as follows:

- **Focus on stable, low-risk, strong-currency geographies** to capture growth in energy demand and maximize business opportunities in new markets.
- **Renewable generation:** increase in renewable generation capacity in line with the global energy transition.
- **Network operation and growth:** leveraged on solid regulatory frameworks and focused on continuous improvement, digitalisation and automation.
- **Technological development and innovation:** Naturgy is committed to innovation and development projects related to hydrogen, renewable gas, energy efficiency, sustainability, mobility and just transition, as a means of generating a reliable and sustainable energy supply.
- **Natural gas and LNG supply portfolio Natural gas and LNG supply portfolio:** continuous review and optimization of supply contracts, transition from oil price indexation to hub-based pricing, continuous risk management to ensure predictable cash flows, and adaptation of the LNG carrier fleet to enhance its flexibility.

4. Supply chain

What does this mean for Naturgy?
Risks and management approach

Suppliers and collaborating companies are key players in the optimum performance of the value chain of Naturgy, and the company therefore promotes relations based on trust, that are stable, sound and of mutual benefit, under the principles of transparency and risk management.

Naturgy establishes objective and impartial mechanisms of assessment and selection of suppliers, ensuring that the supply chain complies with the principles set out in the Supplier Code of Ethics, to which all suppliers have to adhere and the content of which comes from the Code of Ethics of Naturgy, from the Human Rights Policy, from the Health and Safety Policy, from the Environmental Policy, from the Anti-Corruption Policy, as well as the internationally acknowledged good governance principles.

The risks to the company extend beyond its activity, as it can be severely impacted by the inadequate performance of its suppliers and contractors in terms of the environment, health and safety, human rights, labour practices or corruption. The management of these risks is included in the global supply chain management model which is based on the assessment of the risk factors intrinsic to the outsourcing of a service or the supply of a product. This allows us to put in place controls to minimise risks and to ensure a level of compliance by suppliers that is equivalent to the requirements that the group satisfies in the activities it performs internally. This Risk Management Model is implemented globally and is discussed in more detail later in this chapter.

What is our commitment?

- Extending the culture of Naturgy to the supply chain, passing on the target of excellence in service, efficient use of resources and the company's principles of acting responsibly, and encouraging the incorporation of sustainability criteria in their daily management.
- Fostering compliance with the codes and policies of Naturgy in the supply chain, in particular in the area of human rights, ethics, health and safety and the environment.
- Encouraging the hiring of suppliers from the country or region where the company performs its activities against similar competitiveness in other locations, supporting the generation of a positive social impact.
- Fostering practices that encourage traceability and fair trade of raw materials at source.

Evolution and results 2021

	2021	2020
Total number of suppliers [1] [2]	**5,995**	6,553
Total purchase volume awarded [2] [3] (million euro)	**2,470**	1,955
Assessment of ESG suppliers [4] (number)	**6,101**	7,780
Number of critical suppliers [5]	**1,247**	1,458
Official-approval suspended suppliers (number)	**0**	2

[1] The decrease in the total number of suppliers is due to a decrease in activity as a result of the pandemic and the company's optimisation of resources.
[2] These data include information from Argentina, Australia, Brazil, Colombia, Costa Rica, Chile, Spain, Morocco, Mexico, Panama and the Dominican Republic. The rest of the supply chain indicators in the report do not include information from Australia as detailed information is not available.
[3] There has been a considerable increase in the volume of purchases awarded in Renewables and New Businesses and Innovation, in line with the company's 2021-2025 strategic plan.
[4] Environmental, Social and Governance (ESG). The ESG assessment of suppliers is carried out in the main subsidiaries of the group where the Achilles tool is implemented, through which the business classification of suppliers is performed. The number of ESG evaluated suppliers includes both awarded suppliers and potential suppliers that complete the classification in order to be able to participate in a Naturgy bidding process. The number of suppliers evaluated as ESG suppliers has decreased compared to previous years due to the disassociation of Chile CGE.
[5] Data from Australia and the Dominican Republic are not included.

	Target 2021	2021	2020
Purchase volume assigned to local suppliers [1]	>85%	**92.2%**	95.2%
Coverage level of ESG audits over purchase volume with high ESG risk	>65%	**72.2%**	69.6%
Percentage of purchase volume with acceptance of the Code of Ethics	>90%	**94.2%**	89.2%

[1] Local supplier: supplier located in the same geographical area where the purchases are made.

The supply chain of Naturgy

The company performs the procurement of works, goods and services, as well as the assessment, monitoring and development of suppliers in accordance with the general principles established in its policies, rules and procedures, as well as internationally recognised principles of good governance, ensuring a uniform, efficient and sustainable model that goes beyond regulatory compliance with legislation. In 2021, Naturgy set up trade relations with a total of 5,995 suppliers which accounted for a total expenditure of Euros 2,470 million. These data include information from Argentina, Australia, Brazil, Colombia, Costa Rica, Chile, Spain, Morocco, Mexico, Panama and the Dominican Republic. The remaining supply chain indicators in the report do not include information from Australia, which represents 18% of the total procurement volume awarded, as detailed information is not available.

Naturgy suppliers according to the nature of their activity

Approximately two thirds of the overall amount awarded corresponds to service suppliers that fundamentally take part in the following business areas:

- Development and maintenance of grids, both natural gas and electricity.
- Construction, operation and maintenance of energy plants.
- Commercial management services.

The remaining third corresponds to suppliers that provide materials required for the construction and maintenance of grids and plants, as well as those support services that complement the general activity. This activity was carried out mainly in Argentina, Australia, Brazil, Chile, Spain, Mexico and Panama, and to a lesser extent in Colombia, Costa Rica, Morocco and the Dominican Republic.

Management of the supply chain

Purchasing Model

The Purchasing and Supplier Management model introduces a management process with unified and overarching criteria for Naturgy's entire scope of operations. Key processes of the purchasing and supplier management functions are centralised, carrying out a global coordination that makes it possible to identify improvement opportunities.

The generation of positive social impact is supported by promoting the contracting of suppliers from the country or region where the activities are carried out, preserving the group's reputation and ensuring Naturgy's sustainable principles of action in the purchasing and procurement processes. In particular, in environmental, social and good governance matters, we guarantee ethical behaviour and human and labour rights, transparency, full and fair opportunity, respect for the interests of stakeholders, respect for the principle of legality and international standards of behaviour, focus on needs, integration and continuous improvement, among others.

The drivers and measures that activate Naturgy's purchasing model are the following:

Activators

Naturgy's policies and codes

- Corporate Responsibility Policy.
- Human Rights Policy.
- Anti-Corruption Policy.
- Purchase Policy.
- Suppliers Policy.
- Code of Ethics.
- Supplier Code of Ethics.

Preventive

Naturgy Standards and Procedures

- Supplier tree according to risk levelo.
- ESG risks matrix.
- Supplier classifications.
- Approval of suppliers.
- CSR Scoring.
- Reputational and economic-financial analysis.
- ESG audits.
- Environmental questionnaires.
- Performance monitoring.
- Development of suppliers.
- Reputational monitoring of suppliers.

Corrective

Naturgy Standards and Procedures

- Audit corrective action plan.
- Performance monitoring corrective action plan.
- Revoke classification or approval of suppliers.
- Termination of contracts or reduction of suppliers' workload.

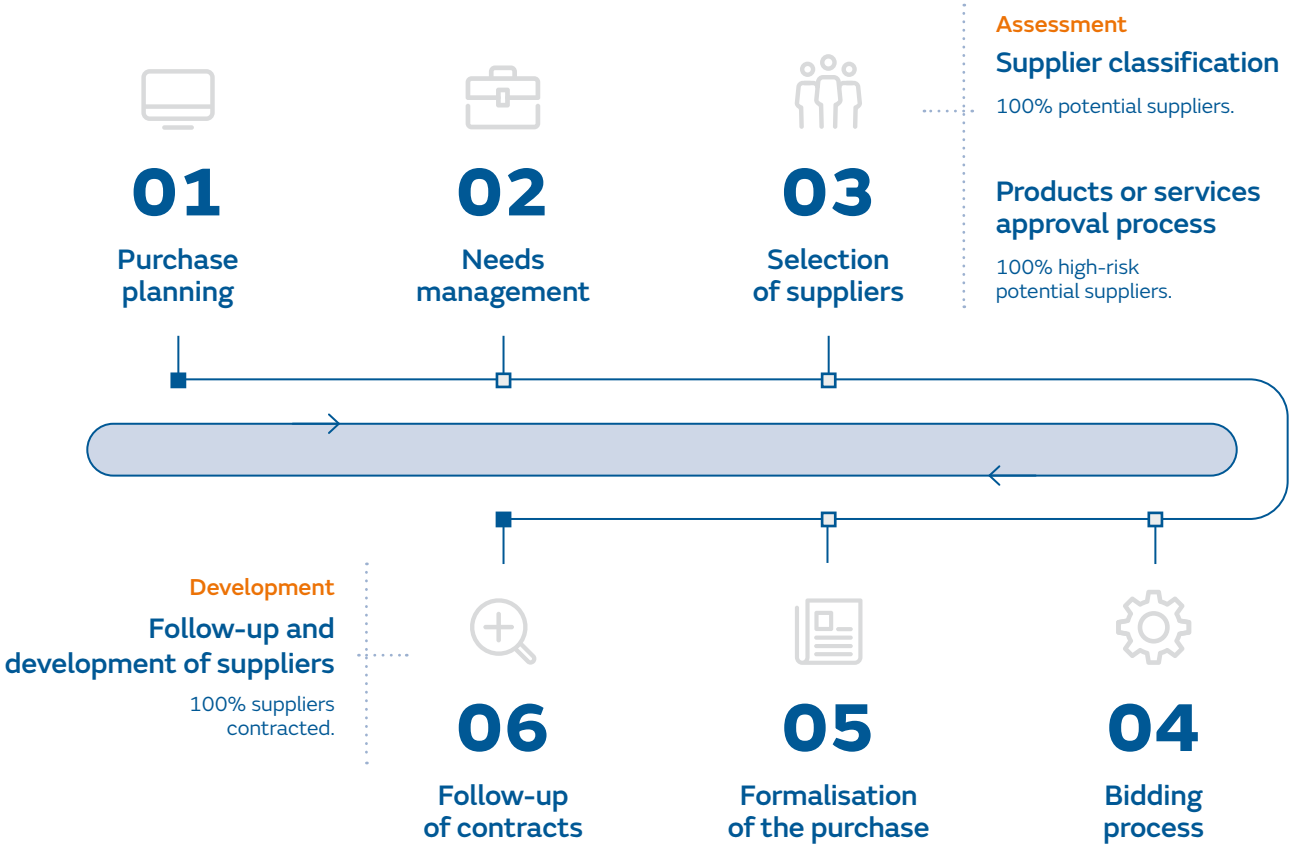
Elements to be highlighted in the management of the Naturgy supply chain

Corporate Responsibility Policy	It lays out the company's commitments, actions and indicators for responsible management of its supply chain.
Supplier Code of Ethics	Since 2016 all group suppliers have to adhere to the Supplier Code of Ethics. In this way Naturgy promotes the extension of the company culture to the supply chain.
Human Rights Policy	Naturgy's Human Rights Policy extends to the Supplier Code of Ethics. The assessment of suppliers includes issues related to human rights practices that are used to exclude suppliers in the event of an unsatisfactory response. In 2021, no breach of human rights at suppliers was detected.
Transparency in purchases and communication with suppliers	In terms of procurement, Naturgy is committed to ensuring free competition, objectivity, impartiality, transparency and traceability throughout the procurement process: - The use of secure electronic means for management of all tenders brings greater transparency to the procurement process and ensures information traceability. - Communication channels have been established with the supplier that facilitate access to all the information necessary for their participation in the procurement processes: ▪ A specific section for suppliers on the Naturgy website. ▪ The Supplier Portal, an online platform for transferring technical regulations to the supplier, notifying updates and managing orders. ▪ The Supplier Channel is the online tool available to the supplier to sort out any doubts or incidents or for any queries or suggestions.
Reporting channel	All suppliers, contractors and external collaborating companies can contact the Ethics and Compliance Committee of the company through the web channel published in the Naturgy Supplier Code of Ethics.

> In terms of procurement, **Naturgy is committed to ensuring free competition**, objectivity, impartiality, transparency and traceability throughout the procurement process.

Supply chain management process

In order to promote responsible management in the supply chain, Naturgy establishes a procurement process that aims to meet the needs of goods and services efficiently. It covers all stages of procurement from identification of the need for a good or service to the follow-up of the management of contracts or orders. Procurement will be based on unified and universal contractual conditions for the entire scope of the group's activities, which include, among others, social and environmental clauses, anti-corruption clauses and ethical practices. The general terms and conditions of contracting and the country specific conditions are published on the relevant group websites.



Policies and procedures for supervising the management of subcontracted activities

Lines of action	Description
Global Outsourcing Policy	It sets out the general principles which have to be applied to all awarding or procurement of works, goods and services carried out by the group, guaranteeing a uniform, efficient and quality model for managing the procurement process in Naturgy.
Global Suppliers Policy	It represents the principles of the processes of assessment, approval, monitoring and development of suppliers. It guarantees sustainable management of the supply chain, identifying and assessing risk factors, evaluating suppliers and ensuring compliance with Naturgy's corporate social responsibility commitments. General principles include promoting responsible supply chain management and ensuring the group's sustainability principles in purchasing and contracting processes. In particular, in environmental, social and good governance matters, we guarantee ethical behaviour and human and labour rights, transparency, full and fair opportunity, respect for the interests of stakeholders, respect for the principle of legality and international standards of behaviour, focus on needs, integration and continuous improvement, among others.
Counterparty Due Diligence Procedure	It is designed to cover the main legal and reputation risks involved in business relations with third parties, and, in particular, covering misconduct associated with the risk of corruption.

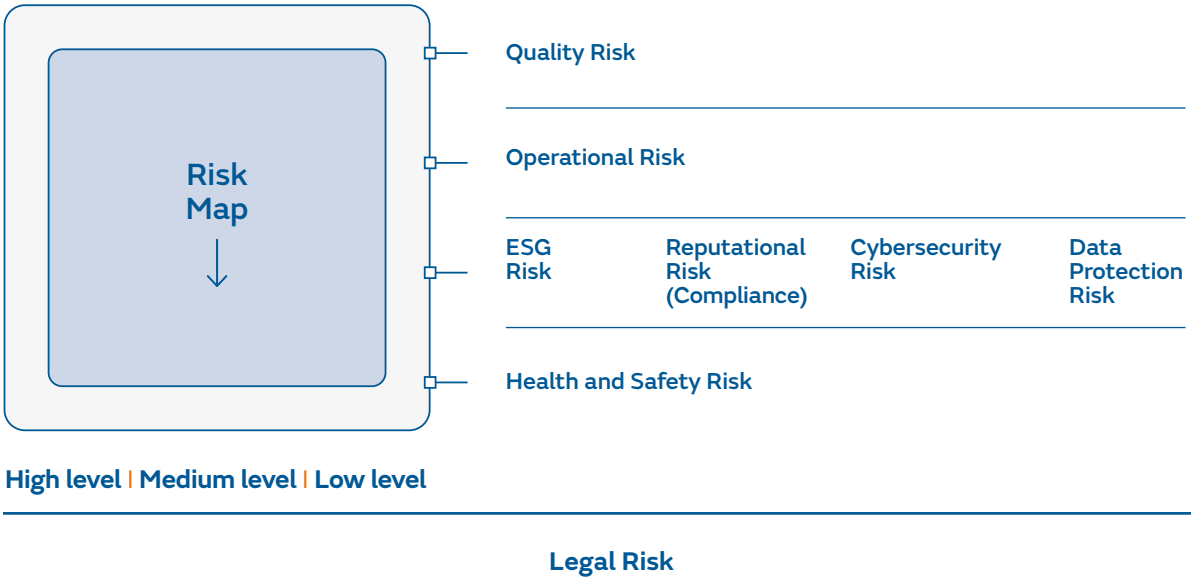
Risk management of the supply chain

The process of global supply chain management is based on the assessment of risk factors that are intrinsic in outsourcing a service or supply of a product. This allows us to put in place controls to minimise risks and to ensure a level of compliance by suppliers that is equivalent to the requirements that the group satisfies in the activities it performs internally.

The risk factors considered are:

- Health and Safety Risk: assesses the potential risk of incorrect performance or failure of the service/product and the impact it would have on the life or physical integrity of people.
- Quality Risk: impact on Naturgy if the supplier fails to comply with the expected or agreed quality levels, which could lead to service/product failures, delays in execution or delivery times, increased costs or low customer satisfaction.
- ESG Risk: assesses the existing risk of acquiring products and/or contracting services that are not environmentally friendly, are manufactured or generated in socially unfair conditions, or with ethically incorrect labour practices, and that could generate undesired consequences such as unsuitable spills or emissions and a negative impact on the environment or people.

- Legal Risk: possibility of infringements and breaches by suppliers of laws, rules and practices that apply to them. To contract a supplier and for the contractual term, it is compulsory to prove compliance with the remuneration, tax and workers' rights obligations, as well as to provide the civil liability coverage required in accordance with the product or service contracted for which vicarious liability may be claimed.
- Reputational Risk (Compliance): refers to the potential reputational damage that could result from the perpetration of a fraudulent or anti-competitive act by a supplier, contravening the ethical standard of compliance established in the Naturgy Supplier Code of Ethics. The impact on reputation is a consequence of collusive actions and behaviour or fraudulent competition (including the duty to inform the contracting authority of the existence of conflicts of interest) that fail to respect the principles of equality, free competition, transparency and integrity, and may lead to undesirable consequences such as exploitative labour practices, negative publicity, cost overruns in the construction and maintenance of facilities.
- Financial Risk: assesses the economic impact on operations that may be incurred by the group in its service to customers as a result of a lack of continuity in supply or the deterioration of a good or service by suppliers that have been awarded contracts.
- Cybersecurity Risk: assessment of the risk inherent in the processing of information assets, knowledge or data that are of value to the group and that could result in the failure of strategic infrastructures, leakage of confidential information, or technological and telecommunications interruptions.
- Data Protection Risk: this is the risk to the rights and freedoms of natural persons arising from the processing of personal data and which may cause physical, material or immaterial damage.



With the risk assessment of the 323 purchase categories that are managed worldwide, and after assessing the risks of 50 countries where the company usually contracts, we obtain the risk of each purchase category in accordance with its activity and the country where the activity is conducted.

This combination allows us to assign a high, medium or low risk to each purchase category, which is integrated into the map, thus obtaining the risk of each purchase category by country.

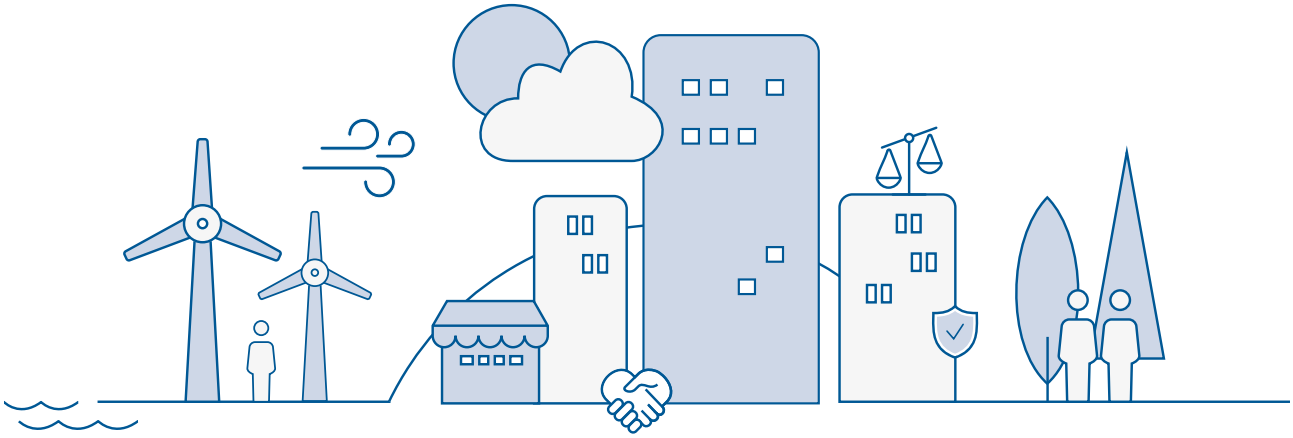
The company considers as critical suppliers those suppliers with a high level of risk in any of the assessed risk factors associated with the purchase categories they supply (Operational, ESG, Health and Safety, and Quality).

In 2021, the number of suppliers with a valid contract in critical activities was 1,247, representing 59.5% [2] of the purchase volume. In addition, the company has identified 55[1] non-tier 1 critical suppliers, mainly corresponding to purchase categories of critical products that represent 1.6%[1] of the overall purchase volume.

Naturgy assesses the ESG risk using a matrix that takes into account 20 environmental, social and good governance aspects of each of the purchasing categories and countries in which it operates.

[2] Does not include data from Australia and the Dominican Republic.

Process map and sustainability criteria included in the ESG risk matrix



01
Risk Factors Environment

Climate change.
Pollution.
Biodiversity.
Water.
Soil.
Landscape · Territory · Heritage.
Consumption of resources.
Waste.

02
Risk Factors Good Governance

Fraud.
Corruption.
Competition.
Terrorism.
Professional ethics.
Regulatory compliance.

03
Risk Factors Social

Community well-being.
Human Rights.
Employee rights.
Data protection.
Safety and quality of products.
Freedom.

→ ↓ ←

ESG Risk Map (activity/country)

High level | Medium level | Low level

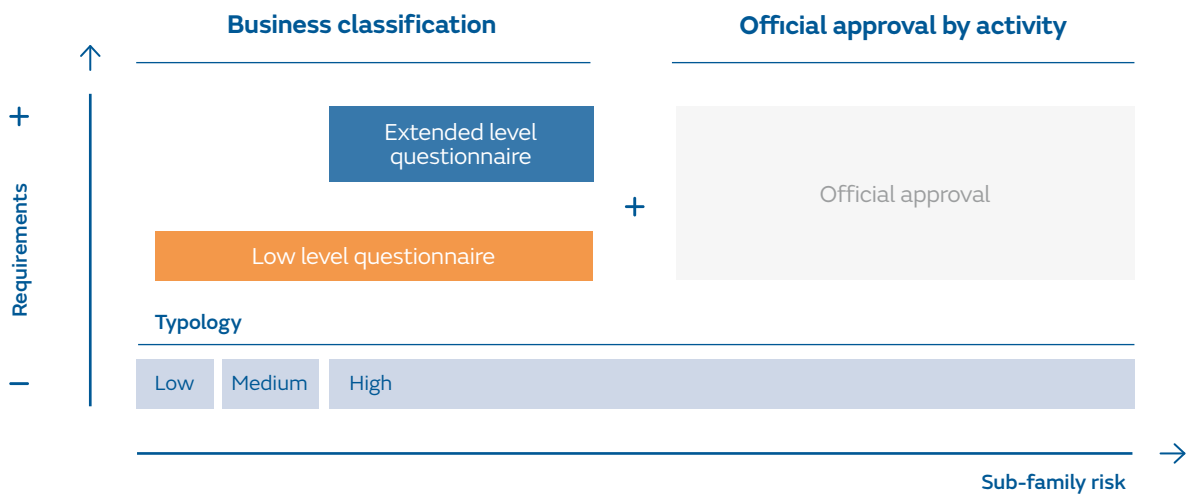
In this way, Naturgy identifies the suppliers with high risk in sustainability, considering those that reveal a high risk level in the Health and Safety and ESG factors. In 2021 the number of suppliers in this category was 451[3] , representing 43.9%[2] of the total purchase volume. 96%[2] of these suppliers present a high Health and Safety risk as this is the predominant factor due to the nature of the activity carried out by Naturgy, construction, operation and maintenance of natural gas networks, electricity networks and power stations.

[2] [3] Does not include data from Australia and the Dominican Republic.

Assessment of suppliers

Supplier assessment consists of business classification and approval processes by activity. Both processes are set out in the risk map by purchase category.

Risk map by purchase category



Business classification of suppliers

This process is based on the assessment of compliance at business level of what is required by Naturgy in the different risk factors, in order to participate in the procurement process of goods and services. All suppliers must pass this process before maintaining commercial relations with Naturgy.

The business classification model of suppliers establishes a basic level for suppliers with medium and low risk that ensures their adherence to the Naturgy's Supplier Code of Ethics and the declaration of compliance with the main legal, tax, organisational, environmental, social, health and safety, cybersecurity, compliance, quality and personal data processing criteria required by Naturgy. The extended level, for high-risk suppliers, additionally requires an extended questionnaire and evidence of financial, sustainability, health and safety, and compliance information. The classification is managed by registering on the Achilles platform - supplier classification system - and critical suppliers are required to register in the RePro Community of the energy sector in Southern Europe and South America.

Suppliers who do not answer satisfactorily to the minimum requirements will be considered unsuitable to work with Naturgy.

In 2021 Naturgy has conducted the ESG assessment of 6,101 suppliers, including potential and active ones, which have to be assessed on an annual basis. The number of suppliers assessed has increased due to the modification of the business classification process for suppliers, which has favoured the agility and completion of this process by suppliers and the company's promotion of this classification in countries with low-registration percentages.

The result of the process shapes a suppliers tree in which they are classified in accordance with the categories for which they are able to supply services or products, and for which they have been rated as suitable with regard to the associated risk. The weight of sustainability issues raised to high-risk level suppliers during the business classification process represents 60.7% of the total and compliance issues represent an additional 23.4%.

For high-risk suppliers, Repro has a specific sustainability and compliance module and an objective scoring system that classifies suppliers into five categories -excellent, high, medium-high, medium-low and low-. Suppliers in the last two categories receive customised reports with recommendations for improvement. In 2021, in addition to Spain, it has been implemented in Mexico and Panama, and deployment has begun for its implementation in Argentina and Brazil.

The high risk rating process also includes the assessment of criminal, privacy and cybersecurity compliance issues through a compliance rating and corresponding customised recommendation report for each supplier.

In accordance with the company's Health and Safety Commitment, specific regulations have been introduced to classify the health and safety risk of suppliers, by defining objective aspects and assessment criteria, requirements for classification, selection and evaluation of bids in award processes.

Official approval and management of supplier quality

Naturgy has introduced the goal whereby all suppliers that perform critical activities—through being defined with a high risk in any of the ESG, Quality and Health and Safety risk factors—must be approved.

The approval process is based on audits conducted at the supplier's facilities or by distance depending on the critical nature, to check compliance with the specific requirements defined for the service or material. Any non-compliances detected during the audits lead to corrective actions that the supplier must introduce within the deadlines agreed between Naturgy and the supplier, and this deadline is always less than one year.

Naturgy also approves the non-tier 1 suppliers corresponding to categories of purchase of critical products, over which audits are conducted based fundamentally on quality-related aspects.

In 2021, 757 audits were performed on suppliers and sub-suppliers, of which 81 were conducted at the supplier's facilities (17 audits of approval and 64 inspections at source). If anomalies arise in the approval process, this may lead to a plan of corrective actions, or to the non-approval of the supplier, which would prevent such supplier from performing this activity for Naturgy.

82% of the approval audits carried out at the suppliers' premises has resulted in the need to submit a corrective action plan. On the other hand, in 2021, no supplier's approval has been suspended or withdrawn for non-compliance with safety, quality and other requirements.

Monitoring, follow-up and development of suppliers

Monitoring of suppliers

• Criteria considered in monitoring

Corporate image and reputation	Since 2019 Naturgy has been monitoring online the reputation risks of the portfolio of suppliers with whom it maintains commercial relations. A screening tool has been used to detect exposure to counterparty reputational risk and to make decisions based on the risk detected in coordination with the Compliance Unit. The monitored supplier base amounts to 9,087 at the end of 2021. In no case has there been evidence of an impact that has placed these suppliers at high or very high risk. In addition, reputational due diligence is performed on suppliers to analyse the alignment with Naturgy's corporate responsibility commitments. Based on the findings, the risk and the actions to be carried out are assessed. In 2021, no supplier was disqualified on the grounds of fraud or unethical practices.
Economic-financial information	The main potential or active suppliers of Naturgy are analysed from the economic-financial point of view in order to prevent contractual breaches by suppliers. In addition, in the assessment process the supplier's economic dependency ratio is measured with respect to Naturgy and is taken into account in the supplier's global scoring that can be used in the supplier's valuation during the contract award strategy.

Monitoring of suppliers

• Monitoring mechanisms

Environmental specifications	Naturgy has developed specific environmental specifications for suppliers and contractors that are attached to the corresponding contracts, based on the purchase category supplied and which include minimum environmental management requirements for application and monitoring during procurement. 46.7% of the purchase volume from critical suppliers has an environmental management system with external certification [(4)].
Performance	This is carried out with the most relevant suppliers and involves carrying out performance assessments to measure the operating units' level of satisfaction with suppliers and detailed aspects concerning quality, health and safety, operations and ESG

[(4)] Does not include data from Australia and the Dominican Republic.

Continues ›

Performance	For those suppliers who perform activities classified as high risk, health and safety performance is measured using objective metrics and the method set out in Naturgy's "Health and Safety Standard: Assessment of performance of collaborating companies in health and safety issues". Thus, corrective actions are carried out on those suppliers whose assessment does not reach the standard set by the company. In 2021, 954 performance assessments were conducted on suppliers from Argentina, Brazil, Chile, Mexico, Spain, Panama and the Dominican Republic, with a total of 649 suppliers being assessed. The results and classification obtained are reported to the affected internal units of the company, also specifying their weak points and where they need to improve. In 2021, action plans have been agreed with 85 suppliers whose score in the performance measurement proved insufficient.
ESG audits	For suppliers classified as having a high level of risk, documentary evidence is required, and for those whose assessments of financial risk, occupational risk prevention, reputation, compliance and corporate social responsibility criteria do not exceed the objective parameters established by the RePro Community, audits are carried out from the point of view of corporate responsibility. In 2021, ESG on-site audits were carried out on 663 of the group's suppliers. In addition, Naturgy carries out ESG audits on the suppliers classified as having a high ESG risk with the highest purchase volume. In 2021, 72.2% [3] of high ESG risk purchase volume was audited. **NB:** due to the situation caused by COVID-19, some of the audits that were carried out on site before were performed remotelya.

In the case of suppliers of critical purchasing categories with current contracts, the self-assessment and quality control mechanisms are agreed upon prior to the delivery of products or services; monitoring audits are carried out based on the level of risk in the purchase category; equipment calibration control is carried out and there is verification that personnel performing high risk activities are authorised or certified to carry out the same through accreditations or identification.

The products corresponding to critical categories are also subjected to inspections, technical acceptance and Factory Acceptance Test (FAT) at the production centres.

Development of suppliers

Naturgy's Corporate University, through its Extended Academy (EA), offers a wide range of training to external collaborating companies, customers and suppliers of Naturgy, both technical as well as management, enabling companies to improve their operating efficiency, incorporate innovative methodologies and develop skills focused on excellence in operations and service.

The EA thus contributes to the establishment of a common planning and management model, favouring the professionalisation of companies that participate in the Naturgy value chain, with a recurrent activity of more than 9,000 annual participants and 15,000 hours of training.

Likewise, the relationship with strategic suppliers is managed in order to strengthen partnerships, in an environment of collaboration and efficiency, sharing information, aligning strategies, seeking continuous improvement and promoting innovation. The number of unique participants in 2021 was 5,694.

5. Security and privacy

Privacy and security of data

Naturgy has defined an Information Security Policy that ensures proper processing of this data throughout its life cycle, from collection and processing through to removal or safeguarding this data once the relationship with the customer has terminated.

This policy is communicated to employees, suppliers and customers, and is implemented through a regulatory corpus in line with the legal requirements that govern the processing of information and the internationally accepted best practices and standards. This regulatory corpus includes the technical standard, which is for the purpose of guaranteeing the protection of personal data at Naturgy, and applies to all organisational units and companies of the group that capture or process personal data, as well as partners and suppliers that collaborate in such processing.

Naturgy complies with the provisions of Regulation (EU) 2016/679 of the European Parliament and the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and the free movement of such data, and with the provisions of Organic Law 3/2018, of 5 December, on the Protection of Personal Data and the guarantee of digital rights, as well as with the other provisions on data protection, to guarantee the protection of data of a personal nature of its directors, employees, customers, suppliers, shareholders, investors and other stakeholders.

Naturgy, when it is the data controller, performs as many actions as necessary to comply with the legislation on data protection, which include the following, for merely illustrative purposes:

- It processes personal data in a lawful, sincere and transparent manner.
- It collects data for specific, explicit and legitimate purposes.
- It minimises the data subject to processing.
- It updates the data, providing data subjects with simple systems for this update.
- It limits the data storage periods.
- It applies appropriate technical and organisational measures to guarantee the security, integrity and confidentiality of the data.
- It obtains the consent of the data subject for processing whenever necessary.
- It introduces simple and adequate mechanisms so that the data subject, directly or through their legal or voluntary representation, can exercise their rights pursuant to prevailing legislation.
- It chooses data processors that offer sufficient guarantees to apply appropriate technical and organisational measures so that data processing is carried out in compliance with the requirements of relevant legislation. In addition, it signs agreement with these data processes through which the data processor will only process data in accordance with the instructions given by the data controller, and will not apply the data or use them for any purpose other than the one set out in this agreement, and will not disclose them, even for safeguarding purposes, to third parties.
- It keeps a record of data-processing activity.

- It carries out the impact assessments it deems appropriate.
- It has a collegiate body that acts as Data Protection Officer.
- It makes the appropriate queries with the Spanish Data Protection Agency (AEPD) in issues of international transfers of personal data.
- It performs audits to guarantee compliance with data protection regulations.

In 2021, Naturgy received 37 requests from the Spanish Data Protection Agency which, after being duly answered, were finally rejected by the administration.

	2021	2020
Requirements received from the Spanish Data Protection Agency (AEPD)	**37**	14

Pursuant to Article 32 of the GDPR, which addresses security measures and technology, Naturgy adopts the technical measures designed to safeguard the security of personal data and to prevent them from being altered, lost, or being processes or accessed in an unauthorised way to guarantee the confidentiality, integrity and availability of the data.

In addition, there are procedures for updating and correcting new vulnerabilities of systems, to propitiate better proactive conduct in the prevention of security incidents, and in the analysis and management of information security risks.

Cybersecurity

Cybersecurity Governance/IT Security

The increase in risks and threats, as well as the fact that, in Spain, the infrastructures managed by the company are considered critical, make cybersecurity management a priority issue. In this regard, Naturgy has a global cybersecurity governance system for the entire organisation.

This matter is supervised by the Board of Directors, whose directors have profiles and knowledge in the information technology sector, which favours an overall view of these matters.

Cybersecurity is managed transversally throughout the organisation through the corporate function (Global Head Chief Information Security Officer), responsible for ensuring the correct strategic alignment of the policies and regulations applicable in each of the businesses, which in turn have specific cybersecurity officers (Business Information Security Officers). The corporate cybersecurity function is spearheaded by the Chief Information Officer, who is part of Naturgy's Management Committee.

Naturgy uses the BitSight Index, which allows organisations to examine their cybersecurity and compare it with that of other companies to determine the level of performance in this area. This indicator is changing the way organisations manage their information security by providing objective, verifiable and actionable security scores.

Naturgy achieves an average score of 690 on this index, which is based on a scale of 250 to 900, with 250 being the most basic and 900 the most advanced.

Finally, Naturgy maintains relations with third parties in the field of cybersecurity, such as the National Institute of Cybersecurity or the European Commission, participates in sectoral forums and collaborates with companies in the sector or others engaged in providing cybersecurity services.

Cybersecurity measures

Naturgy has an updated Cybersecurity Plan in accordance with the latest requirements and threats in this area. This plan seeks to increase the prevention, protection and investigation of cyber-attacks and, accordingly, to strengthen the company's resilience in digital environments in order to ensure the protection of all Naturgy's information assets. The plan is globally applicable and is based on three fundamental pillars: people, processes and technology.

In order to align its own requirements with regulatory requirements, Naturgy has a body of regulations that establishes the basic lines of action that must be complied with by employees in terms of information security. These regulations are updated periodically and a series of international standards and good practices, such as ISO 27001, NIST SP 500-53 or ISA 62441, are used as a control framework.

In order to integrate cybersecurity into projects from the early stages, Naturgy has a technical office of security projects that helps to include cybersecurity from the conceptualisation and design of projects. In this way, security baselines are defined based on international standards and best practices, such as ISO 27001, NIST SP 500-53, ISA 62441 or CCSA (Cloud Certification).

In relation to cyber-intelligence tasks, during 2021 the capabilities of the CyberSOC (Security Operations Centre) have been expanded, integrating new sources of cyber-intelligence and new use cases to ensure early detection of potential incidents and minimisation of potential damage with optimal responses. In addition, roles and responsibilities have been assigned in a global incident response plan—aligned with the crisis management plan—and end-user protection tools have been deployed. The capabilities of the threat hunting team, which analyses the environment, identifies new attack trends and thus enriches SOC's capabilities, have also been expanded.

In addition, Naturgy proactively performs, with the support of leading third parties in cybersecurity, periodic attack simulation exercises to prevent and resolve potential vulnerabilities and certify the robustness of the company's processes and systems.

On the people side, training and awareness is a critical factor in embedding a deep culture of cybersecurity in the organisation. This is why in 2021 we have continued with the mandatory training in cybersecurity through renewed and updated content. In addition, three simulated phishing campaigns have been carried out to assess the level of awareness of employees and through personalised feedback to each participant, help to increase it.

Regarding the extension of the principles to the supply chain, Naturgy establishes cybersecurity criteria that are required in the processes of procurement or contracting third party services, and a qualification evaluation system is being implemented for the main suppliers that process company information.

Cybersecurity process and infrastructure

Naturgy has an incident response procedure that determines how to execute the global coordination of cybersecurity incidents based on the nature and criticality of the incidents that are managed, both locally and globally.

In the event of a cyber incident, and depending on its level of criticality, Naturgy mobilises and executes the appropriate levels of response, thus limiting its impact on the group, the value of the share, service provision and customer confidence.

The procedure is based on the incident management documentation developed by NIST(National Institute for Standard and Technology - Special Publication (SP) 800-61).

In addition, the company has a Contingency and Business Continuity Plan, which regulates the mechanisms to be implemented in the event of a serious security incident. These mechanisms help maintain the service level within predefined limits, establishing a minimum recovery period, analysing the results and reasons for the incident, and thus avoiding the interruption of corporate activities. The plan mitigates the financial impact and loss of critical information, as well as the reputational aspect.

Every year, Naturgy conducts cybersecurity incident response simulation exercises for each of the geographies and businesses.

It should be noted that the information systems infrastructure and information security management systems of the Naturgy Group are audited annually by external auditors during the auditing process. Additionally, we carry out an annual cyberassessment (for each business and geography), which allows us to evolve our maturity level year after year, proposing and executing new lines of improvement.

Protection of strategic assets at Naturgy

In compliance with Law 8/2011, Naturgy was designated in 2014 as a critical operator, defining a specific protection model for its Critical Infrastructures (CI). In addition, and in compliance with Royal Decree Law 12/2018, it was designated in 2018 as an essential services operator, as its Critical Infrastructures depend on information networks and systems, integrating the requirements established in that Decree Law into the protection model.

Throughout 2021, the corporate Security and Cybersecurity units have monitored and supervised the processes established to protect their critical infrastructures, performing actions for the review/updating of applicable documentation, managing the incidents detected and maintaining dialogue with businesses, with the National Centre for the Protection of Critical Infrastructures (CNPIC), with the National Institute of Cybersecurity (INCIBE-CERT) and with other public and private bodies involved in Critical Infrastructures.

During 2021 there have been no incidents of non-compliance in the group.

Integrity of gas supply infrastructure

	2021					2020				
	Spain	Argentina	Brazil	Chile	Mexico	Spain	Argentina	Brazil	Chile	Mexico
Cast iron or puddled iron distribution pipes (%)	**2**	**0**	**2**		**0**	2	0	2		0
Unprotected steel distribution pipes (%)	**0**	**0**	**5**		**15**	0	0	5		14
Gas transmission pipelines inspected (%)	**100**	**100**	**20**		**N/A**	100	100	43		N/A
Gas distribution pipelines inspected (%)	**51**	**67**	**80**		**92**	49	68	61		90

NB: no data available for Chile.

Among the efforts made by the company to manage the integrity of the gas supply infrastructure, the actions carried out in Brazil and Mexico in recent years stand out:

- Creation of an instrumented inspection plan in transmission networks.
- Creation of maintenance plans for analysis of coatings in transmission and distribution networks.
- Creation of leak detection plans in distribution and transmission networks.
- Periodic monitoring of the cathodic protection system through a remote management system.
- Follow-up of maintenance indicators through periodic meetings.

Naturgy owns 100% of the site of the José Cabrera nuclear power station, a facility that operated between 1968 and 2006 with excellent results in the areas of nuclear safety, radiation protection and waste management. Since February 2010, the facility has been run by ENRESA, a Spanish public company that is proceeding, in accordance with national standards, to dismantle it.

In addition, Naturgy has the following ownership in the Almaraz I and II nuclear power stations and the Trillo nuclear power stations:

Unit	Thermal power (MWt)	Ownership (%)
Trillo	3,010	34.5
Almaraz I	2,947	11.3
Almaraz II	2,947	11.3

In November 1999, the companies owning the Almaraz and Trillo nuclear power stations set up the Economic Interest Group known as Centrales Nucleares Almaraz-Trillo, A.I.E. (CNAT), for the integrated operation, management and administration of both plants, maintaining unchanged their ownership stakes in each of them.

The production of electricity in nuclear power stations is a highly regulated activity. There are numerous national and international bodies working together with operators to define and implement effective management models that make this form of energy production a benchmark in terms of safety, reliability and respect for people and the environment.

Naturgy participates, either directly or indirectly through the coordination organisation of Spanish nuclear operators in the Nuclear Energy Committee, in international organisations of recognised prestige in the nuclear field, as well as in various national forums related to nuclear R&D, in order to ensure excellence in the operation of these assets and to guarantee the production of electricity with high levels of safety.

No other considerations should compromise the security of the company's facilities. This premise demands a commitment to a "safety culture" where safety issues are given the maximum attention they deserve because of their significance. Safety, understood in its broadest sense, encompasses aspects such as operational safety, radiation protection, respect for people and the environment, occupational risk prevention, maintenance of the physical safety of the facilities, safety and risk assessments and on-going worker training.

CNAT has safety policies, supported by Naturgy, based on a “safety culture” that ensures:

- All the people who work at CNAT are true protagonists of prevention, and it is up to the management and middle management to take the lead.
- The health of all employees and the continuous improvement of the quality of their working life are guaranteed.
- All accidents can and must be avoided. Risk control is always a good investment.
- Training, information, consultation and participation of workers are essential elements of the company’s prevention policy.
- Prevention forms part of all the activities of the organisation.
- The coordination of business activities is established and included in the corresponding procedures.
- Every accident and incident needs to be investigated and used as a source of learning. Any unsafe action or unsafe practice must be recognised, analysed and corrected.
- Compliance with prevailing legislation is ensured, both with regard to our own staff and that of contractors, subcontractors and suppliers.

In terms of quality, CNAT’s commitment has been recognised by the Spanish Association for Standardisation (AENOR) through the awarding of the official certificate proving that the quality management system complies with the UNE EN ISO 9001:2015 standard for the production of electricity from nuclear energy. In 2020, AENOR carried out a follow-up audit of the certification with a satisfactory result. Furthermore, CNAT complies with the quality standard of reference in the nuclear sector, the UNE 73401 on quality assurance at nuclear facilities, which is the basis of the quality assurance manual, the requirements of which are permanently audited by the Nuclear Safety Council (CSN).

CNAT has had its environmental management system certified by AENOR since 2005, in accordance with the international standard UNE-EN-ISO-14001:2015. In 2021, the follow-up audit of the certification of the environmental management system of AENOR INTERNACIONAL S.A.U. was carried out. This certificate was renewed for the last time in 2020 and is valid until 2023.

Naturgy

Transforming together

At Naturgy, **we're transforming** together, for a more sustainable society.

4

The opportunity of environmental challenges

4.
The opportunity of environmental challenges

Naturgy's contribution to the SDG

What does this mean for Naturgy?
Risks and management approach

At Naturgy, business management is only understood to be linked to a commitment to sustainability, materialised in specific, ambitious and measurable objectives in the company's Sustainability Plan. This plan, whose guidelines contribute to the United Nation SDGs, is the backbone of the new Strategic Plan 2021-2025.

Climate change is the great global challenge of the 21st century, and to face it, the transformation of the energy sector is essential. Energy transition is seen as a real opportunity for Naturgy, as reflected in the new Plan. Proof of this is the company's commitment to achieve carbon neutrality by 2050 at the latest, reducing total GHG emissions, scope 1, 2 and 3, in accordance with the 1.5ºC - 2ºC pathways of the Paris Agreement, under the principles of a just transition. To this end, the bulk of investments will be concentrated on activities eligible under the EU Taxonomy:

- New renewable generation facilities, with the objective of reaching an installed capacity of almost 60% by 2025.
- Carbon-neutral renewable gases, driving new projects with a target of injecting into the gas networks at least 1 TWh by 2025.
- Smart and adapted energy grids to play a key role in the energy transition.

Similarly, biodiversity protection, as part of the climate change problem, is another strategic priority of the new Plan.

What is our commitment?

Naturgy has policies for sustainable environmental development. The Corporate Responsibility Policy is the highest ranking policy and sets out the commitment to contribute to 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 and adaptation of climate change through low-carbon and renewable sources of energy, encouraging savings and energy efficiency and the application of new technologies.
- Integrate environmental criteria in business processes, new projects, activities, products and services, as well as in the selection and evaluation of suppliers.
- Minimise the adverse effects on ecosystems and promote the conservation of biodiversity.
- Promote the efficient and responsible use of energy and natural resources, establishing activities to improve their management in the framework of the circular economy.
- Guarantee the prevention of pollution through continuous improvement of technologies and using the best techniques available as well as analysing, controlling and minimising environmental risks.

The foregoing commitments are developed and detailed in the Global Environmental Policy, applicable to all geographies and businesses, in which Naturgy voluntarily assumes the commitment to be a key player in the energy transition towards a circular and decarbonised economy model, in line with the objectives of the Paris Agreement.

In 2021, this policy was revised to reinforce the commitments made in the Strategic Plan, especially in climate action and biodiversity protection. To this end, four strategic environmental drivers are established:

- Governance and environmental management.
- Climate change and energy transition.
- Circular economy and eco-efficiency.
- Natural capital and biodiversity.

And some basic operating principles in each of these drivers are:

Governance and environmental management

1. Ensure compliance with environmental legislation and more stringent voluntary requirements, in readiness for new regulations.
2. Prevent pollution and reduce environmental impacts along the value chain by encouraging the involvement of employees, collaborating companies and stakeholders.
3. Integrate the environment into management of risks and opportunities, and on strategic decisions, as well as into mergers and acquisitions of assets through the performance of environmental due diligences.
4. Establish targets that drive continuous improvement in environmental performance.
5. Have an externally audited and certified environmental management system, in accordance with the criteria of the Global Policy of the Integrated Management System.
6. Promote transparency, in line with international reporting standards, to facilitate communication with the company's stakeholders.
7. Support the dissemination of knowledge and awareness on energy and environmental issues and to promote constructive dialogue with public administrations, NGOs, universities, customers and other stakeholders.

Climate change and energy transition

8. Achieve climate neutrality by 2050 at the latest through the reduction of total Scope 1, 2 and 3 emissions, setting intermediate targets aligned with the 1.5ºC - 2ºC reduction pathways of the Paris Agreement.
9. Align new investments with the goals of the Paris Agreement, promoting renewable and decarbonised energy, energy savings and efficiency, and climate adaptation.
10. Publish each year the carbon footprint in all its scopes, verified by an independent third party, establishing systems for monitoring and reducing emissions.
11. Integrate the climate variable into risk and opportunity management and strategic planning, in accordance with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD).
12. Supporting international climate change negotiations and market mechanisms that foster the development of the most appropriate technologies at each stage of the energy transition.
13. Promote directly and through alliances with other players, climate policies aligned with the Paris Agreement, ensuring the permanence only in entities that meet this criterion and each year publishing the list of these entities.
14. Promote decarbonisation in line with the principles of just transition and involve the supply chain, promoting actions that reduce the carbon footprint of collaborating companiess.

Circular economy and eco-efficiency

15. Boost the circular economy through the efficient use of resources (energy, water, etc.) and waste management to reduce environmental impacts.
16. Promoting renewable gas as an energy and storage vector that facilitates the transition to a circular and carbon neutral economic model.

Biodiversity and natural capital

17. Respect natural capital, biodiversity and cultural heritage in the areas where the group operates, identifying, assessing and monitoring impacts and dependencies on biodiversity during the life cycle of the facilities.
18. Integrate biodiversity in the design and operation of projects to progressively reduce negative environmental impacts, avoiding the impact on protected areas, implementing a preventive approach based on the hierarchy of impact mitigation (avoid, mitigate, restore and compensate) and promoting the development of nature-based solutions.
19. Achieve no net loss of biodiversity, promoting the net creation of natural capital whenever possible.

In addition to the aforementioned principles of action, the Policy establishes the roles and responsibilities of the different areas in the company's environmental management.

In addition, in 2021 the Sustainability Plan 2021-2025 was approved, establishing the lines of action that emanate from the aforementioned principles and from the objectives of the Strategic Plan 2021-2025. The following table summarises the environmental objectives:

Action	Indicator	Target 2025
Strengthening governance in environment and climate change	Percentage of industrial ebitda certified under ISO 14001.	95% of industrial ebitda certified under ISO 14001.
	Implementation of a methodology for the decentralised determination of climate risks according to TCFD.	Improvement of the climate risk management methodology in accordance with the TCFD, decentralising its application in the different business areas.
	Capex eligible and aligned with European Taxonomy (%)	80% of the investments are eligible and aligned with European taxonomy.
Climate change and energy transition [1]	Absolute GHG emissions Scope 1 and Scope 2.	Reduce emissions by 48% in 2025 compared to 2017 to 11.4 million tCO_2eq.
	Absolute GHG emissions Scope 3.	Reduce emissions by 20% in 2025 compared to 2017 to 114.1 million tCO_2eq.
	CO_2 intensity in power generation.	Reduce CO_2 emissions from power generation by 56% in 2025 compared to 2017 to 171 tCO_2/GWh.
	Percentage of the generation mix from renewable sources measured in installed power over the total of the group.	>56% of renewable power in electricity generation.
Renewable gas and boosting the circular economy	Renewable gas.	At least 1 TWh of renewable gas production or injection by 2025.
	Total water consumption.	Reduce water consumption by 44% in 2025 compared to 2017 to 15.6 hm^3.
	Total waste (hazardous and non-hazardous).	Reduce waste by 87% in 2025 compared to 2017 to 110 kt.
	Percentage of total waste recycled and recovered (hazardous + non-hazardous).	Achieve 75% of recycled or recovered waste by 2025.
Protection of biodiversity and development of natural capital	Initiatives to improve biodiversity throughout the life cycle of the facilities (construction, operation, dismantling).	Conduct at least 350 biodiversity initiatives per year.
	Environmentally restored cumulative area (ha).	Pending definition.

[1] The GHG absolute emissions and intensity targets are aligned with the global objective of keeping temperature below 1.5ºC for Scopes 1 and 2 and with 2ºC for Scope 3.

Evolution and results 2021

As mentioned above, the continuous improvement and measurement of environmental performance are based on concrete and ambitious objectives, measured and audited within the framework of the certified environmental management system (ISO 14001), and which are made public to respond to the organisation's commitment to transparency.

During the first half of the year, the objectives of the 2022 Environment Plan were in effect. In July 2021, the new Strategic Plan 2021-2025 was published, in which existing environmental commitments were revised upwards, setting more ambitious objectives in the Sustainability Plan for 2025. The degree of compliance with the Environmental Plan 2018-2022 has been very high, with most of the objectives having been more than met ahead of schedule in 2021. The company's good environmental performance has made it possible to raise its ambition for 2025.

The following table shows the evolution of the indicators and the objectives for 2025, outlining the company's positive evolution and good environmental performance.

Responsible environmental management

	Target 2025	**2021**	2020	Base year 2017	**Variation 2021 vs 2017**
Activity with ISO 14001 environmental certification[(1)] (%)	95	**93.1**	92.2	87.7	**6%**
Implementation of a methodology for the decentralised determination of climate risks according to TCFD	Implanted	**In progress**	-	-	**n.a.**
Capex eligible and aligned with European Taxonomy (%)	80	**61**	-	-	**n.a.**
Absolute greenhouse gas (GHG) emissions - Scopes 1 and 2 ($MtCO_2eq$)	11.4	**13.5**	15.5	21.8	**(38) %**
Absolute greenhouse gas emissions (GHG) Scope 3 ($MtCO_2eq$)	114.1	**136.5**	123.0	142.6	**(4) %**
CO_2 intensity in electricity generation (tCO_2/GWh)	171.0	**261.5**	297.0	388.0	**(33) %**
Renewable installed capacity (%)	56	**33**	29	22	**50 %**
Renewable gas production or injection capacity (TWh)	1	**0.14**	0	-	**n.a.**
Water consumption (hm^3)	15.6	**15.2**	20.3	28.0	**(46) %**
Waste produced (kt)	110	**98**	159	824	**(88) %**
Recycled or recovered waste (%)	75	**57**	61	33	**73 %**
Initiatives to improve biodiversity (No.)	350	**302**	265	-	**n.a.**
Environmental restored cumulative area (ha)	Pending definition	**In progress**	In progress	-	**n.a.**

[(1)] Percentage of ebitda certified. The ebitda used to calculate this percentage corresponds to the end of November.

In addition to the objectives established in the Sustainability Plan for 2025 above, 2021 target value paths have been defined for the main environmental indicators.

	2021 target value path	**2021**	2020
Direct GHG emissions Scope 1 ($MtCO_2eq$/year)	13.3	**13.0**	14.3
Indirect GHG emissions Scope 2 ($MtCO_2eq$/year)	0.5	**0.5**	1.2
Indirect GHG emissions Scope 3 ($MtCO_2eq$/year)	135.0	**136.5**	123.2
Intensity of emissions in electricity generation (tCO_2/GWh)	263.0	**261.5**	297.3
Emissions by leaks in gas networks (tCH_4/km network)	0.231	**0.223**	0.2
Total volume of water captured from the environment (hm^3)	825.0	**872.4**	928.0
Total water consumption (hm^3)	15.0	**15.2**	20.0
Total discharged volume (hm^3)	810.0	**857.6**	909.0
SO_2 atmospheric emissions (kt)	1.2	**1.2**	3.4
NO_x atmospheric emissions (kt)	10.0	**7.9**	10.6
Atmospheric particulate emissions (kt)	0.5	**0.2**	0.3
Total waste (kt)	91.5	**98.0**	159.2
Non-hazardous waste (kt)	86.5	**94.0**	153.8
Hazardous waste (kt)	5.0	**5.0**	5.4
Recovery and recycling rate	65 %	**57 %**	61 %

The targets set in 2021 for the following indicators have not been met:

- Scope 3 indirect GHG emissions: the forecast has been exceeded mainly due to the increase in gas demand as a result of the favourable evolution of the pandemic, and to the updating of the emission factors calculation for natural gas extraction in some producers and the global warming potential of methane. The Climate change and energy transition section analyses the topic in more detail.
- Water indicators (intake, consumption and discharge): are above the target mainly due to the higher than expected operation of combined-cycle and cogeneration plants in Spain.
- Non-hazardous waste and total waste increase in waste generated in electricity distribution in Spain compared to the projections made resulting from the digitalisation of the calculation process, which has made it possible to better account for this resource.
- Recovery and recycling rate: the closure of the coal-fired power stations has resulted in a reduction in the ash and slag produced, with high recovery rates, this has had a negative impact on the total recovery and recycling rate.

1. Governance and environmental management

Governance

The governance of Naturgy in the environmental area falls to the Board of Directors through the Sustainability Committee, which regularly monitors the management of environmental risks and opportunities and the evolution of environmental performance, by following up on the main indicators and objectives.

The commitment to responsible management of the environment is structured with management leadership through:

- The Management Committee, led by the Chairman and senior management of the company, regularly analyses proposals, monitors performance and validates sustainability action plans.
- An organisational structure that defines the environmental responsibilities of the different areas of the company. At corporate level, the function falls to the Environment and Social Responsibility Unit, which reports to the Sustainability, Reputation and Institutional Relations Department, and reports directly to the Chairman. This corporate unit defines the policies and standards to be followed and carries out high-level monitoring of the evolution and results of the action plans, indicators and environmental objectives. In turn, the different businesses and areas have specific environmental management units to ensure daily operations, compliance with standards and continuous improvement of processes.
- The Sustainability Committee, with representation from all areas of the company, monitors indicators and defines and promotes the projects and actions necessary to ensure compliance with the objectives of the Sustainability Plan, including environmental objectives.
- The Environmental Operating Committee, involving all businesses and geographies, coordinate the activities carried out by the different units, and guarantee the uniform implementation of criteria and the dissemination of good environmental management practices.
- The integration of the environment into business processes, in all phases, from strategic decision making to risk and opportunity management, planning, design and execution of activities.
- An externally audited environmental management system certified under ISO 14001, based on environmental indicators and objectives for detailed monitoring and continuous improvement of processes.
- Annual action plans aligned with the environmental objectives.
- Methodologies and specific tools for environmental management.
- Innovation in technologies and business products and models that are eco-efficient and less intensive in CO_2.
- Responsible supply chain that integrates environmental criteria into the purchasing process.
- Communication, awareness and training of employees, collaborating companies and stakeholders on environmental issues.
- Preparation of regular reports on environmental performance and participation in international sustainability indices to ensure transparency and dissemination of results.

Environmental management

To make the satisfaction of society's energy demand compatible with environmental protection, Naturgy makes a special effort to understand, prevent, reduce and control the environmental impacts of its activities and improve the efficient use of natural resources. Naturgy goes beyond compliance with legal requirements with respect to the environment, adopting more ambitious environmental requirements, involving suppliers, working with the different stakeholders and promoting the responsible use of energy.

The most significant effects of the company's activities on the environment are the following:

- Impact on climate change.
- Pollution of air, water and soil.
- Consumption of non-renewable raw materials [(1)].
- Biodiversity affected by habitat and species loss [(2)].

Naturgy's environmental management is based on application of the principle of prevention and a 360º approach, considering the entire business value chain. For years, Naturgy has had an integrated quality, environment, health and safety management system (IMS), certified in the environmental component according to the requirements of the ISO 14001 standard. This system is audited externally every year. The environmental management system is aimed at preventing pollution and reducing environmental impacts throughout the value chain, involving employees, suppliers and other stakeholders. The processes certified through this system are:

- Electricity generation (thermal, hydraulic and renewable sources origin).
- Distribution of natural gas and electricity.
- Gas and electricity transmission.
- Wholesale and retail commercialisation of natural gas and electricity.
- Transport and operation of the Maghreb-Europe gas pipeline.
- Extraction and injection of natural gas.
- Development and execution of engineering projects.
- Energy management in organised Iberian electricity markets.
- Corporate activities involving customer service, billing and collection and training.
- Building maintenance.

(1) The impacts of water management are detailed in the section on circular economy and eco-efficiency.
(2) The section on biodiversity and natural capital details the main impacts on biodiversity.

The following table shows the processes by country with environmental management certified under the ISO 14001 standard.

Processes by country with certified environmental management

	Electricity generation	Gas and electricity distribution	Gas procurement and transportation	Commercialisation	Technology and engineering management	Management of office buildings	Gas exploration and production
Argentina		■					
Brazil		■		■			
Chile		■		■			
Costa Rica	■						
Spain	■	■		■	■	■	■
Morocco			■				
Mexico	■	■					
Panama	■	■		■			
Dominican Republic	■						

■ Certified.

In addition to the ISO 14001 certificates, the commercialisation activity in Spain has an ISO 50001 certificate, which certifies its energy management system and that this. This activity has an adequate energy policy and management, which translates into real and quantifiable savings in energy consumption.

In 2021, 93.1% of ebitda comes from industrial activities with ISO 14001 environmental certification. This certification has been obtained after passing the external audits carried out by AENOR.

To ensure consistency and uniformity in the key environmental management processes, there are global methodologies and tools that are used in the company's different businesses and geographies, including the following:

- Themis, for the identification, registration, monitoring and management of compliance with legal requirements.
- Prosafety, for recording and management of the findings, nonconformities, observations incidents, accidents and opportunities to improve environmental management. The system is also used to monitor environmental objectives and action plans.

- Damas, to identify and assess the direct and indirect environmental aspects of the company, allowing us to establish the most relevant aspects to take into account both in the environmental management of these as well as the environmental targets defined each year.
- Environmental planning, through which action lines are defined, introduced and monitored to reduce environmental impact and for continuous improvement.
- Enablon, for the registration and centralised management of environmental indicators related to atmospheric emissions, discharges, waste, consumption of raw materials, water and other resources.
- Carbon footprint, to determine greenhouse gas emissions throughout the entire value chain, including indirect emissions produced by third parties upstream and downstream of group activities.
- Geographical information system of biodiversity, showing the protected natural areas, the group's facilities and the initiatives carried out to protect and improve natural capital.

Supply chain

With regard to the supply chain, suppliers, providers and external partners are fundamental in management of sustainability and the environment. Accordingly, the global purchasing and supplier management model takes into account environmental criteria, including climate change, atmosphere, water, soil, landscape, territory, heritage, resource consumption, waste production and biodiversity. A detailed description of this model can be found in the chapter "Supply Chain".

Additionally, the integration of climate change issues into the supply chain has been strengthened through CDP Supply Chain. The initiative allows the group's suppliers to help protect the environment by requesting key environmental indicators and integrating and analysing the data.

Legal requirements and penalties

With regards to environmental regulations, Naturgy continuously monitors environmental legislation to be aware in advance of the repercussion this has on its activity, to define its positioning and to adapt itself to new requirements. The company participates proactively in the processes of consultation and public information in the international, European and national context.

In 2021, there was only one significant penalty (amount over Euros 10,000) in environmental matters. It was originated by a fire in 2018 in the municipality of Villar del Pozo (Ciudad Real), due to branches coming into contact with the conductors of a low voltage power line. An amount of Euros 21,444 was paid, without admitting guilt, of which Euros 4,080 corresponds to a fine and Euros 17,364 corresponds to compensation for the fire extinguishing work.

Environmental risks

Environmental and climate change risks are integrated into the overall model described in the "Risk Management" chapter. This is followed by a more detailed discussion of environmental risks, the latter being described in detail in the chapter on climate change.

Naturgy has identified the environmental risks in its facilities by using the reference standard as its basis (UNE 150008 in Spain). To prevent this, it has introduced an integrated management system that includes environmental management and operational control procedures. In addition, emergency plans have been put in place at facilities and warehouses at risk of environmental accidents, which include action plans for eventualities, the availability of the necessary means of containment and the performance of periodic drills. This system is audited and certified each year by AENOR.

One of the tools used in risk management is Prosafety, where events occurring in any activity or geography that may result in damage to the environment are reported. It allows us to analyse not only accidents, but also environmental incidents of lesser importance that do not generate significant damage but are a source of learning and prevention of larger events. In addition to ensuring adequate and homogeneous monitoring of environmental events, Prosafety facilitates the identification, analysis, development, implementation and exchange of preventive measures and best practices in risk management at a global level among all areas.

On the other hand, the company makes financial provisions to cover the appearance of possible environmental risks and has guarantees to cover the occurrence of these risks in the insurance policies it has taken out. Specifically, the insurance policies with environmental coverages are:

- Environmental liability insurance: limit contracted for a value of Euros 150 million per loss event and in the annual aggregate.
- Liability coverage for sudden and accidental pollution in the general public liability policy: limit of Euros 485 million per loss event.
- Protection and indemnity insurance: maximum limit of US Dollars 500 million per loss event, in accordance with the Rules of the UK P&I CLUB 2018 (Charterers), to cover the liabilities for pollution arising from chartering vessels.

With regard to environmental events, the following table includes data with the main spillages that occurred in 2021. In all cases, the environmental incident procedure was activated and the spill was collected and the area cleaned. There have been no significant impacts on the environment. Most spillages were contained in Naturgy's facilities and there has been no deterioration of water courses or damage to biodiversity. It is worth noting the 76% reduction in the area of natural land affected compared to 159 m^2 in 2020.

Spill table

					2021
Activity	No. of events	Nature of spill (no. of events)	Spill volume (m^3)	Surface area of natural soil affected (m^2)	Country (No. of events)
Renewable electricity generation	**7**	**Oil (6)** **Fuel (1)**	**0.2**	**20**	**Spain (6)** **Costa Rica (1)**
Gas and electricity distribution	**21**	**Oil (18)** **Oily waters (1)** **Fuel (2)**	**4.4**	**18**	**Spain (17)** **Panama (4)**
Total	**28**	**-**	**4.6**	**38**	**-**

2020

Activity	No. of events	Nature of spill (no. of events)	Spill volume (m^3)	Surface area of natural soil affected (m^2)	Country (No. of events)
Renewable electricity generation	7	Oil (5) Fuel (1) Sulfuric acid (1)	0,6	25	Spain (6) Mexico (1)
Gas and electricity distribution	20	Oil (18) Fuel (2)	0,3	134	Chile (15) Spain (5)
Total	27	-	0,9	159	-

Environmental training

Environmental training is a basic tool for preventing and reducing environmental impacts and improving environmental operational control in activities. Naturgy therefore pays special attention to identify and ensure that all employees possess the necessary environmental knowledge.

In 2021, a total of 2,114 hours were given to 1,137 participants, with 72.9% and 80.5% of the hours and participants performing as planned.

Environmental communication and awareness: dialogue with stakeholders

The transparency, awareness and dissemination of knowledge on energy and the environment and constructive dialogue with stakeholders are some of the principles of action defined in Naturgy's Global Environmental Policy.

The activities developed in 2021 included the following:

- Participation in collaborative initiatives to improve the environment, including:
  - Sustainable Development and Environment Commission of the Confederation of Employers and Industries of Spain (CEOE).
  - Communication and Sustainability Commission of the Spanish Chamber of Commerce.
  - Circular Economy Commission of the Spanish Chamber of Commerce.
  - Forética's Business Council for Sustainable Development.
  - Forética's Climate Change, Circular Economy, and Sustainable Cities 2030 clusters.
  - Robeco's Climate Change Mentoring Programme.

  - Working Group on Circular Economy of the Junta de Comunidades de Castilla-La Mancha.
  - Spanish Green Growth Group, of which Naturgy is a founding partner.
  - Working Group on Natural Capital and Energy, together with other companies in the sector (Cepsa, EDP Spain, Enagás, Endesa, Red Eléctrica Group, Iberdrola and Repsol) to implement a standardised framework for assessing the natural capital impact of the Spanish energy sector.
- Inclusion in pacts and initiatives for the environment:
  - Biodiversity pact and participation in the Spanish Business and Biodiversity Initiative.
  - Pact for a Circular Economy of the Ministry for the Ecological Transition and the Demographic Challenge of Spain.
- Participation in congresses, round tables and media publications disseminating experiences and knowledge in the fields of climate change, energy transition, just transition, the circular economy and biodiversity. The sponsorship of the National Environmental Congress (CONAMA) held in Spain in 2021 is also worthy of mention.
- Organisation of webinars for internal and external dissemination on environmental issues.
- Messages to encourage energy saving and efficiency measures sent to customers on bills.

The Naturgy Foundation has also carried out numerous initiatives to disseminate, train, inform and raise awareness in society on energy and environmental issues. The activities and results achieved can be consulted in the chapter on "Social responsibility".

Lastly, to guarantee effective communication with the external interested parties, there are different formal complaint mechanisms in operation. Dealing with environmental complaints properly is of great value because these complaints represent an opportunity to improve environmental management. During 2021, 603 environmental complaints or claims were registered, 526 of which were resolved during the year, the rest being in the process of resolution.

Environmental investments and expenses

Naturgy makes a significant effort in environmental protection, providing the necessary means and financial resources. Although the Delegated Regulation for the Taxonomy was approved in 2021, in which common criteria has been defined, for years Naturgy has been reporting its annual environmental investments and expenses, according to its own methodology. Economic information has been included in this report in accordance with the provisions of the above-mentioned Delegated Regulation for the Taxonomy, which can be consulted in chapter "Sustainable Finance and Taxonomy". However, as the Taxonomy is not fully developed, it has been considered convenient to include the metrics of environmental investments and expenses in line with what has been done over the last few years, since it allows to have a history to analyse trends.

The environmental actions carried out in 2021 have reached a total of Euros 758.7 million (Euros 685.3 million in 2020), of which Euros 599.0 million correspond to environmental investments and Euros 159.7 million to expenses incurred in the environmental management of the facilities, excluding those resulting from the carbon market. Of specific note are the investments in new renewable energy projects, which will contribute to the energy transition and reduce specific emissions of CO_2 and other atmospheric pollutants.

The table below provides a breakdown of environmental investments and expenditures.

- **Environmental investments** (million euro)

	2021	2020
Governance and environmental management	**0.1**	1.6
Climate change and energy transition	**590.2**	521.3
Circular economy and eco-efficiency	**6.4**	7.3
Biodiversity and natural capital	**2.3**	1.9
Total	**599.0**	532.1

- **Environmental expenditure** (million euro)

	2021	2020
Governance and environmental management	**48.4**	70.1
Climate change and energy transition	**103.4**	74.6
Circular economy and eco-efficiency	**4.4**	3.8
Biodiversity and natural capital	**3.5**	4.7
Total	**159.7**	153.2

Environmental governance and management: achievement and highlights in 2021

Lines of action	Achievements and highlights in 2021
Governance	Early compliance in 2021 with most of the environmental goals defined for 2022 in the Strategic Plan 2018-2022. Approval of a new Sustainability Plan 2021-2025 that strengthens the company's ambition in its transformation towards sustainability and includes more ambitious environmental objectives.
Environmental management	93.1% of ebitda comes from industrial activities certified in environmental management by ISO 14001. Increase in environmental actions (environmental investments and expenses) by 11% in 2021 compared to 2020, reaching a total of Euros 758.7 million.

Continues ›

Lines of action	Achievements and highlights in 2021
Awards and recognition	Naturgy was externally recognised by CDP with the highest A-list rating for its water management and also for its climate management, obtaining an A- rating in 2021. Diploma "Business Examples of #ForClimate2021 Actions" of the #ForClimate Community on the initiative Biomethane, circular energy for the climate and the demographic challenge. The renewable gas project at the Butarque WWTP was a finalist in the 'Green Generation' category in the first edition of the Retina ECO Awards, organised by El País and Capgemini. The awards seek to recognise the merit of companies and organisations with a strong commitment to sustainability, innovation and the fight against climate change.

2. Climate change and energy transition

Climate strategy

Climate change is a global environmental challenge and Naturgy is committed to being a key player in the energy transition to a circular and decarbonised economy model, with the objective of achieving net zero greenhouse gas (GHG) emissions by 2050 at the latest. With this target, Naturgy will continue to improve the eco-efficiency of the energy products and services it offers its customers to make them eco-efficient and carbon neutral.

In the Strategic Plan 2021-2025, in line with contributing to the commitment acquired to achieve net zero GHG emissions by 2050, carbon footprint reduction targets have been set according to science-based targets (SBT), for all scopes (scope 1, 2 and 3) and aligned with the 1.5ºC - 2ºC temperature scenarios of the Paris Agreement.

Similarly, the identification, measurement and management of climate risks and opportunities in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) are used to prepare and review the company's strategic planning, ensuring its alignment with the international climate agenda. The result of this is the new Strategic Plan 2021-2025, which is committed to:

- Promote renewable energies and encourage their integration through the development of smart networks.
- Developing renewable gases as a lever for decarbonisation of natural gas and the promotion of circular economy, through: biomethane from organic waste and green hydrogen produced with surplus renewable electricity.
- Promote energy eco-efficiency in own and customers' facilities.
- Promote sustainable mobility that reduces GHG emissions and also air pollution, helping to improve air quality.

The commitment to transparency and dissemination of information related to climate change is materialised in our participation in international reference indices on climate change. It should be noted that Naturgy has been recognised by the CDP Climate index for its climate management, obtaining the A- list rating and remaining since 2011 in the leadership band.

Moreover, Naturgy has voluntarily undertaken commitments to the fight against climate change by joining climate-related initiatives such as the Carbon Pricing Leadership Coalition (CPLC), Caring for Climate, the Climate Change Trust and Disclosure Statement, the Statement of Support for the Task Force on Climate-related Financial Disclosures (TCFD) and participation in the SBT initiative.

The carbon footprint at a glance

The following shows the carbon footprint at 2021 and the reduction achieved with respect to the base year 2017 in the three scopes, as a sign of the company's commitment and good performance in the fight against climate change:

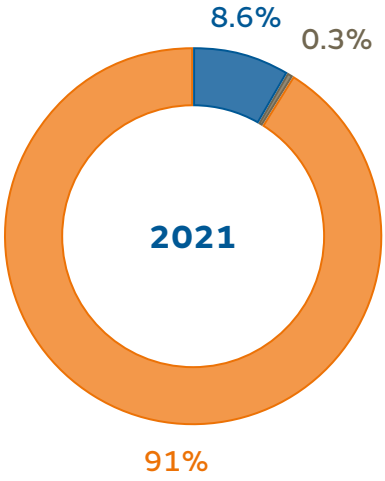
- **Naturgy carbon footprint**

Footprint 2021

(Emissiones scopes 1 + 2 + 3)

149.9 million

tCO_2 eq



Carbon footprint reduction between 2017 and 2021

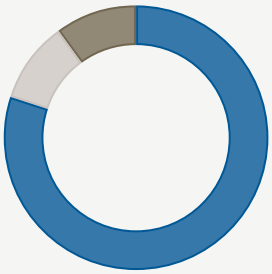
↓ **37%** Emissiones scopes 1 and 2

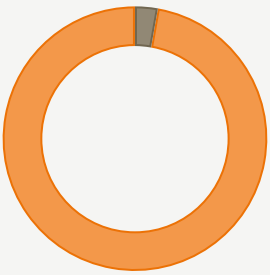
↓ **9%** Total carbon footprint (scopes 1, 2 and 3)

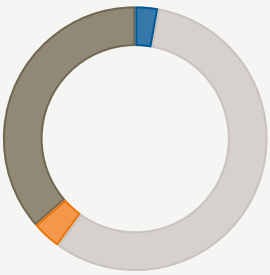
Scope 1
Direct emissions
13.0 mill tCO_2 eq

Scope 2
Indirect emissions
0.5 mill tCO_2 eq

Scope 3
Other indirect emissions
136.5 mill tCO_2 eq







01

84% fossil fuel
power stations

02

99% losses
in electricity
distribution networks

03

95% customer emissions
from gas distributed and
commercialised

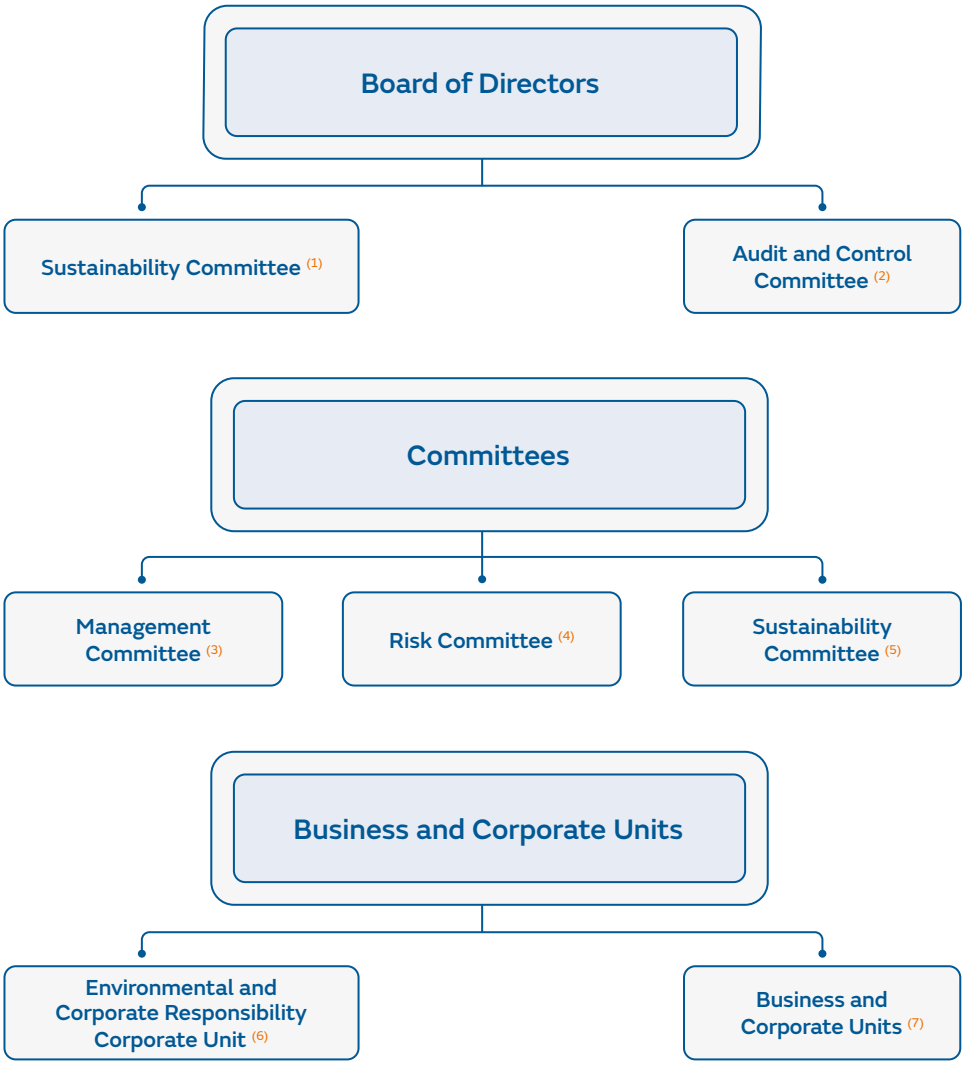
● Electricity generation ● Electricity distribution ● Gas distribution ● Procurement, LNG and gas commercialisation

Climate change governance

The supreme body responsible for climate change governance in Naturgy is the Board of Directors through the Sustainability Committee, which oversees the company's performance in environmental, social and corporate governance policies. This Committee evaluates the performance of important indicators, as well as the management of risks and opportunities, in respect to climate change.

Climate governance involves all of the company's businesses, operating areas, geographies and projects through the Management Committee and the Sustainability Committee. Environmental and climate change risks are integrated into the global risk management model. Ensuring the resilience and sustainability of the business is one of the key aspects of risk management at Naturgy.

Governance agencies and responsibilities in climate change



(1) **Sustainability Committee**
Oversees sustainability policies, focusing in particular on environmental, social and corporate governance policies. Ensures that the company's actions are aligned with the energy transition and the SDGs.

(2) **Audit and Control Committee**
Monitors the management and exposure to risk of the different businesses, including climate change related risks.

(3) **Management Committee**
Ensures the application and monitoring of business and sustainability policies, strategies, plans and objectives, proposing measures in the areas of energy transition, climate change and sustainable development.

(4) **Risk Committee**
Determines and reviews the target risk profile and monitors its management by the units, including physical and transitory climate risks.

(5) **Sustainability Committee**
Ensures, through monitoring and action proposals, the performance, implementation and improvement of policies, commitments and the Sustainability Plan, and, more specifically, environmental and climate change plans and objectives.

(6) **Environmental and Corporate Responsibility Corporate Unit**
Establishes the policy, indicators and objectives for the environment and climate change in coordination with the businesses, monitors the evolution, consolidates the information and centralises reporting for the management committees and Board of Directors.

(7) **Business and Corporate Units**
They apply general principles and strategies and develop plans, projects and activities to achieve climate change objectives.

In accordance with the Organisation and Operation Regulations of the Board of Directors and its Committees of November 2020, the Sustainability Committee meets at least three times a year. At these meetings, the company monitors performance on climate change and the energy transition, using a high-level indicator scorecard.

This commitment made by shareholders and senior management is transferred to all business and corporate units through the Global Environmental Policy, which establishes climate change and energy transition as one of its strategic environmental areas, defining the basic principles of action listed above. Likewise, specific improvement objectives are defined in the Strategic Plan 2021-2025 and are included in the Sustainability Plan, which can be consulted at the beginning of this chapter.

Management of climate change risks and opportunities according to TCFD

Risk management

Naturgy identifies and assesses the impact of the main risk factors through the risk management model, which seeks to ensure the predictability of the company's performance in all aspects relevant to its stakeholders. The elements that allow for continuous improvement in the process of identifying, characterising and determining Naturgy's risk profile are: the Risk Control and Management Policy, the corporate map and the risk measurement system.

The corporate risk map identifies and quantifies the risks that may affect the company's performance, including those related to the environment, climate change and energy transition. Their measurement allows them to be integrated within the corporate strategy and to set targets with the aim of keeping risks to a minimum and maximising opportunities.

Naturgy uses the TCFD recommendations for climate risk assessment. According to the classification foreseen by this standard, the following are determined: physical risks (acute and chronic) and transition risks (regulatory, technological, market and reputation).

The risk assessment analyses the probability of occurrence, the time horizon and the impact in different temperature scenarios. The section "Scenarios considered" below gives details of these scenarios. The time horizons are: short term in reference to the Strategic Plan 2021-2025, medium term until 2030 and long term 2030-2050, although the intermediate milestones are adapted to the evolution of the emission reduction objectives.

Main risks linked to climate change at Naturgy

Identification

Type	Risk	Description
Acute physical risks	Damage from extreme weather events.	Damage to facilities, loss of production and/or interruption of energy supplies (gas or electricity).
	Increased frequency and severity of fires.	Damage to facilities and risk of increased fire frequency on electricity distribution lines with possible damage to third parties.
Chronic physical risks	Effects of increased temperature.	Drop in demand for natural gas for heating (residential and commercial). Decrease in the performance of combined-cycle power stations.
	Impacts of changes in rainfall patterns and extreme variability of weather patterns.	Changes in the generation dispatch. Wholesale electricity market price changes.
	Effects of rising sea levels.	Floods. Loss of production and/or interruption of supplies.
Transition: policies and regulation	Regulatory changes of energy and climate policies to mitigate climate change.	More demanding GHG emission reduction paths. Accelerated transition to decarbonisation. Variations in the carbon markets. Changes in environmental taxation. Electrification to the detriment of natural gas.
Transition: technological	Technological disruption in the energy transition.	Technological improvements, cost reductions or innovations that support the transition to a more efficient and low-carbon economic system. For example, implementation of large-scale electricity storage systems.
Transition: market	Changes in traditional energy business models.	Demand for new low-carbon products and services. Financing difficulties for projects not aligned with the reduction of greenhouse gas emissions. Loss in asset valuation (stranded assets).
Transition: reputation	Increased demand for transparency and climate action by stakeholders.	Loss of relevance in climate change and sustainability indices due to failure to achieve the expected standard of climate management or reputational damage resulting from climate change impacts, which may negatively affect the valuation of company intangibles by stakeholders (shareholders, customers or employees).

Evaluation				Risk management
Probability	Time horizon	2°C impact	1.5°C impact	Management and mitigation
Possible	Medium	Low	Very low	Policies for: property damage/loss of profit, environmental liability and land liability. All facilities are designed to operate under extreme weather conditions.
Possible	Short	Medium	Low	Policies for: property damage/loss of profit, environmental liability and land liability. Innovation projects for the improvement of felling and pruning work for the maintenance of power line safety corridors.
Possible	Medium	Low	Very low	Increase the contribution of electricity businesses vs. gas businesses. Operational efficiency plan that establishes objectives to improve specific consumption in thermal power stations, compensating for efficiency losses due to temperature increases.
Possible	Long	Low	Very low	Hydroelectric power station repowering programme. Study of the impact of climate change on hydroelectric power stations. Dominant position in combined-cycle power stations to support the production of electricity from renewable sources.
Possible	Long	Medium	Low	Plans for self-protection and periodic assessment of emergency environmental issues.
Likely	Medium	Low - Medium	Medium - High	Measures to reduce the company's carbon intensity: divestment of high carbon intensity assets (coal mine in South Africa, fuel oil power generation in Kenya), coal plants closure, development of new renewable power, increasing the weight of electricity in the company's portfolio and boosting renewable gases. Positioning natural gas as support for renewables and as a substitute for high-emission fossil fuels (coal and/or oil derivatives) in the energy transition.
Likely	Medium	Medium	Medium - High	Increase up to14 GWh of installed renewable capacity by 2025. Promote the development of renewable gases (biomethane and green hydrogen), energy storage and other technologies for energy transition to a decarbonised economy.
Likely	Medium	Medium	Medium - High	Accounting adjustment of the book value of conventional electricity generation assets. Closure of coal-fired power stations. Development of new services (self-consumption, commercialisation of renewable electricity, PPAs) and low-carbon or carbon neutral products (Neutral Gas, neutral LNG, GoOs in the gas sector). Increase the contribution of regulated vs. liberalised businesses and increased weight of electricity in the company's portfolio.
Remote	Short	Medium - High	High	Corporate positioning on climate change including net zero target by 2050 and emission reduction pathways aligned with 1.5-2ºC scenarios of the Paris Agreement. Presence in the main sustainability indices such as CDP Climate or Sustainalytics.

The analyses carried out show, as can be seen on the table, that the sensitivity of the business is greater to transition risks than to physical ones, since the latter represent a much smaller impact on the company and are properly covered.

Climate risk assessment methodology

The climate change risk model is based on a tool developed by Ms Excel and @Risk that allows the company's risk exposure to be estimated.

The temperature increase scenarios considered in the methodology are as follows:

- Intergovernmental Panel on Climate Change (IPCC):
  - SRES A2 (2ºC): 2ºC scenario.
  - SR1.5 (1.5ºC): 1.5ºC scenario used by SBT.
- International Energy Agency (IEA):
  - 2DS ETP (2ºC): 50% probability of not exceeding 2ºC in 2100 (central scenario).
  - B2DS ETP (well below 2ºC): 66% probability of limiting peak warming between now and 2100.

The exposure to the risks of the different scenarios can be broken down into the following areas:

- Temporary: the impacts are analysed over various time horizons (2021-2050) and the risks are classified according to their relevance in the short, medium and long-term.
- Nature of the business: the impacts that could be caused in the company's different businesses (generation, commercialisation and distribution of electricity and gas and operation in markets of CO_2 emission rights) are analysed.
- Geography: the impacts are analysed in the various countries in which Naturgy operates.

The model allows the parameters related to energy markets (penetration of renewables, energy efficiency, CO_2 and energy prices) to be modified in order to carry out sensitivity and regulatory analyses and stress tests. In addition, impact assessment scenarios based on new products and services or R&D&I actions can be simulated.

The tool uses a Monte Carlo simulation with the most relevant parameters for risk assessment:

- Long-term development of demand.
- Energy mix to meet demand.
- Necessary investments in renewable technologies.
- International energy interconnections and energy efficiency scenarios.

In order to carry out the evaluation, the scenarios for different hypotheses of the above parameters are combined, resulting in the optimal costs to achieve GHG reductions (abatement costs) in the European Union. Based on these costs and the reductions achieved, an intermediate unit price of CO_2 of around 40€/tCO_2 is obtained. This price is used internally for:

- Strategic decision-making.
- Investment analysis.
- Identifying opportunities according to the degree of maturity in low-carbon technologies.
- Climate change and energy transition risk analysis, and stress testing.
- Analysis of climate change and GHG regulation.

Along with all of this, the tool allows us to calculate the impact on ebitda and the Value at Risk for the different combinations used, which is used for the company's strategic planning.

Additionally, in 2021, a risk analysis by business and type of facility was performed in collaboration with MSCI, in order to assess the detailed risk of the company's infrastructure and business portfolio for the different temperature scenarios mentioned above. In 2022, the first results that will improve climate risk assessment will be obtained.

Opportunity management

In the same way that climate risks are assessed, opportunities are also identified. The opportunities linked to climate change considered in the Strategic Plan 2021-2025 are detailed below:

• Main opportunities linked to climate change at Naturgy

Opportunity	Opportunity management
Development of new renewable installed capacity (solar and wind)	Development of new renewable projects for the gradual decarbonisation of the generation mix. Reduced investment and operating costs compared to other technologies and the possibility of financing through instruments such as Green Bonds. Positioning in a growing market linked to renewable energies (Power Purchase Agreement, Guarantees of Origin, etc.). In the medium-term, combined-cycle power stations represent the best possible back-up for renewable energy.
Promotion and development of renewable gases	The drive and innovation for the development of renewable gas (biomethane and hydrogen) will provide a new energy product, which can replace natural gas, but with neutral CO_2 emissions in a circular economy model. Renewable gas will maintain the value of distribution network assets in the long-term and allow customers to decarbonise the energy they use with minimal changes to their facilities, in an economically efficient manner thanks to existing gas infrastructures.

Continues ›

Opportunity	Opportunity management
Smart and integrated networks (gas and electricity)	The digitisation and integration of electricity and gas networks will enable dynamic demand management, cost reduction, increased security of supply and the development of new services associated with big data. In addition, smart networks, coupled with renewable gas generation from surplus electricity generated on wind or solar farms, will enable energy storage by taking advantage of existing infrastructures, without the need for additional batteries, and on the scale required to meet seasonal variations in demand.
Natural gas as energy for the energy transition	Penetration of natural gas and LNG (liquefied natural gas) in carbon-intensive markets, to replace high-emission fossil fuels (coal, oil) in an efficient and rapid manner, in line with the pace of the international climate agenda. Commercialisation of new products, such as neutral LNG or Neutral Gas, to offer customers a decarbonised alternative.
Self-consumption	Development of new services to promote renewable self-consumption by customers.
Energy efficiency	Promotion of energy efficiency in both internal and customer processes, with a commitment to business models of energy service companies (ESCOs). Energy efficiency provides economic competitiveness and makes possible synergies with other sectors, as in the case of cogeneration.
Strengthening the position in the electricity business	Growth in the electricity distribution business associated with the growing trend towards electrification of the economy.
Digitalisation to provide new customer services	The use of technologies such as the Internet of Things (IoT) and artificial intelligence makes it possible to develop the figure of the active customer, who has tools for monitoring and controlling their facilities in order to consume energy more efficiently and integrate new services such as distributed renewable generation or electrical mobility.
Sustainable mobility	Penetration in the road and maritime mobility sector through the development of electric and gas solutions, which allow the reduction of CO_2 emissions, the improvement of air quality and economic savings for users. In the case of maritime transport, LNG (liquefied natural gas) is the most eco-efficient alternative in terms of GHG emissions.
Positioning, governance and transparency	Strengthening governance and policies on sustainability and climate change to meet the expectations of customers, investors and society in general. Transparency and good performance make it possible to improve the position with ESG investors and access to improved conditions of funding.

Adaptation to climate change

Even if GHG emissions are reduced, climate change is already a reality. Global temperatures have increased compared to the pre-industrial period and their effects are being felt, for example, in the increased frequency of extreme weather events. Even if emissions are reduced and the rise in temperatures is stopped, this trend will continue in the coming decades due to the inertia of the climate system. In this context, adaptation to climate change takes on special importance.

Climate change adaptation measures are aimed at limiting impacts, reducing vulnerabilities and increasing the resilience to climate change of human and natural systems, including biodiversity, forests, coasts, cities, agriculture, industry, etc.

As explained above, Naturgy's risk map considers the physical risks derived from climate change. Several studies have been carried out for its evaluation, which conclude that the risk is low. Nevertheless, the company has rolled out various adaptation measures to minimise negative impacts and increase resilience, including the following:

- The bases of design of the facilities consider safety margins, establishing in the calculations ample and adequate return periods to guarantee the protection of the facilities in the face of variations in rainfall, etc. An example of this is the performance of flood risk studies, dam safety, etc.
- One of the most significant climate risks is that which the increase in large fires could cause on power lines. In order to reduce it, the electricity distribution business in Spain has developed the GALA project, which consists of creating a digital model of the networks, using drone images to detect the areas of vegetation proximity and scheduling felling and clearing for the maintenance of the safety corridor.
- In some infrastructures, protection elements have been built to protect against adverse weather events. This is the case of the Torito hydroelectric power station in Costa Rica, where a dam has been built to prevent damage from possible flooding of the Reventazón river.
- Procedures have been improved in the event of adverse weather conditions (storms, hurricanes, etc.) at various facilities, such as combined-cycle power stations or the gas distribution network in Mexico.

Carbon footprint inventory

• Total GHG emissions (tCO_2eq)

	2021	2020
Scope 1	**12,965,240**	14,301,874
Scope 2	**487,067**	1,153,608
Market	**0**	0
Location	**487,067**	1,153,608
Scope 3	**136,450,026**	123,217,903
Goods and services purchased		
Capital goods		
Activities associated with upstream fuels and energy	**33,167,755**	30,638,299
Coal	**0**	107,120
Natural gas	**28,780,916**	20,137,098
Oil	**282,272**	185,822
Electricity	**4,104,567**	10,208,259

Continues >

Total GHG emissions (tCO_2eq)

	2021	2020
Scope 3	**136,450,026**	123,217,903
Transport and distribution of goods		
Waste produced in the operation		
Business trips	**362**	621
Mobilisation of employees	**5,685**	8,286
Upstream leased goods		
Downstream transport and distribution		
Procedure for products sold		
Use of products sold: natural gas	**103,276,224**	92,462,851
End-of-life processing of products sold		
Downstream leased goods		
Franchises		
Investments	**0**	107,846
Total	**149,902,333**	138,673,385

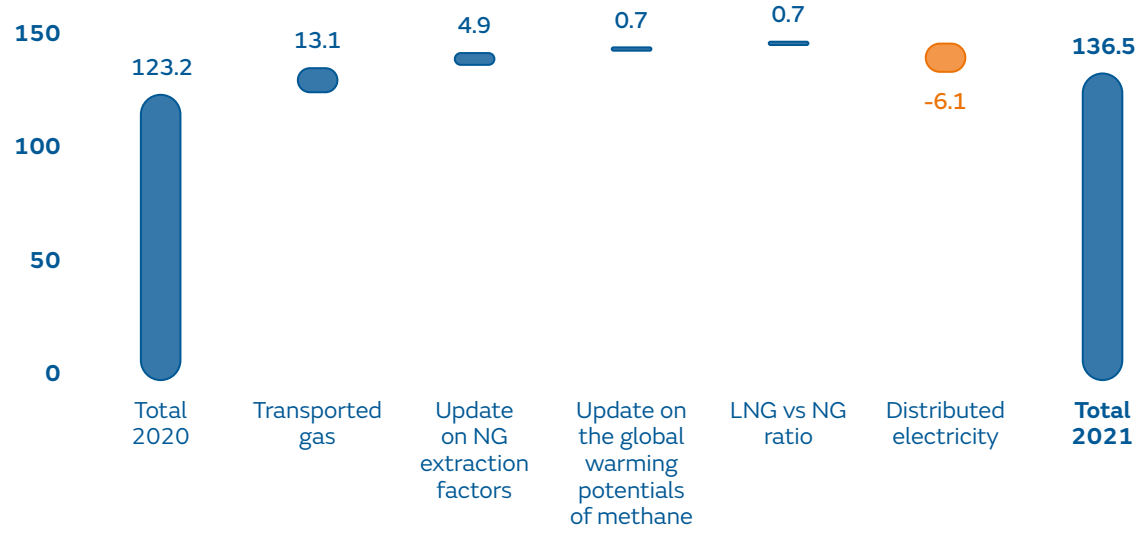
NB: for Scope 3 emissions, within the categories defined by the GHG Protocol, those weighing less than 1% have been excluded, as long as the sum of all of them does not exceed 5%.

Scope 1 emissions have decreased by 9% in the last year mainly due to the non-operation of the coal-fired power stations closed in mid-2020. Scope 2 emissions have also decreased by 58% as a result of the reduction in electricity distribution.

Scope 3 emissions have increased with respect to 2020 due to a number of factors:

1. A greater amount of natural gas has been transported, both in distribution activities, as well as in commercialisation and LNG supply as a result of the increase in demand due to the favourable evolution of the pandemic.
2. The emission factors for natural gas extraction in the main producer countries of Naturgy's supply mix have been updated, replacing bibliographic values used in previous years with actual values.
3. Update of the global warming potential of methane (GWP) according to the IPCC 6th Assessment Report, from 25 (2020 value) to 28. That is, in 2020 calculations, one tonne of CH_4 was 25 tCO_2eq while in 2021, the same amount of methane was 28 tCO_2eq, an increase of 12%.
4. There has been an increase in the proportion of LNG supply by ship versus natural gas transported by pipeline, which has resulted in an increase in emissions. This is because LNG has higher emissions in the upstream value chain than natural gas transported by pipeline.
5. Reduction of indirect emissions associated with the generation of electricity supplied.

Evolution of the scope 3 carbon footprint



Inventory of GHG emissions scopes 1, 2 and 3 by country (tCO_2eq)

Country	Scope 1	Scope 2	Scope 3
Spain	6,097,691	253,486	39,937,188
Mexico	5,703,109	669	6,255,823
Chile	116,121	1,091	5,593,512
Dominican Republic	427,487	0	177,213
Argentina	351,986	93,563	18,968,066
Morocco	148,586	1,344	1,101,965
Brazil	117,328	385	18,990,283
Panama	2,186	135,862	800,099
Costa Rica	18	0	19
Australia	729	667	14
Rest	0	0	44,625,843
Total	**12,965,240**	**487,067**	**136,450,026**

Inventory of GHG emissions Scopes 1, 2 and 3 by business area (tCO_2eq)

	Scope 1	Scope 2	Scope 3
Generation Spain	5,010,912	0	912,491
International generation (GPG)	5,920,764	666.8	1,276,115
Supply, LNG and Commercialisation	997,692	0	81,476,776
Gas distribution Spain	63,587	0	1,895,436
Electricity distribution Spain	21,315	253,486	2,715,831
EMPL&Up/mid	148,349	1,246	1,101,844
Gas distribution Argentina	351,180	1,822	18,252,950
Electricity distribution Argentina	24	91,211	589,116
Gas distribution Brazil	116,601	385	17,798,871
Gas distribution Chile	115,698	1,091	4,466,364
Gas distribution Mexico	209,313	181	5,155,787
Electricity distribution Panama	1,645	135,862	799,621
Corporate	8,160	1,115	8,825
Total	**12,965,240**	**487,067**	**136,450,026**

GHG emissions intensity ratio

	2021						
	Electricity generation	Gas distribution	Electricity distribution	Gas infrastructure	Commercialisation	Corporate	**Total**
CO_2 (tCO_2eq)	10,917,161	12,251	-	1,119,606	14,533	7,549	**12,071,100**
CH_4 (tCO_2eq)	6,196	844,124	-	6,696	36	73	**857,124**
N_2O (tCO_2eq)	5,987	6	-	5,155	8	99	**11,255**
SF_6 (tCO_2eq)	1,355	-	22,983	-	8	-	**24,346**
HFC (tCO_2eq)	978	-	-	-	-	438	**1,416**
PFC (tCO_2eq)	-	-	-	-	-	-	**-**
Total group	10,931,676	856,380	22,983	1,131,456	14,584	8,160	**12,965,240**
Net turnover (€M)							**22,132**
Ratio (tCO_2eq/M€)							**586**

2020

	Electricity generation	Gas distribution	Electricity distribution	Gas infrastructure	Commercialisation	Corporate	Total
CO_2 (tCO_2eq)	12,481,522	8,570	229,194	717,252	29,730	8,873	13,475,140
CH_4 (tCO_2eq)	5,822	774,663	116	4,304	66	75	785,046
N_2O (tCO_2eq)	9,660	5	151	3,383	16	115	13,331
SF_6 (tCO_2eq)	914	-	26,288	-	6	-	27,208
HFC (tCO_2eq)	713	-	-	-	-	437	1,150
PFC (tCO_2eq)	-	-	-	-	-	-	-
Total group	12,498,631	783,238	255,749	724,939	29,818	9,500	14,301,875
Net turnover (€M)							15,345
Ratio (tCO_2eq/M€)							932

The improvement experienced in 2021 in relation to the emissions intensity ratio, which has been reduced by 37% with respect to the previous year, is noteworthy. This fact supports the company's ongoing transformation to make its business and economic results compatible with decarbonisation and reflects the fact that net sales are increasingly decoupled from GHG emissions.

Other climate change indicators

	2021	2020
Emission intensity in electricity generation (tCO_2/GWh) (*)	**261.5**	297.3
Emissions associated with electric power supplies (**) ($MtCO_2eq$)	**9.1**	16.3
Installed emission-free electricity generation capacity (%)	**36**	33
Net electricity production free of emissions (%)	**35**	32
Total installed capacity in renewable electricity generation (MW)	**5,170**	4,609
Increase in installed capacity in renewable electricity generation compared to the previous year (%)	**12 %**	10 %
Emissions by leaks in gas networks (tCH_4/km network)	**0.223**	0.228
Emissions by leaks in gas networks (tCO_2eq/km network)	**6.3**	5.7

(*) This ratio corresponds to direct CO_2 emissions from electricity generation (Scope 1) divided by electricity produced.
(**) Emissions associated with electricity supplies include both retail and wholesale customers.

As can be seen, emissions from gas leaks have been reduced in absolute terms by 2% tCH_4/km. However, when expressing this ratio in CO_2eq/km, this trend is reversed due to the update of the global warming potential of methane (in 2021 a value of 28 was considered, established in the IPCC 6th Assessment Report, compared to the value of 25 used in the 2020 calculation), and this increase does not reflect the efforts and results obtained in the reduction of leaks in gas networks.

On the other hand, emission intensity in electricity generation has improved with respect to the previous year and is below the 2021 target value path (263 tCO_2/GWh).

Coverage of facilities regulated by CO_2 emissions trading systems

In Spain, most of Naturgy's thermal power generation facilities are regulated by the European Emissions Trading Directive. Naturgy performs comprehensive portfolio management for the acquisition of emission allowances equivalent to the verified emissions of its combined-cycle and cogeneration facilities, regulated by the European Emissions Trading Directive (Phase IV 2021-2030). For this procurement, Naturgy actively participates both in the primary market, through auctions, and in the secondary market. These emissions correspond mainly to the combined-cycle gas-fired power stations in Spain and account for 38% of Naturgy's direct emissions (Scope 1) in 2021. It is important to remember that the operation of these plants is included in the integrated National Energy and Climate Plan (PNIEC), which is in line with the European goal of climate neutrality by 2050, and that they are a fundamental element to ensure the growth of renewable energies in the national electricity system, as they are the back-up to maintain electricity supply in situations where wind, sun or water are absent.

In Mexico, the Emissions Trading System (ETS) Test Program is being implemented, which includes emissions from combined-cycle power stations. This test phase began in 2020 and will end in 2022. Installations registered in the ETS must submit emission allowances equivalent to the tons of CO_2 they emit. Currently, Naturgy's combined-cycle power stations in Mexico are registered in the ETS and have received emission allowances from the authority for the years 2020 and 2021.

Thus, total emissions under market schemes, aligned with the INECPs of the countries where they take place, amount to 80% of Scope 1 emissions. They therefore meet the objective of these markets, which is to reduce emissions in a cost-efficient manner in line with international climate agreements. In fact, as indicated above, gas-fired combined-cycle power stations currently represent the most eco-efficient generation technology available to provide the necessary back-up for renewables and enable their widespread penetration, which is key to the energy transition.

• CO_2 emissions covered by regulations or trading systems

	2021	2020
Total CO_2 emissions affected by the regulations governing the European Emissions Trading System ($MtCO_2$)	**4.9**	6.0
Scope 1 emissions covered by emission limitation regulations ($MtCO_2$)	**10.4**	11.4
Scope 1 emissions covered by emission reporting regulations ($MtCO_2$eq)	**13.0**	14.3

Climate balance sheet 2021

The climate balance sheet shows the relationship between the emissions produced by Naturgy (direct and indirect) and the emissions prevented by its assets, products and services. This balance marks a trend that shows whether the group is in line with the global goal of climate neutrality introduced in the Paris Agreement.

The criteria for the quantification of emissions prevented are as follows:

- During the reporting period, projects and activities must produce quantifiable reductions in GHG emissions and energy with respect to a baseline, which is defined on a case-by-case basis.
- The emissions prevented are calculated as the difference between the emissions of the "with project" and "without project" scenarios. The emissions of the "with project" scenario represent the actual level of GHG emissions. Emissions from the "without project" scenario represent the GHG emission levels that would have been achieved with other more emitting sources if the project had not been implemented.
- The emission factors used for the "with project" and "without project" scenarios have been obtained following the 2006 Intergovernmental Panel on Climate Change (IPCC) guidelines for the preparation of national GHG inventories.
- Calculations have been made in accordance with the United Nations Framework Convention on Climate Change (UNFCCC) methodologies and tools for the Clean Development Mechanism (CDM) projects.

Climate balance sheet in figures

	2021	2020
Total emissions Scopes 1, 2 and 3 ($MtCO_2eq$)	**150**	139
Emissions prevented ($MtCO_2$)	**142**	129
Climate balance sheet: emissions prevented/total emissions Scopes 1, 2 and 3 (%)	**95**	93

In 2021, the balance was 95% higher than in 2020, which shows that the company's activity is increasingly contributing to preventing GHG emissions at a global level. The table below provides a breakdown of the associated emission reductions and energy savings.

Initiatives for reducing GHG emissions and associated energy savings

Emissions prevented [1]	**Emissions prevented 2021 (tCO_2 eq)**	**Energy savings 2021 (GWh)**	Emissions prevented 2020 (tCO_2 eq)	Energy savings 2020 (GWh)
Natural gas: reduction of CO_2 emissions by displacement of coal and oil derivatives, of higher emissions	**131,921,464**	**180,198**	120,304,618	161,636
Electricity production	**86,212,063**	**150,327**	76,787,895	133,522
Industry	**22,576,604**	**10,183**	22,497,930	10,353
Residential/Commercial	**11,349,138**	**12,043**	10,906,893	11,461
Transport	**3,523,373**	**3,529**	2,801,792	2,807
Cogeneration	**8,260,286**	**4,116**	7,310,108	3,493
Renewable energies: displacement of fossil fuel generation	**6,295,866**	**22,959**	5,001,239	19,592
Wind farms	**3,411,485**	**12,387**	2,494,745	9,723
Hydroelectric production	**2,446,882**	**8,941**	2,179,056	8,616
Photovoltaic production	**437,499**	**1,631**	327,438	1,253
Energy savings and efficiency in own and customers' facilities	**1,128,579**	**2,197**	1,058,309	2,197
Own facilities: Energy Efficiency Operations Plan				
Renewal of gas transmission and distribution networks	**819,569**	**530**	746,958	545
Actions in electricity distribution	**9**	**0**	1,109	4
CCGTs	**69,359**	**358**	47,361	242
Coal-fired power stations	**0**	**0**	7,952	24
Fuel oil-fired power stations	**4,428**	**16**	12,680	46
Customer facilities				
Energy services	**235,213**	**1,293**	242,249	1,336
Other				
Nuclear production	**2,446,339**	**-4,270**	2,309,669	-4,574
Total	**141,792,248**	**201,084**	128,673,835	178,851

[1] The emissions prevented are calculated as the difference between the emissions of the "with project" and "without project" scenarios. Using the 2006 IPCC emission factors for the development of national GHG inventories and UNFCCC methodologies and tools for Clean Development Mechanism (CDM) projects.

Naturgy, in line with the renewable and energy efficiency requirements established at European and national level, carries out various activities to increase energy efficiency in its facilities and increase renewable generation.

Naturgy's emissions offsetting

Emission offsetting is a voluntary instrument in the fight against climate change, which consists of the acquisition on the secondary market of emission credits from projects that reduce, avoid or eliminate greenhouse gas (GHG) emissions into the atmosphere (CERs, VERs, etc.). The projects are implemented in developing countries and can be of multiple technologies, ranging from renewable energies (wind farms, biomass, hydropower) to climate change mitigation projects, such as methane elimination in landfills, energy efficiency initiatives or forestry projects.

Emissions offsets are a form of crowdfunding for climate action, as the purchase of emission credits allows projects to continue to reduce emissions while benefiting local communities.

Naturgy conducts several initiatives to offset emissions that go beyond legal requirements. Among these actions being carried out, Neutral Gas and Neutral LNG, which offset the emissions linked to the fuel supplied to customers, stand out.

The new commercialised residential gas contracts (Zen Tariff, Tariff by Use and Online), have the eco attribute implicit, and therefore offer customers an emission-neutral consumption.

With regard to Neutral LNG, in September 2021 the company's first neutral LNG cargo, destined for Spain, was carried out. It offset the CO_2eq emissions corresponding to the extraction, pipeline transport, liquefaction and maritime transport of the ship Castillo de Mérida originating in Qatar and unloading at the Port of Barcelona.

In addition, through the Compensa2 initiative, emissions from work centres and company travel are offset. The following table shows the amount of offset emissions.

• Emissions offsetting

	Emissions offset in 2021 (tCO_2 eq)
Neutral Gas	196,238
Neutral LNG	36,712
Compensa2 Initiative	9,634
Scope 1 emissions from fuel use in workplaces (fixed sources and fleet)	8,160
Scope 2 emissions from electricity consumption in workplaces	1,112
Scope 3 emissions from business trips (air and train)	362
Total	**252,218**

Objectives and metrics

With the Strategic Plan 2021-2025, the objectives set out in the previous strategic plan have been updated as they have been amply fulfilled and ambition has been increased.

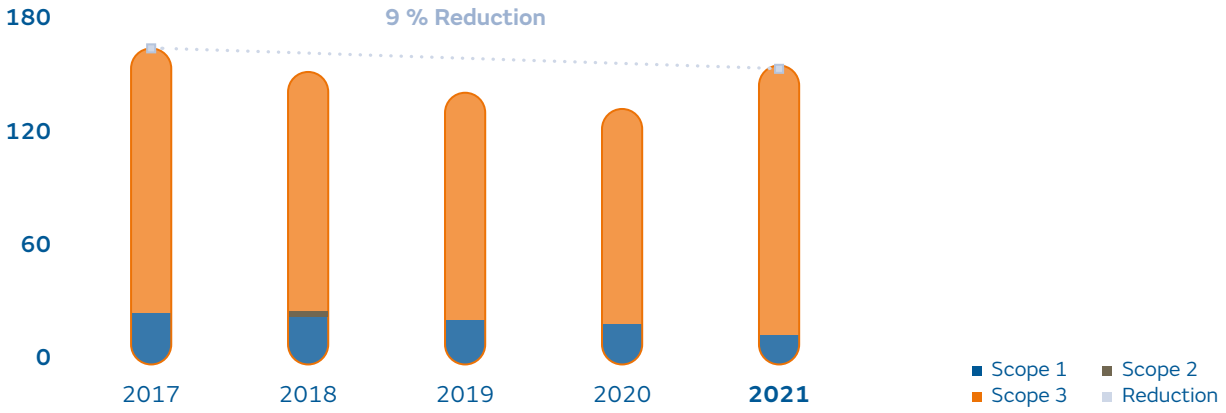
Climate neutrality target by 2050

In the Strategic Plan 2021-2025, Naturgy has committed to achieving climate neutrality, net zero GHG emissions, by 2050. This target includes all scopes 1, 2 and 3 of the carbon footprint, all greenhouse gases and applies to all of the company's activities and geographies, with no exclusions. The priority is to reduce emissions as much as possible, considering, if necessary, the use of GHG emission absorption mechanisms to offset residual emissions.

To reach this target, emission reduction pathways are calculated in the three scopes with the aim of establishing intermediate milestones to be achieved in 2030 and 2040 to achieve net zero in 2050, according to the temperature scenarios of the Paris Agreement.

	Emissions	Approval year	Base year	Target (% reduction)	Target ($MtCO_2eq$)	2021 ($MtCO_2eq$)	2021 (% compliance)	Base year ($MtCO_2eq$
Neutrality 2050 (net zero)	$MtCO_2eq$	2021	2017	↓100%	100%	149.9	9%	164.5

- Evolution of the carbon footprint ($MtCO_2eq$)



Intermediate absolute emissions targets for 2025 and 2030

In 2015 Naturgy set targets to 2025 and 2030 taking 2012 as the base year to meet the requirements of the Science Based Target Initiative (SBTI) Tool v.8. These objectives have been reformulated with the new values of the Strategic Plan 2025, increasing the ambition of reductions:

- To reduce GHG Scope 1 and 2 emissions by 56% in 2025 compared to the base year 2012.
- To reduce GHG Scope 1 and 2 emissions by 4.5% in 2030 compared to the base year 2012.

In 2021, with the approval of the Strategic Plan 2025, Naturgy has approved short-term emission reduction targets that are included in the Sustainability Plan:

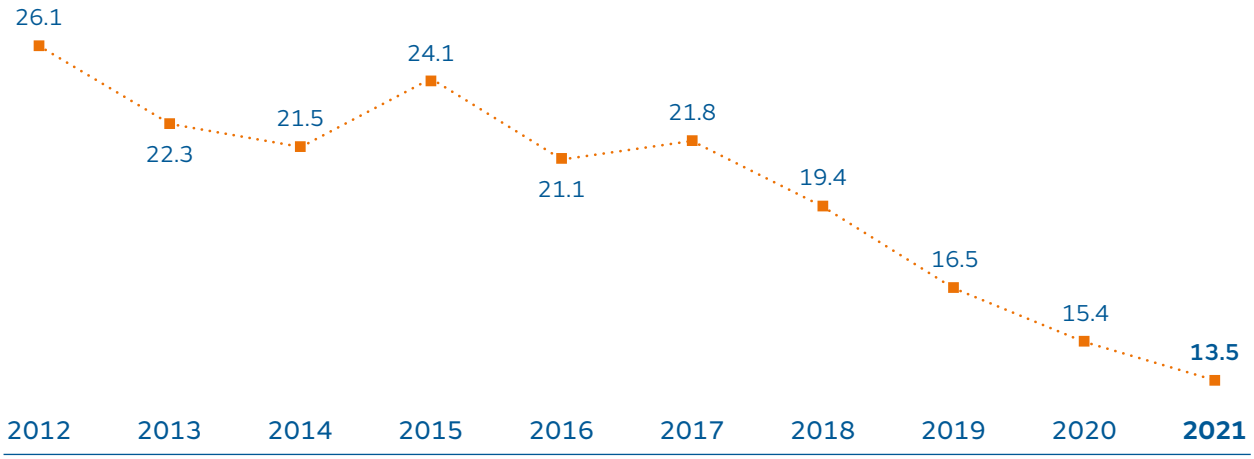
- To reduce GHG Scope 1 and 2 emissions by 48% in 2025 compared to the base year 2017.
- To reduce GHG Scope 3 emissions by 20% in 2025 compared to the base year 2017.

The targets are aligned with the overall average reduction required under SBTI for a 1.5ºC increase scenario for Scopes 1 and 2 and WB2DS for Scope 3.

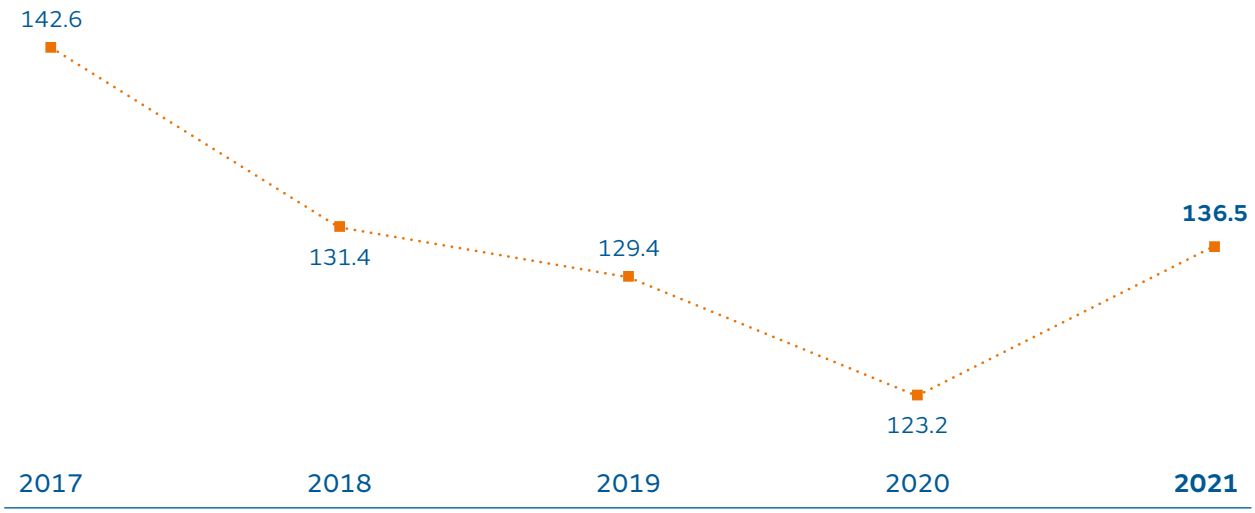
	Scope	Approval year	Base year	Target (% reduction)	Target ($MtCO_2eq$)	Año 2021 ($MtCO_2eq$)	Año 2021 (% compliance)	Base year ($MtCO_2eq$)
Strategic Plan 2025	A1+A2	2021	2017	↓48 %	11.4	13.5	80 %	21.8
Strategic Plan 2025	A3	2021	2017	↓20 %	114.1	136.5	22 %	142.6
2025 SBTI (*)	A1+A2	2016	2012	↓56 %	11.4	13.5	86 %	26.1
2030 SBTI (*)	A1+A2	2015	2012	↓4,5 % anual	11.4	13.5	86 %	26.1

(*) Objective reformulated in 2021 with values from the Strategic Plan 2025.

GHG Emissions scopes 1 & 2 ($MtCO_2eq$)



GHG Emissions scopes 3 ($MtCO_2eq$)



Intermediate emissions intensity targets for 2025 and 2030

These emissions intensity targets are expressed as the amount of CO_2 emitted per electrical energy produced (tCO_2/GWh) and cover the activity of generation, which is responsible for nearly 90% of the group's direct emissions.

In 2015, Naturgy set emissions intensity targets to 2025 and 2030 taking 2012 as the base year to meet the requirements of the Science Based Target Initiative (SBTI) tool v.8. These objectives have been reformulated with the new values of the Strategic Plan 2025, increasing the ambition of reductions:

- Reduce the GHG emissions intensity of electricity generation by 59% by 2025 compared to the base year 2012.
- Reduce the GHG emissions intensity of electricity generation by 4.8% per year by 2030 compared to the base year 2012.

In 2021, with the approval of the Strategic Plan 2025, Naturgy adopted short-term emission intensity reduction targets that are included in the Sustainability Plan:

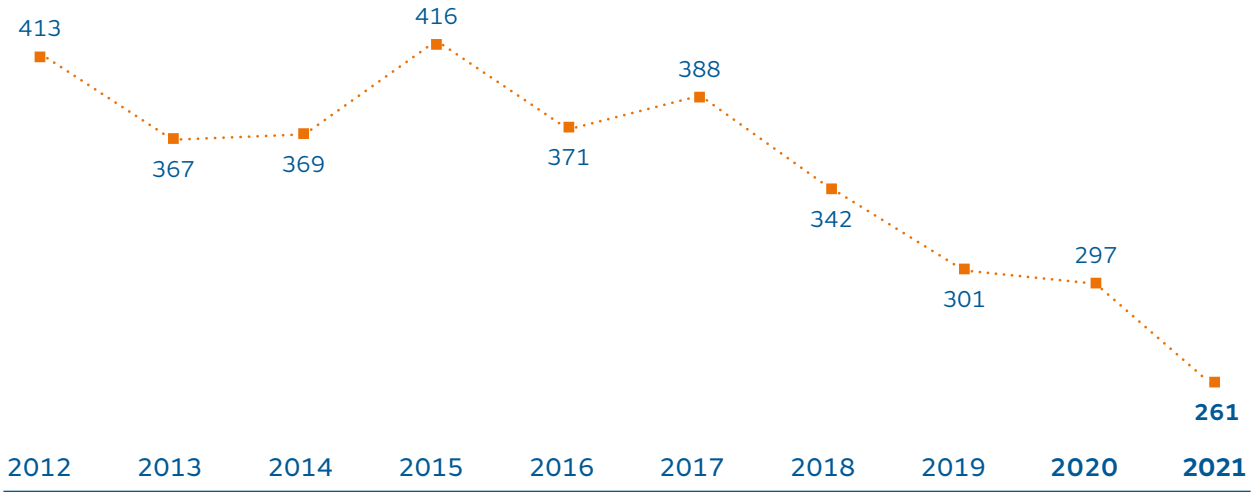
- Reduce the GHG emissions intensity of electricity generation by 56% by 2025 compared to the base year 2017.

The targets are aligned with the SBTI for a 1.5ºC scenario.

	Approval year	Base year	Target (% reduction)	Target ($MtCO_2eq$)	Año 2021 ($MtCO_2eq$)	Año 2021 (% compliance)	Base year ($MtCO_2eq$)
Strategic Plan 2025	2021	2017	↓56 %	171	261	58 %	388
2025 SBTI (*)	2016	2012	↓59 %	171	261	63 %	413
2030 SBTI (*)	2015	2012	↓4,8 % anual	171	261	63 %	413

(*) Objective reformulated in 2021 with values from the Strategic Plan 2025.

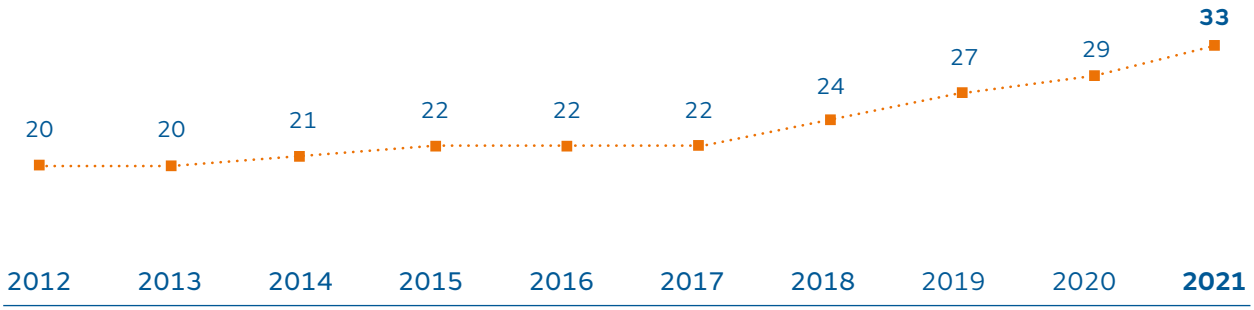
- Electricity generation carbon intensity (tCO_2/GWh)



Renewable energy target

One of the strategic lines to achieve emissions reduction is the commitment to renewable energies. One of the targets of the Strategic Plan is that of reaching a percentage of renewable installed power in the generation mix greater than 56% by 2025.

● Renewable power (%)



Climate change and energy transition: achievement and highlights in 2021

Lines of action	Achievements and highlights in 2021
Climate management	Naturgy has announced its commitment to achieve climate neutrality by 2050 (net zero emissions) in the new Strategic Plan by 2025. Naturgy was externally recognised for its climate management, obtaining the A-rating from the CDP Climate, and has been present in the leadership band since 2011. Diploma "Business Examples of #ForClimate2021 Actions" of the #ForClimate Community on the initiative Biomethane, circular energy for the climate and the demographic challenge.
Reducing direct CO_2 emissions	In 2021, there was no coal-fired electricity generation due to the closure of all Naturgy coal-fired power stations in the first half of 2020. This means a significant reduction in CO_2 emissions and other atmospheric pollutants. Improved start-up procedures for combustion equipment to reduce emissions.
Promoting renewable electricity	Implementation of new renewable projects (562 MW worldwide), which have led to an increase in installed renewable capacity to 33% and an increase in electricity produced from water, wind and solar. The fact that Naturgy has over 9,800 MW of installed capacity in combined-cycle plants, the most eco-efficient conventional thermal technology that acts as a backup for renewable generation in times of lack of water, wind or sun, has spurred the penetration of renewable energies in the system.
Reducing fugitive GHG emissions in gas networks	Renovation of gas networks, replacing cast iron pipes with polyethylene, materials with lower methane leaks. Sectorisation of gas networks by means of shut-off valves that allow the isolation of areas where leaks are detected in order to reduce methane emissions during the work of locating and repairing the incident. Improved control and remote monitoring equipment for distribution systems to facilitate operation, detection and reduction of leaks.

Continues ›

Lines of action	Achievements and highlights in 2021
Reducing fugitive GHG emissions in gas networks	Reduction of methane leaks by monitoring the gas network (regular routine inspections to identify undetected leaks), reducing pressure during off-peak consumption and improving leakage response plans to reduce response times. Improvement in the operation and maintenance of gas transport infrastructures to reduce venting.
Reduction of SF_6 emissions	Replacement of SF_6 (greenhouse gas) equipment with new models with a lower leakage rate. Participation of electricity distribution in the Voluntary Agreement for the reduction of SF_6 emissions promoted by the Ministry for Ecological Transition and the Demographic Challenge.
Displace carbon intensive fuels	The distribution and commercialisation of natural gas to replace more carbon-intensive fuels (coal, petroleum derivatives) led to the reduction of 131,921,464 tCO_2eq, and other air pollutants (SO_2, particulate matter, NO_x).
Sustainable mobility for customers	19 LNG bunkering operations have been carried out from a tanker to a tugboat, replacing oil-based fuels with liquefied natural gas, which is the most eco-efficient alternative in maritime transport in terms of both GHG emissions and other pollutants. Implementation of comprehensive and personalised electric mobility solutions that allow customers to enjoy their electric vehicle charging point. Commissioning of 2 new vehicular natural gas stations in Spain.
Sustainable mobility	Increase of the electric fleet replacing combustion vehicles. Commissioning of recharging points at our own facilities to promote electric mobility, for example at the Avenida de América office in Madrid. Digitisation of processes and increase of remote work.
Increasing energy efficiency at our own facilities and those of our customers	Energy Efficiency Operations Plan in own facilities, preventing the emission of 1,128,579 tCO_2eq. To this end, several actions have been carried out to reduce energy consumption: replacement of equipment with more efficient ones, installation of renewable self-consumption systems, etc. Renewal of boilers, conversion of customers to replace the consumption of oil derivatives with natural gas, personalised self-consumption solutions, cogeneration projects, installation of photovoltaics in homes and businesses, efficient lighting and air conditioning solutions.
Innovation in low-carbon energy products and services	Commercialisation of ECO tariffs and products in Spain, based on guarantees of origin, to provide customers with energy from renewable sources. It currently represents approximately 6,500 GWh, 34% of the electricity sold in the free market. With respect to gas, the Gas Neutral product, a natural gas supply service compensated by neutralising its CO_2 emissions, was applied to all new gas customers in 2021.
Collaborations and alliances	Participation in the Wetlands4Climate project, which aims to establish management guidelines for Mediterranean wetlands so that they function as carbon sinks, maintaining their ecological integrity and functionality.

3. Circular economy and eco-efficiency

Naturgy is committed to promoting the circular economy through the efficient use of resources to reduce environmental impacts. To do this, different lines of action are developed, focused fundamentally on:

- Improving eco-efficiency in the use of resources, energy, water and raw materials, reducing consumption, pollution, waste and its impact on the environment, and promoting initiatives based on circular economy.
- To develop renewable gas (biomethane and hydrogen) as an energy and storage vector that facilitates the transition to a circular and decarbonised economy model, so that it can be injected into gas infrastructures, to replace conventional natural gas.

Energy and materials

Within the framework of the integrated management system, Naturgy implements management and control procedures aimed at minimising the consumption of energy and material resources.

As far as energy consumption is concerned, Naturgy's commitment to renewables and the promotion of energy savings and efficiency, both at its own facilities and at its customers, contributes to reducing the environmental impact of unconsumed energy. The figures regarding energy consumption both inside and outside the organisation are given below [(1)].

• Total energy consumption within the organisation (GWh)

	2021	2020
Non-renewable fuels	**78,821**	85,750
Natural gas	**64,289**	68,060
Coal	**0**	2,929
Petroleum derivatives	**2,493**	1,641
Uranium	**12,039**	13,120
Renewable fuels	**0**	0
Electricity acquired for consumption	**1,618**	3,181
Renewable electricity generated (not included in the consumption of fuels)	**10,521**	9,202
Electricity and steam sold	**-41,940**	-42,140
Total	**49,020**	55,993

[(1)] The lower calorific values (LCV) and higher calorific values (HCV) of the different fuels defined by the Spanish Office for Climate Change were used to calculate energy consumption.

The above table reflects that in 2021 no coal-fired thermal power stations have operated, which were closed in 2020, so there has been no consumption of this fuel.

The following table shows the ratio of energy consumption to net turnover.

Energy intensity within the organisation

	2021			2020		
	Energy consumption within the organisation (GWh)	Net turnover (million euro)	Ratio (GWh / net turnover)	Energy consumption within the organisation (GWh)	Net turnover (million euro)	Ratio (GWh / net turnover)
Total	**49,020**	**22,132**	**2.21**	55,993	15,345	3.65

Energy consumption outside the organisation (GWh)

	2021	2020
Final use of the natural gas commercialised	**564,493**	509,289
Electricity	**23,048**	56,610
Total	**587,541**	565,899

In 2021, consumption of energy resources decreased by 12% within the organisation. With respect to energy consumption outside the organization, there has been an increase of 4%, due to the increase derived from the natural gas marketed.

Materials used, by weight or volume (Mt)

Fuels	**2021**	2020
Natural gas	**4.3**	4.6
Coal	**0.0**	0.5
Petroleum derivatives	**0.2**	0.2
Uranium	**0.00001**	0.00001
Total fuels	**4.5**	5.2

Materials used, by weight or volume (kt)

Other materials (non-combustible)	**2021**	2020
Calcium carbonate	**0.0**	9.3
Lubricant/hydraulic oil	**0.7**	0.6
Sulphuric acid	**1.4**	1.7
Nitrogen	**2.0**	1.1
Sodium hypochlorite	**0.5**	0.6
Calcium hydroxide	**0.7**	1.0
Sodium hydroxide	**0.9**	0.7
Rest of other materials (*)	**1.8**	1.8
Total other materials	**7.9**	16.7

(*) Includes paper and toner consumption, which in 2021 amounted to 53 t and 0.6 t respectively, much lower than in 2020 (61 t and 1.9 t respectively).

In terms of the materials used, there was a decrease in consumption, both of fuels (13% reduction) and other non-combustible materials (53% reduction) compared to 2020. This is mainly due to the closure of coal-fired power stations, which has led to a reduction in both the consumption of this fuel and of the chemical reagents used in these facilities and the calcium carbonate used in the desulfurisation plants.

Water

Water is one of the natural resources used in the processes and its proper management is one of Naturgy's strategic lines. Risks related to water management are analysed with different methodologies and considered in the Corporate Risk Map. In particular, special attention is paid to water consumption, water quality control in discharges, ecological management of reservoirs, and priority is given to eco-efficiency and water reuse in the processes, even integrating waste water from other activities.

The main potential impacts that Naturgy's activities can have on this resource are listed below:

	Transmission and distribution			Electricity generation			
Potential impacts on water	Upstream	Natural gas	Electricity	Thermal	Hydroelectric	Wind	Solar
The construction and dismantling of facilities can cause temporary impairment of water quality in nearby water masses during the construction phase. The main causes of these impacts are: local removal of vegetation, land being dragged by runoff, accidental spills and uncontrolled dumping.	■	■	■	■	■	■	■
During the operation phase, there is a risk of water quality impairment due to accidental spillage of liquids, waste or materials into bodies of water in the vicinity of the facilities.	■	■	■	■	■	■	■
Modification of physicochemical parameters downstream of the facilities due to the liquid discharges produced.	■	■	■	■	■	■	■
Water consumption or drawdowns and/or scarcity of water both for the ecosystems present in the environment and for the populations and socio-economic activities.	■	■	■	■	■	■	■

Type of impact

■ Low impact. ■ Medium impact. ■ Significant impact. ■ No significant impact.

Naturgy is committed to the proper management of water around its facilities in order to reduce potential negative impacts, and therefore applies the precautionary principle. In the design phase of the facilities likely to generate significant impacts on the environment, environmental impact studies are conducted, in which project alternatives and the natural environment are studied, paying special attention to water and its availability, both for the ecosystems and for the affected population. Consequently, all necessary measures are included in the project design to ensure that the environmental and social impacts associated with water use are minimised.

In the environmental impact assessment process, both the project and the environmental impact study are subject to public information, whereby stakeholders participate in the procedure by submitting the arguments and proposals they deem appropriate, many of which end up being integrated into the end solution. The result of this process is an environmental authorisation which gives the specific conditions applicable to each project, and which guarantees that water management is adjusted both to the local context of availability of the resource and to the applicable public policies. Occasionally, where facilities are located in areas without local discharge requirements, internationally recognised standards, such as those established by the World Bank guidelines, are taken as a reference.

Once the facilities enter into construction or operation, the monitoring and analyses set out in the environmental studies and in the authorisation are carried out to ensure that the quality of the environment and the availability of this shared resource are maintained. This is guaranteed by the externally audited environmental management system certified by ISO 14001. In addition, strict operational control and risk management procedures (environmental emergency plans, drills, etc.) are implemented to prevent incidents before they occur or minimise any damage. In fact, 145 studies were conducted in 2021, especially in the field of power generation facilities (thermal, hydroelectric) to monitor the water impacts of the environment. In the case of thermal and hydroelectric power stations, sampling campaigns have been carried out to determine the physical, chemical and biological characteristics of the aquatic environment (rivers, reservoirs, etc.). Recent studies confirmed the normal situation observed in recent years, and concluded that the facilities studied had an acceptable impact.

The water risks in Naturgy's supply chain are the result of the combination of activity risk (water risk inherent to the supplier's activity) and country risk (water risk inherent to the country or location of a given facility). Thus, this combination makes it possible to assign a risk level to each category of purchases: high, medium or low, considering high risk as critical. In addition, a life cycle analysis methodology has been developed to analyse the impact associated with the products and services that have the greatest impact on water in its value chain. It should also be noted that we work with our main suppliers through the CDP supply chain initiative in order to improve water management.

Water collection, consumption and discharge (hm^3)

	2021	2020
Total volume of water captured from the environment	**872**	928
Total water consumption	**15**	20
Total volume discharged	**858**	909

NB: the discrepancy in the water balance (capture-consumption=discharge) is due to the fact that the discharge includes rainwater collected by the drainage networks of the facilities. This rainwater, which is the rainwater that falls on the facility, is recorded in the discharge but not in the water captured from the environment.

Most of the total water collected by the company is returned to the environment, with consumption representing a very small percentage of the total, just 1.7%. However, the existence and magnitude of impacts will depend on both the source of water used and the amount of the resource consumed. In the case of Naturgy, the main source of water used globally is seawater, which in 2021 accounts for 98% of the total.

Next is the wastewater from other industries or from urban sources, which is treated to be reused in the company's processes, thus avoiding the consumption of fresh water, especially in areas of scarcity.

• Water collection by source (hm^3)

	2021	2020
Surface water captured (sea [1])	**858.7**	901.3
Surface water captured (rest [2])	**1.5**	6.1
Groundwater captured [2]	**0.5**	0.4
Wastewater used from another organisation [1]	**11.5**	19.8
Water captured from the supply network [2]	**0.2**	0.3
Total volume of water captured from the environment	**872.4**	927.9

[1] Total dissolved solids (TDS) > 1,000 mg/l.
[2] Total dissolved solids (TDS) ≤ 1,000 mg/l.

• Water collection by salinity (hm^3)

	2021	2020
Volume of water with TSD > 1,000 mg/l	**870.2**	921.1
Volume of water with TSD ≤ 1,000 mg/l	**2.2**	6.8
Total volume of water captured from the environment	**872.4**	927.9

• Water consumption (hm^3)

	2021	2020
Consumption of cooling water	**11.8**	17.1
Consumption of water in water/steam cycle	**0.3**	0.4
Consumption of water in other processes	**2.7**	2.3
Consumption of water in ancillary services and buildings	**0.4**	0.5
Total	**15.2**	**20.3**

Most of the water consumption occurs in thermal power generation plants, specifically in the cooling towers, where it evaporates to enable cooling and is released into the atmosphere, reintegrating into the natural water cycle.

Once used, the different water flows are segregated according to their nature and those that require it are treated at the effluent treatment plants, eliminating the contaminants they contain (particles, oils, organic contamination, pH outside the range, etc.) until the appropriate conditions are reached for their discharge. Each facility has its own discharge limits, set according to the nature and carrying capacity of the receiving water body. Prior to discharge, effluents are analysed to ensure that the permissible limits are complied with and that there are no negative impacts on the aquatic ecosystem. This analysis and monitoring is not limited to the effluents alone; the plants also monitor the water in the environment receiving the discharges to ensure that there are no negative effects on the aquatic environment.

The treatment equipment and systems worked as planned in 2021, complying with environmental permits. In addition, studies of the receiving environment reveal that no significant impacts were generated in the aquatic ecosystems where the effluent discharges are made. Most discharges are into the sea, followed by rivers and the public sewerage system.

	2021	2020
Water discharged into the sea	**855.9**	904.7
Water discharged into waterways	**1.4**	4.4
Water discharged into the public sewerage system	**0.3**	0.3
Water discharged into septic tanks	**0.0**	0.0
Water discharged for use by an aquifer	**0.0**	0.0
Total volume discharged	**857.6**	909.5

NB: all discharges had a TDS concentration > 1,000 mg/l.

To adequately manage this resource in the facilities with the greatest potential impact, Naturgy also carries out a global assessment of the risk associated with water management, which analyses the use of water by the facilities and the characteristics of the environment in which they are located according to their water stress category. The result of this study states that Naturgy, aware of the situation of water stress or scarcity in the surroundings of some of its thermal plants, implements systems for the use of seawater or the reuse of waste water from cities or other industries in these facilities, which avoids fresh water being consumed and removes the pressure on this scarce resource. In fact, in 2021, fresh water captured (TDS ≤ 1,000 mg/l) in areas of high water stress amounted to only 0.05 hm^3, which represents 0.01% of total water captured.

Water collection in high water stress areas

	Volume (hm^3)		Percentage of total water collected	
	2021	2020	**2021**	2020
Total water captured in high water stress areas	**236.25**	225.52	**27 %**	24 %
Seawater [1]	**224.80**	205.63	**26 %**	22 %
Fresh surface water [2]	**0.03**	0.09	**0 %**	0 %
Fresh groundwater [2]	**0.01**	0.00	**0 %**	0 %
Water from another organisation (reuse) [1]	**11.40**	19.78	**1 %**	2 %
Water captured from the supply network [2]	**0.01**	0.01	**0 %**	0 %
Water collection [2] in high water stress areas	**0.05**	0.11	**0 %**	0 %

[1] Total dissolved solids (TDS) > 1,000 mg/l.
[2] Total dissolved solids (TDS) ≤ 1,000 mg/l.

Water collection in high water stress areas by salinity (hm^3)

	2021	2020
Volume of water with TSD > 1,000 mg/l	**236.2**	225.4
Volume of water with TSD ≤ 1,000 mg/l	**0.05**	0.11
Total volume of water captured from the environment	**236.2**	225.5

The following tables show consumption and discharge in these areas

Water consumption in areas of high water stress (hm^3)

	2021	2020
Consumption of cooling water	**7.60**	10.34
Consumption of water in water/steam cycle	**0.20**	0.24
Consumption of water in other processes	**0.00**	0.00
Consumption of water in ancillary services and buildings	**0.30**	0.26
Total	**8.10**	10.84

• Water discharge in areas of high water stress (hm^3)

	2021	2020
Water discharged into the sea	**227.90**	214.39
Water discharged into waterways	**0.60**	0.71
Water discharged into the public sewerage system	**0.01**	0.03
Water discharged into septic tanks	**0.00**	-
Water discharged for use by an aquifer	**0.00**	-
Total volume discharged	**228.51**	215.13

• Number of incidents of non-compliance related to water quantity or quality permits, standards and regulations

	2021	2020
Number of incidents	**1**	2

Globally, in 2021, there has been a 6% reduction in both water intake and discharge, mainly due to the non-operation of the coal-fired power stations that closed in mid-2020. In relation to consumption, a 24% reduction was achieved. Considering the quality of the water used, the greatest reduction (75%) has occurred in inland fresh water, mainly due to the fact that the decommissioned coal-fired power stations mainly captured and consumed river water. This improvement means a lessening of negative environmental impacts owing to the reduced use of the most sensitive resource (fresh water). This trend was replicated in areas of high water stress, where there is greater competition for fresh water, with a 67% reduction in freshwater capture in those areas.

Atmospheric emissions

• Total specific atmospheric emissions: Nitrogen oxides (NO_x), sulphur oxides (SO_2) and other significant air emissions (kt)

	Total (kt)		**Specific (g/kWh)**	
	2021	2020	**2021**	2020
SO_2	**1.2**	3.4	**0.0**	0.1
NO_x	**7.9**	10.6	**0.2**	0.3
Particles	**0.2**	0.3	**0.0**	0.0
Mercury	**0.0000100**	0.0000200	**0.0000002**	0.0000006
Lead (*)	**n.a.**	n.a.	**n.a.**	n.a.

(*) This pollutant does not apply since natural gas, which is mostly used as fuel, lacks this element and, since it is not formed in the combustion process, it is not emitted in the combustion gases.

The above data correspond to direct measurements made at the facilities. As can be seen, there has been a marked decrease in SO_2 emissions, mainly due to the closure of coal-fired power stations, as these plants have the highest emissions of this atmospheric pollutant due to the sulphur in the fuel.

Emissions of ozone-depleting substances (ODS) (t)

	2021	2020
HCFC	**0.0900**	0.0001
Freon R22	**0.22**	0.26

The above data correspond to direct measurements of filling operations performed on equipment using these substances.

With regard to light and noise pollution, following the materiality analysis carried out, these issues have not been of relevance which is why no information is included in this regard. However, noise-producing facilities are equipped with silencers, insulation and other acoustic measures to ensure compliance with legal limits and reduce disturbance to the surrounding population and fauna, as well as monitoring and measurement programmes to ensure compliance with these requirements.

Residuos

Within the framework of the integrated management system, Naturgy has procedures for the control and management of waste, through which it defines the systems for its adequate minimisation, segregation, storage, control and final management. In relation to the waste managed by collaborating companies, they are required to adequately manage such waste in the environmental specifications of the contract and are supervised throughout the duration of their services.

In accordance with the waste hierarchy, the company prioritises management aimed at prevention, reuse and recycling over other less sustainable alternatives such as incineration without energy recovery or landfill. This strategy is clearly defined in the Sustainability Plan, which includes two waste-related objectives for 2025: reducing waste by 87% from 2017 and achieving 75% of waste recovered or recycled.

Waste managed

	2021	2020
Total waste (kt)	**98**	159
Non-hazardous waste (kt)	**94**	154
Hazardous waste (kt)	**5**	5
Recovery and recycling rate	**57 %**	61 %

Non-hazardous waste managed (kt)

	2021	2020
Soil and rubble	**76.2**	48.5
Ashes	**0.0**	60.1
Gypsum	**0.0**	19.5
Sludge	**12.0**	8.8
Cinders	**0.0**	6.8
Vegetable waste	**1.1**	3.8
Rest	**4.2**	6.3
Total	**93.5**	**153.8**

Hazardous waste managed (kt)

	2021	2020
Hydrocarbons plus water	**1.1**	1.2
Sludge from oil and fuels	**0.9**	1.1
Solid waste contaminated with hydrocarbons	**1.0**	0.8
Used oil	**0.5**	1.1
Hydrocarbon-contaminated soils	**0.4**	0.2
Electronic waste	**0.0**	0.5
Rest	**0.7**	0.5
Total	**4.6**	5.4

Products sold for reuse (kt)

	2021	2020
Ashes	**0.0**	91.9
Cinders	**0.0**	12.9
Sludge from oil and fuels	**0.9**	0.8
Total	**0.9**	105.6

In 2021, the total amount of waste generated decreased by 38%, mainly accounted for by non-hazardous waste from the lack of operation of coal-fired power stations that produced the ash and slag. The generation of hazardous waste decreased as well, by 7%. With regard to recycling, there has been a slight deterioration, with 57% of waste being recovered or recycled. It is also worth noting the significant reduction in the sale of products, due to the fact that there is no ash and slag to recover since the coal-fired power stations are no longer operating.

In 2021, Naturgy continued with the removal of polychlorinated biphenyls (PCB). Currently, 75 tonnes of dielectric oils with PCBs still have to be removed.

With regard to food waste, after the materiality analysis carried out, this aspect has not been among the relevant issues, which is why no information is included in this regard.

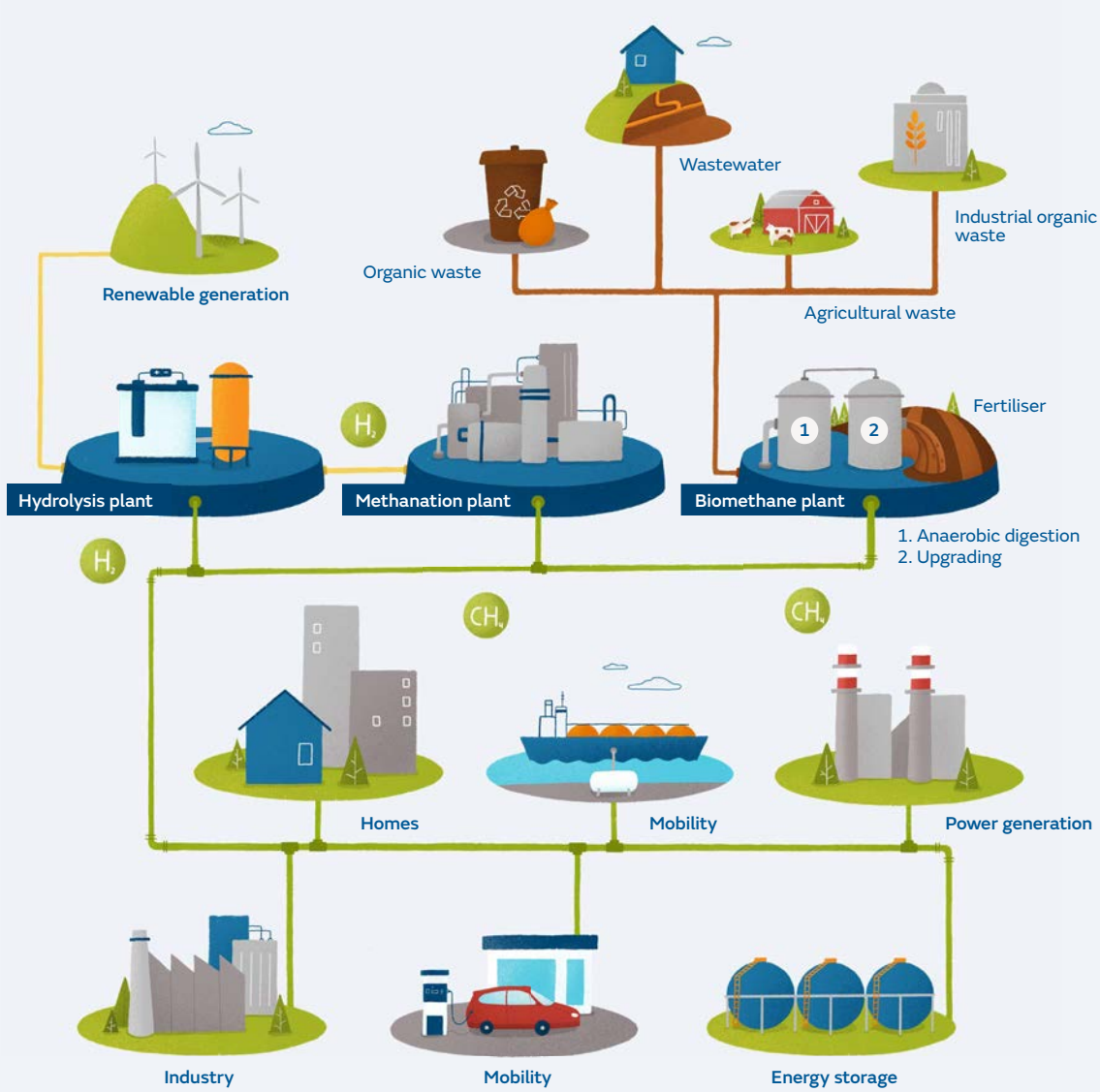
Renewable gas

Another strategic line of action in the circular economy is the numerous initiatives being conducted in the field of renewable gases, with the aim of promoting this new energy vector.

Moreover, this circular model has other advantages, such as improving the environmental management of such conflicting organic waste as: livestock waste, slurry, manure, poultry manure, sewage sludge or organic fraction of domestic waste, also avoiding the undesirable effects that these have on people and biodiversity through water pollution, unpleasant odours, etc. From the social point of view, it supports local rural development and the establishment of employment and population in agricultural and livestock environments, reducing external energy dependence and, with it, the country's energy bill.

These gases are obtained from raw materials or renewable sources, and there are three types:

- Biogas: from the anaerobic digestion of organic waste, such as household waste, industrial organic waste, sewage sludge or livestock waste. A by-product is generated in the process that is an excellent fertiliser, in circular economy logic.
- Synthetic gas or syngas: obtained by thermal gasification of lignocellulosic organic matter, such as forest and agricultural waste, which helps prevent fires.
- Green hydrogen: produced from renewable electricity by electrolysis of water, it allows the storage of this energy in the existing gas networks (in Spain, the gas system has the capacity to store the equivalent of the country's electricity consumption of 2 months). This alternative avoids the consumption of materials, energy and waste associated with batteries and, unlike the latter, allows energy storage for lengthy periods to cover seasonal differences in national energy demand. The natural gas transport and distribution infrastructure existing today in Spain can be used in the short term to transport hydrogen in the form of blending up to approximately 10% without the need for investment and, in the medium term, to transport pure hydrogen or in blends of more than 10% by adapting the compressor stations and other minor elements. In addition, green H_2 can also be transformed into methane through a methanation process, joining captured CO_2 from industry or generation, in which case it could be injected into the gas system in an unlimited way.



All renewable gases contribute to reduce greenhouse gas (GHG) emissions and are key to the decarbonisation of the energy system by avoiding CO_2eq emissions from substituted natural gas. The potential for reducing GHG emissions could reach 35 MtCO_2eq/year [(2)], i.e. more than 15% of the total emission forecast for 2030 in Spain according to the Integrated National Energy and Climate Plan (PNIEC).

Renewable gases produced from organic waste are not only carbon neutral but can even have negative CO_2eq emissions, acting as a sink and removing greenhouse gases from the atmosphere. This is the case of biomethane from livestock waste, the current management of which presents GHG emissions. The transformation of this waste into renewable gas can avoid emitting 200% of the CO_2 emissions corresponding to the substituted fossil fuel into the atmosphere [(3)].

Since 2014, Naturgy has been developing innovative projects to understand and reduce production costs and to promote the injection of renewable gases into the gas network. Detailed information on the projects developed can be found in the chapter on innovation and new business development.

[(2)] [(3)] **Source:** Renewable gases, an emerging energy vector (Álvaro Feliu Jofre and Xavier Flotats Ripoll). Naturgy Foundation.

Circular economy and eco-efficiency: achievements and highlights in 2021

Lines of action	Achievements and highlights in 2021
Digitalisation of waste management	In the electricity distribution business in Spain, waste management has been digitalised by implementing a computer system shared with contractors.
Reduction in consumption of raw materials and toxic products	Promotion of electronic invoicing among customers to eliminate paper consumption and the pollution associated with the paper life cycle. Naturgy's online invoicing has experienced considerable growth; at the end of 2021, there were 4.2 million contracts with online invoicing in Spain, 41% of the total, which represents an estimated reduction of more than 390 tonnes of paper per year, with a CO_2 emissions saving of approximately 1,180 tonnes of CO_2. The measure is also being implemented in Chile, reducing the printing of paper invoices by more than 200,000 between January and October. Recovery of more than 20,000 gas meters in Argentina and Brazil. We continue to replace hazardous chemical substances with others that are more environmentally friendly. An example of this is the replacement in Spain of mineral oils in hydroelectric power stations with other biodegradable oils that are not toxic to the environment, or the installation of a washing system in combined-cycle power stations, eliminating the use of non-halogenated solvents and the production of hazardous waste.
Reduction of water consumption	In six of Naturgy's combined-cycle plants, a total of 11.5 hm^3 of recycled water from urban discharges or other industrial activities has been reused. Two of the plants reuse the discharge of vaporisation water from regasification plants (combined-cycle power stations of the Port of Barcelona and Cartagena, in Spain). The other four (Hermosillo, Naco and Durango combined-cycle power stations in Mexico and Málaga in Spain) reuse urban waste water, avoiding the use of 3.7 hm^3 of fresh water in high water stress areas.
Promoting renewable gas	Injection of biomethane generated at the Elena and Biogasnalia landfill plants into the Spanish gas distribution network. In 2021, the biomethane production capacity in Naturgy's own plants and for injection into gas networks amounted to 140 GWh. The gas distribution business in Spain (Nedgia) joins Ready4H2, a European initiative that promotes the development of hydrogen through gas networks.

4. Biodiversity and natural capital

Naturgy is committed to the conservation of biodiversity, natural capital and cultural heritage in the areas surrounding its facilities, with a special focus on protected areas and species, and its principles of action are as follows:

- Respect natural capital, biodiversity and cultural heritage in the areas where the group operates, identifying, assessing and monitoring impacts and dependencies on biodiversity during the life cycle of the facilities.
- Integrate biodiversity in the design and operation of projects to progressively reduce negative environmental impacts, avoiding the impact on protected areas, implementing a preventive approach based on the hierarchy of impact mitigation (avoid, mitigate, restore and compensate) and promoting the development of nature-based solutions.
- Achieve no net loss of biodiversity, promoting the net creation of natural capital whenever possible.

To this end, Naturgy has a preventive approach, considering biodiversity in the design of new facilities and implementing operational controls throughout the service life and in the decommissioning of assets. In addition, Naturgy is working on defining its biodiversity and climate strategy, which will focus on the restoration of ecosystems to maximize CO_2 capture and neutralization of emissions, while ensuring the protection of native fauna and flora.

To conduct its activities, Naturgy needs a number of services provided by nature, also called ecosystem services. The identification of these dependencies at corporate level is highly relevant as it enables operations that are vulnerable to changes in the quantity and quality of these services to be identified with the implementation of actions aimed at their protection and conservation. The following table identifies the main dependencies identified:

	Distribution and transportation			Electricity generation			
Dependencies	Upstream	Natural gas	Electricity	Thermal	Hydroelectric	Wind	Solar
Provision of non-mineral resources as fuel (natural gas).	■	■		■			
Supply of minerals and materials for the construction and operation of facilities.	■	■	■	■	■	■	■
Wind energy supply.						■	
Solar energy supply.							■
Water supply.		■		■	■		
Climate regulation: carbon sequestration in the seas, soil and biomass.	■	■		■			
Regulation of the chemical composition of the atmosphere: processes of diffusion of pollutants.				■			
Regulation and maintenance of the flow rate and the physical, chemical and biological conditions of the water, including dilution processes.				■	■		
Flood control and protection.	■		■	■	■	■	■
Soil erosion protection and soil stabilisation.	■	■	■	■	■	■	■

Naturgy carries out an efficient management of natural capital based on reducing the impact on ecosystems by performing preliminary studies for new facilities, reducing emissions, resource consumption or waste production, and on developing direct actions on biodiversity.

With regard to new facilities, the precautionary principle is applied, carrying out preliminary environmental studies during the design phase. These studies analyse the environment of the sites, looking carefully at protected areas of high ecological value, adapting the location and components of the project to avoid or minimise negative impacts on biodiversity. In those cases in which it is not possible to completely avoid the impact, the required remedial or compensatory measures are introduced. The establishment of additional voluntary measures contributes to the knowledge and mitigation of the impacts caused by the facilities. The company also takes into consideration the opinion of the stakeholders present in the places where it operates.

The following table summarises the main impacts on biodiversity that may arise from the company's operation at the sites and in adjacent areas:

Potential impacts on biodiversity

	Distribution and transportation			Electricity generation			
	Upstream	Natural gas	Electricity	Thermal	Hydroelectric	Wind	Solar
Construction and dismantling of facilities The construction and decommissioning of facilities can affect the vegetation and fauna present in the environment. The main causes of these impacts are the local removal of vegetation, lower air quality, increased noise levels, accidental spills and the presence of personnel during the work period.	■	■	■	■	■	■	■
Air pollution, radiation and noise Atmospheric emissions (mainly from the operation of thermal power stations), noise and electromagnetic fields from power lines and substations can affect the abiotic and biotic environment around the facilities.	■	■	■	■	■	■	■
Introduction of invasive species, pests and pathogens No operations involve the introduction of exotic invasive species. The only risk associated with these species could be their proliferation owing to involuntary transfer or the creation of favourable conditions for their establishment.	■	■	■	■	■	■	■
Species reduction The construction and operation of plants and infrastructures can affect certain species, although not to such a degree that they totally disappear. The most affected species are birds and bats around power lines and wind farms, aquatic fauna in the case of hydroelectric plants and steppe birds in photovoltaic facilities.	■	■	■	■	■	■	■
Habitat transformation Changes in the use of land and the permanent presence of facilities in the natural areas may cause impacts on the affected habitats. The reservoirs associated with hydroelectric power stations can cause the most significant transformations with regard to biodiversity, which may be both negative or positive.	■	■	■	■	■	■	■

Continues ›

	Distribution and transportation			Electricity generation			
	Upstream	Natural gas	Electricity	Thermal	Hydroelectric	Wind	Solar
Changes in ecological processes outside of their natural range of variation The consumption of water or liquid discharges caused mainly by the operation of thermal generation plants, and changes of natural river systems in hydroelectric plants can induce changes in the variables of the environment that affect the aquatic ecosystem.	■	■	■	■	■	■	■
Accidental events Although there are environmental control systems that mitigate the risk, there may be accidental adverse negative events that may cause negative impacts on the environment, such as fires, spills, failure of water treatment systems.	■	■	■	■	■	■	■

Type of impact

■ Low impact. ■ Medium impact. ■ Significant impact. ■ No significant impact.

To minimise these effects, the company applies operational control procedures and, at those facilities where there can be greater potential risk, we carry out environmental assessment studies and define environmental emergency plans to prevent the incident before it occurs, or to minimise any damage. We also regularly perform environmental emergency drills to test the procedures that have been defined.

In addition, there is a Geographic Information System, which integrates both the natural protected areas in each country and the facilities and biodiversity initiatives carried out. This tool allows the identification, quantification, management and monitoring of impacts on biodiversity.

As a cross-cutting measure, a specific working group, in which all businesses and geographical areas participate, coordinates activities related to biodiversity and natural capital, to promote the dissemination of good practices. Likewise, company employees and their families are invited to participate in environmental volunteer programmes that encourage the development of individual attitudes and behaviour of respect and protection of the natural environment.

Innovation projects are also carried out in nature-based solutions. This is a new concept that involves harnessing the power of nature to tackle different challenges. For example, a pilot was conducted in 2021 to replace the use of machinery in the maintenance of the power line safety corridor with traditional livestock farming.

In terms of awareness, we collaborate with public administrations, universities, conservation associations, other companies in the sector and various entities in protection initiatives, as well as in the creation and dissemination of technical knowledge to improve the protection of biodiversity and the development of natural capital.

The following table shows the total surface area of facilities located within or adjacent to areas of high biodiversity or protected natural spaces. In order to determine the facilities located adjacent to these types of spaces, consideration has been given not only to their physical limitations but also to a number of specific impact ratios according to type of facility. Consequently, the infrastructure is classified as interior (within areas of high biodiversity), adjacent (radius of impact within the protected space) or exterior when it is outside.

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

- **Operations centres owned, leased or managed located within or adjacent to protected areas or zones of great value for biodiversity outside protected areas**

Business	Type of operation	Location with regard to the protected area	Area (ha)		Value of biodiversity 2021
			2021	2020	
Gas	Exploration	Within the area	**510**	494	RAMSAR, MAB, LIC, IBA, ENP, ZEPA
	Transmission and distribution	Within the area and next to the area	**9,892.15**	6,229	PN, APA, PNAM, MNA, ARIE, RVS, RE, PE, RAMSAR, ZEPVN, ZH, ZREEN, ZIC, ZECIC, RNP, RN, PEIN, PR, PPU, PNA, PJNM, PJN, PPG, HP, MAB, ZEPA, IBA, OSPAR, RAMPE, ZEPIM, M, ZEC, PJNIN, RNC, EN, SIBE, ANP, ZPHE, PU, ZPECP, ZSCE
Electricity	Generation	Within the area and next to the area	**20,630**	20,695	PNA, MAB, LIC, ZEPA, IBA, ZEPVN, MNA, RN, RF, PPG, ZREEN, PEIN, CE
	Transmission and distribution	Within the area and next to the area	**21,522**	28,666	RAMSAR, ZIC(LIC/ZEC), ZEPA, ZEPVN, RN, RF, PR, PNA, MNA, M, MAB, IBA, HP, PPG, LIC, OSPAR, RAMPE, PN, RVS, RH, RFS, ARM, BP, AR, AUM

ACR: Regional Aquifers, Chile; AICA: Areas of Importance for Bird Conservation, Mexico; ANP: Protected Natural Area, Mexico; APA: Environmental Protection Area, Brazil; RA: Recreation Area, Panama; ARM: Managed Resources Area, Panama; ASP: Protected wildlife area, Chile; ASPP: Private protected wildlife area, Chile; AUM: Multi-use Area, Panama; BNP: Protected National Assets, Chile; PF: Protected Forest, Panama; CB: Biological corridor, Chile; CC: Contrafuerte Cordillerano, Chile; CE: Ecological Corridor, Dominican Republic; EN: Natural Enclave, Spain; NPA: Batuco Wetland, Chile; HP: Protected Wetland, Spain; IBA: Important Bird Area (important areas for bird and biodiversity conservation) (International); SCI: Site of Community importance, Spain; M: Microreserve, Spain; MAB: Biosphere Reserve, Spain, Chile; MNA: Natural monument, Chile, Panama, Spain, Mexico; PE: State Park (Mexico/Brazil); PEIN: Special Protection Plan, Spain; PI: International Park, Panama; PJN: Natural Site, Spain; PJNIN: Natural Site of National Interest, Spain; PJNM: Natural Municipal Site, Spain; PN: National Park, Brazil, Mexico, Spain, Panama, Argentina; PNA: Natural Park, Panama, Spain; PNAM: Municipal Natural Park, Argentina, Brazil; PPG: Protected Landscape, Panama, Spain; PPU: Periurban Park, Spain; PR: Regional Park, Spain; RAMPE: Spanish Network of Marine Protected Areas,Spain; RAMSAR: Wetlands of international importance especially as waterbird habitat (International); RB: Biological reserve, Brazil; RE: Mining Reserve, Brazil; RF: River Reserve, Spain; RFS: Forest Reserve, Panama; RH: Water Reserve, Panama; RNA: Natural Reserve, Chile; RN: Nature Reserve, Morocco, Spain; RNC: Partial Nature Reserve, Spain; RNP: Partial Nature Reserve, Spain; RNPV: Private Nature Reserve, Chile; RVS: Wildlife refuge, Panama, Brazil; SE: Strategic site, Chile; SN: Nature Sanctuary, Chile; SP: Priority Site, Chile; WET: Panoramic route, Dominican Republic; ZECIC: Special Conservation Areas, Spain; ZECIC: Special Conservation Area of Community Importance, Spain; SPA: Special Protection Areas for birds, Spain; ZEPVN: Special Area for the Protection of Natural Values, Spain; WET: Wetlands, Spain; ZIC: Area of Community Importance, Spain; ZPECP: Zone of Ecological Preservation of Population Centres, Mexico; ZPHE: Hydrological and Ecological Protection Zone, Mexico; ZREEN: Natura 2000 European Ecological Network Area, Spain; ZSCE: Zone Subject to Ecological Conservation, Mexico; ARIE: Relevant Area of Ecological Interest (Brazil); PU: Urban Park (Mexico).

The variation in the areas affected is due both to the construction of new infrastructure and to changes in the boundaries and extension of areas of protected natural spaces. When analysing the table above, it is also important to consider that 19,374 ha, i.e. over a third of the surface area within or next to protected areas, refers to hydroelectric power stations in Spain that were built after 1910 and before the protection regimes for these areas existed. In fact, many of these reservoirs, previous to the protection figure, constitute natural highly valuable aquatic spaces, which have created the natural wealth in biodiversity and caused the area to be subsequently granted environmental protection.

Another indicator used is the number of protected species that potentially have their habitat in the areas affected by the operations.

Number of species whose habitats are in areas affected by operations

- **IUCN Red List species and national conservation list species with habitats in areas affected by operations**

	2021			
	Critically endangered species	Endangered species	Vulnerable species	Almost threatened species
Mammals	2	15	32	17
Birds	6	22	46	41
Reptiles	4	18	15	16
Amphibians	20	22	20	10
Fish	7	37	28	16

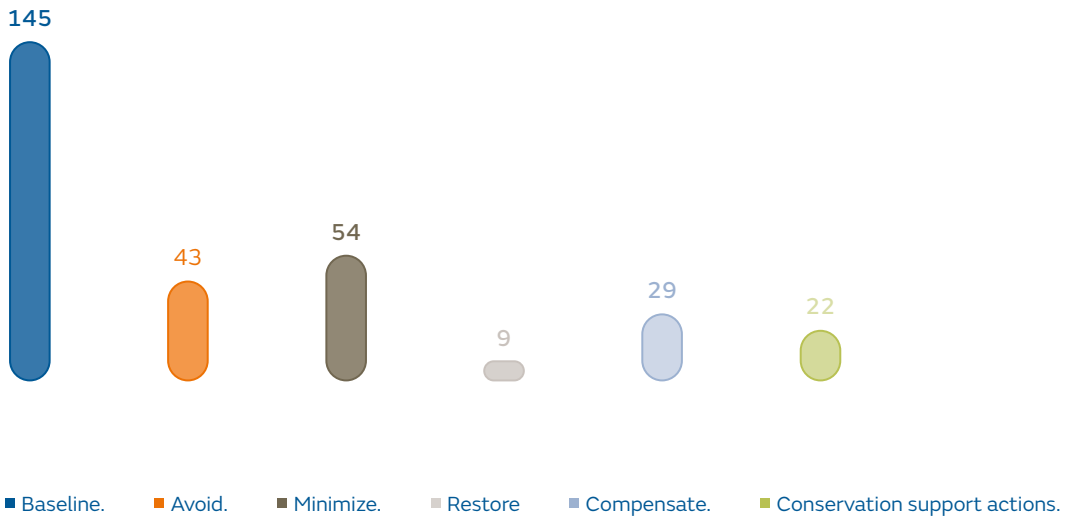
The International Union for Conservation of Nature (IUCN) conducts ongoing reviews of species listings. It should be noted that in 2021 there has been a significant increase in the number of species listed by IUCN compared to the previous year.

Innovation projects are also carried out in **nature-based solutions.** a pilot was conducted In 2021 to replace the use of machinery in the maintenance of the power line safety corridor with traditional livestock farming.

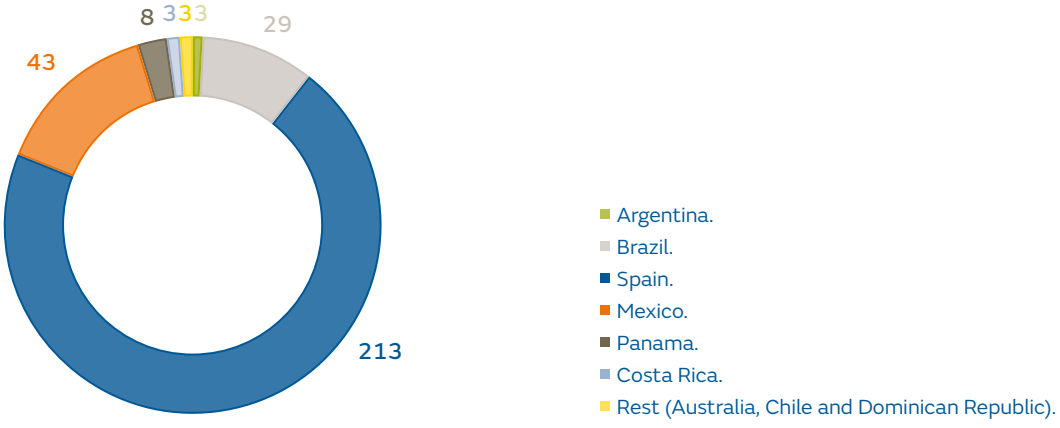
Biodiversity initiatives

In order to reduce and compensate the negative impacts on biodiversity, Naturgy is developing various actions.

Biodiversity initiatives by type



Biodiversity initiatives by country



The following are examples of initiatives that are being put into place to compensate or reduce the negative impacts on biodiversity:

- The regular capture of salmon, shad, eel and lamprey reaching the Frieira hydroelectric power station was continued in collaboration with the Xunta de Galicia. The captured specimens are used to restock the tributaries of the lower course of the River Miño that lie within a protected area, from where they will be able to return to the sea.
- The systematic removal of carrion (dead livestock, etc.) is carried out in and around wind farms in order to prevent bird collisions, particularly of certain birds of prey such as vultures, which, precisely, are drawn to the carcasses to feed.
- Actions are being taken to reintroduce the bearded vulture (an endangered species) into the protected natural spaces of the Alto Tajo and Serranía de Cuenca. The project, which involves such activities as conducting prior studies and the installation of feeding points, is being carried out in coordination with the General Directorate on Biodiversity and Environmental Quality of the Ministry for the Ecological Transition and the Demographic Challenge, the provincial authorities of Guadalajara and Cuenca, and the representatives of the protected areas.
- A study was conducted in and around wind farms located in the province of Guadalajara to reduce collisions involving birds of prey. Among the actions taken were the colour-marking, biometric study and ringing of griffon vultures (an endangered species) and subsequent monitoring using GPS equipment.
- Installation of the DT Bird, a bird monitoring and mortality mitigation system that has three functions: it automatically detects the presence of birds in real time by means of artificial vision; it emits warning sounds to scare off birds at potential risk of collision; and, finally, it automatically stops and restarts the wind turbine according to the risk of collision.
- We have collaborated with FIEB and GREFA through donations to support the reconstruction of the facilities dedicated to the care and recovery of fauna damaged by the snowstorm Filomena that affected Spain in the beginning of 2021.

Naturgy is **committed** to the conservation of **biodiversity, natural capital** and **cultural heritage** in the areas surrounding its facilities, with a special focus on protected areas and species.

Recovery of the lesser kestrel

The lesser kestrel is a migratory bird of prey whose populations have been reduced by the transformations suffered in the countryside in recent decades, and it is considered vulnerable. Together with Grefa and in collaboration with the environmental authorities, Naturgy has built several enclosures with nest boxes to house 70 chicks. They are bred in captivity and fed using the hacking technique (without detecting human presence) until they are mature enough to be released.

The monitoring of results and the evolution of the birds is carried out by means of a video surveillance camera powered by solar panels in order to be able to see the evolution of these birds.

Nature-based solutions: grazing for vegetation control under power lines

UFD, the electricity distributor of the Naturgy Group, has carried out a pioneering initiative to control vegetation in areas located under power lines in collaboration with the Ourense Institute of Economic Development (INORDE). The reduction of vegetation under power lines is necessary to ensure safety and is usually done by mechanical means. The project used innovating solutions based on nature, replacing the use of machinery with indigenous livestock, with less impact on the environment and promoting traditional pastoralism and rural development. Work is underway to implement this measure in other geographies.

> The project used innovating **solutions based on nature,** replacing the use of machinery with indigenous livestock, **with less impact on the environment** and promoting traditional pastoralism and rural development.

Different environmental restoration actions have also been carried out. The following table is a summary of the most important actions taken in 2021:

Habitats protected or restored

Country	Activity	Actions and objectives	Result: restored area (ha)	Benefits protected space or species
Spain	Corporate	Collaboration with the Fundación Oso Pardo in the LIFE Project Oso Courel in which trees and shrubs resilient to climate change have been restored and planted to favour the feeding of the brown bear (in danger of extinction) and to promote the protection of the species.	145	YES
Spain	Renewable generation	Continuation of the project for the reintroduction of the grey partridge in the Lago de Sanabria Natural Park in partnership with Fundación Patrimonio Natural. The project consists of the creation of a mosaic of grassland and scrubland in difficult-to-reach alpine areas and cleaning of water points to make them available to the species.	139	YES
Spain	Renewable generation	Continued actions to improve the habitat of the capercaillie (an endangered species) in the Lago de Sanabria Natural Park, in partnership with Fundación Patrimonio Natural: planting, actions on the tree and shrub layers and fire prevention measures.	125	YES
Spain	Renewable generation	Maintenance and expansion of the area planted with hybrid lavender for the protection of the Dupont's lark (an endangered species) in collaboration with the Global Nature and Patrimonio Natural Foundations.	110	YES
Spain	Renewable generation	In the surroundings of new wind farms, silvicultural actions have been carried out to encourage the recovery of vegetation.	53	
Spain	Renewable generation	Reforestation, maintenance and environmental restoration in the surroundings of the new photovoltaic plants, including the construction of ponds and troughs to promote biodiversity (amphibians and reptiles) and also as a water point for birds and livestock.	47	

Continues >

Country	Activity	Actions and objectives	Result: restored area (ha)	Benefits protected space or species
Spain	Environmental restoration of the former Limeixa mine	Maintenance of the wooded area of the restored Meirama Lake (former mine), currently the largest artificial lake in Europe. Thanks to restoration and the almost half a million trees planted, it has become a prime area for biodiversity. According to the inventory made by the University of Santiago de Compostela, a total of 839 animal and plant species have been identified, 5% of which are endemic. Maintenance and clearing work has been carried out.	2	
Brazil	Gas distribution	Regular maintenance to ensure the establishment of the specimens planted in the region of São Paulo for the recovery of the Atlantic Forest.	1	YES
Chile	Renewable generation	Rescue of valuable plant specimens, relocation and environmental restoration in the surroundings of new wind farms.	6	YES
Costa Rica	Renewable generation	Reforestation around hydroelectric power stations.	0	
Mexico	Generation (combined cycle)	Nursery production and planting of native trees around combined-cycle power stations.	0	YES
Panama	Electricity distribution	Reforestation in areas near water sources and restoration of mangrove areas.	7	YES
Total restored area 2021 (ha)			**635**	
Target area restored 2021 (ha)			**600**	

Biodiversity and natural capital: achievements and highlights in 2021

Lines of action	Achievements and highlights in 2021
Protection of biodiversity	302 biodiversity initiatives in course on an international level, 25% of which are voluntary.
Environmental studies	145 studies have been conducted, particularly in the area of electricity generation facilities (thermal, hydro-electric and wind farms) and electric distribution in order to learn about and monitor the environmental and ecological status of the surrounding areas. In the case of thermal and hydraulic power stations, sampling campaigns have been carried out to determine the physical-chemical and biological quality of the aquatic environment (rivers, reservoirs, etc.). Recent studies confirmed the situation of normality observed in recent years, and concluded that the studied facilities had an acceptable impact on their environment.
Progress towards no net loss of biodiversity	In 2021, environmental restoration actions were carried out on 635 ha. 29% of this area corresponds to protected areas, habitats or species.

Naturgy

Transforming together

We´re transforming the world through **proximity**, **transparency** and **trust**, boosting its firm commitment to **people** – employees, customers, shareholders and partners – and transforming talent and passion into **positive impact.**

5

Customer experience

5. Customer experience

Naturgy's contribution to the SDG

What does this mean for Naturgy?
Risks and management approach

The customer is the centre of Naturgy's operations and, together with employees, the most relevant stakeholder group. Through active dialogue, the company provides speedy and efficient service which, as well as complying with the legal and profitability requirements, meets the customer's needs.

If the company fails to provide quality products and services, the customer service cannot be improved, and lacks communicative fluidity with the customer, it runs the risk of the customer requesting to terminate the contract or filing complaints.

The failure to adapt or lack of flexibility in light of the current context of sector decarbonisation and digitalisation could lead to inefficiencies and losses of market share.

Loss of service quality, for example as a result of poor network maintenance, can lead to increased supply cuts, efficiency losses, financial penalties by the regulator and increased complaints and claims by consumers, while at the same time it can worsen the company's image and reputation in the eyes of society

What is our commitment?

- Working towards ongoing improvement of safety, ease and competitiveness of all products and services, offering the highest possible level of quality in accordance with the best available techniques.
- To work alongside customers in difficult times, providing measures that help them to alleviate adverse situations in the energy transition.
- Fostering active and two-way communication that allows us to understand the expectations and opinions of customers and to adapt the responses of Naturgy to their needs.
- Facilitating relationships with customers through simple and efficient operations.

- Providing innovative products and services that encourage energy efficiency and which contribute towards the sustainability of society.
- Furnishing the customer with a differential value proposition through products and services that adapt to each segment and to their needs.
- Applying technological innovation and the technical enhancements available as a means of maintaining an efficient, safe and sustainable supply.

1. Digitalisation and value-added services

Customer at the centre of all decisions

2021 has been marked by the health and economic crisis and by a complex international energy scenario. Since the beginning of the crisis, Naturgy has spearheaded measures to provide service to all its customers with the aim of mitigating the impact of the pandemic on domestic economies and contributing to the management of this health crisis.

During the first nine months of the year, Naturgy has strengthened the management of its business portfolio and has promoted organisational changes to continue with the transformation of the company. It has become a simpler and more efficient company in its organisation.

Naturgy is currently working on the definition of key corporate energy projects, with which it seeks to contribute to spearheading the energy transition with a distinguishing value proposal.

Products and services adapted to customers' requirements and priorities

Innovative products and services in the home	
Commitment Tariff	In our desire to support consumers in the most difficult times and after the first months of rising prices in the wholesale electricity market in 2021, in September Naturgy launched the Commitment Tariff for residential customers. This is the electricity tariff that ensures a fixed electricity price for 24 months and is constructed using an energy cost signal of €60/MWh, much lower than the wholesale market price in the fourth quarter of 2021. With no minimum adherence or penalties, it has revolutionised the market.
Commitment Initiative	Following the launch of the Commitment Tariff, and with the worsening of the energy market situation, in November 2021 the Naturgy Group announced its commitment to allocate all available infra-marginal energy to supply electricity, through all its tariffs at a competitive price that will be maintained for three years (the price will take an energy cost signal of €65/MWh, much lower than at the time of the announcement). It will only pass on the CPI variations (upwards or downwards) and the variation of regulated costs. With this, the company seeks to help consumers (households and businesses) to cope with a situation never before seen.

Continues >

Innovative products and services in the home	
Flat rate electricity and gas	New Naturgy energy star product (available for electricity customers in tariff 2.0TD and gas in access tariffs RL1, RL2 and RL3), available from March 2021. This is an all-inclusive, personalised fixed monthly fee, offering the customer the possibility of not worrying about when and how much they consume. The fee is worked out using a calculator available on the web and other channels. In addition, the quota allows the customer to exceed the agreed annual consumption by up to 30% in electricity and 50% in gas. It is a product without penalty for permanence or standardisations at the end of the year. The product has been well received in the market and the company already has a portfolio of 130,000 electricity contracts and 80,000 gas contracts.
Digital rates for electricity and gas	Energy product (electricity and gas) designed for the most digital customers, especially those who want to maintain a mainly online relationship with their supplier. This is the most competitive tariff, without additional discounts and without permanence.
Recharge and Solar Rates	Products with prices adjusted to the needs of customers with photovoltaic installations or electric vehicle charging points.
Solution for installation of equipment in homes	Comprehensive offer for the installation of boilers, air conditioning equipment, heaters and water heaters that includes advice, installation, annual preventive maintenance and emergencies, extension of the manufacturer's warranty to five years and the possibility of financing.
EasyGo Services	The portfolio of home coverage has been expanded, as well as the channels for customers to access these. EasyGo is an on-demand home repair service for customers and non-customers.
Value-added services family	From 2021, in addition to the maintenance + repair service, Naturgy will offset the CO_2 emissions of all home service callouts.
Naturgy Recharge	Comprehensive and personalised electric mobility solution that allows customers to enjoy their electric vehicle charging point.
Naturgy Solar	Integral service that offers to all those people interested in the environment and savings a "turnkey" solution, taking advantage of the sun's resources, without worries and at an optimal cost. It is marketed in its version of individual and collective self-consumption to the internal network of communities of neighbours.
Innovative products and services for businesses	
Fixed price plans	Stable price for a year adapted to the consumption of each customer, regardless of fluctuations in the market price of gas and electricity, ensuring control and forecasting of annual expenditure. 100% ECO energy, when requested by the customer.
Variable price plans	Monthly/quarterly plan that adapts to the wholesale electricity/gas market, for those who want to save while assuming a certain risk. 100% ECO energy, when requested by the customer.
Value-added services family	Maintenance services + repair of business equipment. Customisable based on the customers' needs.

Continues ›

Innovative energy solutions for businesses	
Gascomfort	Gascomfort is a production plant optimisation service through the renewal of equipment, or the transformation of the room and comprehensive management throughout the life of the contract. Equipment financing service, maintenance, 24x7 customer service.
Climatecomfort	Electric air conditioning service, which allows the customer to renew their old air conditioning equipment with the best systems on the market. Equipment financing service, maintenance, 24x7 customer service.
Distribution solutions	Gas & distribution (gas commercialisation and hot water cost sharing service of the owners' association without room management). The delivery service includes supply of equipment, reading, reports and replacement insurance in case of malfunction.
LNG option	A service that enables natural gas to be taken to customers that are some distance from the distribution network. It includes LNG supply, transport and logistics.
Naturgy Solar	Integral service of photovoltaic self-consumption, from design and installation to maintenance and management of the surplus.
Equipment solutions	Financing service that allows the customer to equip themselves with technological equipment to improve the efficiency of their facilities.

Continues ›

The ease of access to information makes customers increasingly demanding on companies. In addition, their preferences evolve faster, in line with trends and social movements. Aware of this, Naturgy's commercial strategy focuses on monitoring, identifying and satisfying the main needs of customers, responding to their expectations with simple and innovative value proposals, with approaches that clearly set the company apart.

In recent years Naturgy's strategy has focused on helping to solve the home-related needs of customers. To this end, new value-added proposals based on simplicity and digitalisation have been developed, to facilitate a simpler and more complete experience, especially following the COVID-19 pandemic.

To this end, Naturgy has promoted specific market research plans and has developed tools designed to find out the customer's needs and priorities, in order to adapt the products and services to their expectations. All this, through incorporation of those customer-relevant attributes, refocusing the way to market products already on the market or by incorporating new ones.

The vision is to be leaders and to actively participate in the energy transition, offering a portfolio of products and services for the residential and business segment for major impact on customers.

This impact is achieved, for example, by investing in the development of digital and environmentally friendly products: green electricity through the allocation of guarantees of origin equivalent to the previous year's consumption, managed by the CNMC, and zero net emissions gas as it neutralises its impact with CERs -a process certified by AENOR-.

Following the implementation of the new electricity access tariffs, Naturgy continues to offer simple products for customers that allow them to choose what best suits their needs (fixed price per kWh, with and without time discrimination or fixed monthly rate). In addition, it has improved the online power optimisation process to encourage customers to assess whether they can make any adjustments to save on their bill.

In services and equipment, the company retains its unswerving commitment to continuing to be by the customer's side in their moments of need, with an undertaking to provide assistance in less than 3 hours anywhere in the territory, 24 hours a day, 365 days a year.

As far as businesses are concerned, Naturgy continues to drive their growth and development by being the partner that takes care of the planning and installation, as well as optimal maintenance during the entire contract: financing the whole project, offering the most appropriate maintenance plan to obtain the maximum efficiency of the business, total guarantee of the installation, service availability 24 hours a day, 365 days a year, digital platform for the management of consumption and renewal of the installation, etc.

Naturgy continues to work on innovative solutions linked to the energy transition, such as self-consumption and electric vehicle recharging. Likewise, on the household front it continues to help improve comfort and savings with solutions such as the renovation of equipment in the home, including financing options, warranty extension and maintenance.

Specifically, the Marketing and Distributed Generation units are committed to promoting Naturgy's value proposition with a vision of the future that seeks a better society. Its purpose is to implement new business models to adapt them to the new energy environment.

In this line, the company's value drivers are as follows:

- Development of new green, sustainable and socially responsible products
- Transformation through technology and innovation.
- Pioneering new, simple and scalable ideas.
- Transformation linked to cost reduction for customers.

In short, the ultimate goal of all these initiatives is to achieve customer satisfaction with simple deals and models in which the Naturgy brand is always associated with green energy and service in accordance with the values of a socially responsible company.

Customer service

Naturgy offers its current and potential customers a service model adapted to the needs of each and every one of them. It offers solutions that are designed with availability, comfort and ease of use in mind, with the customer always in mind.

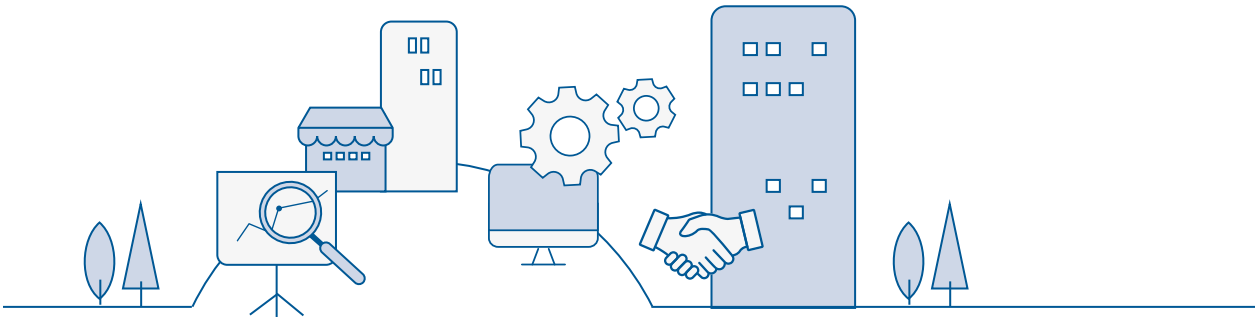
The company offers a friendly customer service model, which covers the entire range of communication channels that the customer may need: telephone, email and letter, online customer service and social networks, chatbot and WhatsApp, as well as face-to-face customer service. It also continues to support customers in their digitalisation process, providing greater usability and functionalities in their private digital space, and giving greater importance to the virtual assistant Pepe.

2021 has seen a great deal of customer service activity, with the improvement in the health situation and the recovery of commercial activity. It has been a year with many regulatory changes, an uncertain environment due to instability in the price of energy and a much more demanding customer that has led to a high demand in Naturgy's customer services. In this regard, the company has worked in two areas: the ease and simplicity of management - seeking improvements in processes and solutions - and the promotion of self-management and digitalisation of its customers. To this end, Naturgy continues to develop and improve digital tools and promote the use of digital communications that have a positive influence on the environment.

During 2021, Naturgy started the transformation of the global customer service model. This evolution of the customer service empowers and provides greater tools and capabilities to the Naturgy agent to be able to resolve the query in a single call. The model means that if the client's query cannot be resolved in a single call, the same agent will follow it through until resolution and final communication.

This model seeks to achieve the challenge of differentiating Naturgy from the competition by leveraging an excellent customer service that ensures the customer resolves their requests in a timely manner (empowerment of the agent "I'll take care of it", full service model).

• Naturgy customer service model



Operating and training model

Seeks to anticipate needs that customers raise through predictive models and data analysis.

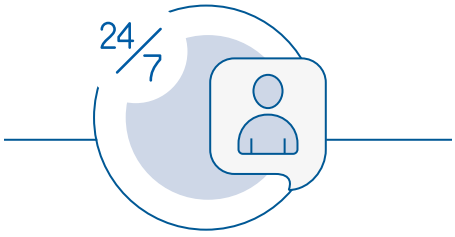
Technological model

Committed to a technological revolution that boosts self-management of customers.

Procurement and financial model

Building a model of partnerships with suppliers and an alignment of win-win targets.

- **Provision of customer experience**



- **Telephone channel.**
- **Digital channel.**
- **Face-to-face channel.**
- **Personal management.**
- **Face-to-face channel · Stores.**
- **Guarantee office management.**

For management of value-added services (maintenance services and home assistance) during 2021, Naturgy has invested and implemented a new system for the management of customers and their value-added services (salesforce), in order to perform a much closer operation and in a digital environment.

The new system automates communication mechanisms with customers and facilitates service requests from the different service channels (app, web, telephone, etc.).

Functionalities such as video-assistance are included, which allow a better diagnosis of customer breakdowns, facilitating a more efficient solution to problems.

Communication, transparency and customer protection

New channels of communication

Naturgy has simplified its digital range offering both a new product showcase on the web and a completely overhauled new customer area and app.

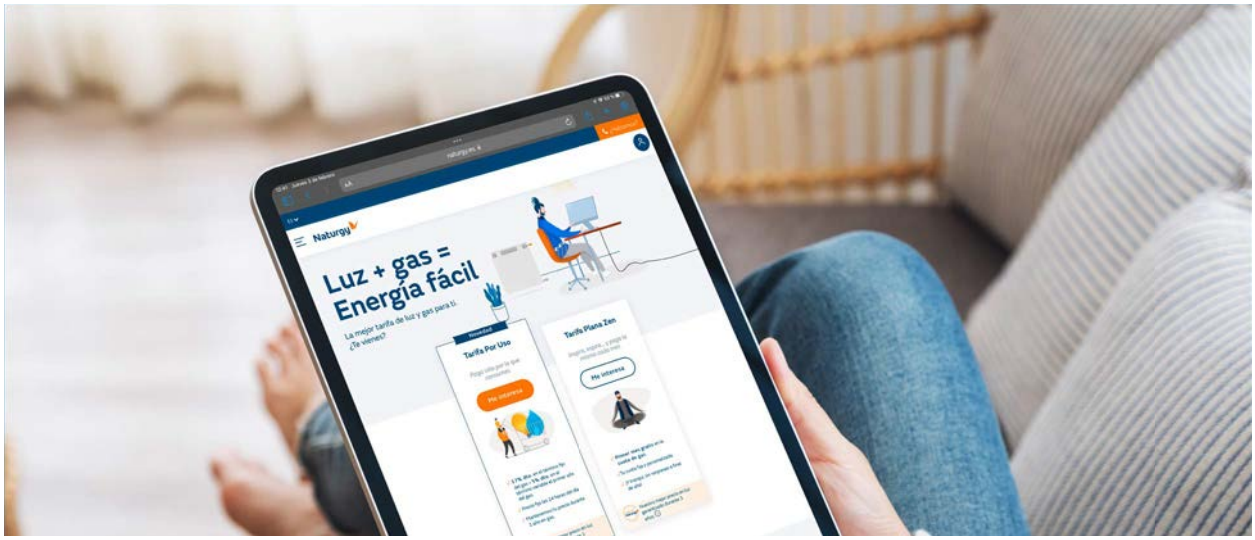
In 2021, Naturgy's online business in Spain multiplied its digital sales by 3.5 times, which meant an increase of 10.4% with 120,119 new contracts for electricity, gas and value-added services.

Likewise, a new digital and omnichannel sales platform has been consolidated both for the end customer and for collaborators, platforms and installers, in just five steps which are the same for all channels and in addition integrating the digital experience and its simplicity in a single sales process, as such reducing the activation times and rejections. The 2021 data are from a 20-point conversion increase and a 25% contract activation improvement.

This has made it possible to provide greater simplicity on the web and even to be able to calculate the electricity or gas fee directly for Zen flat rate products, making it possible to obtain a totally personalised fee.

During the year, the increase in online billing was once again noteworthy, with a sustained growth of half a point per month and going from 35% to 41% at the close of 2021. This is thanks to the digitalisation measures promoted by the company.

Since October 2021, there has been new customer access, area and an app for customers of Naturgy Iberia with a completely overhauled environment and new functionalities. Some noteworthy elements are the increase in digital channels, the proposal of services such as an optimal power recommender, payment by cryptocurrencies, selection of the payment day, WhatsApp as a communication channel, chatbot boost and a new, far more intuitive bill summary for customers -available from the app and the Naturgy Iberia website-.



In total, during this period, more than 260,000 online chatbot queries were handled, more than 190 cryptocurrency payments were made, 386,000 gas readings were provided and around 897,000 instances of the Naturgy Clientes App were installed. With regard to online services, our clients have used the digital platforms enabled by the company to make a total of 7.3 million enquiries and other procedures.

The number of contracts registered in the customer area has increased from 1,706,569 in 2020 to 1,935,700 customers in 2021, including Naturgy Iberia and the regulated marketer. Additionally, it is worth noting that www.naturgy.es has recorded more than 20.9 million log-ins during 2021, www.comercializadoraregulada.es more than 6.9 million and their apps, 5.6 million log-ins.

Regarding social media, more than 168,000 fans/followers have been reached on Facebook, Twitter, Instagram and LinkedIn, generating more than 50 million content impressions and 150,000 interactions.

The bill as a channel of communication

Relevant messages have been sent to customers through the invoice with different commercial and informative purposes:

- Focus on the move to e-billing because of the environmental benefits it brings.
- Dissemination work on energy efficiency measures.
- Information on different commercial promotions that add value to the customer experience.

In addition, different customer focus groups have taken place in Spain to get customers' opinion on improvements to the reading, billing and payment service.

Lastly, in the fourth quarter, the "Interactive bill" project was launched with the aim of making it available next year as a complement to the current bill, allowing customers to interact with it to obtain historical, comparative and detailed information on the items billed to them.

Digitalisation of processes

The 2021 turnaround has driven the company's digitalisation. The main processes have been subjected to a thorough analysis to evolve them in line with the technological tools currently available. This evolutionary process has been carried out following the principles of agility, flexibility and efficiency; aware that the future brings disruptive technological tools and that the company has to be prepared to incorporate them into its processes.

Together with the development of the processes, an automated Leads management model and a new omni-channel procurement application (Darwin) has been incorporated into the sales funnel that will allow for far more personal relationships with potential customers and users.

In short, this year the technological and process bases have been established to change how Naturgy relates to its customers in a disruptive way in 2021, allowing the company to provide a far more personalised service.

• Electricity load supplied with smart grid technology (%/MWh)

	2021	2020
% electrical load from smart grids	**99.4**	98.8

2. Customer relations

Evolution and results 2021

• Global satisfaction with service quality (on a scale of 0-10)

	2021	2020
Spain (retail)	**7.3**	7.5
Spain (customised)	**7.7**	7.8
Argentina	**8.4**	7.8
Brazil	**8.4**	8.5
Chile (gas) [(1)]	**5.9**	6.0
Mexico	**6.6**	7.2
Panama	**7.3**	7.3

[(1)] Chile has been calculated based on a 1-7 scale, unlike other countries which used a 0-10 scale.

NB: in Spain the year was marked by various aspects which influenced satisfaction:
1. The changes in charges, both electricity and gas, which have led to billing problems and corresponding complaints.
2. The impact of the market situation in energy prices, which has a significant impact on the perception of the image of energy companies and consequently on the satisfaction rating.

In 2021, both the satisfaction index and the Net Promoter Score (NPS) experienced more or less significant declines in all segments except in Argentina. These decreases are explained by the change experienced in the provision of face-to-face services in some geographies. Such was the case of Mexico, with the closure of the face-to-face service channel due to the situation derived from the pandemic, which has a relevant influence on the perception of service by customers. In the case of Chile, the publication of several reports questioning the use of gas in the industry has had a negative impact on the perception of the service provided by the company. This indicator is also very sensitive to the media, regulatory changes and the price. In this regard, the increase in electricity supply prices that has taken place in the second half of the year in Spain, together with regulatory changes associated with changes in tolls that have generated operational incidents that have led to delays in the issuance of invoices to customers, explain the drop in the indicator for 2021.

Customer's satisfaction experience

As an evolution of the Customer eXperience (CeX) programme that started in 2015, Naturgy has placed the customer at the centre of its industrial model, as a key factor in the company's sustainability, in order to meet their expectations and anticipate their needs. In accordance with the Corporate Responsibility Policy and the commitment to service excellence, the CeX vision is set out in the following principles for the group:

- "Customers are at the centre of everything we do".
- "We treat our customers the way we would like to be treated".
- "We like to innovate to make everyday life easier for our customers".

During 2021, the Naturgy Group has made progress in consolidating the Global Customer Experience Policy through different actions:

- **Development and launch of the Corporate Application Form.** Specialised computer application for reporting, which allows qualitative and quantitative data to be collected and consistency checks to be added to the data provided. It also provides a data repository for stakeholder consultation and facilitates subsequent reporting. This tool was launched in 2020 and the progress of countries/businesses in CeX during the year was made through it. This has strengthened monitoring of the Customer Experience Policy, as it has become a half-yearly policy in 2021, thus ensuring more solid compliance.
- **Consolidation of a new customer relationship model.** During 2021, work has continued on a more proactive model of communication towards the customer, such as:
  - Development and implementation of the Close the Loop project, which aims to keep the client informed from start to finish of the progress of their requests, as well as knowing the next steps.
  - Redesign of both digital and paper bills to make them easier to understand.
  - Evolution of the customer's private areas in both desktop and mobile versions to improve usability and experience and increase functionality and information.
  - Growth of the Pepe virtual assistant, extending its presence from the public website to the private desktop and app areas, providing greater knowledge and personalisation with the aim of giving the customer greater autonomy.

- Opening of the new communication channel for digital customers through WhatsApp as a further sign of the clear commitment to the digitalisation of the Naturgy group with channels of high social penetration.
- Introduction of a scale-up to a specialised customer service group for highly sensitive customers to expedite the resolution of their cases and to strengthen their relationship with the Naturgy group.

CeX action plan

Spain (commercialisation)

Customer Journey: improving the customer experience by exploiting and extracting data from their feedback (surveys, social media posting) and their voice (speech analytics, text analytics) to reconstruct and adjust trips.

Journeys worked this year:

- Easy Reading: to make the customer journey more understandable when they want to facilitate reading, accompanying, guiding and giving feedback when it facilitates reading, in any of the enabled channels: IVR readings, app or private web area.
- Contact by telephone: revision of the contact telephone map to simplify and unify existing telephones. Guiding and accompanying customers in the calls they make. Initiating a service protocol for customers passed from one operator to another. Transferring calls instead of providing a telephone number. Improving support in connections and telephone number search. The mobile phone has been added as an additional header to the 900 existing to date.
- Payments by phone or web: we have enabled the payment of bills both by phone and through the customer's private area or app, adapting to the new PCI regulations.
- Change of holder: to speed up and facilitate the management of the change of holder for the customer.
- Tree of contact typologies: work has also been done on simplifying and organising the current tree of contact typology and classification in order to improve management and identify more quickly the reasons for contact with greater volume in order to work on root causes.
- Help and contact space on the website/app: the help and contact space on the website and app has been restructured to improve the experience, the level of information and customer self-management. Also to make it more uniform with the other customer service channels (omnichannel vision), we have worked on improving the registration in the private area to simplify it.
- Process and management of the Guarantee Office: this customer service channel is the second instance level for consumer bodies and consumer representatives of the different autonomous communities, at the same time as it constitutes a channel of relationship and communication with consumers through their representatives. It also handles requests received through the GDRP rights mailbox (for the exercise of ARCO rights). Work has been done to review the level of escalations and to redefine the entire global management to ensure the timely resolution, in the appropriate form and manner, of the complaints that consumers make to Naturgy through these official bodies and that otherwise could result in penalties.

Spain (gas distribution)

- Availability of the supply cessation arrangement through the transfer of the customer's call by the marketers, which allows the on-line arrangement, meeting the customer's expectations by providing in a single contact a date on which the meter removal work will be carried out.

- Improved customer self-management and digitisation of home operations thanks to the new Work&Track tool, which allows the customer to confirm or modify the work schedule online and the availability of the associated documentation at the time and in digital format, improving the effectiveness and attention of field operations.
- Implementation of actions that increase autonomy in the management of complaints by the back office, improving resolution time and increasing customer satisfaction and recommendation.
- Optimisation of internal operations to improve the time taken to manage customer requests, such as the new operations for the change of account holder and the new operations for updating bank details. In both cases, the sending of physical documentation, its reception in the back office and its processing prior to the management of applications is eliminated, reducing processing times by up to 80 days.

Spain (electricity distribution)

- Implementation of the second phase of the new private area in the digital services platform user relationship digitalisation initiative.
- Implementation of ININ (new contact centre tool: Interactive Intelligence) that will allow:
  - Work on improving FCR (First Contact Resolution) and NPS (Net Promoter Score) and further develop quality audits.
  - Service in English.
  - Simultaneous telephone and e-mail service.
- Development of the claims management model:
  - Extension of the standard response catalogue.
  - Implementation of a new claims root cause tree.
  - Robotics and automatic closing of service requests.
  - Usability improvements to the service request management tool.

Chile gas

- Working groups for complaints management: initiatives were carried out with each of the business areas to structure the management of complaint response, all with the purpose of having responses in the shortest possible time and to carry out an escalation in the event of deviations from the defined SLAs.
- Internal Customer Experience: the employee congratulations program to recognise and highlight CeX principles was continued. CeX principles are disseminated through visual aids on tables and in meeting rooms . In addition, the content of "WikiCex ", a web platform with all the relevant information on the CeX program, was reinforced.
- The means of remote contact with the customer, were strengthened in order to be always available, making remote channels available as an alternative to the commercial offices, continuing with remote customer service and incorporating new functionalities in the online help centre.

Argentina

- Launch of the Naturgy PIC application, which allows better interaction with registered gas companies and customers for the submission of new service registrations. Since its launch on 1 April, 2021 until 31 December of the same year, 2,170 registered gas customers and 18,334 pre-customers have registered with the company. A total of 24,027 applications have been generated in different states, and 4,754 have been put into service. Of the total number of clients in 2021 (12,288), 39% joined through the application.
- During 2021, the Virtual Office has been renewed, with a new, more user-friendly design and new features and functionalities have been incorporated. In addition, the self-management of payment plans has been included, simplifying and speeding up the process for users.

Mexico

- Transformation driver: consolidation of the Naturgy APP platform 'contigo' in its mobile and web version. The project was continued by incorporating new functionalities in the APP related to customer service to improve the customer experience. The built-in functionalities are: customer service module within the app that incorporates procedures such as: 1) Change of owner; 2) Attention to readings claims whereby the customer is now able to add a photograph of the meter; 3) Schedule of technical visits (reconnections, reading verifications, tightness tests); 4) Request for change of RFC (Federal Taxpayers Registry); 5) Chatbot to interact with the customer in quick procedures; 6) Frequently asked questions.
- Salesforce: the customer service system was replaced by the Salesforce Service platform for all customer service channels in order to homogenise customer service.
- Customer experience centres: in 2020, the CeX customer journey project with face-to-face service was implemented to develop the configuration and design of the centres, to ensure that these spaces are not only focused on customer service, but also that the company positions its brand and shows the diverse businesses and services it offers. During 2021, this project materialised, opening 13 service spaces, two flagship service centres in the main cities (Monterrey and Mexico City) and 11 service modules.
- Listening to customers: the service of an integral communication agency was consolidated in 2021, which basically carries out three activities:
  - Development of content for communication to customers on social networks, updated at all times.
  - Systematic campaign of digital listening of customers and the whole environment.
  - Development of digital marketing campaigns.
- Front Único Project: Consolidation of the entire call centre service in Mexico. In 2021, the telephone number was changed, simplifying the customer experience by changing from nine different telephone numbers to a single number, thus improving the customer experience. The service of the different rings (Commercial, Valuable Services, SME and GGCC Service, Digital Service, claims department) that were distributed in Mexico among different suppliers were put out to bid and the service was centralised in a single one. This project was completed in November 2021. We are working on this project to integrate the customer service call centre ring based in Colombia.

Customer complaint management

The company manages claims and complaints from three different areas: commercialisation (residential, commercial and industrial) and gas and electricity distribution in Spain, Chile, Brazil, Argentina, Panama and Mexico. In the rest of the countries where the company is present, no complaints are handled as there are no end customers.

During 2021, the company managed a total volume of 1,657,131 complaints and claims, representing 480.00%% of total customer contacts. The average global response time was 12.51 days.

In Spain, customers have multiple service channels through which they can voice their complaints to the marketers (telephone, centres, web, social media, WhatsApp, written notice and email).

During 2021, Naturgy has joined the Consumer Arbitration System, a voluntary and free public service to resolve disputes between consumers and companies without having to go to the ordinary courts. Finally, customers can choose the public bodies or consumer organisations to deal with their complaints.

In the event of complaints involving distributors, because they are related to their area of responsibility (readings, quality of supply, new registrations, etc.), both for gas and electricity, the marketers channel them through the Third Party Access Unit (TPA). Most claims are related to billing, contracting and collection.

In the remaining countries, different channels are also set up for customers to file their complaints, although the commercialisation and distribution management is integrated into the same company.

The organisation not only serves end customers, but also any natural or legal person who may have a claim or complaint about action or inaction caused by its distribution assets (works in progress, technical elements on public roads, etc.).

Complaint management indicators

	2021	2020
Total complaints received in the year	**1,657,131**	1,404,644
No. of claims in portfolio	**104,569**	46,674
No. of complaints received /No. of contacts (%)	**4.8**	2.2
Mean Time to Resolve MTTR (days)	**12.5**	9.8

The 2021 data does not include data from Brazil, Argentina, Mexico and Panama because they were not available at the date of publication of the report. The variation with respect to 2020 is mainly due to the increase in electricity supply prices that has taken place in the second half of the year in Spain, together with regulatory modifications associated with changes in tolls that have led to a higher number of claims and delays in their resolution.

3. Quality and reliability of the service

For Naturgy, the maintenance of gas and electricity facilities and networks is essential to achieve a satisfactory level of quality, safety and reliability of service, allowing it to meet the most demanding industry standards and regulatory requirements of the countries in which it operates.

Naturgy employs modern and innovative methods and work equipment that are included in safe and efficient work and operation procedures. The company also encourages close collaboration with contractor companies in the permanent quest to achieve best practices in the development of its activity.

A set of inspection and assessment actions are carried out, which help to define the corresponding preventive and mitigation measures to ensure a safe and ongoing supply, maximising the useful life of assets. These measures are included in the maintenance plan for each type of facility.

The preventive maintenance actions and processes - reviewed periodically - coupled with the increase in automation and digitalisation of the network, are reflected in a notable improvement in recent years of the main quality and service indicators. These indicators measure, inter alia, response times to a notification of a malfunction or anomaly, the stoppage time per customer or installed capacity, the kilometres of the grid and facilities inspected, and the number of incidents per kilometre of grid. These indicators include the average response time for top priority emergencies in the gas network, which is less than half an hour.

To ensure that supply meets demand, Naturgy regularly reviews the operating conditions of its networks, to make sure these are correctly sized or, if appropriate, to determine the potential needs of repowering or enlarging these. Furthermore, Naturgy partakes in several R&D&I projects for storage of energy in batteries, the digitalisation of the grid, the application of drones in the maintenance of facilities using artificial intelligence and the implementation of advanced analytical models in order to define the actions that encompass the predictive maintenance tasks of the main grid equipment.

• ICEIT: Installed capacity equivalent interrupt time (hours)

	2021	2020
Spain	**0.60**	0.66
Panama	**42.37**	45.78

• SAIFI: Frequency of electrical power cuts (no. of interruptions by customer)

	2021	2020
Spain	**1.1**	0.98
Panama	**22.07**	24.01

- SAIDI: Average duration of electrical power cuts (hours)

	2021	2020
Spain	**1.04**	1.04
Panama	**1.09**	1.24

- ASIFI: No. of equivalent interruptions per installed capacity

	2021	2020
Spain	**0.84**	0.72
Panama	**20.65**	18.72

- CAIDI: Average customer outage duration (minutes)

	2021	2020
Spain	**56.46**	63.67
Panama	**2.95**	3.10

The following shows the customer disconnections, by business and country, due to non-payment of supply.

- **Disconnected customers due to non-payment classified by the total duration between disconnection for non-payment and payment of debt. Spain.**

			2021	2020
Argentina	Gas business	Fewer than 48 hours.	**43,210**	42,217
		Between 48 hours and 1 week.	**20,121**	22,112
		Between 1 week and 1 month.	**10,925**	11,925
		Between 1 month and 1 year.	**15,320**	17,709
		Over 1 year.	**1,522**	1,003
	Electrical business [1]	Fewer than 48 hours.		
		Between 48 hours and 1 week.		
		Between 1 week and 1 month.		
		Between 1 month and 1 year.		
		Over 1 year.		
Brazil	Gas business	Fewer than 48 hours.		0
		Between 48 hours and 1 week.		0
		Between 1 week and 1 month.		0
		Between 1 month and 1 year.		0
		Over 1 year.		0
Chile	Gas business	Fewer than 48 hours.	**37**	
		Between 48 hours and 1 week.	**8**	
		Between 1 week and 1 month.	**16**	
		Between 1 month and 1 year.	**30**	
		Over 1 year.	**37**	
Spain	Gas business	Fewer than 48 hours.	**900**	1,032
		Between 48 hours and 1 week.	**1,039**	234
		Between 1 week and 1 month.	**1,431**	201
		Between 1 month and 1 year.	**1,034**	332
		Over 1 year.	**0**	78
	Electricity business	Fewer than 48 hours.	**10,470**	11,786
		Between 48 hours and 1 week.	**5,385**	785
		Between 1 week and 1 month.	**3,399**	982
		Between 1 month and 1 year.	**2,518**	354
		Over 1 year.	**0**	0

Continues ›

			2021	2020
Mexico	Gas business [1]	Fewer than 48 hours.		
		Between 48 hours and 1 week.		
		Between 1 week and 1 month.		
		Between 1 month and 1 year.		
		Over 1 year.		
Panama	Electrical business	Fewer than 48 hours.	**28,775**	10,905
		Between 48 hours and 1 week.	**20,744**	1,199
		Between 1 week and 1 month.	**9,736**	1,999
		Between 1 month and 1 year.	**1,376**	588
		Over 1 year.	**0**	0

[1] No information is provided as the systems do not allow it to be obtained

- **Disconnected customers due to non-payment classified by the total duration between debt payment and reconnection**

			2021	2020
Argentina	Gas business	Fewer than 24 hours.	**12,550**	13,869
		Between 24 hours and 1 week.	**79,750**	80,938
		Over 1 week.	**215**	129
		% reconnected within 30 days.		
	Electrical business [1]	Fewer than 24 hours.		
		Between 24 hours and 1 week.		
		Over 1 week.		
		% reconnected within 30 day.		
Brazil	Gas business [2]	Fewer than 24 hours.		0
		Between 24 hours and 1 week.		0
		Over 1 week.		0
		% reconnected within 30 days.		91.0
Chile	Gas business	Fewer than 24 hours.	**74**	
		Between 24 hours and 1 week.	**7**	
		Over 1 week.	**5**	
		% reconnected within 30 days.		

Continues >

			2021	2020
Spain	Gas business	Fewer than 24 hours.	**1,023**	247
		Between 24 hours and 1 week.	**1,358**	1,430
		Over 1 week.	**2,023**	200
		% reconnected within 30 days.	**76.52**	78.16
	Electricity business	Fewer than 24 hours.	**12,018**	13,185
		Between 24 hours and 1 week.	**5,003**	651
		Over 1 week.	**4,751**	71
		% reconnected within 30 days.	**88.43**	97.45
Mexico	Gas business	Fewer than 24 hours.	**134,507**	153,600
		Between 24 hours and 1 week.	**23,002**	19,944
		Over 1 week.	**253**	270
		% reconnected within 30 days.		
Panama	Electrical business	Fewer than 24 hours.	**39,973**	13,551
		Between 24 hours and 1 week.	**476**	1,139
		Over 1 week.	**13**	1
		% reconnected after 30 days.	**99.79**	99.29

(1) No information is provided as the systems do not allow it to be obtained.
(2) There were no supply cuts in Brazil during 2020 due to government regulations resulting from COVID-19.

Energy affordability

			2021	2020
Spain	Gas business	Average retail rate (retail customers).	**17.40**	18.20
		Average retail rate (personalised customers).	**8.80**	6.40
		Typical bill for 50 MMBTU (retail).	**869**	911
		Typical bill for 100 MMBTU (retail).	**1,737**	1,822
	Electricity business	Average retail rate (retail customers).	**0.20**	0.18
		Average retail rate (personalised customers).	**0.12**	0.08
		Typical bill for 500 kWh (retail).	**100**	89
		Typical bill for 1000 kWh (retail).	**199**	179

Continues ›

			2021	2020
Panamá	Electricity business	Average retail rate (retail customers).	**0.14**	0.14
		Average retail rate (personalised customers).	**0.03**	0.03
		Typical bill for 500 kWh (retail).	**16**	14
		Typical bill for 1000 kWh (retail).	**336**	272

In Spain, calculation of average gas and electricity business rates:
- 2020: actual billing data January 2020 - December 2020..
- 2021: actual billing data January 2021 - October 2021 (as of the date of extraction, no real data is available for November 2021 - December 2021).
- The power and energy term is included (excluding VAT and other items).

At the date of publication of this report, the data for Argentina, Brazil, Chile and Mexico were not published.

Naturgy proposes to carry out an ad hoc study at group level in the next financial year, which will allow a more in-depth analysis of the external factors that have been identified as influencing the affordability of electricity and gas. Examples of these factors are: Network availability (accessibility of electricity and gas connections), customer energy needs (climate, quality of buildings, type of appliances, etc.), energy costs (international product market, group generation mix, weather, etc.), disposable income of the population (GDP per capita, employment rate, energy poverty indicators, etc.), and energy policy and the regulatory environment. More information on the latter can be found in Annex IV. Regulatory framework of the Consolidated Management Report.

Action against energy fraud

Energy fraud, aside from the economic impact it can cause the company, also implies:

- Reduced tax collection.
- Higher energy costs for end users.
- Unfair competition between companies.
- Risk for public safety from illegal connections.
- Discontinuities in supply due to network overload caused by illegal connections

Among the energy investigation and anti-fraud actions carried out by Naturgy in collaboration with the law enforcement agencies during 2021 in Spain, the interventions practised by electricity fraud in illegal marijuana plantations (indoor) continue to stand out: 491 actions, a figure that significantly exceed those carried out in 2020. In addition, in cooperation with the law enforcement, 18 anti-fraud operations were carried out for illegal connections in occupied dwellings, resulting in the termination of 238 connections.

These actions are an example of Naturgy's commitment to security of supply, people's safety and attention to vulnerable groups. In this sense, it is relevant to mention the situation in the area called Cañada Real (Madrid, Spain), where the company is working in coordination with the Commissioner of Cañada Real, the Security Forces and Bodies and in collaboration with all social actors and administrations, such as the High Commissioner for Child Poverty of the Government of Spain, to resolves service interruptions caused by network overload due to non-located consumptions registered during last year.

Naturgy

Transforming together

At Naturgy, **we're transforming** together, working with excellence.

6

Commitment and talent

6. Commitment and talent

Naturgy's contribution to the SDG

People strategy

Naturgy's "360º Commitment" people strategy puts the team experience at the centre of the company's decisions and actions. This means that Naturgy is committed to developing and improving the professional experience of its people, with a shared vision of the future through four specific drivers:

1. Diverse and transformative talent

- Diverse and inclusive leadership that provides a global and strategic vision.
- Promoting young and female talent.
- Evolution of the digital profile and new professional roles.
- New collaborative, flexible and open workspaces and work models.

2. Flexible employee experience

- Labour framework permeable to the company's evolution.
- Full and flexible compensation.
- Safety, health, with vision and integral commitment.
- Work-life balance.

3. Dynamic organisational framework

- Simpler, more flexible and less hierarchical structure.
- Contribution-oriented job classification model.
- Internalisation of valuable activities.
- Process simplification and efficiency.

4. Naturgy Culture

- Talent management and career development focused on strategic priorities.
- Recognition linked to group values and transformative behaviours.
- Work climate and employee engagement.
- Focused on business purpose..

Risks and management approach

For Naturgy it is essential to promote a quality and safe working environment, prioritising the personal and professional development of its employees. Consistent with this view, 97.5% of their contracts are of an indefinite nature. In addition, Naturgy also promotes a working environment based on respect, dialogue, appreciation of diversity and, of course, responsible behaviour. In this regard, Naturgy's Code of Ethics, which is compulsory throughout the company, sets out the guidelines governing the ethical behaviour of all employees in their daily work and, specifically, with regard to the relations and interactions it maintains with all its stakeholders.

Within this framework, one of the main risks related to staff issues is that of suffering any type of discrimination or inequality, on grounds of gender, ethnic origin, age, professional profile, or others. In this sense, Naturgy's commitment to people is reinforced with:

- **Gender Equality Policy and Protocol for the Prevention of Workplace, Sexual and Gender-Based Harassment:** these set out the principles on which labour relations must be developed, as well as defining safe channels for the detection of situations that may not be in accordance with the principles of respect for difference, equality and inclusion. These measures include preventive and operational actions, with formal procedures and deadlines that at all times provide guarantees of protection and support for employees.
- **Integrated diversity management:** Naturgy firmly believes in the exponential value of diversity. The more diverse people are and the more the value of this difference in teams is recognised, the better the company will be able to anticipate and adapt to each new challenge. In this context, the diversity strategy is a commitment to the organisation and people to invest in and promote diverse and transformative talent through programmes of integration, recognition and promotion of gender, age, disability and functional diversity.

  In 2021, Naturgy's diverse talent management strategy has focused on advancing the balance of talent by generational brackets and on gender parity. Young talent plays a key role in the company's transformation through hiring programmes (Flex & Lead) and talent development (Internal Lead Talent).

  Likewise, during this period, Naturgy has incorporated the redefinition of a more attractive value proposition, more in tune with the new generations and the company's business plan, through a more flexible, rotational and experiential employee journey.
- **Awareness-raising:** Naturgy raises awareness of the value of diversity. Internally, through the communication of policies and programmes and the adoption of new work-life balance measures, and externally, by launching publications and holding events. Diversity is positioned as a key factor in talent management and sustainability, as evidenced by the awards obtained in the areas of diversity and equality.
- **Inclusive training:** training in Naturgy is a driver of the business strategy. The Transformational Leadership Academy integrates the vision of diversity into online awareness modules, specialised training and development programmes, providing professionals with the knowledge and tools for deployment in dynamic and inclusive contexts. The programmes focus on:
  - Female leadership, through specialised training in networking, personal branding and visibility for the company's female managers.
  - Raising awareness of diversity and sustainability through online training cycles aimed at the global staff.
  - Cross-training in unconscious bias and inclusive vision.
  - Inclusive leadership and connection of intergenerational talent through mentoring and mentoring reserve programmes, involved in talent acceleration and generational change programmes.
  - Technical training that allows the development of new skills and increases the versatility and employability of professionals.

What is our commitment?

- To apply best practices in identifying, attracting and retaining the talent necessary for the development of the businesses, ensuring the principles of fairness and non-discrimination on any grounds whatsoever (disability, age, gender, ethnic origin, work history, etc.).
- To encourage the professional development of people as part of the talent management model, ensuring that all professionals have the means, programmes and tools necessary to foster their skills and expertise.
- To promote a motivational work setting that guarantees internal recognition of the culture of effort, the autonomy required to be able to create, develop and innovate, and an overall framework of compensation that is commensurate with this.
- To promote the introduction of flexibility mechanisms that facilitate the balance between professional and personal life, and which favour the human and social development of people.
- To promote diversity and equal opportunities in an environment of respect, understanding and ongoing dialogue, with a special focus on the inclusion of disabled persons and extending this commitment to suppliers and collaborating companies.
- To foster constant liaison between the company and workers' representatives that enables feedback in order to take decisions.

Evolution and results 2021

Main indicators

	2021	2020
Number of employees at 31/12/2021	**7,231**	10,540
Men/Women (%)	**68/32**	67/33
Women in management posts (%) [(1)]	**21.2**	22.6
Personnel costs (million euro)	**940**	798
Annual investment in training (million euro)	**5.0**	5.0
Employees in collective bargaining agreement (%)	**70.4**	74.5

[(1)] In Spain, the percentage of women in executive and management positions is 32.35%, in line with Naturgy's Sustainability Plan target of 40% by 2025.

The transformation process in which Naturgy is currently immersed in to meet the challenges of the energy transition, entails structural changes in the staff, such as the incorporation of diverse profiles to integrate new skills and ensure gender and generational balance, the digitalisation of processes and the optimisation of the business portfolio. In this regard, two important milestones explain the evolution of the most relevant data in this section in 2021: The Voluntary Leaving Plan in Spain and the separation from the perimeter of the Chile electricity, as well as Ireland and France businesses.

1. Interest in people

Summary of awards obtained in 2021

Seals and certifications

Global FRC Certification
Since 2013 Naturgy has been the first company worldwide to obtain the global FRC Certificate, which recognises the achievements made in balancing the personal and professional life of its employees, enabling their human and social development.

Equality in Employment Seal (DIE)
Obtained in recognition of the development of equal opportunities policies in Naturgy, through comprehensive, measurable and specific equality plans.

Top Employer Spain 2021 Certification
Naturgy continues to be part of the group of leading companies in Spain because of the excellent conditions and environment offered to its employees and because of its special commitment and interest in people and their development.

CLIP certification
In 2018, the CLIP (Corporate Learning Improvement Process) accreditation, awarded by the European Foundation for Management Development (EFMD), which recognises the quality of learning and people development processes in business education organisations, was renewed for a period of 5 years.

Code of Generational Diversity Principle Certificate
In recognition of Naturgy's strategic focus on people management, based on equal opportunities, non-discrimination and respect for generational diversity.

Bequal Certification
In recognition of the management of excellence in diversity in different capabilities.

Healthy Company
Certificate that substantiates the implementation of a management system that promotes and protects the health, welfare and safety of employees.

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Rankings y monitors

MERCO TALENTO Ranking
In 2021, the 15th edition of Merco Talento Spain was published, a monitor of the 100 companies with the best capacity to attract and retain talent in the country. In this version, Naturgy was positioned in 26th place in the overall ranking, up nine positions compared to the previous year's assessment. The company once again ranked among the top three companies in the energy and gas sector in Spain.

Actualidad Económica Ranking
Annual ranking of the 100 best companies in Spain to work for, in which Naturgy is ranked number 53. The areas of assessment include Talent Management, Compensation and Remuneration, Environment, CSR and Training.

Top30 companies in Spain committed to Diversity and Equality
Naturgy is part of the Top30 companies in Spain committed to Diversity and Equality in the "VariableD 2022" study, which includes the best practices for promoting the value of "difference" to achieve diverse and innovative teams with adequate diversity management..

Universum Ranking
In 2021, Naturgy ranks 15th among the most attractive companies for students of Natural Sciences and in the top 44 among engineering students in Spain.

Awards

My Company Is Healthy (MEES)
In 2021 Naturgy received the "My Company Is Healthy" (MEES) award in the global category for its strategic vision and comprehensive management of the health and well-being of its professionals, with special recognition for the deployment of prevention and care measures and programmes in the COVID-19 context.

Our team

Naturgy offers its employees stable, quality employment together with a solid, structured and attractive professional career. The company has a global model of homogeneous selection for all the businesses and countries where it operates, enabling it to ensure best practices in the identification, recruitment and retention of talent.

The rigour and professionalism of the people that form part of Naturgy, the interest in ongoing learning and development, the innovative spirit, as well as the sustainable commitment and involvement in the corporate objectives, are features of the profile of professionals in all countries and all businesses.

People Analytics

During 2021, the People Analytics function was created, whose responsibility it is to centralise and enhance the exploitation of information, contributing to optimal and agile processes for decision making in the area of people.

Naturgy is currently incorporating People Analytics concepts and tools applied to organisational aspects. An example is the Zero-based Transformation Project, where through the review of processes with zero-based methodologies (which incorporate concepts such as digitalisation, automation, introduction of new technologies, simplification...) a new map of functions and profiles is designed and subsequently compared with the current staff. This allows to have a clear roadmap of the actions to be taken to achieve the new objectives, both in the processes (technological transformation) and in the identification of the new talent needed, training, reskilling, etc.

In the different systems of the company there is a multitude of data that can be exploited, crossed or treated for purposes or visions other than the usual ones. Naturgy is aware of the great potential of this information and is therefore working on pilot projects so that it can create a new analytic through simple and accessible business intelligence tools, a new way of having useful information to monitor, predict and contribute to decision making. For example, pilot projects for the detailed monitoring and reporting of the company's various hiring/termination plans.

Number of employees by country

	2021	2020
Argentina	**1,028**	1,118
Australia	**18**	11
Brazil	**375**	423
Chile	**638**	2,193
Colombia	**4**	7
Costa Rica	**15**	19
Spain [1]	**3,870**	5,318
France	**12**	43
Netherlands	**1**	1
Ireland [2]	**0**	30
Israel	**18**	16
Luxembourg	**1**	1
Morocco	**84**	90
Mexico	**697**	783
Panama	**315**	327
Portugal	**14**	15
Puerto Rico	**3**	4
Dominican Republic	**72**	74
Singapore	**6**	7
Uganda	**60**	60
Total [3]	**7,231**	10,540

[1] Managed staff: 3,870 people + 158 people in Spain from companies consolidated by the equity method = 4,028 consolidated staff.
[2] Ireland has been deconsolidated from the perimeter in 2021.
[3] Managed staff: 7,231 people + 158 people in Spain from companies consolidated by the equity method = 7,389 consolidated staff.

Distribution of employees by age and country (%)

	2021					2020
	<30	30-50	>50	18-35	36-50	>50
Argentina	**4.5**	**50.0**	**45.5**	20.8	38.2	41.1
Australia	**0.0**	**94.4**	**5.6**	36.4	54.5	9.1
Brazil	**2.9**	**81.3**	**15.7**	18.0	67.6	14.4
Chile	**1.9**	**63.3**	**34.8**	17.3	50.1	32.6
Colombia	**0.0**	**75.0**	**25.0**	0.0	57.1	42.9
Costa Rica	**6.7**	**53.3**	**40.0**	15.8	52.6	31.6
Spain	**2.8**	**77.3**	**19.8**	7.8	64.7	27.5
USA	**0.0**	**0.0**	**0.0**	0.0	0.0	0.0
France	**0.0**	**100.0**	**0.0**	48.8	51.2	0.0
Netherlands	**100.0**	**0.0**	**0.0**	100.0	0.0	0.0
Ireland	**0.0**	**0.0**	**0.0**	36.7	50.0	13.3
Israel	**33.3**	**55.6**	**11.1**	62.5	31.3	6.3
Luxembourg	**0.0**	**0.0**	**100.0**	0.0	0.0	100.0
Morocco	**1.2**	**34.5**	**64.3**	5.6	35.6	58.9
Mexico	**5.3**	**82.4**	**12.3**	29.1	60.0	10.9
Panama	**7.6**	**67.3**	**25.1**	35.5	40.1	24.5
Portugal	**0.0**	**92.9**	**7.1**	20.0	73.3	6.7
Puerto Rico	**0.0**	**66.7**	**33.3**	25.0	25.0	50.0
Dominican Republic	**2.8**	**68.1**	**29.2**	12.2	60.8	27.0
Singapore	**0.0**	**100.0**	**0.0**	71.4	28.6	0.0
Uganda	**38.3**	**56.7**	**5.0**	66.7	28.3	5.0
Total	**3.8**	**71.7**	**24.5**	14.8	57.1	28.1

NB: Ireland has been deconsolidated from the perimeter in 2021.

Distribution of employees by country, gender and professional category (%)

2021

	Management team		Middle managers		Technicians		Operators	
	Men	Women	Men	Women	Men	Women	Men	Women
Argentina	**0.2**	**0.0**	**13.9**	**3.7**	**15.9**	**7.8**	**43.3**	**15.3**
Australia	**0.0**	**0.0**	**11.1**	**16.7**	**38.9**	**5.6**	**27.8**	**0.0**
Brazil	**0.0**	**0.5**	**5.3**	**4.3**	**29.9**	**22.7**	**25.6**	**11.7**
Chile	**0.5**	**0.0**	**15.0**	**5.3**	**25.5**	**12.4**	**26.5**	**14.7**
Colombia	**0.0**	**0.0**	**0.0**	**25.0**	**0.0**	**75.0**	**0.0**	**0.0**
Costa Rica	**0.0**	**0.0**	**0.0**	**0.0**	**20.0**	**0.0**	**73.3**	**6.7**
Spain	**1.9**	**0.5**	**19.4**	**6.0**	**29.1**	**22.9**	**14.8**	**5.5**
USA	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
France	**0.0**	**0.0**	**25.0**	**0.0**	**25.0**	**33.3**	**0.0**	**16.7**
Netherlands	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**100.0**	**0.0**	**0.0**
Ireland	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Israel	**0.0**	**0.0**	**11.1**	**0.0**	**61.1**	**0.0**	**27.8**	**0.0**
Luxembourg	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**100.0**	**0.0**	**0.0**
Morocco	**0.0**	**0.0**	**38.1**	**1.2**	**22.6**	**7.1**	**21.4**	**9.5**
Mexico	**0.4**	**0.0**	**12.2**	**4.2**	**44.0**	**18.4**	**16.8**	**4.0**
Panama	**0.3**	**0.0**	**16.2**	**5.7**	**31.7**	**20.6**	**18.1**	**7.3**
Portugal	**0.0**	**0.0**	**0.0**	**7.1**	**28.6**	**64.3**	**0.0**	**0.0**
Puerto Rico	**0.0**	**0.0**	**0.0**	**0.0**	**66.7**	**0.0**	**0.0**	**33.3**
Dominican Republic	**0.0**	**0.0**	**20.8**	**1.4**	**9.7**	**18.1**	**47.2**	**2.8**
Singapore	**0.0**	**0.0**	**0.0**	**0.0**	**66.7**	**33.3**	**0.0**	**0.0**
Uganda	**0.0**	**0.0**	**0.0**	**1.7**	**41.7**	**6.7**	**43.3**	**6.7**
Total	**1.1**	**0.3**	**16.6**	**5.2**	**28.4**	**18.9**	**21.5**	**8.0**

NB: Ireland has been deconsolidated from the perimeter in 2021.

Distribution of employees by country, gender and professional category (%)

2020

	Management team		Middle managers		Technicians		Operators	
	Men	Women	Men	Women	Men	Women	Men	Women
Argentina	0.2	0.0	16.3	4.6	14.8	7.3	42.1	14.8
Australia	0.0	0.0	45.5	0.0	9.1	0.0	45.5	0.0
Brazil	0.0	0.5	13.2	10.6	20.6	15.8	27.4	11.8
Chile	0.3	0.0	16.6	4.6	33.0	11.7	22.2	11.7
Colombia	0.0	0.0	28.6	71.4	0.0	0.0	0.0	0.0
Costa Rica	0.0	0.0	5.3	0.0	10.5	0.0	78.9	5.3
Spain	1.3	0.4	20.8	8.6	22.6	18.6	18.1	9.5
USA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
France	0.0	0.0	27.9	9.3	16.3	41.9	0.0	4.7
Netherlands	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0
Ireland	0.0	0.0	23.3	6.7	43.3	23.3	3.3	0.0
Israel	0.0	0.0	25.0	0.0	50.0	6.3	18.8	0.0
Luxembourg	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0
Morocco	0.0	0.0	47.8	3.3	11.1	3.3	24.4	10.0
Mexico	0.3	0.0	26.6	7.0	24.5	10.9	21.3	9.5
Panama	0.0	0.0	30.0	15.0	15.6	12.5	19.9	7.0
Portugal	0.0	0.0	0.0	6.7	26.7	66.7	0.0	0.0
Puerto Rico	0.0	0.0	50.0	0.0	0.0	0.0	0.0	50.0
Dominican Republic	0.0	0.0	25.7	12.2	2.7	8.1	48.6	2.7
Singapore	0.0	0.0	42.9	0.0	28.6	28.6	0.0	0.0
Uganda	0.0	0.0	38.3	6.7	5.0	0.0	45.0	5.0
Total	0.8	0.2	20.3	7.5	23.5	14.8	22.5	10.4

Working methods

- **Breakdown of staff by contract type (%)**

	2021				2020			
	Permanent contracts		Temporary contracts		Permanent contracts		Temporary contracts	
	Men	Women	Men	Women	Men	Women	Men	Women
Argentina	**73.2**	**26.8**	**0.0**	**0.0**	73.3	26.7	0.0	0.0
Australia	**77.8**	**22.2**	**0.0**	**0.0**	100.0	0.0	0.0	0.0
Brazil	**60.8**	**39.2**	**0.0**	**0.0**	61.2	38.8	0.0	0.0
Chile	**67.6**	**32.4**	**0.0**	**0.0**	72.0	28.0	0.0	0.0
Colombia	**0.0**	**100.0**	**0.0**	**0.0**	28.6	71.4	0.0	0.0
Costa Rica	**93.3**	**6.7**	**0.0**	**0.0**	94.7	5.3	0.0	0.0
Spain	**64.8**	**34.4**	**0.3**	**0.5**	62.9	37.1	0.0	0.0
USA	**0.0**	**0.0**	**0.0**	**0.0**	0.0	0.0	0.0	0.0
France	**50.0**	**50.0**	**0.0**	**0.0**	44.2	55.8	0.0	0.0
Netherlands	**0.0**	**100.0**	**0.0**	**0.0**	0.0	100.0	0.0	0.0
Ireland	**0.0**	**0.0**	**0.0**	**0.0**	70.0	30.0	0.0	0.0
Israel	**100.0**	**0.0**	**0.0**	**0.0**	93.7	6.3	0.0	0.0
Luxembourg	**0.0**	**100.0**	**0.0**	**0.0**	0.0	100.0	0.0	0.0
Morocco	**81.0**	**17.9**	**1.2**	**0.0**	82.2	16.7	1.1	0.0
Mexico	**60.4**	**18.8**	**13.1**	**7.7**	61.6	21.5	11.0	5.9
Panama	**66.3**	**33.7**	**0.0**	**0.0**	65.4	34.6	0.0	0.0
Portugal	**28.6**	**71.4**	**0.0**	**0.0**	26.7	73.3	0.0	0.0
Puerto Rico	**66.7**	**33.3**	**0.0**	**0.0**	50.0	50.0	0.0	0.0
Dominican Rep.	**77.8**	**22.2**	**0.0**	**0.0**	77.0	23.0	0.0	0.0
Singapore	**66.7**	**33.3**	**0.0**	**0.0**	71.4	28.6	0.0	0.0
Uganda	**85.0**	**13.3**	**0.0**	**1.7**	88.3	10.0	0.0	1.7
Total	**66.2**	**31.3**	**1.4**	**1.0**	66.2	32.5	0.8	0.5

NB: information on temporary contracts is only available in those countries where there are employees under such contracts. Ireland has been deconsolidated from the perimeter in 2021.

Naturgy is committed to promoting a safe and quality work environment. Consistent with this vision, 97.5% of the company's contracts are permanent, and only occasionally are temporary contracts used for "accumulation of tasks and work/service".

Number of contracts by gender and type at 31 December

	2021			2020		
	Men	Women	**Total employees**	Men	Women	Total employees
Indefinite full-time	**4,787**	**2,265**	**7,052**	6,981	3,424	10,405
Indefinite part-time	**0**	**0**	**0**	0	0	0
Total indefinite	**4,787**	**2,265**	**7,052**	6,981	3,424	10,405
Temporary full-time	**104**	**75**	**179**	88	47	135
Temporary part-time	**0**	**0**	**0**	0	0	0
Total temporary	**104**	**75**	**179**	88	47	135
Total full-time	**4,891**	**2,340**	**7,231**	7,069	3,471	10,540
Total part-time	**0**	**0**	**0**	0	0	0

Annual average of contracts by gender and type

	2021			2020		
	Men	Women	**Total employees**	Men	Women	Total employees
Indefinite full-time	**5,864**	**2,739**	**8,603**	7,205	3,502	10,707
Indefinite part-time	**0**	**0**	**0**	0	0	0
Total indefinite	**5,864**	**2,739**	**8,603**	7,205	3,502	10,707
Temporary full-time	**91**	**52**	**142**	99	55	154
Temporary part-time	**0**	**0**	**0**	0	0	0
Total temporary	**91**	**52**	**142**	99	55	154
Total full-time	**5,955**	**2,790**	**8,745**	7,304	3,557	10,861
Total part-time	**0**	**0**	**0**	0	0	0

Number of contracts by age and type at 31 December

				2021				2020
	>30 years	30-50 years	>50 years	**Total employees**	18-35 years	36-50 years	30-50 years	Total employees
Indefinite full-time	**219**	**5,063**	**1,770**	**7,052**	1,497	5,952	2,956	10,405
Indefinite part-time	**0**	**0**	**0**	**0**	0	0	0	0
Total indefinite	**219**	**5,063**	**1,770**	**7,052**	1,497	5,952	2,956	10,405
Temporary full-time	**55**	**121**	**3**	**179**	62	70	3	135
Temporary part-time	**0**	**0**	**0**	**0**	0	0	0	0
Total temporary	**55**	**121**	**3**	**179**	62	70	3	135
Total full-time	**274**	**5,184**	**1,773**	**7,231**	1,559	6,022	2,959	10,540
Total part-time	**0**	**0**	**0**	**0**	0	0	0	0

Annual average of contracts by age and type

				2021				2020
	>30 years	30-50 years	>50 years	**Total employees**	18-35 years	36-50 years	30-50 years	Total employees
Indefinite full-time	**246**	**6,023**	**2,334**	**8,603**	1,671	6,094	2,942	10,707
Indefinite part-time	**0**	**0**	**0**	**0**	0	0	0	0
Total indefinite	**246**	**6,023**	**2,334**	**8,603**	1,671	6,094	2,942	10,707
Temporary full-time	**24**	**115**	**3**	**142**	79	72	3	154
Temporary part-time	**0**	**0**	**0**	**0**	0	0	0	0
Total temporary	**24**	**115**	**3**	**142**	79	72	3	154
Total full-time	**270**	**6,138**	**2,337**	**8,745**	1,750	6,166	2,945	10,861
Total part-time	**0**	**0**	**0**	**0**	0	0	0	0

Number of contracts by professional category and type at 31 December

2021

	Management team	Middle managers	Technicians	Operators	**Total employees**
Indefinite full-time	**104**	**1,547**	**3,300**	**2,101**	**7,052**
Indefinite part-time	**0**	**0**	**0**	**0**	**0**
Total indefinite	**104**	**1,547**	**3,300**	**2,101**	**7,052**
Temporary full-time	**0**	**25**	**123**	**31**	**179**
Temporary part-time	**0**	**0**	**0**	**0**	**0**
Total temporary	**0**	**25**	**123**	**31**	**179**
Total full-time	**104**	**1,572**	**3,423**	**2,132**	**7,231**
Total part-time	**0**	**0**	**0**	**0**	**0**

2020

	Management team	Middle managers	Technicians	Operators	Total employees
Indefinite full-time	106	2,894	3,971	3,434	10,405
Indefinite part-time	0	0	0	0	0
Total indefinite	106	2,894	3,971	3,434	10,405
Temporary full-time	0	30	67	38	135
Temporary part-time	0	0	0	0	0
Total temporary	0	30	67	38	135
Total full-time	106	2,924	4,038	3,472	10,540
Total part-time	0	0	0	0	0

Annual average of contracts by professional category and type

					2021
	Management team	Middle managers	Technicians	Operators	**Total employees**
Indefinite full-time	**108**	**1,892**	**3,950**	**2,652**	**8,603**
Indefinite part-time	**0**	**0**	**0**	**0**	**0**
Total indefinite	**108**	**1,892**	**3,950**	**2,652**	**8,603**
Temporary full-time	**0**	**18**	**97**	**27**	**142**
Temporary part-time	**0**	**0**	**0**	**0**	**0**
Total temporary	**0**	**18**	**97**	**27**	**142**
Total full-time	**108**	**1,910**	**4,047**	**2,680**	**8,745**
Total part-time	**0**	**0**	**0**	**0**	**0**

					2020
	Management team	Middle managers	Technicians	Operators	Total employees
Indefinite full-time	109	2,978	4,086	3,534	10,707
Indefinite part-time	0	0	0	0	0
Total indefinite	109	2,978	4,086	3,534	10,707
Temporary full-time	0	34	77	43	154
Temporary part-time	0	0	0	0	0
Total temporary	0	34	77	43	154
Total full-time	109	3,012	4,163	3,577	10,861
Total part-time	0	0	0	0	0

New employee hires and employee rotation

Consideration is given to:

- Rotation index: layoffs/average staff.
- Voluntary rotation index: voluntary layoffs/average staff.

• Rotation indices

	2021	2020
Rotation (%)	**40.9**	10.9
Voluntary rotation (%)	**1.9**	1.4

NB: the Voluntary Leaving Plan implemented in Spain in 2021 mainly explains the variation in this index with respect to the previous year.

• Rotation index by gender and age group (%)

		2021		2020
<30	Men	**26.0%**	18-35	11.6%
	Women	**31.0%**		11.3%
30-50	Men	**30.0%**	36-50	5.7%
	Women	**36.8%**		4.7%
>50	Men	**60.0%**	>50	21.8%
	Women	**81.9%**		22.6%

• Voluntary rotation index by gender and age group (%)

		2021		2020
<30	Men	**5.2%**	18-35	4.2%
	Women	**9.3%**		3.5%
30-50	Men	**1.9%**	36-50	1.2%
	Women	**2.2%**		1.0%
>50	Men	**1.0%**	>50	0.6%
	Women	**1.1%**		0.4%

Rotation index by country (%)

	2021		2020	
	Rotation index	Voluntary rotation index	Rotation index	Voluntary rotation index
Argentina	**8.6**	**3.4**	4.8	1.2
Australia	**0.0**	**0.0**	32.2	32.2
Brazil	**17.2**	**3.0**	7.6	1.8
Chile	**100.0**	**1.2**	12.3	1.4
Colombia	**18.6**	**0.0**	100.0	12.5
Costa Rica	**27.4**	**27.4**	0.0	0.0
Spain	**36.2**	**1.0**	10.5	0.7
USA	**0.0**	**0.0**	0.0	0.0
France	**100.0**	**23.5**	25.0	18.7
Netherlands	**0.0**	**0.0**	100.0	100.0
Ireland	**100.0**	**16.0**	6.5	6.5
Israel	**11.8**	**11.8**	30.8	30.8
Luxembourg	**0.0**	**0.0**	0.0	0.0
Morocco	**6.9**	**6.9**	3.3	3.3
Mexico	**19.3**	**2.4**	11.9	2.2
Panama	**6.6**	**1.9**	9.4	2.4
Portugal	**6.9**	**6.9**	12.6	6.3
Puerto Rico	**31.7**	**0.0**	0.0	0.0
Dominican Republic	**2.8**	**2.8**	1.3	0.0
Singapore	**14.8**	**14.8**	14.1	14.1
Uganda	**5.0**	**5.0**	12.2	12.2
Total	**40.9**	**1.9**	10.9	11.7

NB: 100% is reported when more people left than remained on the staff. It affects Colombia and the Netherlands in 2020, and Chile, France and Ireland in 2021 for the sale of the business.

Rotation by professional category and gender

2021

	Management team			Middle managers			Technicians			Operators			**Total employees**		
	Men	Women	**Total**	Men	Women	**Total**	Men	Women	**Total**	Men	Women	**Total**	Men	Women	**Total**
Argentina	0	0	0	14	2	16	31	12	43	25	8	33	70	22	92
Australia	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Brazil	0	0	0	4	2	6	21	13	34	19	9	28	44	24	68
Chile	4	0	4	261	68	329	588	193	781	313	154	467	1,166	415	1,581
Colombia	0	0	0	0	0	0	0	1	1	0	0	0	0	1	1
Costa Rica	0	0	0	0	0	0	0	0	0	5	0	5	5	0	5
Spain	4	2	6	249	126	375	360	317	677	278	262	540	891	707	1,598
USA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
France	0	0	0	5	1	6	8	17	25	0	0	0	13	18	31
Netherlands	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ireland	0	0	0	6	0	6	13	7	20	1	0	1	20	7	27
Israel	0	0	0	1	0	1	0	1	1	0	0	0	1	1	2
Luxembourg	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Morocco	0	0	0	2	0	2	2	0	2	2	0	2	6	0	6
Mexico	0	0	0	13	6	19	49	19	68	28	24	52	90	49	139
Panama	0	0	0	2	4	6	4	5	9	5	1	6	11	10	21
Portugal	0	0	0	0	0	0	0	1	1	0	0	0	0	1	1
Puerto Rico	0	0	0	0	0	0	0	0	0	0	1	1	0	1	1
Dominican Rep.	0	0	0	0	1	1	0	0	0	1	0	1	1	1	2
Singapore	0	0	0	1	0	1	0	0	0	0	0	0	1	0	1
Uganda	0	0	0	1	0	1	0	0	0	2	0	2	3	0	3
Total	8	2	10	559	210	769	1,076	586	1,662	679	459	1,138	2,322	1,257	3,579
% Total	80	20		72.7	27.3		64.7	35.3		59.7	40.3		64.9	35.1	

New employees

	2021	2020
Argentina	**2**	0
Australia	**7**	5
Brazil	**20**	1
Chile	**26**	6
Colombia	**0**	0
Costa Rica	**1**	0
Spain	**147**	35
USA	**0**	0
France	**0**	2
Netherlands	**0**	2
Ireland	**1**	0
Israel	**4**	6
Luxembourg	**0**	0
Morocco	**0**	0
Mexico	**51**	15
Panama	**8**	5
Portugal	**0**	0
Puerto Rico	**0**	0
Dominican Republic	**0**	0
Singapore	**0**	0
Uganda	**3**	10
Total	**270**	87

NB: only countries where new hirings were made in the last two years are reported.

New employees by gender and age group

		2021		2020
<30	Men	**48**	18-35	34
	Women	**68**		13
30-50	Men	**80**	36-50	19
	Women	**58**		14
>50	Men	**11**	>50	5
	Women	**5**		2
Total	**Men**	**139**	**Total**	58
	Women	**131**		29
	Total	**270**		87

New employees by gender and business

					2021	
	Men	% Men	Women	% Women	**Total employees**	**% Total employees**
Commercialisation	**3**	**21.43**	**11**	**78.57**	**14**	**100.00**
Corporate	**3**	**37.50**	**5**	**62.50**	**8**	**100.00**
Energy Management and Networks	**106**	**54.08**	**90**	**45.92**	**196**	**100.00**
Renewables and New Businesses	**27**	**51.92**	**25**	**48.08**	**52**	**100.00**
Total	**139**	**51.48**	**131**	**48.52**	**270**	**100.00**

New employees by gender, corporation and business

					2021	
	Men	% Men	Women	% Women	**Total employees**	**% Total employees**
Corporate	**3**	**37.50**	**5**	**62.50**	**8**	**100.00**
Business	**136**	**51.91**	**126**	**48.09**	**262**	**100.00**
Total	**139**	**51.48**	**131**	**48.52**	**270**	**100.00**

Number of dismissals by gender and professional category

					2021
	Management team	Middle managers	Technicians	Operators	**Total**
Men	**0**	**16**	**69**	**41**	**126**
Women	**0**	**8**	**34**	**35**	**77**
Total	**0**	**24**	**103**	**76**	**203**

					2020
	Management team	Middle managers	Technicians	Operators	Total
Men	1	22	45	96	164
Women	0	8	15	32	55
Total	1	30	60	128	219

Number of dismissals by age and gender

				2021				2020
	<30	30-50	>50	**Total**	18-35	36-50	>50	Total
Men	**6**	**97**	**23**	**126**	39	79	46	164
Women	**4**	**66**	**7**	**77**	19	25	11	55
Total	**10**	**163**	**30**	**203**	58	104	57	219

Talent management

Naturgy's Strategic Plan 2021-2025 establishes as its corner stones continuous improvement, excellence in operations, digital transformation and reinvention of customer relations. All of them leveraged in a transforming, motivating and inclusive culture. In other words, it is people and their "360º Commitment" that drive Naturgy's vision and business project.

In this context, and in line with the people strategy, talent management in 2021 has boosted Naturgy's leadership and its strategic role through the transversal adoption of the Leadership Model based on six competencies: continuous learning, courage, communication, collaboration, action and transformation; for better alignment with the business challenges, as well as with the values and cultural keys. Specifically, the company has made progress in the communication and global awareness of these competencies as a key part of its identity, and by 2022 it plans to consolidate their integration through actions to assess and develop this model.

Attracting and developing diverse talent

This year, Naturgy has launched the Flex & Lead programme, which integrates recruitment and career development actions focused on offering intergenerational and gender balance, in line with a diverse society and with the transformational and cultural goals in which the company is immersed. Naturgy focuses on the acquisition of talent with a vision for the future, identifying and promoting the new roles that the business project will need tomorrow.

The recruitment target by 2025 is 284 young people with a skills profile marked by agility, flexibility and collaboration, with digital skills and a data-oriented mindset. The target for hiring women through the Flex programme (which targets young professionals with no previous experience) is 60%, and in the case of Lead (which connects young people with some professional experience) it is 70%.

Likewise, both programmes aim to hire 60% of STEM profiles.

Flex & Lead deployment in 2021:

- Total additions: 80.
- Total female additions: 83%.

Flex & Lead 2021 recruitment professional profiles:

- Business Administration/Law: 14.
- Data Science: 9.
- Industrial/Energy: 40
- Marketing: 5.
- Other engineering: 6
- Other: 6.

To ensure a professional experience connected to the business project, Naturgy has designed a customised training offer for the Flex & Lead group, occupying positions linked to the business and participating in major projects. The journey of new talent also includes internal mobility between business areas and participation in career acceleration processes.

Through the set of initiatives integrated into Flex & Lead, Naturgy develops the commitment to diversity acquired in the Strategic Plan 2021-2025. The company has set the following objectives for the same period:

- 40% female presence at the executive and middle management levels of the company's structure (starting from 23% in 2020 in Spain).
- 10% staff < 30 years of age (starting from 2.3% in 2020).

By virtue of the direct relationship of these goals with the focuses of the Strategic Plan, the progress of the Flex & Lead programmes is regularly reported to Naturgy's Management Committee through a scorecard integrated by all businesses and corporate areas. These indicators are also reported to the Board's Sustainability Committee.

Development of internal talent

Naturgy's internal talent development programme is called "Internal Lead Talent", and its deployment is in sync with the actions of Flex & Lead, sharing the connection with the strategic objectives and the adaptation of a tailored journey. The programme seeks to ensure the company's management pool, while guaranteeing gender and professional diversity.

Specifically, in this first edition, professionals from the company's different businesses were invited, with a gender balance of 60%. The professionals under 40 years old and with transformative vision and high potential, have been invited to participate in a process of self-assessment of skills, specific training and networking with senior managers, professionals from Naturgy and other companies, accelerating the development of their profiles and motivating them towards a professional management career.

Internal Lead Talent Programme:

- Participants: 175.
- Female participants: 59%.

Training model

The present Model and the Global Training Policy have strengthened the governance and transversal management role of the Corporate University, while providing greater accountability to the different businesses of the company, giving them more responsibility in the definition and execution of their training plans and budget, in direct line with the particular requirements of each business. The connection between both levels of management is modelled on the same Global Training Policy, guaranteeing synchronicity through monthly monitoring committees, where visions, proposals and practices are exchanged, facilitating the influence and integration of training into key processes.

Corporate University

• Corporate University's figures

	2021	2020
Annual investment in training (million euro)	**4.97**	5.02
Annual investment in training per person (euro)	**741**	514
Training hours	**193,416**	259,703
Trained staff (%)	**97.5**	92.6

• Satisfaction

	2021	2020
Satisfaction surveys answered	**55.864**	62.208
Participants' average satisfaction (0-10)	**8,8**	8,6
Average degree of application of knowledge and on-the-job skills (%)	**78,1**	83,0
No. of programmes with assessment of application (courses)	**115**	98
Average perception index (0-10)	**7,8**	7,6

Nota: el modelo de medición no está implantado en Chile.

Staff trained (%)

	2021				2020			
	Management team	Middle managers	Technicians	Operators	Management team	Middle managers	Technicians	Operators
Men	**87.2**	**84.2**	**80.3**	**73.0**	73.7	94.7	93.7	87.7
Women	**90.0**	**85.7**	**81.5**	**70.4**	83.3	95.2	94.6	92.1
Total	**88.1**	**84.5**	**80.8**	**72.3**	75.5	94.8	94.0	89.2

During 2021, the strong deployment of distance training continued, from the Transformational Leadership Academy (TLA), focused on the transformation of leadership and management development in the company. However, the health crisis caused by COVID-19 has prevented the training courses from being conducted, which as per methodology require 100% attendance, which explains the deviation between the different groups.

Training hours per employee

	2021	2020
Management team	**31.5**	22.6
Middle managers	**37.3**	29.9
Technicians	**26.0**	25.7
Operators	**25.1**	24.8
Total	**28.8**	26.6

NB: training data only includes companies that have access to SuccessFactors. These companies represent 93% of the total staff.

> The present Model and the Global Training Policy **have strengthened the governance and transversal management role** of the Corporate University, while providing greater accountability to the different businesses of the company.

Training by age (%)

	2021			
	Management team	Middle managers	Technicians	Operators
<30	**-**	**95.1**	**75.3**	**75.4**
31-44	**90.2**	**86.0**	**79.7**	**76.9**
45-54	**89.9**	**83.5**	**85.0**	**74.3**
>55	**74.0**	**80.4**	**69.9**	**60.1**
Total	**88.1**	**84.5**	**80.8**	**72.3**

Training hours

	2021	2020
Management team	**26,577**	2,391
Middle managers	**53,214**	82,982
Technicians	**66,786**	99,426
Operators	**46,840**	74,904
Total	**193,416**	259,703

In 2021, training in Naturgy continues to be a strategic driver for transformation, promoting the development and empowerment of people in line with the challenges of competitiveness, innovation and sustainability of the company. In this context, the Corporate University (CU) continues to be a representative and backbone element of the training experience, guaranteeing the adequacy between the position and the person through the delivery of key knowledge, the connection with the latest trends, technologies and with the development of skills and competencies linked to Naturgy's leadership and culture models.

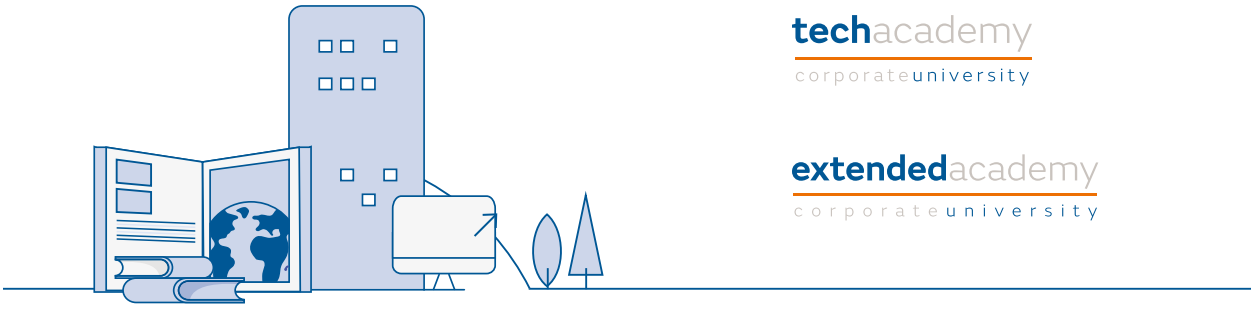
The CU training model is deployed through three academies which, in a supplementary and synergistic way, allow the company to face the training challenges of the present and future: Transformational Leadership Academy (TLA), Tech Academy (TA), Extended Academy (EA).

corporate
university

transformational
leadership**academy**
corporate university

techacademy
corporate university

extendedacademy
corporate university



Based on a vision of the future and linked to the company's Strategic Plan, in 2021 the TLA continues its training deployment to ensure the leading role of its leaders in the transformation and achievement of business objectives, through its three drivers:

1. **Digital Academy:** its objective is to transform the professional profile in Naturgy towards a digital employee.
2. **New Energy:** with the vision to develop managers and high potentials to face future challenges and be aware of market trends.
3. **Naturgy Leadership:** its aim is promoting the role of the leader as a promoter of organisational and cultural change.

The Tech Academy, in turn, transfers technical knowledge for the development, quality and standardisation of the expert knowledge needed to deal with the current and future challenges in each of the company's businesses.

The CU, through its Extended Academy (EA), offers a wide range of training to external collaborating companies, customers and suppliers of Naturgy, both technical as well as management, enabling companies to improve their operating efficiency, incorporate innovative methodologies and develop skills focused on excellence in operations and service.

The Extended Academy thus contributes to the establishment of a common planning and management model, favouring the professionalisation of companies that participate in the Naturgy value chain, with a recurrent activity of 9,063 participants and 13,944 hours of training. Likewise, the relationship with strategic suppliers is managed in order to strengthen partnerships, in an environment of collaboration and efficiency, sharing information and aligning strategies.

Training catalogue

While in 2020 the adoption of an online training model was accelerated by the context of COVID-19, in 2021 the evolution of this format has been supported by the introduction of new and diverse hybrid methodologies, to better respond to the needs of the business and provide professionals with interesting content that would contribute to their connection and engagement.

This challenge has served to consolidate the training catalogue that promotes the agile and digital connection of knowledge, simultaneously reinforcing the identity and commitment of the professionals. In this way, the 2021 programmes have been organised in the following areas:

- **Transversal programmes, with high impact on the commitment to the culture and values of the company:**
  - Transformation and value: "The third energy".
  - People's well-being: health and safety, emotional fitness, efr modules.
  - Sustainability: "Sustainability Week: SDG commitments".
  - Cybersecurity: "Day-to-day security" and "Week: Ultraviolet code".
  - Diversity: "Women's week", "Game of Diversity", "The future is all of us", "First understand", "Only goals not limits".
- **Programmes to boost the company's digital profile:**
  - Digital culture: Digital Gap online actions.
  - Digital skills: programming languages (SQL, Python...) and platforms (AWS and Azure). Development of Data Analyst, Data Science and Governance oriented training and Data Quality positions.
- **Programmes to connect with future challenges and market trends:**
  - Future Insight.
  - Naturgy Leadership Toolbox.
  - Innovation strategies.
  - Power BI and other data visualisation tools.
  - SCRUM, SaFe, agile methodologies and new forms of work organisation.
- **Leadership programmes, as a driver for the group's transformation and strategic vision:**
  - Corporate Mentoring: through the "Mentor Club" we connect the talent and influence from different visions and experiences of Naturgy professionals, fostering the development of the competences of the Naturgy Leadership Model.
  - Make yourself visible": focused on female and inclusive leadership, personal branding and networking.
  - Transformational leadership: "Leadership Innovation", "Communicating with Impact", and IMD programmes.

Likewise, in 2021 the Corporate University has reinforced the learning experience through the integration of "lifelong learning" platforms, such as PHAROS and COURSERA, which widely disseminate content and which adapt the training offer to the demand of the employees and the specific needs of the different businesses.

- **Cross-cutting employee development programmes:** within TLA, a key chapter in 2021 has been programmes that reinforce new work models. These programmes are focused on transversal, multidisciplinary and lean structures, as well as new work habits and global and innovative perspectives. They facilitate collaborative, diverse and healthy environments. In this context, the most significant cross-cutting programmes in 2021 were:
  - Agile: Naturgy's transformation requires projects to be managed in a different way; more flexible, adaptive and agile. The adoption of agile methodologies (mainly SCRUM), training and certification of professionals in all businesses is facilitating faster responses and adapted to the demands and/or requirements of the markets.
  - Power BI: a programme focused on a tool that is quick and relatively simple to use, but with the power to connect different data sources in order to analyse reality in greater depth and reduce time in data analysis. The face-to-face actions are reinforced through the DataHUB community, which not only functions as a centre of excellence and best practices in data analysis, but also offers consultation and reinforcement sessions to new Power BI users through corners.
  - Python Programming: a practical 3-month programme, with construction of real cases, on a programming language whose philosophy emphasises the readability of its code. It is a multi-paradigm and multi-platform programming language, which favours the rapid adoption of technologies and platforms
  - The third energy: synchronous training experience that puts employees first. A journey towards the rediscovery of personal energy, transforming it into a valuable resource to improve the organisation and its environment. With different teaching elements (micro-pills, infographics, webinars, videos...), it is specially aimed to develop positive behaviours and attitudes in professionals.
  - Futurinsight: a cross-cutting programme, which offers an environment from which to reflect and share in order to build a reality. A window through which you can look at disruptive international benchmarks, through nine webinars and for four months. The programme covers different topics that directly affect the group's ecosystem: digital humanisation, talent ecosystems, gig worker, the relationship between the machine and the human, the new conceptualisation of space, critical thinking and the diverse world.
  - Digital Mindset: a five-week programme that uses webinars and online supplementary material to address the processes of digital transformation and work the digital impact on business models in the energy sector and its direct application in Naturgy. The main goal is to get an overview of the digital landscape and a clearer idea of the basic elements of digitisation and to question the basic assumptions of the business model.

Quality certifications

The excellence in management of the Corporate University is supported by a Quality Management System based on ISO 9001:2015, renewed in 2020 for another three years. Likewise, since 2003, Naturgy has also had the CLIP (Corporate Learning Improvement Process) accreditation, awarded by the European Foundation for Management Development (EFMD), which recognises the quality of learning and people development processes in business education organisations. The last CLIP renewal was in 2018 for a five-year period.

Diversity and equality

For Naturgy it is essential to promote diversity and equal opportunities in an environment of respect, understanding and ongoing dialogue, with a special focus on gender diversity targets, on the inclusion of individuals with disabilities and extending this commitment to suppliers and collaborating companies.

Naturgy promotes an inclusive culture, where there is awareness and action to integrate and connect diversity. This vision of interest in people guides the way we work and achieve the company's objectives. We also share this vision with the entire value chain in the different businesses where we operate.

This commitment is confirmed, with a global vision, in the sustainability and people strategy, as well as in the Corporate Responsibility Policy, the Code of Ethics, the Gender Equality Policy, and the Protocol for the Prevention of Workplace Harassment.

The Naturgy's Corporate Equality Plan in Spain was approved together with the Trade Union Representative and published in the Official State Gazette (BOE) under Registration No. 90100073112013. It identifies the strengths to be maintained and shows weaknesses to be corrected identified by outsourced experts, giving rise to actions in issues of communication and raising awareness, culture and leadership, development and promotion, remuneration, flexible employment and work-life balance, selection, prevention of harassment, measurement and monitoring.

Aware of the need to continue working on equality and adaptation to the new environment and regulatory development, Naturgy is currently negotiating a renewal of the Equality Plan to continue advancing in equal opportunities between men and women, detecting new needs and developing proposals for action.

Protocols

The creation and activation of a specific protocol against harassment; the best practices protocol in the selection processes, or the communication guide for business professionals that need to intervene for some reason in the selection process, are just some of the measures introduced which have propitiated major advances in diversity and equal opportunities within the company.

Specifically, the Naturgy's Protocol Against Harassment lays out some preventive actions to avoid situations of harassment that include informing all employees about the protocol; training the entire staff in the issue, and in particular employees with personnel under their charge; the obligatory nature and responsibility of each individual to establish their relationships with respect and dignity and for each professional to report any case of harassment to their superior.

The protocol offers a number of guarantees, such as the total anonymity of the complainant, that the process will be completed as expeditiously as possible, and that the intervention of workers' representatives may be requested. Similarly, a fair hearing and treatment of all persons affected is guaranteed, no reprisals will be accepted, and the identity of informants, among others, will be protected.

The action procedure in the event of detecting any situation of harassment sets out two channels:

- Informal procedure: through which the affected party informs the alleged aggressor that this behaviour is not welcome, that it is offensive and interferes with their work. And if the situation is not resolved, then the formal procedure will be instigated.

- Formal procedure: through which the harassment situation is reported, following these steps:
  - Notification to the Code of Ethics Committee or reporting to their superior or to the Human Resources Department, who will decide whether to accept it for processing.
  - Investigation, gathering information and conducting interviews with the affected parties and witnesses, if there are any.
  - Possibility of introducing precautionary measures.

Once either procedure has been followed, a report will be drawn up on the conclusions and resolution of the procedure, which will include the corrective measures and the adoption of one of the following solutions: either the complaint will be closed or disciplinary proceedings will be initiated depending on the seriousness of the offence.

In another field of action, the Naturgy protocol of good practices in selection processes aims to avoid discrimination in selection processes, thus expanding the options of employability, through the following measures:

- Recruitment: open up the spectrum of recruitment sources to associations and foundations to guarantee equal job opportunities at the company.
- In the publication of job offers: do not use discriminatory terminology. Use of the third person plural is recommended. Gender separation will always be carried out with slashes. Do not use any notation as a requisite that does not offer equal conditions to the different candidates on the grounds of gender, appearance, disability, age, religion or personal beliefs of any kind. Only specify the need for a driving licence when the job requires this. Do not use possession of own vehicle as a requirement. Do not use the need to reside near the place of work as a requirement.
- In the selection process: ensure that disabled candidates have the necessary accessibility to get to the interview. Avoid prejudices and stereotypes associated to gender, appearance, ethnic origin, disability, age, religion, religious beliefs of any kind. Avoid personal questions and, if necessary, justify them. Avoid preferential treatment.
- On joining the company: Inform about equality and social benefit policies without discrimination. Career opportunities based on merits and capabilities.

Commitment to equality

In 2021, the General Sub-Directorate for Entrepreneurship, Equality in the Company and Collective Negotiation of Women, belonging to the Institute of Women of the Spanish Ministry of Equality, approved the II Annual Report for the maintenance of the “Equality in employment” (DIE) seal, awarded to Naturgy in November 2018. The company’s commitment to equality has been recognised with this seal by virtue of the development of equal opportunity policies through comprehensive, measurable equality plans with specific results. This certification is granted following a thorough process of verification of the activities related to equality, with the aim of confirming the level of excellence and mainstreaming in management.

Diversity management

The strategic vision of diversity is a commitment to the organisation and people to invest in and promote diverse and transforming talent, and is in turn part of Naturgy's commitment to a sustainable business project, advancing in its management through three drivers:

- **Culture focused on diversity:** Naturgy fosters plural environments and teams with respect for different experiences, where listening and dialogue enrich the work and the way to achieve business objectives in the company, promoting the commitment of people.
- **Alignment with the talent strategy:** with a clear commitment to equal opportunities and development for all of Naturgy's professionals, promoting the connection and recognition of diverse and inclusive leaders and teams. The organisation's talent strategy includes annual diversity targets for the different professional profiles.
- **SDG Social Priority - Enhance Diversity:** Naturgy understands diversity as a guarantee of the future, sustainability and growth of the business project. The more diverse, the better the performance and the more agile, flexible and innovative people are in meeting business challenges and expanding value solutions for customers and society.

In addition to progress in these areas, Naturgy's efforts in the field of diversity are materialised through specific initiatives in four areas: gender, generational, disability and functional diversity.

Within this framework, the professional role of women in Naturgy, their visibility and networking is enhanced, moving towards gender parity at different levels of the company through specific training actions, career development programmes and promotion of diverse leadership, as well as the prioritisation of this group in internal mobility plans and organisational evolutions.

The company is also committed to generational balance through recruitment and development programmes for young professionals and intergenerational talent development programmes such as the Flex & Lead programme (see Attracting and developing diverse talent).

The Flex & Lead programme has been highlighted in INTRAMA's Variable D 2021 Report, which recognises the 30 Spanish companies most committed to diversity by virtue of the strategic and sustainable vision with which the company is promoting diversity in its staff, thanks to an inclusive culture and leadership, together with its recruitment and development programme for young talent. The Variable D Report is a study by the Human Resources consultancy INTRAMA, which includes more than 18 sectors of activity and covers a total of more than 450,000 workers at national level and more than 2,500,000 employees worldwide, through the more than 30 companies in Spain covered in the study.

In terms of disability, Naturgy continues its focus on the management of inclusive practices and awareness, as well as staff representation. In this context, various actions such as "Plan Familia", "Plan Capacitas", or "Plan Aflora" are promoted. This commitment has been recognised by the Bequal Certification, awarded by the Bequal Foundation for excellence in diversity management in terms of different abilities.

And lastly, in the more functional area, the versatility and continuous learning of professionals is promoted through training, internal mobility and the performance of new professional roles.

This transversal commitment to diverse talent is reflected in the Sustainability Plan with a 2025 horizon, and is regularly monitored by the Sustainability Committee, where indices are reported on the progress made in terms of global female presence and their promotion to management levels; geographic diversity, professional profiles and different skills. In addition to the Committee, these indicators and their evolution are reported in different monitors and certifications, such as the Dow Jones Sustainability Index and the Global Certification efr.

Women in management posts (%)

	2021	2020
Argentina	**0.0**	0.0
Australia	**0.0**	0.0
Brazil	**100.0**	100.0
Chile	**0.0**	0.0
Colombia	**0.0**	0.0
Costa Rica	**0.0**	0.0
Spain (*)	**21.5**	23.7
USA	**0.0**	0.0
France	**0.0**	0.0
Netherlands	**0.0**	0.0
Ireland	**0.0**	0.0
Israel	**0.0**	0.0
Luxembourg	**0.0**	0.0
Morocco	**0.0**	0.0
Mexico	**0.0**	0.0
Panama	**0.0**	0.0
Portugal	**0.0**	0.0
Puerto Rico	**0.0**	0.0
Dominican Republic	**0.0**	0.0
Singapore	**0.0**	0.0
Uganda	**0.0**	0.0
Total	**21.2**	22.6

(*) In Spain, the percentage of women in executive and management positions is 32.35%, in line with Naturgy's Sustainability Plan target of 40% by 2025.

Employees with disabilities

	2021		2020	
	Number	(%)	Number	(%)
Argentina	**0**	**0.0**	6	0.5
Australia	**0**	**0.0**	0	0.0
Brazil	**11**	**2.9**	12	2.8
Chile	**3**	**0.5**	4	0.2
Colombia	**0**	**0.0**	0	0.0
Costa Rica	**0**	**0.0**	0	0.0
Spain	**61**	**1.6**	121	2.3
USA	**0**	**0.0**	0	0.0
France	**0**	**0.0**	0	0.0
Netherlands	**0**	**0.0**	0	0.0
Ireland	**0**	**0.0**	0	0.0
Israel	**0**	**0.0**	0	0.0
Luxembourg	**0**	**0.0**	0	0.0
Morocco	**2**	**2.4**	1	1.1
Mexico	**0**	**0.0**	0	0.0
Panama	**6**	**1.9**	5	1.5
Portugal	**0**	**0.0**	0	0.0
Puerto Rico	**0**	**0.0**	0	0.0
Dominican Republic	**0**	**0.0**	0	0.0
Singapore	**0**	**0.0**	0	0.0
Uganda	**0**	**0.0**	0	0.0

NB: employees have the option of not disclosing their disability in all countries. The number of employees with disabilities is only reported in those countries where employees chose to exercise their right to share this information.

No. of employees entitled to leave for childbirth and child care

	2021			2020		
	Men	Women	**Total**	Men	Women	Total
Argentina	**2**	**5**	**7**	26	16	42
Australia	**0**	**0**	**0**	0	0	0
Brazil	**2**	**6**	**8**	9	5	14
Chile	**6**	**11**	**17**	34	36	70
Colombia	**0**	**0**	**0**	0	0	0
Costa Rica	**0**	**1**	**1**	0	0	0
Spain	**83**	**18**	**101**	119	58	177
USA	**0**	**0**	**0**	0	0	0
France	**0**	**0**	**0**	1	3	4
Netherlands	**0**	**0**	**0**	0	0	0
Ireland	**0**	**0**	**0**	2	2	4
Israel	**1**	**0**	**1**	1	0	1
Luxembourg	**0**	**0**	**0**	0	0	0
Morocco	**3**	**1**	**4**	4	0	4
Mexico	**0**	**0**	**0**	13	13	26
Panama	**6**	**3**	**9**	2	3	5
Portugal	**0**	**0**	**0**	0	1	1
Puerto Rico	**0**	**0**	**0**	0	1	1
Dominican Republic	**0**	**0**	**0**	1	1	2
Singapore	**0**	**0**	**0**	0	0	0
Uganda	**8**	**0**	**8**	6	2	8
Total	**111**	**45**	**156**	218	141	359

No. of employees who availed themselves of their right to childbirth and childcare leave

			2021			2020
	Men	Women	**Total**	Men	Women	Total
Argentina	**2**	**5**	**7**	20	16	36
Australia	**0**	**0**	**0**	0	0	0
Brazil	**2**	**6**	**8**	9	5	14
Chile	**6**	**11**	**17**	19	36	55
Colombia	**0**	**0**	**0**	0	0	0
Costa Rica	**0**	**0**	**0**	0	0	0
Spain	**82**	**18**	**100**	117	57	174
USA	**0**	**0**	**0**	0	0	0
France	**0**	**0**	**0**	1	3	4
Netherlands	**0**	**0**	**0**	0	0	0
Ireland	**0**	**0**	**0**	2	2	4
Israel	**1**	**0**	**1**	1	0	1
Luxembourg	**0**	**0**	**0**	0	0	0
Morocco	**3**	**1**	**4**	4	0	4
Mexico	**0**	**0**	**0**	13	13	26
Panama	**6**	**3**	**9**	2	3	5
Portugal	**0**	**0**	**0**	0	1	1
Puerto Rico	**0**	**0**	**0**	0	1	1
Dominican Republic	**0**	**0**	**0**	0	1	1
Singapore	**0**	**0**	**0**	0	0	0
Uganda	**8**	**0**	**8**	6	2	8
Total	**110**	**44**	**154**	194	140	334

Comparison of employees entitled to childbirth and childcare leave and those who took this entitlement

	2021		2020	
	Men	Women	Men	Women
With right	**111**	**45**	212	141
That took it	**110**	**44**	194	140

- **Ratio of employees who returned to their position following childbirth and childcare leave and continue in the company one year after their leave**

	2021		2020	
	Men	Women	Men	Women
Argentina	**100.0**	**100.0**	100.0	100.0
Australia	**0.0**	**0.0**	0.0	0.0
Brazil	**0.0**	**50.0**	88.9	100.0
Chile	**77.8**	**66.7**	78.9	91.1
Colombia	**0.0**	**0.0**	0.0	0.0
Costa Rica	**0.0**	**0.0**	0.0	0.0
Spain	**98.3**	**94.7**	95.5	100.0
USA	**0.0**	**0.0**	0.0	0.0
France	**0.0**	**0.0**	66.7	50.0
Netherlands	**0.0**	**0.0**	0.0	0.0
Ireland	**0.0**	**0.0**	100.0	0.0
Israel	**100.0**	**0.0**	0.0	100.0
Luxembourg	**0.0**	**0.0**	0.0	0.0
Morocco	**100.0**	**0.0**	100.0	0.0
Mexico	**100.0**	**100.0**	100.0	66.7
Panama	**0.0**	**0.0**	0.0	100.0
Portugal	**0.0**	**0.0**	0.0	100.0
Puerto Rico	**0.0**	**0.0**	0.0	0.0
Dominican Republic	**100.0**	**100.0**	0.0	100.0
Singapore	**0.0**	**0.0**	0.0	0.0
Uganda	**85.7**	**100.0**	100.0	0.0
Total	**88.6**	**87.5**	93.9	99.4

No. of employees who did not return to work once their childbirth and childcare leave was complete

	2021			2020		
	Men	Women	**Total**	Men	Women	Total
Argentina	**0**	**0**	**0**	0	0	0
Australia	**0**	**0**	**0**	0	0	0
Brazil	**1**	**0**	**1**	0	2	2
Chile	**0**	**7**	**7**	0	13	13
Colombia	**0**	**0**	**0**	0	1	1
Costa Rica	**0**	**0**	**0**	0	0	0
Spain	**2**	**3**	**5**	5	0	5
USA	**0**	**0**	**0**	0	0	0
France	**0**	**0**	**0**	0	0	0
Netherlands	**0**	**0**	**0**	0	0	0
Ireland	**0**	**0**	**0**	0	0	0
Israel	**0**	**0**	**0**	0	0	0
Luxembourg	**0**	**0**	**0**	0	0	0
Morocco	**0**	**0**	**0**	0	0	0
Mexico	**0**	**0**	**0**	2	1	3
Panama	**0**	**0**	**0**	0	1	1
Portugal	**0**	**0**	**0**	0	0	0
Puerto Rico	**0**	**0**	**0**	0	0	0
Dominican Republic	**0**	**0**	**0**	0	0	0
Singapore	**0**	**0**	**0**	0	0	0
Uganda	**0**	**0**	**0**	0	0	0
Total	**3**	**10**	**13**	7	18	25

Employee satisfaction and experience

Knowing employees' satisfaction and the value they place on the actions, services and programmes that the company makes available to them is a key element of Naturgy's commitment of improving their experience.

Employee's experience

To continuously monitor the employee experience, Naturgy measures, analyses and acts on the different factors that make up the climate survey, as well as the mood of the company.

The group uses Happyforce as a tool, enabling us to obtain the opinion and perception of people in a 100% online, transparent and anonymous way.

The functionalities of this multichannel tool also allow for social recognition among peers (related to the competencies of the Leadership Model), and to formulate suggestions or ideas. This model provides global indices of commitment, recommendation (promoters) and happiness, and allows greater agility in the monitoring of indicators, evolving those that hitherto responded to a previous model of climate survey.

The metrics are analysed monthly by an agile and transversal work group - made up of the business and corporate people teams - who take on a proactive role in the design and implementation of concrete actions to improve the employee experience.

In this context, in 2021 the indicator for monitoring employee satisfaction and engagement in Naturgy corresponds to the percentage of promoters (ratings of 9 and 10) on the question: "On a scale of 1 to 10, how likely is it that you would recommend Naturgy as a good place to work?" Its target rate - by 2025 - is 40% and currently stands at 24%.

In 2021, Naturgy has materialised one of the key milestones of impact in improving the experience of its employees, with a new model for measuring satisfaction and commitment, and promoting recognition as drivers of motivation.

Flexibility and work-life balance

Naturgy is committed to promoting and encouraging the work-life balance of its employees, as well as co-responsibility, as permanent goals..

The Naturgy Group's Collective Bargaining Agreement contains a broad chapter on social responsibility, equality and work-life balance, including measures aimed at achieving actual and effective equality between men and women. These measures, which go beyond legal requirements, allow a greater and better work-life balance and highlights the company's commitment to this matter: By way of example, some of the measures in force in Spain include:

- Flexibility in start and finish times, as well as in the meal break period.
- Continuous working day from June to September (four months) and every Friday of the year.
- More extensive paid leave due to marriage, illness and death of family members.
- Paid leave not covered by legislation such as separation or divorce, marriage of children or leave for expectant mothers from the 38th week of pregnancy.
- Possibility of taking paid leave not necessarily on consecutive days.
- Reductions in working hours for personal reasons in cases other than those provided for by law.
- Possibility of accumulating breast-feeding periods.
- Adaptation of the weekly working day by one hour, as a measure to promote conciliation.
- Working from home.

In 2021 in Spain, the exceptional labour measures agreed with employee representatives in the previous year continued to be applied, measures that have made it possible to extend and improve the work-life balance of employees throughout the healthcare crisis.

Specifically, and together with other complementary labour measures, the following has been provided for:

- The extension of time flexibility measures at the entrance and exit.
- The possibility of working remotely to care for children and adults who cannot attend school or care centres.
- The possibility of reducing the working day without a proportional reduction in salary.

The take-up of these measures has gone hand in hand with the deployment of computer resources and tools, such as laptops, in order to be able to work from home.

Global FRC Certification

Naturgy is the first and only company in the world to have the Global FRC Certification (Family Responsible Company) awarded in 2013 by the Másfamilia Foundation, after undergoing an exhaustive audit by AENOR. This certification substantiates the existence of a culture based on flexibility, respect and mutual commitment of Naturgy with its professionals, generating options that allow them to develop both personally and professionally, always within the framework of the business objectives.

In 2021, the management of the model has been deployed through 429 local measures, distributed in the different countries where the company operates, and also 22 measures of global application, all of them integrated into five groups of action, defined by the global efr Standard 1000/23: quality in employment, temporary and spatial flexibility, support for employees' families, support for the personal and professional environment and equal opportunities.

Time Bank (Spain only)

Naturgy provides employees with a space, both physical and virtual, where they can delegate the performance of daily tasks in order to increase the free time they can spend on other aspects of their personal life.

The range of services offered is structured in four blocks:

- Administrative tasks: advisory and assistance services for frequent administrative tasks.
- Advantage Club: exclusive virtual space with offers.
- Easylife space: outreach services and acquisition of products.
- Services available on a quotation basis.

The Naturgy Time Bank also has an Easybox that allows you to manage different services through an interactive window office and a website. Access to these services is built into the My Benefits platform, on the corporate Intranet of Naturgy.

In 2021, in harmony with the previous year, and in the COVID-19 context, once the process of returning to work centres in Spain has begun, the Time Bank's on-site service areas are operational, thanks to the adoption of all the prevention and safety measures introduced by the company, to guarantee the health and well-being of employees.

Employee Care Service (SAE)

The service, introduced in Spain and Latin America, has celebrated its ninth anniversary in 2021, consolidating itself as a single and centralised point of contact between the employee and the organisation. The SAE allows the consolidation of global and unique models in terms of care for professionals during their life cycle in the company. The service has a multichannel approach, thanks to the online platform, and personalised attention that is accessible from any device.

As a novelty, in 2021 an "Employee Care Service Assistant" was launched to attend to and resolve employee queries in real time on subjects such as: social benefits, payroll and remuneration, leave and time off, recruitment and mobility, health and safety, personal services, training, personal procedures and "my customer channel".

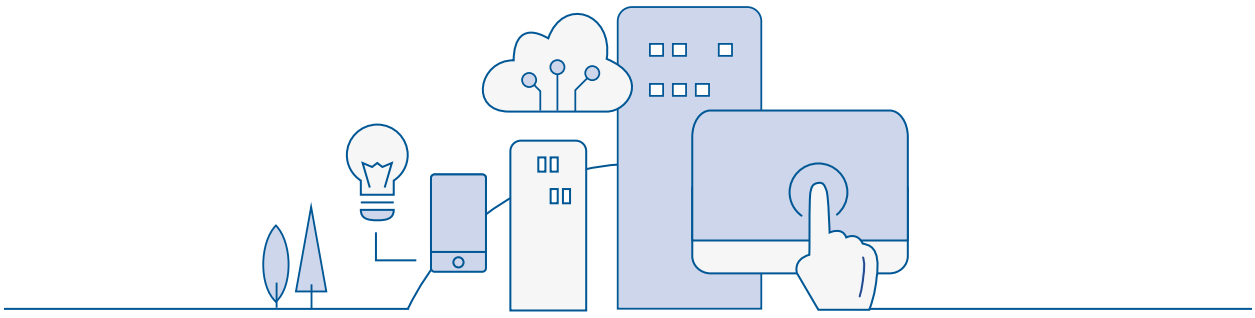
In addition to the management of the usual services, this year the Employee Care Service (SAE) has also had an important informative and guiding function in the context of the transfer of Naturgy professionals to the new offices in Barcelona (Avenida Diagonal 525) and Madrid (Avenida de América 38). Likewise, and in the context of the global health pandemic, this service has provided direct assistance for the management of preventive measures, flexible working hours and conciliation arranged by the company.

Currently, the Net Promoter Score (NPS) of the service is 52.93%, 62,915 requests from employees have been answered and 85.70% of them have been resolved within the deadline.

Culture and Employee Experience

The Naturgy culture frames the processes of the people model from consistency, global approach and leadership, giving meaning and projection to the transformation towards value creation.

With the strategic vision of a sustainable company, Naturgy continues to focus on redesigning its spaces and ways of working, digitising its employees' jobs, and promoting a transformational culture, through three key concepts:



01

Team
Cohesion.
Leadership.
Enthusiasm.

02

Innovation
Evolution.
Digitalization.
Agility.

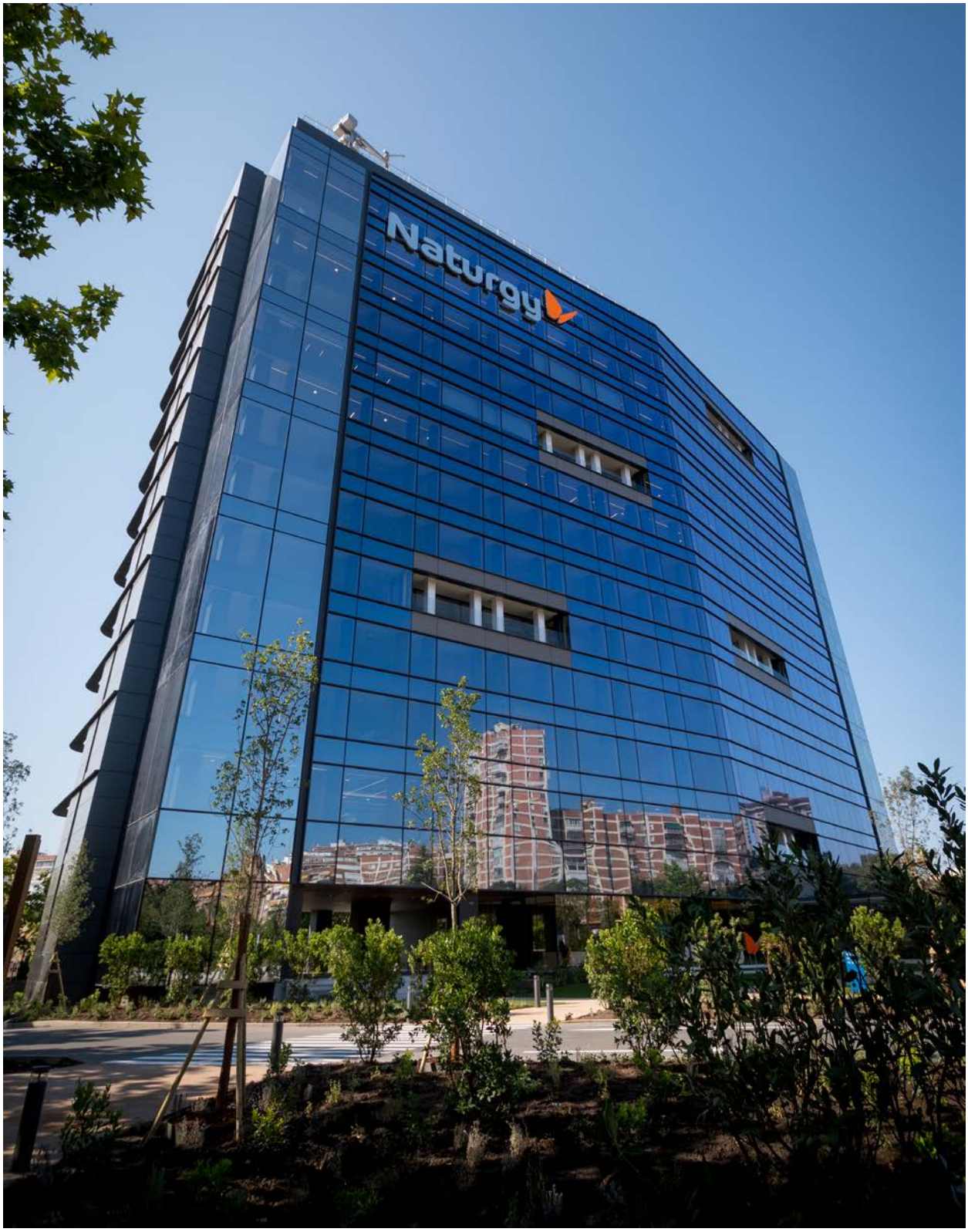
03

Working methods
Flexibility.
Collaboration.
Simplicity.

ImaginaT project

During 2021, the plan to return to offices in Spain was implemented in a staggered manner and the alternation plan, which also coincided with the corporate milestone of the opening of new workspaces within the framework of the IMAGINAT programme in Madrid and Barcelona, with the provision of open, fully connected, digital, sustainable and flexible environments that promote collaboration, well-being and people's health.

Thanks to its sustainable design and a comprehensive environmental quality management plan, all design and construction requirements have been incorporated to achieve LEED Gold Certification, a verification that guarantees the highest standards of eco-efficiency and sustainability. The teams' experience in the new spaces is integrated with internal listening. In the first consultation, a rating of 4 out of 5 was obtained.


Naturgy

Compensation and remuneration

• Breakdown of personnel costs (€M)

	2021	2020
Wages and salaries	**457**	507
Social Security costs	**87**	101
Definitive contribution plans	**28**	26
Definitive benefit plans	**6**	6
Work carried out for the company's fixed assets	**(77)**	(77)
Share-based compensation	**4**	5
Other	**435**	230
Total	**940**	798

Reward

The Naturgy's reward drivers aims to provide a framework for classification, compensation, benefits and work environment, which drives and aligns professional performance with the strategy of Naturgy. In the 2021 financial year, the job assessment, which started in 2020, was completed, reaching all staff excluded and exempt from the collective bargaining agreement.

In this framework, the remuneration policy is governed by equity on an internal scale and competitiveness from the market point of view. There are two remuneration models, one for employees included in the collective bargaining agreement and another for employees not included.

The annual variable remuneration is based on a structure of uniform objectives for the whole group, with metrics differentiated according to the business unit, corporation or project to which it belongs.

The above-mentioned metrics include:

- Economic and financial targets.
- ESG objectives:
  - Safety and quality issues.
  - Diversity and gender goals.
- In addition, a qualitative objective that measures the "how" in achieving the targets is valued.

The management by objectives for senior management teams and staff not included in the agreement, and variable remuneration for sales agents, are methods in place at Naturgy as incentives for people involvement in achieving the company's targets and a direct share in the profits.

The goals of the management team are aligned and linked to those of the company through, among others, the implementation of a long-term incentive programme (LTI). Through this programme, they can benefit from the perception of a variable bonus, provided that the return on the value of Naturgy in a specific period of five years is optimal for any shareholder of the company in the same period. The valuation of these returns has been set in considerably ambitious terms with respect to those existing in the market.

Additionally, the remuneration package is supplemented with a social benefits system, which includes a pension plan and other social benefits.

Specifically, employees in Spain have a flexible compensation system that allows them to design the composition of the remuneration package using the existing product offer, optimising this package for tax purposes. Along these lines, the Total Compensation Plan, which allows employees to customise the composition and perception of the remuneration package offered by the company, continued to be in force in 2021. The plan is compatible with the flexible remuneration system, facilitating decisions on the composition of their remuneration package, and they may choose to monetise the benefits, maintain the corresponding benefit or allocate the amount to other benefits.

"My Benefits" Platform

This platform offers a unique and integrated solution to manage and communicate the compensation and benefits programmes, allowing Naturgy to contribute to the well-being of people from a 360º perspective (financial, emotional, physical and social) and to promote their engagement. It is a technological platform that evolves by adapting to the various benefits and compensation strategies of the company. It has the following modules:

- **Flexible Compensation:** Flexible Compensation Plans (PCF) are voluntary and customised compensation systems that allow each employee to decide how to receive part of their annual compensation. Through this tool, employees have access to their compensation data and can consult, simulate and contract a Flexible Compensation Plan. All in an environment of maximum usability and clarity of presentation.
- **Social Benefits System:** Naturgy offers services, within its remuneration strategies and through the My Benefits platform, that help the people understand their retirement and find out about existing internal plans. This service provides personalised information on Naturgy's social benefits initiatives.
- **Savings in personal insurance:** through this tool, employees can take out personal insurance (home, life, car, death, etc.) with an excellent price-cover-service ratio and guaranteed by leading insurance companies. Furthermore, the tool makes it easy to compare prices and choose the insurance that best suits each individual.
- **Health Insurance:** the company has health insurance, which is one of the benefits most valued by employees.

Average remuneration by age group, gender, and professional category

In relation to the information relating to remuneration, in the 2021 financial year the professional categories will continue to be unified with those used for the rest of the people indicators (Management Team, Middle Management, Technical and Operational Staff). All remuneration indicators are expressed in euros.

• Fixed remuneration

	2021			
	Management team	Middle managers	Technicians	Operators
Argentina	**131,606**	**45,001**	**25,336**	**20,269**
Australia				
Brazil	**115,458**	**39,295**	**21,024**	**13,262**
Chile	**225,621**	**56,069**	**27,329**	**16,515**
Colombia				
Costa Rica				
Spain	**212,729**	**63,653**	**49,616**	**35,943**
USA				
France		**117,538**	**50,226**	
Netherlands				
Ireland				
Israel				
Luxembourg				
Morocco		**33,535**	**45,437**	**14,893**
Mexico	**104,150**	**39,171**	**16,616**	**8,706**
Panama	**198,521**	**41,459**	**24,038**	**21,279**
Portugal		**80,882**	**33,988**	
Puerto Rico				
Dominican Republic		**17,698**	**27,200**	**11,281**
Singapore				
Uganda				

NB: blank data are not published because there are no employees in that category or for confidentiality reasons.
In relation to the information for Spain, the company UFG Exploration and Production, which consists of three employees, has been excluded.
The differences with respect to the previous year are due to the impact of the Voluntary Leaving Plan and the organisational changes in these groups. In addition, the collective bargaining agreement is currently under negotiation.

Information is not comparable with 2020, due to the fact that the Job Assessment methodology has been modified.

The exchange rate used is at the end of December 2021.

The Naturgy's reward drivers aims to **provide a framework** for classification, compensation, benefits and work environment, **which drives and aligns** professional performance with the strategy of Naturgy.

Fixed remuneration

2020

	Management team	Middle managers	Technicians	Operators
Argentina	95,308	18,262	16,580	12,415
Australia				
Brazil	110,119	30,282	14,668	10,782
Chile	223,342	64,109	34,752	20,857
Colombia		69,752		
Costa Rica				
Spain	201,209	64,665	48,930	37,230
USA				
France		81,841	40,636	34,142
Netherlands				
Ireland		133,148	44,849	
Israel				
Luxembourg				
Morocco		40,066	44,328	16,959
Mexico	81,304	23,856	14,770	9,247
Panama		28,296	18,147	13,901
Portugal			33,715	
Puerto Rico				
Dominican Republic	0	24,451	14,155	
Singapore				
Uganda				

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The differences with respect to the previous year are due to the impact of the Voluntary Leaving Plan and the organisational changes in these groups. In addition, the collective bargaining agreement is currently under negotiation.

Fixed remuneration by gender

	2021		
	Men	Women	Gap
Argentina	**26,575**	**28,626**	**-7.7%**
Australia			-
Brazil	**19,950**	**21,057**	**-5.5%**
Chile	**31,448**	**25,532**	**18.8%**
Colombia			
Costa Rica			
Spain	**55,686**	**51,544**	**7.4%**
USA			-
France	**79,547**	**48,047**	**39.6%**
Netherlands			-
Ireland			-
Israel			-
Luxembourg			-
Morocco	**30,664**	**34,266**	**-11.7%**
Mexico	**18,809**	**19,033**	**-1.2%**
Panama	**31,076**	**23,292**	**25.0%**
Portugal	**39,344**	**36,535**	**7.1%**
Puerto Rico			-
Dominican Republic	**15,568**	**21,402**	**-37.5%**
Singapore			-
Uganda			-

NB: blank data are not published because there are no employees in that category or only men or women
In relation to the information for Spain, the company UFG Exploration and Production, which consists of three employees, has been excluded.

The exchange rate used is at the end of December 2021.

Fixed remuneration by gender

	2020		
	Men	Women	Gap
Argentina	16,225	15,365	5.3%
Australia			-
Brazil	18,801	19,118	-1.7%
Chile	38,477	32,276	16.1%
Colombia	103,929	56,081	46.0%
Costa Rica			-
Spain	54,825	49,767	9.2%
USA			-
France	70,421	43,985	37.5%
Netherlands			-
Ireland	50,515	41,569	17.7%
Israel			-
Luxembourg			-
Morocco	32,711	34,251	-4.7%
Mexico	15,764	16,594	-5.3%
Panama	22,406	20,545	8.3%
Portugal	39,344	35,956	8.6%
Puerto Rico			-
Dominican Republic	13,745	23,601	-71.7%
Singapore			-
Uganda			-

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In relation to the information for Spain, the company UFG Exploration and Production, which consists of three employees, has been excluded.

Fixed remuneration by age range

	2021		
	<30 years	30-50 years	>50 years
Argentina	**19.914**	**22.185**	**28.404**
Australia			
Brazil	**13.160**	**19.523**	**24.572**
Chile	**14.533**	**29.298**	**30.707**
Colombia			
Costa Rica			
Spain	**29.927**	**50.141**	**73.749**
USA			
France	**51.000**	**63.650**	
Netherlands			
Ireland			
Israel			
Luxembourg			
Morocco	**7.706**	**22.933**	**34.705**
Mexico	**14.389**	**19.133**	**30.707**
Panama	**14.978**	**26.437**	**36.232**
Portugal		**33.988**	**80.882**
Puerto Rico			
Dominican Republic	**9.223**	**17.272**	**17.626**
Singapore			
Uganda			

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The exchange rate used is at the end of December 2021.

Fixed remuneration by age range

	2020		
	<30 years	30-50 years	>50 years
Argentina	12,589	15,632	17,728
Australia			
Brazil	12,789	19,699	22,935
Chile	27,711	38,002	40,563
Colombia		48,982	97,445
Costa Rica			
Spain	34,805	50,463	63,931
USA			
France	43,254	67,514	
Netherlands			
Ireland	32,535	67,460	76,552
Israel			
Luxembourg			
Morocco	13,838	30,549	36,144
Mexico	13,947	16,432	19,643
Panama	16,339	23,025	27,231
Portugal	33,638	30,920	
Puerto Rico			
Dominican Republic	9,560	15,659	19,579
Singapore			
Uganda			

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In relation to the information for Spain, the company UFG Exploration and Production, which consists of three employees, has been excluded.

Variable remuneration was considered to be the amount received by employees under the Management by Objectives, Performance Management and Commercial Variable Remuneration programmes.

Average fixed and variable remuneration by professional category

	2021			
	Management team	Middle managers	Technicians	Operators
Argentina	**184,248**	**52,248**	**27,339**	**20,567**
Australia				
Brazil	**164,006**	**46,509**	**23,045**	**14,679**
Chile	**324,230**	**63,020**	**31,129**	**16,571**
Colombia				
Costa Rica				
Spain	**311,668**	**74,046**	**52,543**	**36,025**
USA				
France		**150,452**	**58,449**	
Netherlands				
Ireland				
Israel				
Luxembourg				
Morocco		**43,969**	**52,465**	**19,552**
Mexico	**149,505**	**47,485**	**20,305**	**9,525**
Panama	**254,717**	**47,551**	**26,161**	**22,120**
Portugal		**80,882**	**34,746**	
Puerto Rico				
Dominican Republic		**19,246**	**29,895**	**11,922**
Singapore				
Uganda				

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In relation to the information for Spain, the company UFG Exploration and Production, which consists of three employees, has been excluded.

Information is not comparable with 2020, due to the fact that the Job Assessment methodology has been modified.

The exchange rate used is at the end of December 2021.

Average fixed and variable remuneration by professional category

	2020			
	Management team	Middle managers	Technicians	Operators
Argentina	133,431	20,405	17,916	12,604
Australia				
Brazil	167,244	36,252	16,213	11,573
Chile	322,482	71,988	36,814	22,302
Colombia		86,555		
Costa Rica				
Spain	290,484	74,878	50,840	37,392
USA				
France		100,003	47,281	36,222
Netherlands				
Ireland		211,573	57,163	
Israel				
Luxembourg				
Morocco		44,827	47,450	18,865
Mexico	113,826	29,246	18,499	11,792
Panama		33,346	19,940	15,044
Portugal			34,888	
Puerto Rico				
Dominican Republic		27,540	15,558	10,805
Singapore				
Uganda				

NB: blank data are not published because there are no employees in that category or for confidentiality reasons.
In relation to the information for Spain, the company UFG Exploration and Production, which consists of three employees, has been excluded.

Average fixed and variable remuneration by gender

	2021	
	Men	Women
Argentina	**22,063**	**23,593**
Australia		
Brazil	**22,262**	**23,956**
Chile	**35,293**	**27,767**
Colombia		
Costa Rica		
Spain	**62,817**	**56,878**
USA		
France	**96,792**	**57,048**
Netherlands		
Ireland		
Israel		
Luxembourg		
Morocco	**38,807**	**39,553**
Mexico	**23,048**	**22,909**
Panama	**34,110**	**25,964**
Portugal	**39,344**	**37,521**
Puerto Rico		
Dominican Republic	**16,726**	**25,047**
Singapore		
Uganda		

NB: blank data are not published because there are no employees in that category or only men or women
In relation to the information for Spain, the company UFG Exploration and Production, which consists of three employees, has been excluded.

The exchange rate used is at the end of December 2021.

Average fixed and variable remuneration by gender

	2020	
	Men	Women
Argentina	17,645	16,492
Australia		
Brazil	21,569	22,310
Chile	42,820	35,502
Colombia	137,014	66,372
Costa Rica		
Spain	60,884	53,989
USA		
France	86,051	50,815
Netherlands		
Ireland	69,195	48,361
Israel		
Luxembourg		
Morocco	36,214	38,262
Mexico	19,842	20,316
Panama	25,715	23,478
Portugal	39,344	37,448
Puerto Rico		
Dominican Republic	14,915	26,824
Singapore		
Uganda		

NB: blank data are not published because there are no employees in that category or only men or women
In relation to the information for Spain, the company UFG Exploration and Production, which consists of three employees, has been excluded.

Average fixed and variable remuneration by age range

	2021		
	<30 years	30-50 years	>50 years
Argentina	**20,145**	**23,428**	**30,988**
Australia			
Brazil	**13,621**	**21,907**	**27,965**
Chile	**14,533**	**32,455**	**34,481**
Colombia			
Costa Rica			
Spain	**31,589**	**54,977**	**87,467**
USA			
France	**63,212**	**76,612**	
Netherlands			
Ireland			
Israel			
Luxembourg			
Morocco	**13,096**	**29,370**	**43,139**
Mexico	**17,485**	**23,570**	**36,990**
Panama	**16,013**	**28,862**	**40,717**
Portugal		**34,746**	**80,882**
Puerto Rico			
Dominican Republic	**9,661**	**18,675**	**19,146**
Singapore			
Uganda			

NB: blank data are not published because there are no employees in that category or for confidentiality reasons.
In relation to the information for Spain, the company UFG Exploration and Production, which consists of three employees, has been excluded.

The exchange rate used is at the end of December 2021.

Average fixed and variable remuneration by age range

	2020		
	18-35 years	36-50 years	>50 years
Argentina	13,031	16,970	19,467
Australia			
Brazil	14,453	22,872	26,313
Chile	30,014	42,127	45,552
Colombia		57,945	124,702
Costa Rica			
Spain	36,175	55,118	72,144
USA			
France	51,339	80,745	
Netherlands			
Ireland	37,212	95,062	107,253
Israel			
Luxembourg			
Morocco	14,588	33,318	40,476
Mexico	17,729	20,543	23,390
Panama	17,974	26,457	31,977
Portugal	38,347	33,944	
Puerto Rico			
Dominican Republic	10,319	17,144	21,330
Singapore			
Uganda			

NB: blank data are not published because there are no employees in that category or for confidentiality reasons.
In relation to the information for Spain, the company UFG Exploration and Production, which consists of three employees, has been excluded.

Salary gap

The calculation of the salary gap has been done as follows:

$$\text{Salary gap} = \frac{\text{Men´s average remuneration - Women´s average remuneration}}{\text{Men´s average remuneration}} \times 100$$

A percentage greater than zero represents the percentage of salary that women are paid less than men. The following tables show the most relevant data for Naturgy. The difference in salary shown by the results is in line with the context of the sector and can be attributed to the company's past gender make-up, which means greater average seniority of men in comparison with women.

• Salary gap (fixed)

	2021			
	Management team	Middle managers	Technicians	Operators
Argentina		**1.8%**	**4.0%**	**14.7%**
Australia				
Brazil		**6.7%**	**9.3%**	**3.0%**
Chile		**15.2%**	**7.7%**	**-0.3%**
Colombia				
Costa Rica				
Spain	**24.1%**	**-14.1%**	**6.0%**	**2.7%**
USA				
France			**11.4%**	
Netherlands				
Ireland				
Israel				
Luxembourg				
Morocco		**-206.7%**	**-2.0%**	**-32.0%**
Mexico		**20.9%**	**1.7%**	**-86.3%**
Panama		**-1.5%**	**25.1%**	**44.1%**
Portugal			**19.7%**	
Puerto Rico				
Dominican Republic		**-25.2%**	**21.5%**	**21.9%**
Singapore				
Uganda				

NB: blank data are not published because there are no employees in that category or only men or women.
Information is not comparable with 2020, due to the fact that the Job Assessment methodology has been modified.

The difference in salary shown by the results is **in line with the context** of the sector and can be attributed to the company's past gender make-up.

• Salary gap (fixed)

	2020			
	Management team	Middle managers	Technicians	Operators
Argentina		0.3%	-5.8%	35.0%
Australia				
Brazil		9.4%	14.0%	-8.6%
Chile		15.0%	10.0%	-4.0%
Colombia		46.0%		
Costa Rica				
Spain	23.8%	-3.1%	5.9%	5.6%
USA				
France		30.6%	-4.9%	
Netherlands				
Ireland		100.0%	36.6%	
Israel				
Luxembourg				
Morocco		-102.0%	23.7%	-17.8%
Mexico	100.0%	-20.6%	-7.7%	-23.2%
Panama		11.8%	2.3%	2.6%
Portugal			31.5%	
Puerto Rico				
Dominican Republic		-73.9%	32.5%	21.9%
Singapore				
Uganda				

NB: blank data are not published because there are no employees in that category or only men or women.

Salary gap (fixed and variable)

	2021				
	Management team	Middle managers	Technicians	Operators	Gap
Argentina		**1.5%**	**2.5%**	**13.5%**	**-6.9%**
Australia					
Brazil		**6.7%**	**10.0%**	**2.2%**	**-7.6%**
Chile		**18.2%**	**6.5%**	**0.1%**	**21.3%**
Colombia					**-**
Costa Rica					**-**
Spain	**27.5%**	**-18.9%**	**6.0%**	**1.9%**	**9.5%**
USA					**-**
France			**11.6%**		**41.1%**
Netherlands					**-**
Ireland					**-**
Israel					**-**
Luxembourg					**-**
Morocco		**-163.1%**	**0.2%**	**-11.7%**	**-1.9%**
Mexico		**23.4%**	**2.8%**	**-112.9%**	**0.6%**
Panama		**-4.0%**	**24.1%**	**43.4%**	**23.9%**
Portugal			**16.9%**		**4.6%**
Puerto Rico					
Dominican Republic		**-30.2%**	**20.8%**	**22.7%**	**-49.8%**
Singapore					**-**
Uganda					**-**

NB: blank data are not published because there are no employees in that category or only men or women.
Information is not comparable with 2020, due to the fact that the Job Assessment methodology has been modified.

Salary gap (fixed and variable)

					2020
	Management team	Middle managers	Technicians	Operators	Gap
Argentina		-2.5%	-8.3%	40.7%	6.5%
Australia					
Brazil		11.0%	14.8%	-8.0%	-3.4%
Chile		17.0%	9.8%	-5.9%	17.1%
Colombia		51.6%			51.6%-
Costa Rica					-
Spain	27.7%	-2.3%	5.8%	5.7%	11.3%
USA					-
France		30.6%	-0.8%		40.9%
Netherlands					-
Ireland		100.0%	45.2%		30.1%
Israel					-
Luxembourg					-
Morocco		-107.1%	25.0%	-21.8%	-5.7%
Mexico	100.0%	-17.8%	0.0%	-30.4%	-2.4%
Panama		12.6%	0.4%	0.1%	8.7%
Portugal			15.9%		4.8%
Puerto Rico					-
Dominican Republic		-71.9%	34.1%	22.8%	-79.8%
Singapore					-
Uganda					-

NB: blank data are not published because there are no employees in that category or only men or women.

- Salary gap (fixed and variable) vs median (Spain)

	2021			
	Management team	Middle managers	Technicians	Operators
Average fixed remuneration	**24.1%**	**-14.1%**	**6.0%**	**2.7%**
Average fixed + variable remuneration	**27.5%**	**-18.9%**	**6.0%**	**1.9%**
Median fixed remuneration	**11.1%**	**-23.9%**	**5.1%**	**6.4%**
Median fixed + variable remuneration	**13.8%**	**-34.1%**	**2.1%**	**6.4%**

Pension plans

In the case of Spain, the joint pension plan for employees of the Naturgy Group is a defined contribution plan for retirement and defined benefits in the event of death or incapacity whilst actively working. Employees are automatically added to the Plan as soon as they are registered.

The Plan currently has a net worth of more than Euros 507.1 million, which is distributed among approximately 3,855 active employees, and more than 4,897 beneficiaries and suspended participants.

In the international arena, the group's policy is based on the provision of retirement savings instruments and death and disability coverage whilst an active worker, taking into account the particularities and social welfare needs of each country.

Labour relations

Respect for the freedom to join a union; fundamental rights, collective bargaining, and the agreement culture represent key principles for Naturgy. The company respects workers' representatives freely elected in all countries where it operates, and has introduced communication channels with these representatives as a major part of the corporate action principles.

The collective bargaining agreements include several communications channels with representatives, under the form of committees to deal with the many and varied aspects of general interest.

Article 78 of the collective agreement applicable in the Naturgy Group sets out the constitution of a joint group union table for all companies that make up the scope of the collective agreement. The above-mentioned table is specifically equipped with the same competences regulated in Article 64 of the Workers' Statute, detailing the competences related to information, negotiation, prior hearing, coordination, representation, participation and oversight.

Mainstreaming and collaborative work promote the commitment of the entire organisation in matters of health, safety and the environment and are a key driver for the development of projects and actions aimed at transformation, innovation and improvement of activities and processes and, of course, the achievement of optimal results. Within this framework, it is essential that workers are consulted and take part in the regular health and safety meetings held at all levels of the company, in order to establish, implement and maintain the specific processes and bodies at all levels of the organisation, facilitating the appointment of representatives and their participation in these. This means that all employees have a channel of direct participation available to them through the joint meetings between management and employees, and 100% of the staff is represented at these meetings.

The main issues formally discussed with the workers' representatives during 2021 are summarised as follows:

- Health and safety commitment.
- Analysis of accidents.
- Launch of new regulations.
- Integral health.
- Quarterly monitoring of preventive measures.
- Negotiation meetings for the new collective bargaining agreement.
- Negotiation meetings of the Voluntary Leaving Plan.
- Equality Plan negotiation meetings.

In addition, several extraordinary committees were set up in 2021 to participate in, inform and consult on all kinds of aspects and protocols arising from the COVID-19 health crisis situation.

In line with Naturgy's commitment to information, consultation and participation, any change that affects or which could affect labour relations is passed on to the social agents in full compliance with the deadlines established in prevailing legislation. In communications to employees, when there are no longer legally established deadlines, a minimum of two weeks' notice is observed. Likewise, Naturgy has permanent open channels for the resolution of doubts and the transfer of information, beyond the established formal channels.

Employees excluded and included in the agreement

	2021		2020	
	% Excluded	% Included	% Excluded	% Included
Argentina	**26.9**	**73.1**	28.9	71.1
Australia	**11.1**	**88.9**	0.0	100.0
Brazil	**29.3**	**70.7**	28.1	71.9
Chile	**2.0**	**98.0**	0.5	99.5
Colombia	**100.0**	**0.0**	100.0	0.0
Costa Rica	**0.0**	**100.0**	0.0	100.0
Spain	**36.0**	**64.0**	33.5	66.5
France	**75.0**	**25.0**	65.1	34.9
Netherlands	**0.0**	**100.0**	0.0	100.0
Ireland	**0.0**	**0.0**	100.0	0.0
Israel	**0.0**	**100.0**	0.0	100.0
Luxembourg	**0.0**	**100.0**	0.0	100.0
Morocco	**39.3**	**60.7**	37.8	62.2
Mexico	**21.1**	**78.9**	20.3	79.7
Panama	**55.6**	**44.4**	56.0	44.0
Portugal	**0.0**	**100.0**	0.0	100.0
Puerto Rico	**100.0**	**0.0**	75.0	25.0
Dominican Republic	**2.8**	**97.2**	4.1	95.9
Singapore	**0.0**	**100.0**	0.0	100.0
Uganda	**0.0**	**100.0**	0.0	100.0
Total	**30.0**	**70.0**	25.5	74.5

The composition/proportion of unsubscribers from the Voluntary Leaving Plan carried out in Spain in 2021 did not have the same relation as in the previous year in the staff (personnel not covered by the collective bargaining agreement vs. the entire country), which is reflected in the variation of this indicator.

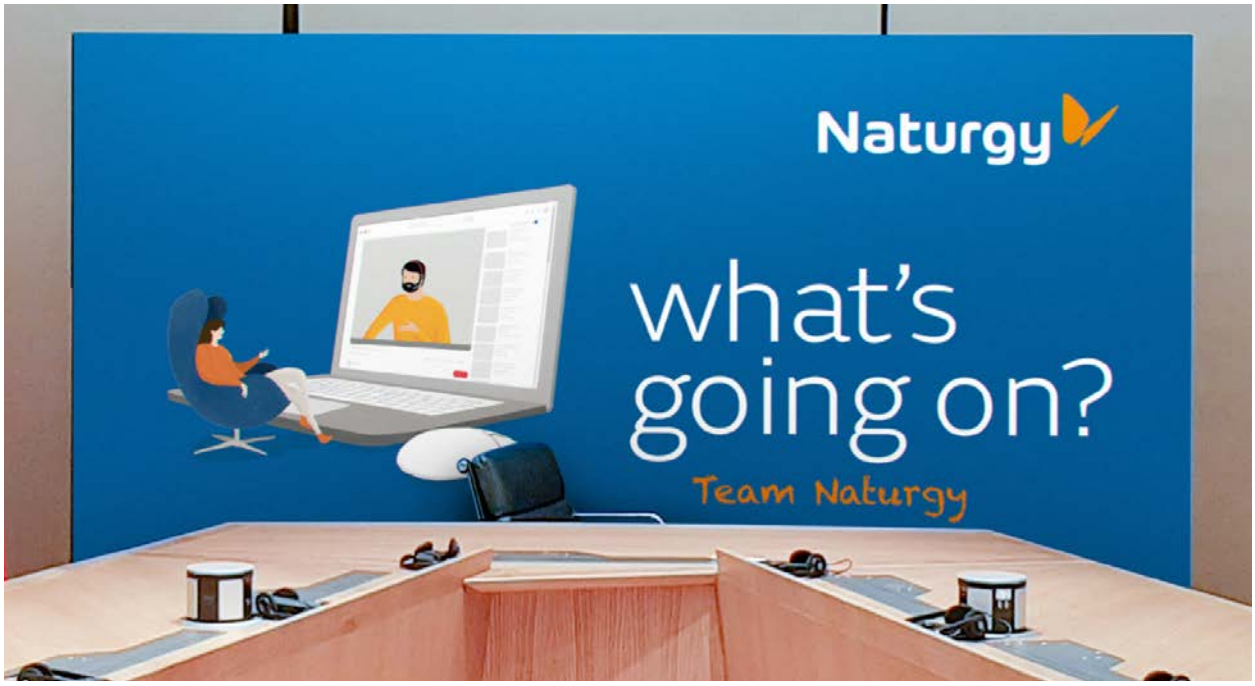
Internal communication

In the post-pandemic context that has characterised 2021, Naturgy's internal communication model has become a fundamental driver of transparency and cohesion among all the teams, while it has promoted organisational alignment, evolved towards new online actions and support, as well as the recovery of some face-to-face meetings, specified (especially during the second half) in the coffee-breaks with Senior Management, a programme in which 11 meetings have been held in which more than 200 people have participated.

During the year, thirty meetings have been held between employees and the company's management, where those attending have received first-hand key messages from the company, having the opportunity to express their concerns and opinions at each level. Specifically, through the "Team" programme, meetings with management in digital format have been encouraged, promoting a close and direct conversation on issues of interest to the organisation. In addition, especially in 2021, the focus has been placed on the Strategic Plan 2021-2025 presented in July and on Naturgy's new purpose launched in November 2021.

Regarding online media, Naturgy has different channels for communication with its employees, such as Naturgynews (Naturgy's digital newspaper), NaturgyNet (corporate intranet) and Teams. During 2021, the first two channels have been integrated into the Teams environment, a new immediate, fresh and dynamic communication channel, NaturgyTeam (which reports milestones of special relevance), has been generated, and a new employee portal specifically dedicated to the Strategic Plan has been implemented. This portal was launched at the end of October 2021 and by the end of the year had over 2,000 users. In a complementary manner, some businesses have their own internal communication channels, where corporate messages and focus points are reinforced from a local perspective.

All this has enabled the implementation of new programmes that promote progress in the company's strategic lines and cultural transformation, through the communication of organisational, business and project milestones.



2. Health and safety

What does this means for Naturgy?

Risks and management approach

Naturgy plans and carries out its activities with the firm belief that nothing is more important than health, safety and well-being of people. In this regard, the company's actions are not limited to simply complying with legal obligations and other requirements which it chooses to adopt of its own free will; in fact, it continuously seeks to improve working conditions and management of safety, health and well-being. It therefore involves not only the people who are part of Naturgy, but also suppliers, collaborating companies, customers and other stakeholders with the aim of preventing and avoiding accidents and damage to health, creating a safe and healthy environment and promoting their health and well-being.

The implemented health and safety management system articulates different tools developed around the main health and safety vectors and that guarantee adequate integration at all organisational levels, from decision-making to any activity that is carried out or commissioned. It includes several lines of action aimed at controlling the six most critical risk factors for accident frequency and severity: confined spaces, work at heights, electrical risk, tree felling and pruning, load handling and road safety. For each of these six factors, "red lines" have been defined, the non-compliance of which is subject to special supervision and the application of sanctions.

What is our commitment?

- Guarantee that health and safety are non-delegable individual duties, and that they are taken on by senior management through a visible collective commitment, proactively accepted and implemented by the entire organisation, and by our suppliers and collaborating companies.
- Establish health and safety as an individual responsibility and as a condition of employment at Naturgy and of the activity of its collaborating companies.
- Ensure that any potential risk situations that may affect employees, suppliers, customers, the general public and the safety of facilities are brought to attention, assessed and managed in an appropriate manner.
- Work to maintain a risk-free working environment by integrating prevention of occupational risks, and the protection and promotion of health and well-being into business management.
- Establish learning as the driver of a safety culture, by means of ongoing training, accident and incident analysis, the dissemination of lessons learnt, education and the promotion of health.
- Incorporate health and safety criteria into business processes, new projects, activities, facilities, products and services, and in the selection and assessment of suppliers and collaborating companies, non-compliance with which will condition the commencement or continuity of their activity.
- Invest in new strategies of health education and health promotion, which allow the workplace to become the vector of transmission of healthy conduct for workers and their environment.
- Implement measures targeted at improving the quality of life, well-being and health of people within the communities where the company operates.
- Provide the resources and necessary means to enable compliance with established safety standards at all times.

- In order to convey this commitment to stakeholders, the units identify their stakeholders, needs and expectations and what the current or potential legal or other requirements could be, in order to adapt safety management to the different realities in which they operate.
- To this end, active policies are promoted to encourage the organisation's leadership and commitment and multidisciplinary competence centres are set up to promote participation and the identification of proposals to improve conditions in terms of safety and well-being.

Health and safety context 2021

COVID-19

In 2020, the health and safety context of Naturgy was marked by pandemic, which led to the need to refocus preventive activities to meet the requirements associated with this situation. To this end, Naturgy adapted its procedures and implemented measures to maintain the activity, while prioritising safety and well-being, and minimising risks, both for its staff and its partners.

In 2021, the change of scenario following mass vaccination has made it possible to relax the prevention measures put in place during the height of the pandemic. In this regard, and to the extent that the positive evolution of the global situation has allowed it, Naturgy has implemented a plan for a gradual recovery of normality, reviewing the restrictions and measures to enable a gradual return to work centres, combining the face-to-face activity with remote work.

To this end, all COVID protocols applied to date have been reviewed, maintaining all those prevention measures that have proven to be effective and making more flexible or even eliminating those that the vaccination process makes unnecessary in this new stage.

Naturgy continues to permanently monitor the evolution of the pandemic in each of the regions where it operates, in order to adapt in an expeditious and flexible way the measures to be applied in each area.

During the year, the ambitious pandemic response campaign continued by maintaining the personalised, daily and global surveillance started in February 2020, facilitating telephone medical support for staff and promoting teleworking as an effective isolation measure. New channels of communication have also been established through the employee helpdesk.

Health and Safety Action Plan 2021-2023

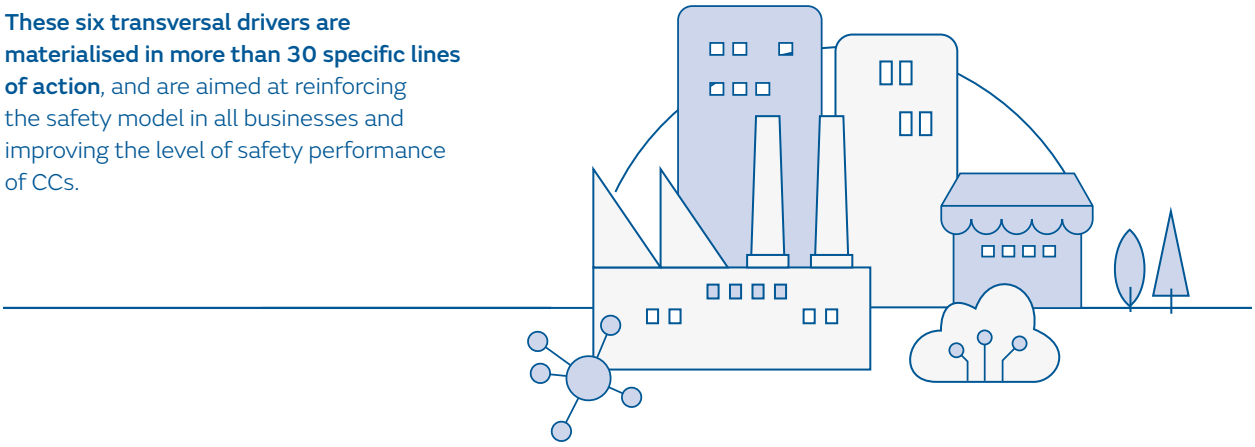
In 2020, Naturgy's accident rates were below the average for the sector, but the fatal accident rate associated with the operational activities carried out by its collaborating companies increased significantly.

To reverse this situation, in the first quarter of 2021, Naturgy's Management Committee approved an ambitious safety plan with a three-year timeframe (2021-2023), whose chief goal is to drastically reduce the fatal accident rate of collaborating companies and its consolidation over time.

This action plan, which covers all geographies and businesses where the group operates, affects the entire safety management model, and identifies six transversal drivers that are considered essential to consolidate Naturgy's safety culture. The goal is also to achieve the company's Vision Zero, focusing on those management tools that have a more direct impact on reducing the accident rate associated with outsourced activities.

The 6 cross-cutting lines of action

These six transversal drivers are materialised in more than 30 specific lines of action, and are aimed at reinforcing the safety model in all businesses and improving the level of safety performance of CCs.



01

Visible leadership and safety culture

Strengthening leadership and awareness actions, fundamental pillars of Naturgy's safety culture.

02

Collaborating companies (CCs):

To improve control over CCs and reduce the associated fatal accident rate.

03

Digitalisation and reporting

Improving safety through innovation and technology.

04

Operational discipline and effort metrics

Ensure compliance with legal requirements and the goals defined in the safety management model.

05

Safety in large works and projects

Guarantee the integration of safety in all phases of the decommissioning works of thermal power stations, and in new renewable energy generation projects from the design phase.

06

COVID-19

To ensure the availability of COVID-19 protocols in all the company's areas of activity.

Evolution and results 2021

	2021			2020		
	Men	Women	**Total**	Men	Women	Total
No. of lost time accidents (No. of employees)	**7**	**1**	**8**	3	1	4
No. of recordable accidents (No. of employees)	**8**	**1**	**9**	10	1	11
No. of accidents with serious consequences (No. of employees)	**0**	**0**	**0**	1	0	1
Days lost due to lost time accidents	**188**	**13**	**201**	380	58	438
Mortality rate	**0**	**0**	**0**	0.00	0	0.00
Deaths	**0**	**0**	**0**	0	0	0
Lost time accidents frequency rate	**0.13**	**0.04**	**0.10**	0.03	0.04	0.04
Recordable accident frequency rate	**0.15**	**0.04**	**0.12**	0.14	0.03	0.10
Total recordable incident rate (TRIR)	**0.15**	**0.04**	**0.12**	0.14	0.03	0.10
Near miss frequency rate (NMFR)	**-**	**-**	**4.74**	-	-	4.93
Frequency rate of accidents with serious consequences	**0**	**0**	**0**	0.01	0	0.01
Death frequency rate	**0**	**0**	**0**	0	0	0
Lost time accidents severity rate	**3.61**	**0.52**	**2.61**	5.34	1.67	4.14
No. of hours worked [(1)]	**10,412,663**	**4,999,307**	**15,411,970**	14,221,393	6,935,787	21,157,180
Occupational illnesses	**2**	**0**	**2**	1	0	1

[(1)] The international criteria of the American Gas Association has been used to calculate hours worked, which establishes 1960 hours per employee per year.

NB: 2020 includes data from Chile electricity.

As a result of the implementation of the Health and Safety Action Plan 2021-2023, there has been a significant decrease in the fatal accident rate in collaborating companies, from four fatal accidents in 2020 to one in 2021, without including data from the Chilean company CGE, as it was deconsolidated at the end of the year). The objective for the coming years is to consolidate this decrease and reach the goal of zero fatal accidents in Naturgy's activities.

The fatal accident in 2021 occurred during recovery work for damage caused by a snowstorm that severely affected the electricity distribution network. While carrying out mechanical work to repair the electrical wiring, an electrical contact was made on a part of the installation that had accidentally been energised. As a result of this investigation conducted, a safety protocol applicable to emergency situations has been developed, which includes additional safety measures to those applicable to programmed work carried out under controlled conditions and environment.

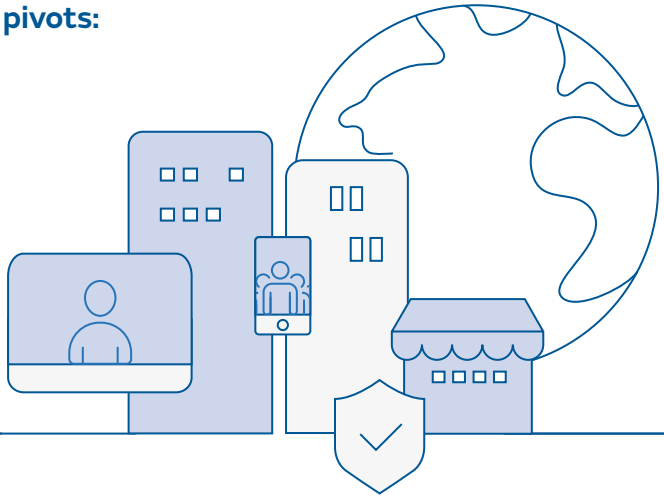
In 2021, two cases of occupational illness, derived from occupational accidents, have been reported in Spain.

Health and safety management strategy and system

Naturgy's safety strategy, developed in collaboration with the business units, is structured through the following elements:

- A stable health and safety culture throughout the organisation.
- A relational and governance model, integrated at the highest level and with a structure of Environmental Health and Safety (EHS) committees of a transversal nature and specific to the business units, which guarantees the uniform implementation of criteria.
- The integration of health and safety in the value chain, including procurement, design and planning of activities and facilities, implementation and all elements that support control and monitoring.
- An integrated occupational health and safety management system audited and certified by a third party, with scope for all businesses.
- Action plans to address the most critical aspects, ensuring the implementation of preventive and/or corrective measures and strategic lines of work.
- Training itineraries and requirements adjusted to the job, and training and awareness to achieve the commitment of the group and its CCs.
- Uniform supervisory tools for the assessment and monitoring of risks, legal requirements, accidents and lessons learnt and their dissemination.
- Periodic reporting of health and safety performance, adjusted to the needs of the different stakeholders, with transparent and clear communication.

Five lines of action on which the management system pivots:



01	02	03	04	05
Leadership	Employees	Collaborating companies	Management of process **security and facilities**	Society

The occupational health and safety management system is integrated with the quality and environmental management systems, where it forms an integrated system applicable to all Naturgy processes and activities, including all businesses and countries.

Specifically, the scope of the management system includes all Naturgy companies with a majority shareholding, as well as those companies or entities over which the group has responsibility for their operation and/or management, and which execute one or more of the processes defined in the Global Policy on Standards.

In addition, it has been verified that the scope of the system includes all the groups identified in the definition of "worker" contained in the new standard 45001, which extends beyond the existence of an employment relationship, and the universalisation of the concept of the workplace and the degree of control over it.

Health and safety leadership

The Global Health and Safety Policy, approved in 2019, reinforces safety as a key factor of business leadership and ensures compliance with the commitments made in the Naturgy's Corporate Responsibility Policy. It places the focus on governance and links directly to Senior Management, enhancing its leadership in safety to ensure application of the model in all businesses and activities, both in-house and outsourced. In addition, the Policy is linked to monitoring the evolution of indicators and action plans arising from incidents and accidents.

With this vision, the EHS governance model is consolidated, with a top-down health and safety committee structure, which is adapted to the new business structures and guarantees that criteria are implemented uniformly throughout the organisation.

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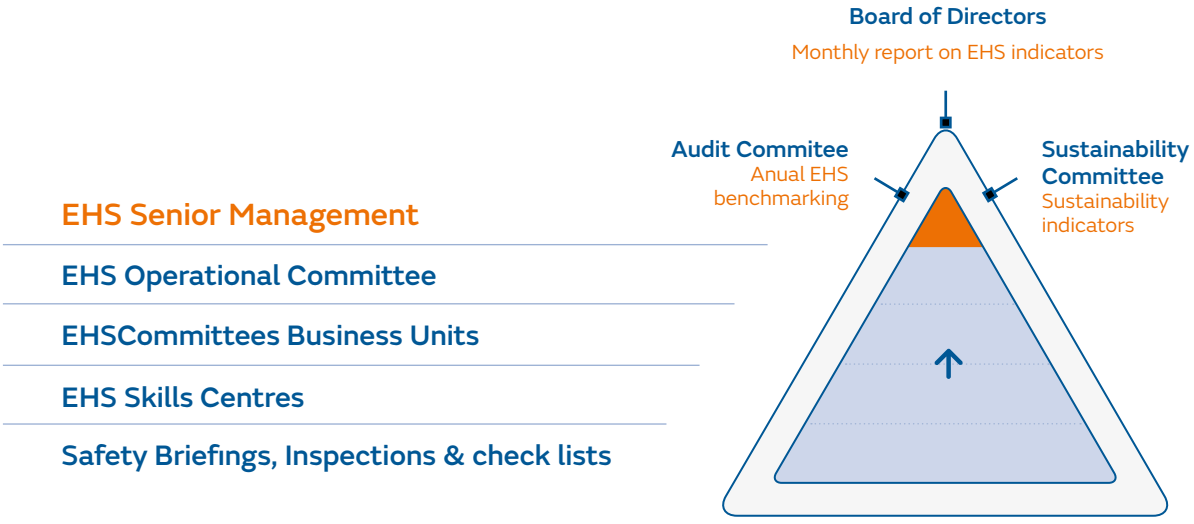


Common health and safety regulatory framework

Health and safety standards guarantee that activities are carried out under the same safety conditions in different areas and countries. The implementation of competence centres to collectively address the main safety processes and risk factors has enabled the alignment of corporate standards and the maintenance of a common regulatory framework adapted to a changing organisational environment. This work promotes the commitment of the entire organisation towards improving safety and achieving optimal results, while ensuring ongoing adaptation and review.

The common regulatory framework established is complemented by technical and safety procedures and instructions by type of activity and through a system for managing work permits for risk activities.

Vision Zero

Naturgy has adopted Vision Zero, a transformative approach to prevention promoted by the International Social Security Association (ISSA) and which is designed to foster a culture of prevention in organisations through the implementation and development of seven golden rules that promote a generalised commitment by the organisation and a sustained and global effort as a safeguard against any damages to health in the workplace.

Seven golden rules

- **Assume leadership** · demonstrate commitment.
- **Identify hazards** · assess risks.
- **Define goals** · develop programmes.
- **Ensure a safe and healthy system** · be well organised .
- **Ensure health and safety in machines, equipment and workplaces**.
- **Improve qualifications** · develop skills.
- **Invest in people** · motivate through participation.

This vision is complemented by the assumption of five health and safety management principles that regulate all activities and are shared and extended to all CCs.

Five principles of health and safety

01	Nothing is more important than health and safety	... not production, not sales, not profits.
02	All accidents can be avoided	... there are no inevitable accidents.
03	Safety is Management's responsibility	... and it must be managed, as such.
04	Safety is an individual responsibility	... and a condition of employment, and of procurement for collaborating companies.
05	All work must be planned and carried out with a focus on safety	... ours, that of our employees, collaborating companies, visitors, customers and the community.

Risk management

For the assessment and control of health and safety risks, Naturgy has technical procedures and standards of a transversal nature that apply to the whole group. The business units, which now have greater autonomy and responsibility in health and safety management, guarantee the dissemination and implementation of these procedures and standards and ensure an adequate level of operational discipline in the way they are applied.

Naturgy has an occupational health and safety management system (OHSMS), whose main risks and opportunities have been duly identified and evaluated, to take action to prevent the materialisation of risks and to take advantage of the opportunities that can help improve its performance.

Risk	Causes	Assessment (*)	Actions to address it
Loss of homogeneity of the criteria supported in the Occupational Health and Safety Management System (OHSMS).	Organisational model with greater business autonomy.	Moderate.	- Enhance the activity and contents of the H&S operating committee. - Consolidate the organisational model of prevention based on competence centres coordinated by corporate prevention governance and sponsored by the heads of the business areas.
Inadequate maintenance of the OHSMS (non-compliance with action plans, failure to follow up on corrective actions, inadequate management review).	Lack of resources.	Tolerable.	- Annual monitoring of compliance with the actions of the OHSMS, with issuance of a report.
Loss of preventive culture, ineffectiveness in achieving goals.	De-motivation, excessive information, high number of contracts.	Moderate.	- Introduce annual safety plans that include awareness and training actions. - Meetings with contractors, transmission of Naturgy values.
Major differences in the implementation and monitoring of EHS in the group.	Greater business autonomy in Occupational Health and Safety.	Moderate.	- Provide the businesses with the necessary resources for the development of their activity and with hierarchical dependence on the business management.
Inadequate reporting (accuracy of data, roles and responsibilities, etc.).	Organisational changes.	Tolerable.	- Reinforce the EHS governance model, with training and tools that facilitate reporting.
Non-compliance with any legal requirement on OHS.	High volume of applicable legal requirements.	Moderate.	- Keeping the Themis tool up-to-date. - Performing the legal compliance verification reports. - Compliance controls and Crime Prevention Model.

Continues ›

Risk	Causes	Assessment (*)	Actions to address it
Repunte de Accident rate increase.	Lower level of demand and safety monitoring at collaborating companies.	Moderate.	- Regular monitoring of indicators. - Red safety lines and disciplinary regime. - Coordination meetings. - Health and Safety Action Plan 2021-2023.
COVID-19.	Global impact on Naturgy's activity in all geographies and businesses.	Moderate.	- COVID-19 lifting of lockdown plan and crisis committee to monitor it. Business-specific contingency plans. - Ability to rapidly adapt COVID-19 protocols and countermeasures to the evolution of the pandemic.

(*) Risk assessment criteria as set out in the corporate standard of identification, evaluation and control of occupational risks.

Opportunity	Assessment (*)	Actions to address it
Consolidation of the safety model based on ISO 45001, certified in 2020, promoting greater coordination and synergy between businesses.	Optimum.	- Development and maintenance of an effective and efficient management system. - Enhance the activity and contents of the H&S operating committee. - Consolidate the organisational model of prevention based on competence centres.
Collaborative work model based on competence centres comprising personnel from the different business areas.	Optimum.	- Evaluate performance and maintain the instance in the next months of OHS action.
Reinforcement of the preventive culture based on new ways of working (digitalisation, risk perception, organisation-based safety etc.).	Normal.	- Digital pre-control tool, innovation applied to reduce risk exposure.
Enhance the model of self-diagnosis of the level of implementation of the IMS based on objective criteria (accountability of the business units).	Optimum.	- Development of a tool that facilitates self-diagnosis of the level of compliance by business units.
Consolidation of centralised tools for the management of core safety processes.	Optimum.	- Centralised corporate tools (Prosafety, Control A, Themis). - Design, evolution and efficient use of a single system.
Maintaining a certified, third-party audited management system supports compliance and the Crime Prevention Model.	Optimum.	- Maintain a robust integrated management system team. - Keep certifications up-to-date.

Continues >

Opportunity	Assessment (*)	Actions to address it
Unified list of root causes for a homogeneous analysis of accident rates in all countries and business units.	Optimum.	- Updating the Prosafety tool to include the new root causes and performing homogeneous analysis.
COVID-19. Review of all implemented measures.	Optimum.	- Review of all COVID-19 measures and protocols implemented and verification of their suitability to the criteria set out in ISO 45005.

(*) Opportunity assessment criteria:

Optimum: the opportunity can clearly help improve the performance of the OHMS.
Normal: the opportunity and its impact on the performance of the OHSMS must be analysed and actions implemented considering the costs, level of effectiveness and the scope of the measures of the organisation.
Small: the opportunity may be rejected until the probability of performance improvement in the OHMS improves.

Beyond legislative compliance, which requires the stoppage of work when professionals may be exposed to a serious and imminent risk, Naturgy's health and safety management system incorporates the tool of preventive stoppage of work and activities. This tool empowers any worker, whether they belong to us or to any of our CCs, to stop or not carry out any activity in which they have detected risk situations not foreseen in the established risk identification procedures.

In the case of CCs, as a fundamental part of Naturgy's Health and Safety Commitment, proactive work stoppage is included in the safety performance indicators of the contractor companies with positive evaluation.

Risk assessment and management mechanisms

Naturgy focuses its strategy on avoiding risks and minimising those that cannot be eliminated. For the latter, it has instruments for operational control that guarantee that the activity of its workers and collaborators is carried out in the most adequate conditions and in compliance with the contractual, voluntary or legal requirements.

Within Naturgy's OHSMS, and as one of its key processes, the system used for identification of occupational hazards and risk assessment for the organisation's employees has been defined through the corporate standard of identification, assessment and control of occupational risks. Among other issues, it establishes the guidelines for the identification of the risks to which workers may be exposed, the risk assessment methodology, the responsibilities associated with the execution of these processes and the competencies of the personnel taking part in them, the participation of workers' representatives, the frequency of their performance, the criteria for transferring the resulting information to the employees and the criteria for the review processes that guarantee their effectiveness.

To ensure that all information identified in this context is also appropriately shared with the rest of the 'workers' (contractors, suppliers, visitors, etc.), there is a coordination process that is used with contractors to ensure that these workers receive and are aware of relevant information on hazards and risks. There are also health and safety measures to be applied in the development of the activity to minimise the risks associated with the contracted activities and to ensure that their level of safety is equivalent to that of their own staff. This process considers different actions that are applied depending on the type of contract, the activity contracted and the work centre where it is carried out, such as:

- Definition of health and safety contracting prerequisites.
- Setting up the corresponding means of coordination according to the type of activity contracted (documentary exchanges, coordination meetings, etc.).
- Control and supervision of the safety conditions in the performance of the works where necessary.

Similarly, in the case of workers recruited under a temporary employment agency service provision scheme, a process is applied to ensure that, before the worker is actually hired, he or she receives information on the risks associated with the work to be carried out and the work centre where it will be performed, as well as the protection and prevention measures to be taken against such risks.

Naturgy has developed and implemented operational controls that ensure effective management of occupational risks, in accordance with the standards. The performance in 2021 of these inspection, monitoring and control mechanisms implemented in all business units was as follows:

6,819

Preventive safety **observations.**

26,196

Documented occupational safety **inspections.**

2,380

Zero Tolerance **records** and preventive stoppages of work.

100 %

Investigation of accidents and incidents that occured.

Lessons learnt.

Safety **contacts.**

In addition, and to facilitate notification of deviations in safety and risk conditions and to redress these, without this being of a disciplinary nature, Naturgy has introduced the “Zero Tolerance” tool. The tool’s purpose is to demonstrate that unsafe behaviours are not tolerated at Naturgy and that, if they are detected, the company gets involved in resolving them. Accordingly, all Naturgy personnel are responsible for detecting, resolving and reporting deviations as part of their commitment to safety. The development and application of this tool is done according to the Health and Safety Standard NT.00041.GN-SP.ESS Zero Tolerance with deviations (0 Tolerance).

Ultimately, all workers have the Code of Ethics channel where they can make complaints about important safety breaches that have to be treated confidentially, impartially and without fear of reprisal.

Any findings that arise from Naturgy's monitoring mechanisms and periodic review of hazards and risks are duly incorporated into the integrated management system, to ensure that it remains effective, efficient, and valid in achieving the intended objectives and goals. In this way, the various conclusions and proposals, together with other relevant information, are brought together in a global Naturgy-level system review report. All this is set out in the Integrated Management System Review Procedure, which defines the methodology and responsibilities.

Risk map and process safety management

Process safety is a necessary complement to occupational and industrial safety in order to manage all risks associated with the facilities and their operation. The maintenance and verification programmes for regulatory compliance of facilities are supplemented by process safety management standards aimed at ensuring the mechanical integrity of assets, management of changes - both in personnel and in technology and facilities - and adequate management of possible emergencies.

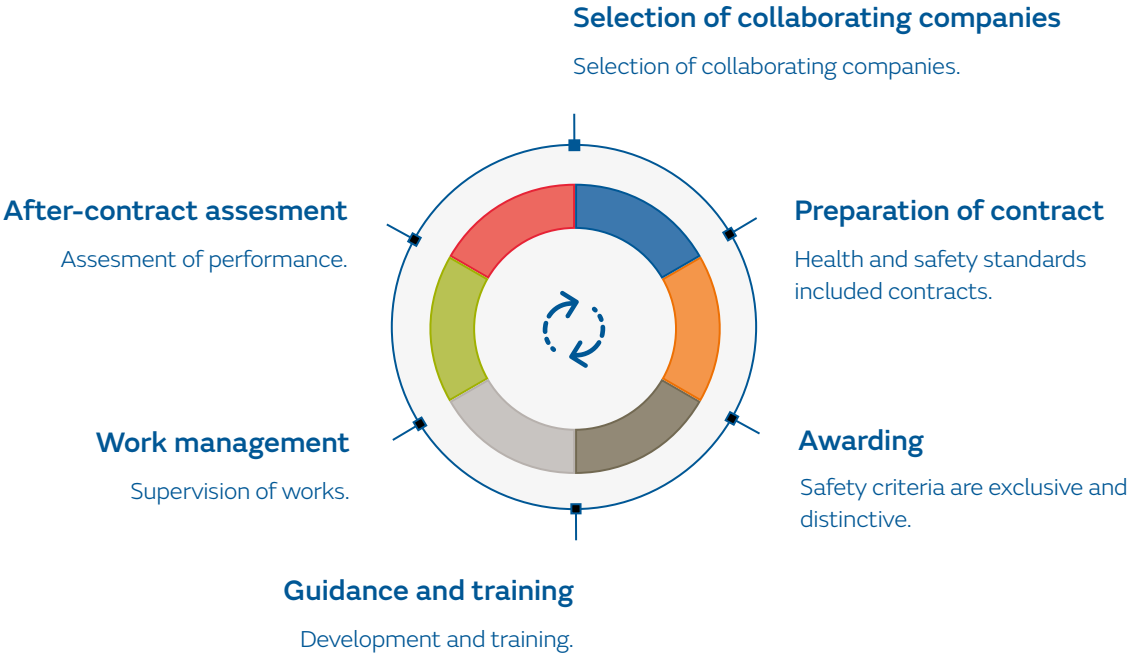
Each business unit has an updated view of the risk levels of its main facilities, which allows it to focus on higher risk situations in a standardised way and thus to be able to prioritise actions aimed at:

- Maintaining:
  - Facilities in good condition.
  - A reliable service.
  - Operating license.
  - Good relations with authorities and community.
  - Reputation.
  - Creating value and employment.
  - An image of lower risk for investors.
  - Improving competitiveness, efficiency and costs.
- Avoiding:
  - Serious accidents and their consequences.
  - Material and equipment losses.
  - Environmental damage.
  - Interruptions in business operations.
  - Fines, penalties and compensation.
  - Costs of accident investigation and remedial action.

Prevention of risks at collaborating companies: suppliers, contractors and subcontractors

The Naturgy's Group commitment and its extension to CCs requires strict control of the critical factors that have the greatest influence on the most serious accidents. To this end, specific management mechanisms are applied to ensure this level of demand, promote continuous improvement and significantly reduce the accident rate in the CCs:

- They are not invited to the selection process if they do not meet the health and safety requirements.
- They can be disqualified if they do not meet the contractual safety and health requirements.
- Priority for employee training: demand of individual training certificate, verification of legal accreditations when required.
- Application of a sanctions regime if non-compliance is detected.



With the aim of eliminating accidents in collaborating companies on the road to Vision Zero and, specifically as part of the Health and Safety Action Plan 2021-2023, Naturgy has reviewed the safety performance process, including positive metrics tools that improve safety proactivity in these companies. The two main tools that have been reinforced are as follows:

- Proposals for improvement of health and safety (HSP): these are initiatives or improvement actions proposed by any person of Naturgy or its CCs to improve the safety of any process or activity. They are subjected to a process of analysis, assessment and implementation, and can be considered positively for the assessment of the health and safety performance of the CCs.
- Safety work stoppages tool: empowers any worker, whether they work at the company or at one of our CCs, to stop or not complete any activity in which they have detected situations of risk not foreseen in the established risk identification procedures. Its communication is included in the positive metric that recognises the safety proactivity of the collaborating companies.

Accident indicators of contractors

	2021	2020 [1]
No. of lost time accidents	**75**	66
Days lost due to lost time accidents	**1,941**	2,624
Deaths	**1**	5
Lost time accidents frequency rate	**0.37**	0.26
Lost time accidents severity rate	**9.50**	9.60

[1] 2020 figures include data from the electricity company CGE Chile, which was separated from the perimeter at the end of the year.

Management and investigation of accidents and incidents

Investigation and analysis of events are essential for the identification of actions aimed at minimising risk situations, improving the safety of operations and reducing accident rates. In 2021, 2,796 incidents and accidents have been analysed and investigated and proactively reported throughout the organisation.

The basic action criteria for identification, processing and investigation of the causes of accidents and incidents are defined in the standard Process for the communication, investigation and monitoring of accidents and incidents or in the procedure for the management of findings of the Integrated Management System in the case of deviations identified in the processes, or when non-conforming products and/or services are detected.

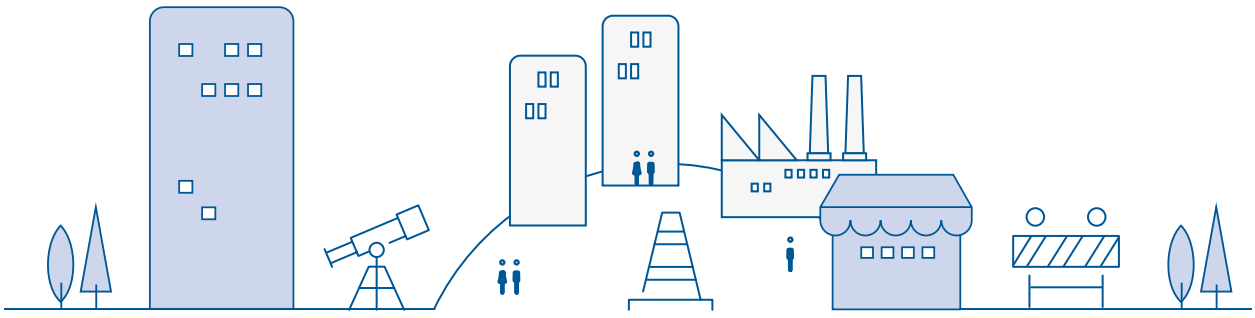
The investigation process begins as soon as the incident becomes known, by going to the scene (if applicable). The persons carrying out the investigation, in order to know “in situ” the circumstances in which it occurred, collect physical evidence and gather information (photographs, diagrams, measurements, operation records, etc.). This information is then supplemented with the interviews, review of procedures, trials or analyses deemed necessary.

The purpose of the investigation throughout the process is:

- To identify the primary and underlying causes, as well as the factors that contributed to the accident/incident: Why?
- To identify, if necessary, measures to prevent or reduce the risk of the event repeating itself, establishing the appropriate improvements: learning.

The processes of investigation involve participation by the workers' line managers, those responsible for the activity, process or facility affected, workers involved, workers' representatives and any other person who can provide relevant information to determine the causes that produced the event.

To facilitate the first purpose, Naturgy has a unified incident investigation system whose model is based on root cause analysis and optimised according to existing best practises and the HFACS (Human Factor Analysis Classification Scheme) methodology. The model pivots on the following action areas:



Organisational context

Resources management.
Organisation and processes.

Monitoring

Inadequate supervision.
Inadequate planning.
Prevention management.

Previous conditions

Worker conditions.
Technical means and materials.
Physical environmental conditions.
Environmental conditions.

Unsafe Acts Operations

Errors.
Breaches.

This change helps in reporting and investigating accidents in the following ways:

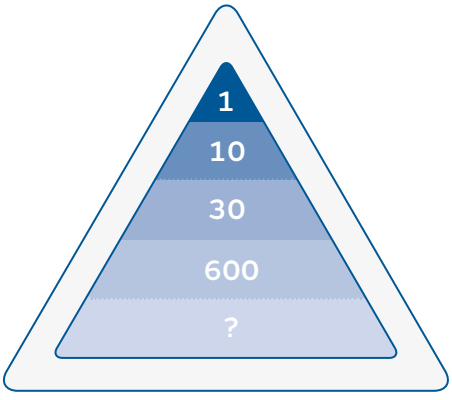
- Optimising analysis and comparing between business units.
- Helping in the process of capturing information and disseminating lessons learnt.
- Shedding light on root causes through gradual reflection.
- It discriminates between responsibilities and analyses the hierarchical levels at which to act.
- Helping in adopting short and medium-term measures including the review of processes, activities and applicable standards.

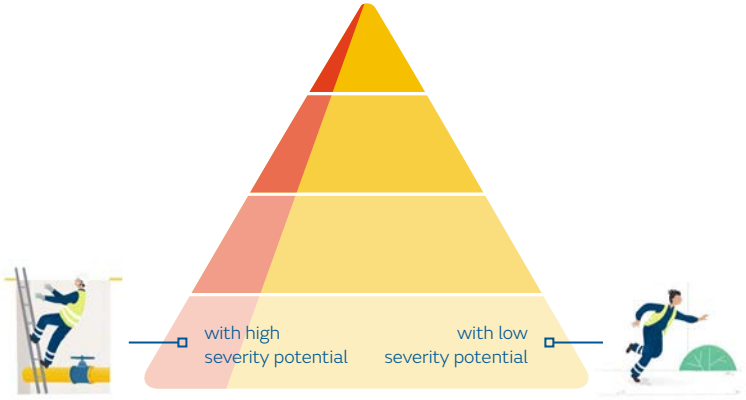
In relation to the second purpose any finding arising from the research feeds into the risk assessment, so if the need is detected, a review of the risk assessment is carried out, recording the reason. It also opens the corresponding non-conformity, corrective and preventive actions of the integrated management system of quality, environment, health and safety, to restore compliance as soon as possible in order to minimise consequences and avoid a repetition.

The idea of Serious and Fatal Injury Precursors (PLGF), which contributes to both accident investigation and improvement implementation, is new to the Health and Safety Action Plan 2021-2023. This concept identifies a condition or behaviour that, if not corrected, may result in serious or fatal injury, as well as a high-risk situation in which safety measures are absent, ineffective or not followed, and which, if maintained, may result in serious or fatal injury.

It involves a change of focus in the analysis and monitoring of accidents and incidents, paying special attention to those identified in this PSFI category, carrying out an even more exhaustive investigation process and a rapid implementation of those control measures that act on these “precursors” eliminating them or reducing their impact.

Analysis approach and follow-up of accidents and incidents: PSFI





- **Serious accident** fatal or with permanent disability
- **Serious accident** with loss of days
- **Minos accidents** no loss of days
- **Incidents**
- **Unsafe acts and/or conditions**

- **Severe and fatal**
- **Accidents requiring sick leave**
- **Accidents without sick leave**
- **Incidents**

The process followed for the implementation of this methodology throughout the organisation is as follows:

- To train the group in the PSFI analysis methodology.
- Identify events with a high potential to cause serious or fatal harm (PSFI).
- Review processes to identify and eliminate precursors, and define golden rules of safety.
- Integrate the results of this Plan into the health and safety management system.
- Establish golden rules or “life-saving rules” to prevent the most important risks..

Safety among customers and society

The safety of people is one of the main commitments of Naturgy’s corporate policy, involving not only employees, but also suppliers, CCs, customers and other stakeholders. The duty involves identifying the safety risks to which people are exposed in their work and travel, and the necessary measures or actions with which to mitigate them.

- **Protocols for actions at home and at customers’ facilities**, aimed at passing on to Naturgy staff the safety standards issued by the competent health authorities in order to work safely in the face of the COVID-19 pandemic. Within the operational protocols, the protocol for action in home operations has also been reviewed to adapt it to the lockdown easing phase.
- **Security protocols at Naturgy stores,** with the aim of passing on to collaborators the instructions given by the competent authorities and protecting the employees of the stores and the customers. These documents have been updated based on publication of new regulations and generating an action protocol for each lockdown easing phase with the prevention measures and permitted capacities.

Naturgy establishes and maintains effective communication channels with customers regarding to:

- Information concerning the product/service, and its safety.
- Service Level Agreements (SLA).
- The consultations, contracts, handling registrations, cancellations and modifications.
- Customer feedback, including complaints..
- Incident management.
- Protocols for action in emergency situations/contingency actions.

The information obtained, especially complaints or claims, is used as an opportunity for improvement to increase the levels of customer satisfaction in their dealings with Naturgy.

As for the dangers and risks of the product or service, before its commercialisation or provision, all applicable requirements are clearly determined. This is to develop products and services that respond to demand and improve the level of safety and satisfaction. Requirements can be defined by the customer (needs and expectations), regulations, standards (internal and external) or be intrinsic to the service.

This means that purchased products and/or contracted processes that may have implications on quality, safety, health and welfare of people, safety of facilities or have a significant environmental impact, are verified to ensure they meet the requirements set out in the purchase documents. The verifications to be carried out in each case are defined in the regulations or specifications associated with the product or service in question.

In addition, whenever necessary each Unit establishes the necessary mechanisms for the preservation and control of the product during the internal process and delivery to the intended destination, to maintain compliance with application, identification, handling, packaging, storage and protection requirements. Furthermore, changes in production or service delivery, whether planned or unplanned, that may affect compliance with requirements are also reviewed and controlled, and action is taken to mitigate any adverse effects as necessary.

Below are the accidents, injuries and casualties, among the public, that occurred during 2020 and 2021 that have been investigated for their possible relation to the company's activities, classified by country and business type:

Injuries and fatalities to the public involving company assets (nº)		2021 Accidents	2021 Injuries	2021 Deaths	2021 Legal actions	2020 Accidents	2020 Injuries	2020 Deaths	2020 Legal actions
Argentina	Gas business	**16**	**5**	**2**	**5**	12	10	4	0
	Electricity business	**0**	**0**	**0**	**0**	0	0	0	0
	Total	**16**	**5**	**2**	**5**	12	10	4	0
Brazil	Gas business	**2**	**2**	**0**	**0**	0	0	0	0
	Total	**2**	**2**	**0**	**0**	0	0	0	0
Chile	Gas business	**0**	**0**	**0**	**0**	0	0	0	0
	Electricity business	**N/A**	**N/A**	**N/A**	**N/A**	24	23	4	2
	Total	**0**	**0**	**0**	**0**	24	23	4	2
Spain	Gas business	**28**	**90**	**7**	**25**	24	84	1	2
	Electricity business	**7**	**4**	**0**	**0**	1	0	0	0
	Total	**35**	**94**	**7**	**25**	25	84	1	2
Panama	Electricity business	**1**	**1**	**0**	**6**	1	1	0	1
	Total	**1**	**1**	**0**	**6**	1	1	0	1
Mexico	Gas business	**0**	**0**	**0**	**0**	2	4	1	1
	Total	**0**	**0**	**0**	**0**	2	4	1	1
Total	**Gas business**	**46**	**97**	**9**	**30**	38	98	6	3
	Electricity business	**8**	**5**	**0**	**6**	26	24	4	3
	Total	**54**	**102**	**9**	**36**	64	122	10	6

Communication to employees and action plans

Every year, Naturgy publishes the group's health and safety performance to inform all its stakeholders. It regularly carries out in-house communication actions aimed at the entire organisation. In all communications, it takes into account diversity issues and the views of stakeholders, including suppliers and visitors. The company has a specific channel on the intranet to guarantee global dissemination of health and safety content.

In relation to the COVID-19 crisis, a specific communication plan has been implemented since its appearance to disseminate the action protocols applicable at all times, using the different channels available.

The approval of the Health and Safety Action Plan 2021-2023 by the Management Committee was followed by a communication campaign throughout the organisation to publicise the main lines and actions set out in the plan, and to achieve maximum commitment from all employees in achieving the goals set.

Consultation and participation

The ambitious project of cultural change that began in 2012 would not have been possible without the involvement and collaboration of Naturgy's workers at all levels. Empowering people through consultation and participation in safety, health and well-being is a priority in order to identify, correct and eliminate situations of potential risk and optimise results.

Through the procedure of internal and external communication, consultation and participation of the integrated management system of quality, environment, health and safety, Naturgy establishes, implements and maintains specific processes and bodies for consultation, participation and two-way communication with employees:

- Health and Safety Committees, a joint and collegiate body representing workers.
- Various channels for participation and consultation—notice board, personalised letters, intranet, suggestion boxes, Employee Care Service (SAE)—through which anyone can propose ideas, comments, complaints or improvements, without barriers or obstacles.
- Regular health and safety meetings are also held to ensure smooth communication between unit managers and their teams in accordance with the Health and Safety Standard. These enable us to keep the commitment in this area alive and to promote awareness and participation of all employees, also responding to their information needs through their lines of command.
- Individual commitment is enhanced through tools such as "Zero Tolerance", preventive safety observations and documented safety inspections.
- Ultimately, all workers have the Code of Ethics channel where they can make complaints about important safety breaches that have to be treated confidentially and impartially.

As required by ISO 45001, Naturgy guarantees disclosure of the results of the management system review by Management to the workers' representatives, encouraging their collaboration in the review and continuous improvement of the management system.

The Health and Safety Committee has the following competences:

- To take part in the elaboration, implementation and assessment of risk prevention plans and programmes.
- To discuss projects in the field of planning, organisation and development of work and protection and prevention activities, including training in preventive matters.
- To promote initiatives on methods and procedures for the effective prevention of risks, proposing to the company the improvement of conditions or the correction of existing deficiencies.
- To be directly aware of the situation regarding occupational risk prevention, making the visits it deems appropriate for this purpose.
- To be aware of the documents and reports relating to working conditions that are necessary for the performance of its duties.
- To be aware of and analyse the damage caused to the health or physical integrity of workers, in order to assess its causes and propose appropriate preventive measures.
- Provide suggestions and concerns in order to contribute to the proposal of secondary prevention and health promotion campaigns, as well as to promote the dissemination of information about what has been planned and agreed in this regard.
- To be aware of and disclose the annual report and programming of prevention services.

These Health and Safety Committees meet on an ordinary basis at least once every quarter, and on an extraordinary basis when very relevant events occur or at the request of any of the parties.

Due to the COVID-19 crisis, extraordinary meetings were held to monitor its development in the staff, to present the status of the application of the ad-hoc plans to address this crisis and to contrast the measures to be applied in the different areas of activity of Naturgy (offices, stores, critical facilities, home care, etc.).

Divulgation

Regarding outreach activities, as part of the Health and Safety Commitment we can highlight the internal dissemination to all the company's personnel regarding own or third-party events, from lessons learnt to best practices. Everything learnt is available on the intranet platform and the most relevant cases are disseminated individually. The content of this dissemination is reaching contractor companies through the businesses.

At the same time, Naturgy promotes actions aimed at improving the safety of the environment in which it carries out its activity, where the following activities are particularly important:

- Participation and leadership in national and international sector-specific and safety forums.
- Participation in a research project for the creation of a new psychosocial assessment instrument together with entities of the competent administration and 40 companies of recognised prestige.
- Collaboration with public administrations in safety awareness campaigns.
- Active sponsorship of safety conferences in the gas and electricity sectors.
- Promotion of sectorial accreditation models.
- Promotion of forums for the exchange and dissemination of best practices with collaborating companies.
- Carrying out joint safety meetings with collaborating companies.

In 2021, the group's intranet was renewed and updated, giving prominence to the dissemination of the most relevant health content, in order to provide employees with access to the many health campaigns available to them, which, in addition to being offered during medical check-ups, can be easily consulted and requested. The health area is currently working to create a web portal in 2022, which will allow secure access for workers to consult individual information derived from both medical examinations and tests carried out in the context of health campaigns.

Training and awareness

In 2021, this issue has been the area of knowledge on which most hours have been spent, training a total of 20,045 participants over 888 sessions, which translates into 43,004 training hours.

By carrying out health and safety training and awareness actions, people are encouraged to get more involved in the organisation. As a result of the cultural change implemented years ago, Naturgy has a variety of consolidated learning and improvement tools and relies on the Occupational Risk Prevention Classroom, —a tool of the Corporate University— to meet the established objectives.

The training itineraries defined are aimed at training employees in the risks and safety measures to be applied when carrying out their activities. These itineraries highlight training associated with the most critical risk factors such as electrical risk, working at height, working in confined spaces, cargo handling, road safety, etc., as well as other activities aimed at improving the level of risk perception and health and safety leadership.

Health-related training courses have been aimed at empowering employees and building their resilience against day-to-day stress and the psychological effects of the pandemic, and promoting mental health care. Modular distance learning courses, already implemented in previous years, on the management of emotions or mindfulness have been very useful in the promotion of well-being, as well as in raising awareness of the emergency of mental health disorders.

Training of collaborating companies

Within the integral health and safety management model for collaborating companies, work is being done to extend the culture of health and safety to suppliers, collaborating companies and their employees, promoting a change in culture through the dissemination, awareness and increased sensitivity about health and safety, and by making the lessons learnt by Naturgy available to collaborating companies.

The main courses are made available through the Extended University specifically aimed at CCs and the rest of the informative contents such as “lessons learnt”, “safety contacts”, etc., are exchanged and disseminated through a two-way document management platform to which the collaborating companies have direct access, or in safety meetings and briefings.

Internal rules of global application have also been established in which coordination between operational business units and their CCs is promoted.

Certifications, safety audits and process diagnostics

Naturgy has an occupational health and safety management system, audited and certified by a third party in accordance with the ISO 45001 specification and whose scope is global, including all businesses and countries. Beyond being a requirement in force as of 2021, it constitutes a strategic and operational decision for the company in order to take advantage of the benefits that this new standard brings, not only in terms of safety, but also in its better integration with the quality and environmental management systems that already exist at Naturgy.

In order to verify compliance with current legislation and the effectiveness of the system, an annual audit plan (internal and external) and safety diagnostics are carried out, focusing on the most critical risk processes. All the external audits carried out by AENOR concluded with a positive assessment of the level of implementation and integration of the management system in all the processes audited, which is effectively maintained and which complies with the obligations established by the legislation in force with a focus on improving performance in the area of occupational health and safety.

Recognising a job well done

As health and safety management is a material area for Naturgy, it is not an option but an obligation and a key factor of business leadership that cuts across all decisions and actions taken, both internally and in CCs. This excellence in safety, stable over the years, has been recognised on a global scale in the form of various initiatives, awards and prizes:

(1) **Best company in safety in EMEA** (Europe, Middle East and Africa).
(2) **Safety Achievement Award** for excellence in employee. I Safety Achievements Award for excellence in safety fleet.
(3) **Business Monitor Award** in excellence in Prevention, Health and Safety.
(4) **"Best occupational road safety initiative"** Award.
(5) Commitment to **Occupational well-being and Improvement in ORP.**
(6) Award for the **promotion of physical activity and healthy habits.**
(7) Juan Godoy Award, **company with best management in OHS material.**
(8) **National Security Council** Award. I **Excellence in Risk Prevention** Award. I **Effort** award.

> Health and safety management is not an option but an obligation and **a key factor of business leadership** that cuts across all decisions and actions taken.

Comprehensive health

Naturgy is firmly committed to offering its employees a healthy working environment and well-being. The Comprehensive Medical and Health Assistance Unit is based on excellence and ongoing innovation to make available to employees, their relatives, CCs, customers and the social environment in which the company operates, a global, health and welfare strategy that encompasses everything necessary for their benefit, both with regard to prevention, promotion and healthcare, in a customised way, as well as training and information with regard to healthy habits, taking into account both individual needs as well as the particular circumstances of each country.

Master Health Plan

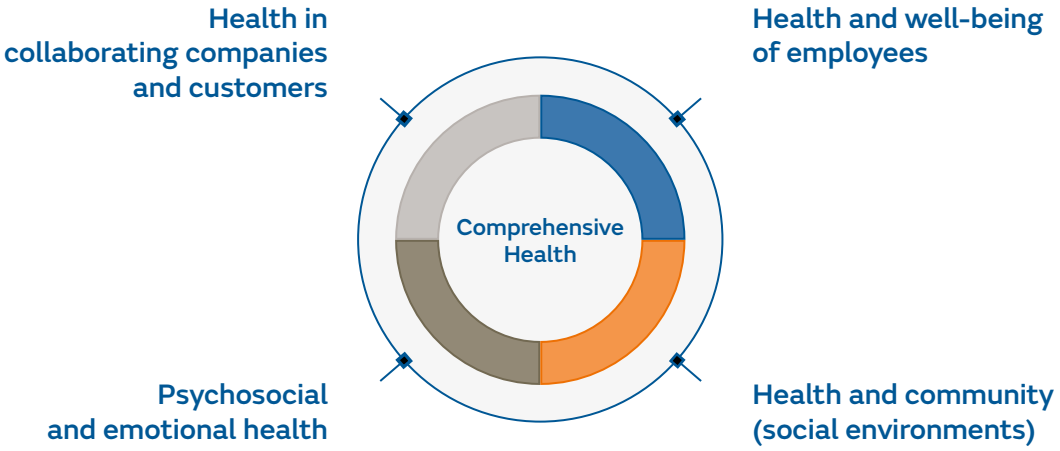
This plan defines the strategic guidelines and establishes the general framework for action of Naturgy in the field of health care, ergonomics and psychosociology. The responsibilities under the plan correspond to each and every one of the business areas and countries within the group. In addition, comprehensive medical and health assistance services act as advisors for the development, monitoring and control of the plan in each of the areas.

Master Health Plan	
Standardised actions	Ensuring the health of workers, developing standardised actions and respecting differences inherent in each country.
Compliance with regulations	Monitoring compliance with the relevant regulations to each area in the field of health.
Development of activities by external collaborators	Coordinating the development of activities by external collaborators and establishing monitoring and control measurements.
Definition of indicators	Defining the indicators necessary to assess the implementation and development of the Master Health Plan, as well as all of the involved activities.
Continuous training	Ensuring continuous training of professionals in the activity, information about the latest technological developments and promoting creativity for innovation.

Actions for employees' health

Occupational health services for employees

The Comprehensive Medical and Health Assistance Unit is formed by a multidisciplinary team, whose function is to guarantee the health and physical, psychological and social well-being of all workers, carrying out a set of activities related to health monitoring, ergonomics and applied psychosociology and the promotion of health beyond the workplace.



Every year, this unit defines lines of action and sets out the general framework for Naturgy's activities in the field of health, which it applies to all business areas at national and international level and ensures that processes and actions are carried out in a uniform way, respecting the inherent differences of each country.

This plan is implemented through the following lines of action:

- **Integral health care in the workplace.**
- **Support for persons suffering from common illness and accidents.**
- **Medical care.**
- **Management of individual aspects of person-position interrelationship considering both the special sensitivities of the workers and the ergonomic needs.**
- **Prevention of psychosocial conflicts and promotion of psychological well-being.**

As well as in three support or transversal drivers that are:

- **National and international coordination.**
- **Integrated management.**
- **Training and communication.**

To guarantee the organisation and quality of Naturgy's employees health services, the company's objectives to improve the standards of occupational health services are reviewed each year and an action plan is drawn up. This plan is followed up on the basis of the established indicators.

The Medical Assistance and Integral Health Unit systematically proceeds to the identification and analysis of any health-related aspect that may be susceptible to being taken into account.

Likewise, these activities are included in the annual process of internal and external audits of the integrated management system, as well as the audit of the Healthy Company certification (Healthy Organisation from 2022 onwards). This is in addition to the company's own audits for accreditation with official bodies.

The integrated management system undergoes an annual review, so as to ensure its validity and maintain its compliance with Naturgy's Corporate Responsibility Policy. It also takes into account other documentation for updating, such as the results of internal and external audits, the results of the performance of the processes and the monitoring of the area's objectives.

In addition, the Medical Assistance and Integral Health area monitors activity and evaluates the results and impact achieved using several quantitative and qualitative methods and indicators. Among other things, the number of medical examinations, the number of injuries that are precursors to serious illnesses detected in time, staff participation in the campaigns, absenteeism rates, the number of psychosocially evaluated posts, the interventions carried out in this regard, the number of posts with ergonomic evaluation, ergonomic actions carried out at the request of workers, etc., are counted and evaluated.

Psychosocial risk assessment

For the prevention of psychosocial conflicts and promotion of psychological well-being, in April 2020 Naturgy renewed the implementation of a survey with all employees of the group in which nine basic psychosocial factors (working time, autonomy, workload, psychological demands, variety and content of the job, participation, interest in the worker, role performance and relationships and social support) are monitored in an evolving way. The questionnaire used and distributed follows the F-PSICO guidelines of the National Institute for Occupational Safety and Health (INSST), so it is a standardised and scientifically tested model. The results of the survey showed similar results to those of previous editions, and very similar in the different businesses and countries, highlighting the interest aroused by this type of issues on the part of workers, as there was a significant increase in participation.

The cycle of assessment of psychosocial factors, which began in December 2020 with the sending of surveys to detect these factors in all employees in Spain, was completed in 2021 with the presentation of the findings. As a next step, we are working on a contingency plan in collaboration with the social representation, through the convening of specific tables to deal with this very important issue of enormous impact on the organisation.

During 2021, and as a result of the data obtained from the survey, an action plan 2021-2022 has been drawn up, which is structured in two large, differentiated blocks, both aimed at improving the health and well-being of employees.

In Spain, since 2015 the health and safety area has been promoting emotional and stress management activities. Specifically, in 2020, and as a result of the pandemic, a psychological helpline was set up and webinars were given for the emotional support of workers. All these actions contribute to strengthening the emotional resilience of the staff as demonstrated by the results of the 2020 survey.

A large block of measures aimed at enhancing the positive results obtained in the assessment and other preventive/corrective measures to control the risks detected are differentiated:

- Develop a communication plan and information campaigns in order to promote awareness and sensitisation on psychosocial risks at all levels of the organisation.
- Develop a training plan on psychosocial risks.
- Use tools to measure initial exposure and follow-up.
- Encourage the participation and consultation of workers for the coordination of joint actions.
- Create multidisciplinary groups to seek synergies and facilitate the approach of the project from an integral perspective, increasing creativity and innovation.

A second block is also differentiated where specific interventions associated with the aspects with more room for improvement are designed.

Healthy Company Model

It should be noted that Naturgy is certified as a "Healthy Company" according to the Healthy Company Model inspired by the World Health Organization model and implemented by AENOR. This means that, during the certificate validity period, AENOR carries out annual audits to monitor the Healthy Company management system, to check whether it is being effectively implemented and whether the conditions that led to its concession are being maintained.

Naturgy was the first energy company in Spain to obtain certification, a commitment that was renewed in 2019 when the company achieved recertification that drives a new cycle of continuous improvement for the coming years.

In 2022, we intend to expand the scope of certification with the necessary adaptations to achieve the Healthy Organisation certification. This certification establishes the requirements of a management system for organisations committed to the principles and existing international recommendations for healthy companies that want to continuously promote and protect health, safety and welfare of employees and sustainability of the working environment of their employees, their families and the community in which the business operates, after consulting with representatives on their actions in this area.

The scope of the international implementation of this model extends to Argentina, Brazil, Chile, Morocco, Mexico and the Dominican Republic. In addition, on the international stage, work has been carried out on the inclusion of the Healthy Company Model in the Naturgy Integrated Management System, using the Enablon tool and the Management Review Report to manage its activity.

Naturgy facilitates access by workers to all information about health in the company and follows a policy of personalised and committed attention to those health and wellness issues that need to be handled by the health professionals and the individual awareness of the workers, achieving a healthy and committed company with the communities where it operates.

To facilitate this access, several communication channels are placed at the employees' disposal:

- **Employee Care Service (SAE).** Employees access health services directly after the appointment request that is given through the employee care service. In addition, this service serves to directly resolve questions and requests in this area.
- **Communication.** An important effort is underway to deepen the company's health culture through awareness and communication. Since 2013 to date, the campaign "Your health always on your agenda" has aimed to educate people working at the company and their families about the importance of protecting their health and prevention to ensure future quality of life, under the view that the welfare of the employees is also the welfare of those around them. During 2020 and 2021, due to the pandemic, this channel has been used on a daily/weekly basis in order to convey to employees the most relevant aspects.
- **Training.** The health model implemented has led Naturgy to promote the contents as part of the group's Corporate University, incorporating and developing the key training itineraries for this purpose.
- **Intranet.** Employees can access the comprehensive contents of the intranet on different subjects to care for their health: nutrition, mindfulness, or prevention of musculoskeletal injuries, among others. This section was updated in 2020 with information, protocols and health contacts related to COVID-19.
- **My Benefits Portal.** From this portal, which is accessible from different devices (PC, tablet and smartphone), employees access different health-related services such as their health insurance and policies, as well as informative content (videos / health contacts).

- **Consultation and participation.** All the actions and campaigns set out in the Annual Health Plan are submitted to the Health and Safety Committee so that the workers' representatives can express their opinion on the proposals of the health team and consult their doubts, as well as propose health campaigns that may be of interest to them.

Promotion of workers' health

The health model approach, described in the previous point, is supplemented by a series of additional campaigns and actions, going beyond mere legal compliance and work-related health, and directly impacting on individual aspects of workers that could pose a risk to their health.

These campaigns and actions seek to increase personal, physical and emotional well-being, and to combat risk factors and health stressors, resulting from a contemporary lifestyle and habits, encouraging Naturgy workers to enjoy an active and healthy ageing. All information relating to these campaigns is updated and available to all employees on the new internal network that has been completely renewed in 2021. The information is also disclosed together with the Annual Health Plan at the first Health and Safety Committee of this year, which is drawn up in consultation with the workers' representatives. This information can be consulted on the organisation's prevention portal.

The most relevant actions carried out in this area are:

- Promoting greater awareness and encouraging self-responsibility as a pillar of living a healthy life.
- Raise awareness of positive habits and behaviours for the health of all people.
- Training workers to take care of themselves and their families' health.

In relation to employees and workers who are not employees but whose work or workplace is controlled by the organisation, Naturgy transfers its own protocols and procedures to outsourced prevention services in order to provide suppliers with lines of action in the event of health problems. Evidence of these actions can be seen in the transfer of procedures for action against the pandemic, in order to minimise the impact on both own and external workers, as well as in the community in which the Naturgy group operates in different countries.

Prevention campaigns and health promotion

Naturgy offers its employees a series of voluntary health promotion programmes through voluntary prevention and health promotion campaigns by the medical services. These campaigns are offered during medical examinations and are aimed at the most relevant health problems in the areas where Naturgy operates.

Campaigns as important as secondary prevention of cardiovascular risk, or campaigns for the detection of pre-cancerous lesions (colon, prostate, gynaecological, or lung, in which Naturgy is pioneer, etc.), haematological or ocular diseases, are made available to employees. Primary prevention is also present through vaccination campaigns (flu and communicable diseases such as tetanus or hepatitis), anti-smoking and addiction campaigns, management of overweight and obesity, etc., in order to reduce the presence of risk factors for foreseeable diseases.

The actions of the health services in prevention campaigns and comprehensive health promotion activities consist of:

- Designing, coordinating and disseminating actions aimed at avoiding the appearance of disease (primary prevention) and/or detecting it at an early stage in order to reduce its consequences and improve its prognosis (secondary prevention).
- Design of informative campaigns on healthy lifestyles, in order to train workers to improve their health and that of their families, as well as that of the communities where they live.
- Promoting campaigns aimed at supporting the communities in which the group operates.
- Assess the effectiveness of these campaigns with the results obtained annually.
- Furthermore, professionals in the health area collaborate with the social benefits function in the optimisation of employee health insurance (review of health coverage and advice on updating the medical directory).

The campaigns are adapted to the health needs of the moment, therefore, the pandemic has been the protagonist of these actions in the last two years, and this is expected to be the case also in 2022.

From the health area, apart from medical management of the pandemic and monitoring of the company's employees, the psychological problems arising from it have also been dealt with in a pioneering way. At the beginning of 2020, a psychological support service was launched in Spain, through a specialized telephone hotline run by the Unit of Trauma, Crisis and Conflict of the UAB Faculty of Psychology. While during January and February this service was accessed exclusively by prescription, it is in March, after the irruption of the confinement, when Naturgy gave free access to any employee (or family member) who required it. In the 2021 financial year, and with the continuity of the pandemic, this coverage has been extended, apart from the psychological problems generated by COVID-19, to those people with psychological problems of readjustment to the return to the offices.

Absenteeism

Total lost hours

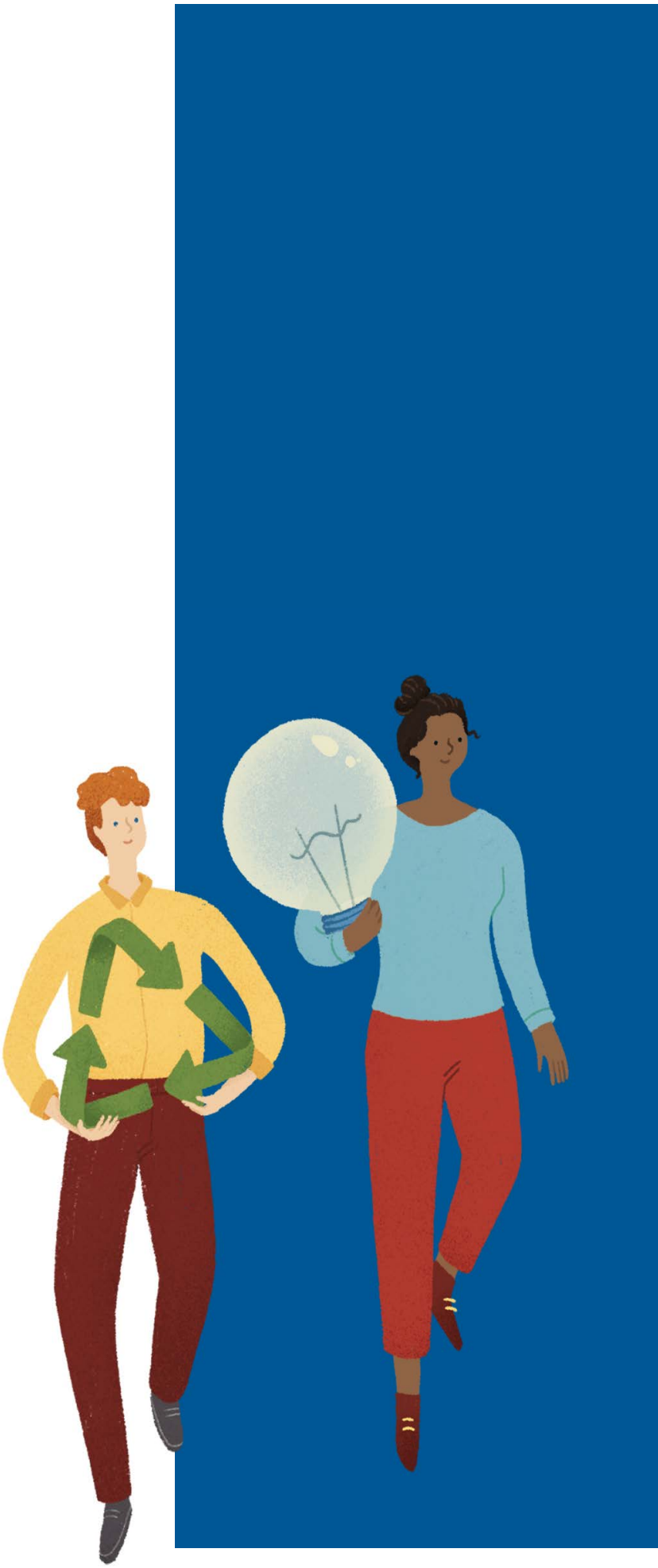
	2021	2020
Spain	**200,250**	285,434
Chile	**69,503**	165,736
Argentina	**36,032**	32,488
Brazil	**10,114**	7,825
Costa Rica	**264**	248
France	**728**	3,136
Morocco	**1,971**	1,474
Mexico	**11,952**	6,072
Panama	**4,935**	3,232
Peru	**0**	256
Dominican Republic	**2,571**	3,424
Uganda	**2,193**	632
Total	**340,513**	509,957

NB: The 2020 figures include data from the electricity company CGE Chile, which was separated from the perimeter at the end of the year.

Naturgy

Transforming together

We're transforming the world through **sustainability**, **respect** and **commitment** to the environment, society and corporate governance, proving itself as a **responsible company** that contributes significantly to the progress, welfare and future of the planet.



7

Innovation and new business development

7. Innovation and new business development

Naturgy's contribution to the SDG

Management outlook and focus

The ecological transition entails a new energy model in which innovation and the development of new businesses are a cornerstone for achieving climate neutrality. This must be supported by:

- **Innovation,** which is presented as a key driver for growth as it enables the incorporation of new or better practices, new business models and technological solutions that contribute towards digitalisation, automation and optimisation of processes, guaranteeing safety, operational improvement and facilitating access to information for better decision making, aimed at creating value and guaranteeing the company's competitiveness in the long term. It permits the company to remain at the forefront and centre all its efforts on its customers.
- **The optimisation of renewable energy generation** through innovative systems due to their improved energy efficiency; their capacity for integration in the environment, in buildings or in economic sectors; their lower costs or greater reliability; as well as models that allow the entry of new agents into the system and the coverage of part of the energy needs of homes, SMEs or public administrations.
- The direct use of energy through new **manageable electricity consumption that provides flexibility**, for example, in air conditioning or mobility, as well as through storage for later use as electricity or heat, in daily or seasonal storage systems.
- The generation of **renewable gases**, in particular renewable hydrogen or biomethane, for end uses where electrification is neither technically nor economically feasible. Hydrogen is an efficient and immediate decarbonisation solution in the hydrogen intensive industry that currently comes from natural gas reforming and high temperature processes; in heavy road transport, maritime transport, rail transport or aviation. In addition, its quality as an energy vector gives it great potential as an instrument for energy storage and sector integration.

Under these premises, Naturgy is developing an extensive investment programme in renewable energies as a result of the Strategic Plan 2021-2025 and introducing new lines of business in areas such as renewable gases, hydrogen and biomethane, storage and sustainable mobility; all of this by providing a wide range of value-added services and promoting sustainable innovation as a driver of development. An example of this is the additional investment opportunities under the EU's NextGen programme, which focuses on renewable gases by developing projects such as La Robla and Meirama (green hydrogen plants), a network of hydrogen refuelling stations along Spain's main heavy-duty transport routes, and the blending of hydrogen and natural gas in turbines and CHP engines.

Innovation

Investment in innovation

Investment in innovation by type (€M)	2021	%	2020	%
Process innovation	**39**	**66.10**	26	71.97
Product innovation	**11**	**18.64**	6	15.84
Marketing innovation	**4**	**6.78**	0	1.09
Organisational innovation	**5**	**8.47**	2	5.74
Social innovation	**0**	**0.00**	2	5.36
Total R&D&I	**59**	**100.00**	37	100.00

Featured projects

DALI (Drone AI Line Inspection)

The project consists of the technological and regulatory development of the use of long-range drones for the inspection of overhead lines and the development of artificial intelligence algorithms for the automatic analysis of the images captured by the drones. The automation of inspections will help make them more sustainable and with a smaller environmental footprint, eliminating unnecessary trips to field installations.

Earth monitoring in transformer stations

As part of the project to optimise the periodic regulatory verification of medium voltage, an innovative device has been developed and piloted to monitor the impedance of the transformer station earths, which allows continuous control of their condition, facilitating early detection of faults and greater accuracy in their identification.

Darwin

The Darwin project is a new unified sales front end that aims to have a new digital platform for selling energy and services that can be used by all sales channels, including the end customer. Through the website and for all the group's marketers, it allows to complete the entire sales process from contracting to the digital signature of the contract.

Hybridisation of a storage system with other generation technologies

The project is based on analysis of the impact that the incorporation of a storage system in hybridisation with other technologies would have. The impact on secondary regulation and other adjustment markets has been evaluated, the competitive advantages of the hybrid system in current and future market operating conditions have been studied, considering its impact on the European balancing markets.

Integration of technologies in residential buildings

The project consisted of the installation of an absorption heat pump to support the operation of the thermal power station consisting of four natural gas condensing boilers, four inertia storage tanks, a solar storage tank and 48 solar thermal panels to generate domestic hot water in a residential building of 210 homes in a neighbourhood in the city of Santiago. This project is the first in Latin America and Chile to integrate the four technologies, and has enabled the generation of centralised hot water at low cost. The facility is currently one of the most efficient in the city of Santiago

SM@RT

The SM@RT project involves the transformation of Naturgy's corporate and business processes in order to simplify, standardise and digitise them. The processes on which action is being taken are: budgeting, monitoring of investments and expenses, treasury, general accounting, periodic closing and consolidation.

The project involves the implementation of the SAP HANA standard package, SAP Ariba, SAP Analytics Cloud and Group Reporting.

This will bring the following advantages:

- Elimination of paper-based administrative processes.
- Automation of analytical reporting, eliminating manual calculations.
- Automation and digitisation of the purchasing process.
- Access to the company's financial and accounting information from any digital platform and device.

The implementation of the project has followed an agile format that ensures partial deliveries and with execution aligned to the Cloud Only strategy.

Innovation planning and technology monitoring

Technology Observatories

Monitoring takes place through observatories, involving over 200 people from the various business units and corporate areas. These groups have a particular collaborative nature and share and analyse information from an end-to-end perspective: technology, commercial, regulatory, social and market aspects. Insights are generated that guide the innovation activity and contribute to the evolution and transformation of the business. They facilitate the take-up of new technologies and best practices, awakening ideas and facilitating the development of new opportunities.

Incubating startups

During 2021 Naturgy has launched a four-month start-up incubation programme. The programme enables Naturgy to make the knowledge and talent of its employees available to the entrepreneurial community, promoting the creation of new companies. Eight projects are currently taking part, with the support of a team of about 30 Naturgy professionals, including mentors and specialists. Incubation allows Naturgy to participate in the development of new business models and knowledge of new technologies, strengthening ties with the entrepreneurial ecosystem.

Renewable gases

Basing the decarbonisation of the economy predominantly on high electrification with renewable energies presents technical limitations in certain energy-intensive sectors, such as industry or transportation. Given that electrification cannot cover the total energy demand, further integration of the electricity and gas sectors is an effective solution to achieve decarbonisation goals through the complementarity of renewable gases, gas infrastructure and electricity. The gas network currently has a high storage capacity, an extension and a capillarity that allow large amounts of energy to be transported to where they are consumed, essential aspects for using renewable gases to decarbonise the final use of energy in all those points where natural gas is currently consumed.

The development of renewable gases, biomethane and hydrogen are included in the Just Transition Strategy as one of the areas of the energy transition that represents the greatest opportunities for job creation. They are identified as a way to decarbonise and generate employment in transportation and industry, and place special emphasis on the creation of green jobs in rural areas, in line with the Spanish strategy against depopulation.

Naturgy, as one of the main operators of basic natural gas infrastructures, assumes its leading role as a driving agent for the development of the renewable gas value chain.

The biomethane opportunity

The production of biomethane, or renewable gas, from livestock, agricultural or industrial organic waste, or from landfills and wastewater plants, is an excellent example of the circular economy in the energy sector, providing significant environmental benefits and a complementary source of income for rural areas.

Environmental benefits

- It promotes the development of a productive process based on the use of renewable biological resources, which guarantees the efficient use of natural resources and reduces the generation of organic waste, promoting the conservation of biodiversity and ecosystems.
- It facilitates the decarbonisation of all those sectors that consume natural gas by replacing it with a fuel of biogenic origin and therefore neutral in CO_2 emissions. It also reduces emissions in sectors such as livestock, agriculture, waste management and water treatment through the recovery of organic waste, thus reducing their negative impact on ecosystems and the population.
- It contributes to the improvement of air quality by avoiding the combustion of these wastes, and reduces the environmental impact of chemical fertilisers by substituting them with the high quality fertiliser obtained: digestate.

Social and economic advantages

- Generation of employment, especially in rural areas, providing solutions to the demographic challenge and the depopulation of rural Spain.
- The livestock and food industry sectors have a significant weight in the Spanish economy, and the management of their organic waste offers a renewable and highly available resource.

- Obtaining a high quality organic fertiliser that favours keeping waste within the productive cycle.
- First-rate national technology and engineering for obtaining biomethane, with R&D potential to take advantage of opportunities such as digitisation of the tracking of waste used and certification of the guarantee of origin.

Advantages related to the energy transition

- Sustainable and renewable energy that contributes to the energy transition and security of supply.
- Reduction of external energy dependence.
- Manageable for continuous generation.
- Versatile energy source, valid for domestic, industrial, commercial and transportation uses.
- Exploitation of the existing natural gas infrastructure that allows universal consumption of a renewable and bio-based fuel that is produced in a distributed manner.

Lines of action in biomethane

Naturgy is working on both the development of projects with the entire integrated value chain (including waste management, biogas production and biomethane production and commercialisation), and on projects where biogas is available and the scope is focused on biomethane production and marketing.

Naturgy has experience in the development of renewable gas on a commercial scale, acquired in projects launched in recent years such as Methamorphosis, in Vilasana (Lleida), as well as the one located in the wastewater treatment plant (WWTP) of Bens, in A Coruña.

In addition, Naturgy has 32 projects under development for the production of biogas and upgrading to biomethane for injection into the natural gas grid:

- 8 livestock waste projects (1,408 GWh/year).
- 4 WWTP sludge projects (170 GWh/year).
- 16 industrial waste projects (595 GWh/year).
- 3 urban solid waste organic fraction projects (109 GWh/year).
- 1 agricultural waste project (85 GWh/year).

Below is more detailed information on some of the most interesting projects developed during 2021:

Elena project

As a milestone in 2021, the first facility to inject renewable landfill gas into the gas distribution network, located in Parc de l'Alba in Cerdanyola del Vallés (Barcelona), next to the Elena waste landfill, has been commissioned. It has involved an investment of Euros 2.2 million and will produce 12 GWh/year of biomethane that will be injected into the grid, equivalent to the annual consumption of 3,200 homes, and will prevent the emission of 2,400 tonnes of CO_2/year into the atmosphere.

Second phase of the renewable gas mixed unit project

Development of the second phase of the renewable gas mixed unit. This is a research project developed by Naturgy, the EnergyLab Technology Centre and Edar Bens (A Coruña). Funded by the Galician Innovation Agency (GAIN), it is financed by the European Union within the framework of the Galicia ERDF Operational Programme 2014-2020.

This new stage will complete the work done so far by the mixed unit for biogas and biomethane research, which has achieved notable results such as the commissioning of a membrane filtration plant and the first biological methanation plant in Spain at the Bens wastewater treatment facility. In addition, research will be conducted into other renewable gases such as green hydrogen and bio-syngas, which will make it possible to assess their impact on current infrastructure and end consumers.

Five new lines of research will be developed within the project:

- Improved biogas production through co-digestion and nutrient recovery.
- Green hydrogen generation: thanks to the energetic use of the treated water flow, which will be turbined, hydrogen will be generated through water electrolysis.
- Biohydrogen production: through dark fermentation (initial stages of anaerobic digestion), a biological process through which hydrogen is generated from the degradation of organic matter.
- Gasification of sewage sludge to obtain bio-syngas (synthesis biogas).
- Study of the impact of the use of different renewable gases and their mixtures, from the point of view of injection into the gas network and their use in stationary and mobile applications (vehicles).

Valencia Rice Straw Project

During 2021, a protocol has been signed, together with Enagás, Genia Bioenergy and Nedgia with the Regional Ministry of Agriculture, Rural Development, Climate Emergency and Ecological Transition of the Generalitat Valenciana to promote a circular economy project. From rice straw, 87 GWh per year of renewable gas will be produced, equivalent to more than 15% of the natural gas consumption of the city of Valencia. This fully decarbonised gas will be purified and injected into the gas infrastructure, thus eliminating the emission of 150,000 tonnes of CO_2 into the atmosphere.

The hydrogen opportunity

The development of the renewable hydrogen value chain is at an incipient stage, with pilot projects to substitute hydrogen from fossil fuels or other fuels.

The speed with which hydrogen is adopted will not be the same in all economic sectors, due to the differences between uses and availability, as well as the cost of the final equipment. In the short term, the penetration of renewable hydrogen can be supported by sectors that already consume grey hydrogen, such as refineries and fertiliser production.

Green hydrogen has a promising future, as long as it receives the necessary impetus from administrations and the private sector for the implementation of large-scale projects to meet the expected technological roadmap.

The Hydrogen Roadmap in Spain establishes a target of 4 GW of installed electrolysis power by 2030, which is 10% of the target set by the European Union in its Hydrogen Strategy for the same year.

Green hydrogen constitutes an energy vector capable of:

- Channelling large amounts of renewable energy from power generation to sectors where electrification is not a feasible option (chemical industry, high temperature industrial heat, heavy transport...).
- Storing and managing energy massively and over long periods of time, matching energy supply and demand.

The natural gas transport and distribution infrastructure existing today in Spain can be used in the short term to transport hydrogen in the form of blending without the need for investment, and in the medium term to transport pure hydrogen or in blends of more than 10%, by adapting the compressor stations and other minor elements.

To promote the penetration of hydrogen as a renewable energy vector, it is necessary to develop its entire value chain, from its production to its use in the final demand sectors.

Lines of action in hydrogen

Naturgy has been researching the development of hydrogen for years, as the renewable resource, the existing infrastructure and Spain's geostrategic position mean that the country has all the potential to become a hydrogen exporter in the future. The export of this new energy can be carried out through the current gas infrastructure, which would allow integration between the electricity and gas grids, resulting in a more efficient and resilient energy system.

Hydrogen can also be transported over long distances in liquid form, as is the case with LNG. In a context in which there is a global commercialisation of hydrogen, this form of transport and distribution can be key and Naturgy can be an essential agent to contribute its global capacity and knowledge throughout the value chain.

During 2021, we worked on the development of large renewable hydrogen production hubs linked to just transition zones, especially in areas affected by the closure of the group's thermal power stations. The aim of the development of multi-demand hubs is to promote the development of new markets for direct consumption in industry, injection into the gas network for its commercialisation with guarantees of origin, mobility or production of H_2 derivatives: ammonia, methanol, etc.

For example, it is working with Enagás on the development of a hydrogen plant in La Robla (León), in the vicinity of the thermal power station that Naturgy closed in 2020 in line with its commitment to achieve a more sustainable energy mix. The aim of the project is to produce renewable hydrogen from a photovoltaic plant and an electrolyser to cover local consumption, inject it into the gas grid and enable future export to northwest Europe. It will reduce CO_2 emissions by being based on the production and use of green hydrogen and, therefore, favour greater penetration of renewable energies in sectors that are difficult to electrify. The project has been presented in the framework of the application for projects of common European interest.

Similar projects for hydrogen production from renewable energy are also being considered in the area where the Meirama (Galicia) and Narcea (Asturias) thermal power stations were located, linked in this case to wind power stations.

In parallel, during 2021, work has also been carried out on the development of onsite H_2 production projects linked to the electro-intensive industry, which due to its characteristics is difficult to electrify. As an example, a project is being developed near a cement plant, where the capture of part of the CO_2 from its process is proposed, which would be mixed with green hydrogen for the production of methanol.

Storage

The penetration of renewables is currently on the increase. The integrated National Energy and Climate Plan (PNIEC) forecasts that by 2030, 74% of the energy mix will be made up of renewable energies, with wind and photovoltaic energies being the most relevant. This situation presents the energy system with the challenge of equipping itself with flexible tools to manage production, match generation and consumption, avoid sudden drops in production and provide firm capacity to the system. In this scenario, storage is key to the security and quality of supply.

The development of storage systems, in particular batteries, although constantly improving, is now mature enough to support the development of renewables. Among battery technologies, lithium-ion (Li-Ion) batteries are currently one of the most efficient technologies, both technically and economically, and these are expected to grow the most. Even so, its main limitation is the price, so in energy markets that are not very mature in the use of this type of storage, it is necessary for projects to have public support for their development in the short term.

Although in recent years Naturgy has carried out Ion-Li and redox flow battery projects that have allowed the technology to be tested, the lack of regulation has not made it possible to test its operation in the Spanish electricity system. This is currently the main challenge: to achieve the management and integration of storage in the energy and balancing markets. This requires the development of new operating systems that will be key to the optimisation and economic viability of these projects.

Lines of action in storage

During 2021 we have worked on the development of several initiatives:

- **Hybridisation projects in generation,** mainly in wind and photovoltaic parks. The hybridisation of storage with generation will allow the renewable energy that is incorporated into the Spanish electricity system to be manageable, providing flexibility and firm capacity to the system.
- Deployment of **stand-alone** storage in key locations in areas of grid congestion or loss of firm capacity due to the closure of thermal power stations. At the technological level, the challenges are similar to those of hybridisation projects in wind farms, mainly the management of the control system to achieve optimal operation
- Development of a **new storage model** to optimise economically and technically the implementation of hybridised systems with storage in small and geographically close farms. Since there is currently no regulatory framework to rely on, it will be developed within the context of a regulatory test bed.

These projects have been developed with Spanish technology partners and research centres, to generate jobs and strengthen the business fabric throughout the value chain of the projects.

Given this situation and the fact that the energy transition is one of the pillars of the Recovery Funds, significant support is expected for this type of project. The grants are an opportunity to speed up the implementation of this new technology. A stable and favourable regulatory framework, together with the expected cost reduction, suggest that in the next 10 years the technology will be viable in the medium term without aid.

Sustainable mobility

In 2021, the company has continued its commitment to the nationwide deployment of an infrastructure of natural gas vehicle (NGV) refuelling stations for public use.

Since natural gas has lower emissions than other fossil fuels, it can contribute to the decarbonisation of transport, especially in heavy transport, where electrification is not foreseeable in the short and medium term.

In addition, existing natural gas vehicle refuelling station infrastructures can be used both for biomethane, thus favouring its development, and for hydrogen, either through blending with natural gas, or through synergies due to the similarity of their business model, which allows them to share sites and their development. This is why NGV continues to be a growth vector for the energy transition in heavy transport.

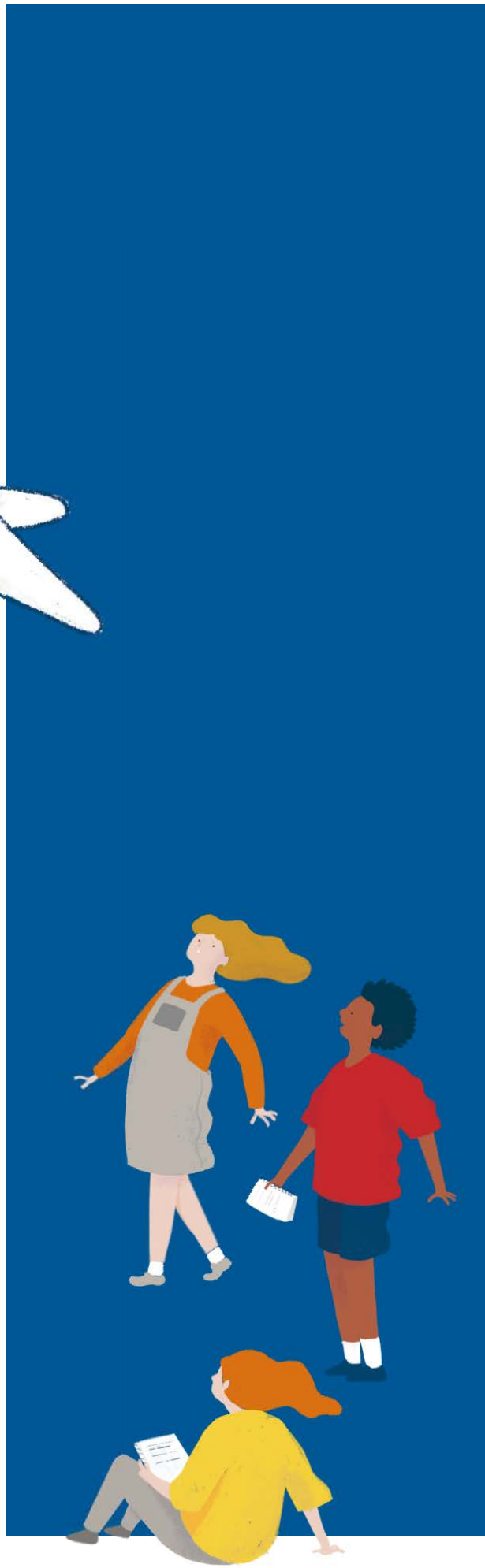
Among the initiatives highlighted in 2021, the following are noteworthy:

- Signing of the first **biomethane contract for vehicles**. Naturgy has agreed to supply up to 2GW/year of biomethane for the last-mile delivery fleet of Aquaservice, a water distributor. This fuel substitution will contribute to an emissions reduction of up to 350 tCO_2/year, which is equivalent to taking 53,000 vehicles off the road in a city for one day. The biomethane comes from Naturgy's production facilities at the Elena landfill.
- Supply of **renewable gas to Zaragoza's first bus**. Through a consortium with the Zaragoza Area Transport Consortium, Automóviles Zaragoza, Scania and Calvera, Naturgy has supplied 150 MWh of biomethane from the company's plant in Vilasana (Lleida) for the purification of biogas, obtained from the digestion of slurry. This biomethane was used to propel a city bus, which ran for three months between Zaragoza and Villamayor de Gállego.
- Alliance for the development of **hydrogen mobility**. Signing of an agreement with Enagás, through its subsidiary Scale Gas, and Exolum, to jointly study and develop infrastructures for the production, distribution and supply of green hydrogen in the mobility sector throughout the country. This is the first major hydrogen alliance for mobility corridors. The project will be called Win4H_2. This agreement includes the development of a network of 50 hydrogen plants, which will offer a homogeneous penetration of this energy vector in Spain, so that any user can opt for the green hydrogen solution with guaranteed supply in 100% of mainland Spain.

Naturgy

Transforming together

In Naturgy, **we're transforming** together, from the more human side.



8

Social responsibility

8. Social responsibility

Naturgy's contribution to the SDG

What does this mean for Naturgy?

Risks and management approach

Naturgy is committed to the economic and social development of the regions where it operates, providing knowledge and management capacity, and allocating part of the profits to social investment in the territories.

As a company committed to society and supplier of a basic good such as energy, our commitment is to offer a quality and continuous supply, as well as to understand and contribute to confront and solve challenges associated with access to energy such as those affecting vulnerable groups; or to minimise the effects that the energy transition has on some territories through just transition initiatives. In addressing these challenges, the role of the Naturgy Foundation is key.

Likewise, a fluid and permanent dialogue with society allows the company to know the expectations and interests of the local communities, facilitating their involvement and participation and thus ensuring the company's acceptance in the environment and the promotion of the collaboration of all agents.

In addition to understanding and contributing through its business activity to those challenges most directly related to its activity, the company, through its sponsorship activity, maintains a commitment to collaborate with society and allocates resources to cultural, social, sustainability and environmental programmes.

In short, Naturgy understands that its social responsibility involves the creation of wealth and well-being in those places where it is present through the following priority lines of action:

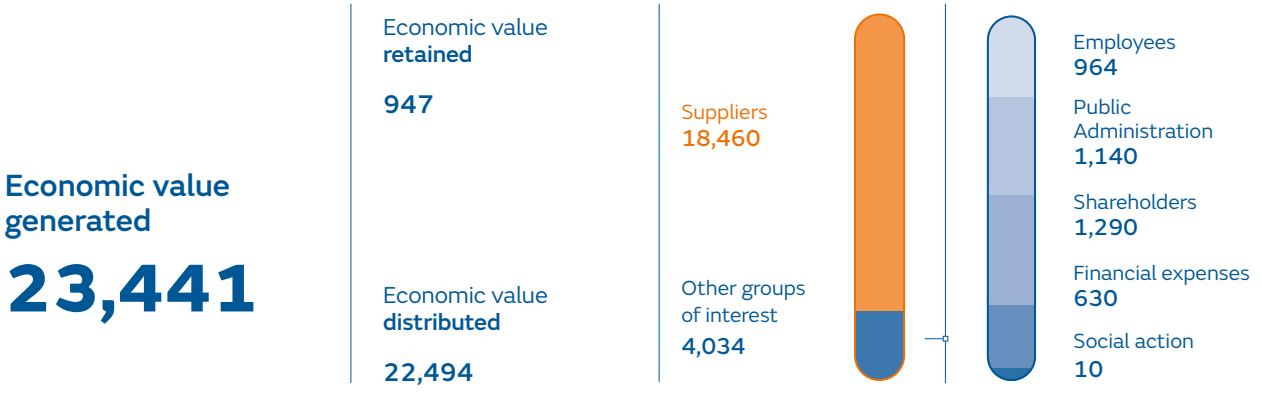
- Energy vulnerability.
- Just energy transition.
- Relationship with communities.
- Sponsorship, patronage and social action.
- Naturgy Foundation.

What is our commitment?

- Guarantee fluid and two-way dialogue and encourage involvement in local communities, respecting the culture, rules and the environment, so that their concerns are responded to appropriately and expeditiously.
- Assess the social impact that the company's activity could cause, to avoid or mitigate the adverse effects these could generate and to foster positive effects.
- Develop initiatives to create shared value and to have a positive social impact in energy projects.
- Promotion of education, cultural wealth, health, research and the inclusion of the more underprivileged collectives through social investment.
- Transfer knowledge and values to society through partnership agreements with the academic community and the supply chain.
- Promote public-private and third sector collaboration to mitigate the impact of energy poverty on the most vulnerable groups.

Evolution and results 2021

- **Economic value distributed. Detail by group of interest (million euro)**



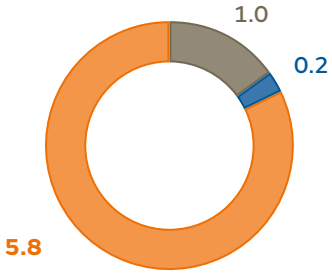
The aim of the contributions to social programmes is to increase the company's commitment to society. The programmes to which these resources are therefore allocated form part of the business development strategy. In 2021, they totalled Euros 7.02 million. Naturgy aims to generate a higher corporate commitment to the society in which it operates that goes beyond its business activity.

Total social investment (million euro) in 2021

	2021	2020
Philanthropic investment (million euro)	**7.0**	7.2
Breakdown by type of action (%)		
Social	**76.5**	82.0
Environmental	**3.7**	2.0
Cultural	**19.8**	16.0
Sponsorship and social action activities (No.)	**90**	106
Social investment in the local community (million euro)	**3.1**	3.1
Total social investment (million euro)	**10.1**	10.2

N.B: The exchange rate used is at the end of December 2021.

Philanthropic investment (million euro)



- **Amount for Donations**
  Financial contributions to foundations and non-profit organisations for which the company receives no compensation.
- **Amount for Partnerships**
  Financial contributions to foundations and non-profit organisations for which the company receives some compensation.
- **Amount for Sponsorships**
  Amount allocated to other types of entities, not necessarily non-profit making and for which the company receives some compensation.

In order to measure the results, Naturgy has tools for assessing the reputation of the social programmes it carries out. As in previous years, in 2021 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.

1. Energy vulnerability

Providing vulnerable customers with access to energy

Naturgy is sensitive to the different issues and situations that can cause difficulty in paying for the supply of energy. For this reason, the company uses a range of mechanisms to ensure the supply is not cut off, thus protecting vulnerable customers. These mechanisms include payment by instalments, applied in specific situations.

The company has always developed a proactive policy against energy vulnerability, protecting its vulnerable customers in Spain by complying with current legislation and promoting and encouraging collaboration agreements with various public and private bodies. In 2021, in Spain, Naturgy continued signing agreements to protect vulnerable customers with different administrations to prevent cutting off customers.

Naturgy closed the year with 145,291 customers with a discount rate –a reduction on electricity bills regulated by the Government for households considered vulnerable due to their socio-economic conditions, i.e. vulnerable, severely vulnerable and at risk of social exclusion–, it received 62,342 calls from vulnerable customers, handled 84,583 mails and 1,333 telephone calls from social services. In addition, 411 calls from the Third Sector were handled.

Energy Vulnerability Plan in Spain

During 2021, Naturgy, through its Foundation, has continued to implement the Energy Vulnerability Plan throughout Spain. The Plan has been consolidated as a priority and the core of the activities developed by the Foundation to alleviate the situation of vulnerability and energy poverty in Spain. The targets are:

- Improving management and customer relations in cases of energy vulnerability.
- Streamlining the exchange of information with town and city councils for better identification of situations of energy vulnerability.
- Implementing activities with entities that work to alleviate energy poverty cases and to detect vulnerabilities. The following activities have been introduced during this year:
  - Awarding of the prize of the I Edition of the Award for the Best Social Initiative in the Energy Field, through which the Foundation pursues a twin objective; on the one hand, to make visible the initiatives that other entities are carrying out to fight against energy vulnerability, and on the other hand, to provide resources to other social energy projects. 59 entities have participated by submitting their projects. A first prize and a second prize were awarded.
  - Consolidation of the Energy Rehabilitation Solidarity Fund, with the aim of financing energy efficiency improvements in vulnerable households. In 2021, the signing of agreements with 18 entities [(1)] has enabled the rehabilitation of 769 homes based on donations from individuals and contributions from the Foundation.
  - Continuity of energy volunteering with informative workshops on energy efficiency and advisory reports to improve comfort conditions in the home and achieve economic savings in the bill. During 2021, 2,110 vulnerable families have been assisted.
  - Continuation of the workshops at the Energy School to support public administrations and the third sector in the fight against energy poverty. Training has been provided to specialists and families in a situation of vulnerability on the optimisation of bills, energy management, discount rate, energy efficiency and other consumption habits. Webinars have been launched by the Energy School for the teaching of these subjects as a result of the pandemic. In 2021, 236 workshops have been held for 3,861 attendees. Webinars on current topics

related to energy vulnerability have continued to be held. Among the results for fiscal year 2021: 46% of vulnerable families trained and 54% of professionals trained.

- Continued participation in two European projects, Social Watt and EPIU (Energy Poverty Intelligence Unit), funded by the EU and aimed at identifying energy poverty, defining indicators and developing and implementing measures against energy vulnerability.
- Active participation in the advisory board of the Energy and Poverty Chair at Comillas University.

(1) Incorporates the rehabilitation, volunteering, innovation and employment generation agreements.

2. Just energy transition

The energy transition that society is currently undergoing is such a profound and urgent change that it may have unfavourable consequences for communities and especially for workers in the short term. For example, it means the closure of fossil fuel power generation plants such as coal.

To maximise the benefits of the transition to a low-carbon economy and minimise the negative impacts on business, workers and their communities, the International Labour Organisation proposed a framework that, under the concept of "just transition", was agreed between governments, employers and trade unions.

Just transition agreements

In Spain, the just transition of the territories affected by the closure of thermal power stations is articulated under the "Agreement for a Just Energy Transition for thermal power stations undergoing closure".

The agreement is an alliance that includes the commitment of the government of Spain, companies -Naturgy among them-, and trade unions to ensure employment and economic recovery of the areas affected by the closure of thermal power stations located in Aragon, Andalusia, Principality of Asturias, Castilla y León and Galicia.

The agreement's priority areas of action are:

- Maintaining employment in the territories.
- Economic and industrial revitalisation.

In addition, through this agreement, the parties undertake to work on the development of Just Transition Agreements that include a participatory process of mobilisation and consultation for its development.

Closure of plants and accompanying plans

Linked to the Agreement for a Just Energy Transition, Naturgy has drawn up accompanying plans for each of the closed plants.

These plans detail the commitments acquired, which translate into:

- Proposals for new investments in the same territories.
- Outplacement plans for our own personnel.
- Prioritisation of workers from auxiliary companies.
- Search for investors.
- Collaboration in support plans to improve employability in new activities, including specific training plans.

Decommissioning evolution

In 2021, having obtained the necessary administrative authorisations, Naturgy has completed the process of closing the coal-fired power stations of Anllares (Castilla y León), La Robla (Castilla y León), Meirama (Galicia) and Narcea (Asturias) that started in 2018.

At the close of 2021, the situation of the dismantling process at the different sites is as follows:

Facility	Degree of progress
Anllares Power Station	>95%
Meirama Power Station	21%
La Robla Power Station	30%
Narcea Power Station	Not started, waiting to obtain the municipal building permit

The future use of these sites depends on the dismantling of the existing facilities, which are already closed. In defining the dismantling work, in all cases and for all the plants, priority has been given to safety procedures and environmental measures, in order to carry out the work in an adequate manner and without affecting third parties and the environment.

In this regard, priority is given to ensuring that all materials and equipment associated to the dismantling and demolition are recovered or recycled as much as possible. In this respect, during 2021 the dismantling work carried out has achieved recovery and/or recycling rates of 97% at the Anllares power station and over 86% at the La Robla and Meirama plants.

In addition, Naturgy contemplates all the necessary actions to ensure an adequate ecological and geomorphological restoration of the power station sites, in accordance with environmental requirements and its firm commitment to biodiversity.

In terms of safety, demolition techniques are prioritised to minimise risks. During 2021 there have been no occupational accidents during demolition work.

New investments

Linked to the process of dismantling each plant, Naturgy has outlined an alternative plan that involves new investments in the affected areas, prioritising the commitment to more efficient generation technologies, less emitting and more environmentally friendly. These alternative plans are especially focused on:

- Renewable generation projects.
- Sustainable mobility initiatives with a decisive boost in the implementation of natural gas for land, rail and maritime transportation.
- Feasibility study of renewable gas and hydrogen projects.

Within these new investments, the commitment to renewable gases is of huge importance, as their promotion and development will not only contribute to mitigating environmental impacts, but will also be a source of value creation shared with society. The development of renewable gases, biomethane and hydrogen represents one of the biggest opportunities for the creation of green jobs, especially in rural areas, in line with the Spanish Strategy against Depopulation.

Training and employability improvement

In this context, having properly trained people is key to take advantage of the employment opportunities offered by the energy transition. Within the framework of the Alliance for Vocational Training of the Ministry of Education and Vocational Training and linked to the Vocational Training Programme for Employability, the Naturgy Foundation provides training aimed at teachers, students of training cycles and the unemployed and employees of the sector. More information about these programmes can be found in the section on the Naturgy Foundation later in this chapter.

In 2021, Naturgy has published a specific report on just transition that sets out how the company understands just transition and provides greater detail on the measures set out in this section. The report can be found here: https://www.naturgy.com/files/Informe_Transicion_Justa.pdf

3. Relation with communities

Principles of action

Naturgy, under its Human Rights Policy, makes a firm commitment to respect local communities. To achieve this commitment, assessing the social impact that the company's activities may have on communities, specifically contributing to improving the living conditions of these communities is a key aspect.

Naturgy has a method based on the Measuring Impact methodology of the World Business Council for Sustainable Development (WBCSD) and the aim is to define initiatives and programmes for the effective management of social impacts associated with the company's business.

The company bases its relationship with communities on the following principles:

- Identifying communities affected by the company's activity, and finding out their needs and aspirations.
- Analysing the potential environmental and social risks that its activity could cause in the communities, using the social impact assessment methodology designed for this purpose.
- Reporting to, and inviting participation from, the community at the different stages of the project through a consultation procedure that enables us to listen to their concerns and questions as well as benefit from their proposals.
- Incorporating the opportunities identified through dialogue with the communities and which encourage sustainable development of the community into the impact assessment studies.
- Introducing a system of communication and relations with communities that ensures that these communities receive project information in a clear, updated and efficient way.

The company currently prioritises the performance of social impact assessments in locations where it is looking to carry out new investment projects. These assessments serve to measure numerous impacts (positive and negative) that the company may produce as a consequence of its activity, both in local communities as well as in the territory. These include:

- Impact on human rights.
- Displacement or relocation of local communities.
- Modification to the traditional ways of life.
- Changes in the traditional uses of territory.
- Attracting new technologies.
- Creation of skilled and unskilled jobs.
- Temporary occupation of the communication routes.
- Impact on landscapes.
- Noise.

Featured projects

The projects underway during 2021 are listed below, and some of them are detailed hereunder::

Country	Projects
Australia	Crookwell II wind farm
	Berrybank I wind farm
	Berrybank II wind farm
	Hawksdale wind farm
	Ryan Corner wind farm
Brazil	Sobral I photovoltaic plant
	Guimarania I & II photovoltaic plant
Costa Rica	Torito hydroelectric power station
	La Joya hydroelectric power station
Mexico	Bií Hioxo wind farm
	Tuxpan III & IV combined-cycle power station
	North Durango combined-cycle power station
	Naco Nogales combined-cycle power station
	Hermosillo combined-cycle power station
Dominican Republic	Palamara - La Vega fuel oil-fired power station
Uganda	Bujagali hydroelectric power station
	Achwa II hydroelectric power station

Berrybank wind farm I (Australia)

Naturgy is carrying out a social commitment and profit-sharing plan with the local community near this 180 MW wind farm located in the state of Victoria, associated with the state government contract. The initiatives included are:

- Actions for community benefit. Actions with the participation of the neighbours.
- A person specifically appointed to take charge of the community involvement programme and to set up a community engagement committee.
- Solar energy programme, training and internship programme.
- Scholarship programme with several universities.
- Project website, audio-visual monitoring of the construction, 3D simulation of the wind farm.
- Newsletters, press releases and local print ads.

Bií-Hioxo wind farm (Mexico)

The company collaborates permanently with the local community of this 234 MW wind farm in Juchitán de Zaragoza (Oaxaca). Thus, Naturgy develops programmes that respond to the needs of the community and contribute to improving living conditions. The action lines for 2021 have been:

- Restoration of sanctuaries.
- Restoration of common areas in local schools.
- Support to local cooperatives to promote productive development.
- Support to the population in the event of floods, COVID-19 and other contingencies.
- Endowment of a community house and various workshops with young people and children.
- Community development team supporting the community and attending the community house.

Tuxpan III & IV combined-cycle power station (Mexico)

The plan to support the communities around this 1,007 MW plant, located 30 km south of Tuxpan (Veracruz), continues to be developed. In particular, Naturgy has deployed a major community relations plan with the communities located on "Carretera de los Kilómetros" state highway from the kilometre point 0.000 to 16.000. The action lines for 2021 have been:

- Support plan for the restoration of community infrastructures along Los Kilómetros Highway community.
- Project for the conservation of priority species, at the Tortuguero camp in Playa Villamar.
- Support to the population and local health centres with food and medical supplies to cope with COVID-19.
- Support to the population to alleviate the contingencies caused by Hurricane Grace.

Naco Nogales combined-cycle power station (Mexico)

In 2021, the plan to support the communities around this 300 MW plant, located in the vicinity of the city of Agua Prieta (Sonora), has consisted of:

- Training in energy efficiency and eco-construction for the local population in a situation of energy vulnerability.
- Community infrastructure improvement projects.
- Germplasm collection.
- Delivery of food parcels and medical supplies to the population to help cope with COVID-19.

Hermosillo combined-cycle power station (Mexico)

In 2021, the plan to support the communities around this 250 MW plant, located in Hermosillo (Sonora), has consisted of:

- Equipment, infrastructure restoration and reforestation in local schools.
- Support for improvements and in-kind donations to various local community organisations.
- Support for the Red Cross to cope with COVID-19.

Norte Durango combined-cycle power station (Mexico)

In 2021, the plan to support communities around this 480 MW plant, located near the city of Durango (Durango), has consisted mainly of the following:

- Construction and commissioning of a nursery with native species for reforestation.
- Restoration of municipal infrastructure.
- Delivery of food parcels and medical supplies to the population to help cope with COVID-19.

Sobral I photovoltaic plant (Brazil)

During 2021 the company continued implementing the Quilombola Basic Environmental Project (QBEP), associated to the Sobral I photovoltaic plant (30 MW) in the municipality of São João do Piauí (Piauí, Brazil), in order to create shared value and to have a positive social impact in the territories of Riacho dos Negros and Saco/Curtume. For the development of the QBEP, a close and ongoing relationship has been maintained with the community and local authorities, to identify, design and implement actions to promote economic and social development in the region. The project has various lines of action, which include a series of specific actions of which the following have been implemented during 2021:

- Recovery of infrastructure in the territory for community use.
- University and technical study grants.
- Conducting events with the community for the attraction of health and social services to the localities.
- Training of the local population in technical professions to improve employability.
- Delivery of medical supplies to the population and the local hospital to cope with COVID-19.

Bujagali hydroelectric plant (Uganda)

The social action plan has continued in the area surrounding this 230 MW plant. The following actions have been carried out in 2021:

- Delivery of sanitary materials and food supplies to the local population to cope with COVID-19 and other diseases.
- Supporting local schools and orphanages with materials.
- Distribution of reflective materials to improve visibility and avoid road accidents.
- Breast cancer awareness and prevention workshop.

4. Sponsorship, patronage and social action

Sponsorship activity

The company maintains a commitment to collaboration with society that goes beyond its business activity with resources allocated to cultural, social, sustainability and environmental programmes. These economic contributions allow the company to strengthen its commitment to positively integrate itself in each community and country where it operates.

Naturgy's sponsorship and donation activity, as well as the definition of the processes that regulate and control its development, is the purpose of the company's General Procedure of Sponsorship and Donations. Similarly, activities related to sponsorships and donations are subject to a process of 100% transparency. The main lines of action are:

- **Education, training and development:** education and university activity form part of the company's areas of action. With this objective and among other actions, the company collaborates with entities that encourage the promotion and training of young people.
- **Environment and sustainability:** Naturgy collaborates with different institutions that aim to preserve the environment, conserve and rehabilitate habitats, as well as generate debates on trends and opportunities in the energy and sustainable development sector. Furthermore, it also collaborates with entities that carry out educational activities on sustainability, energy and the environment. Some examples are the collaborations with the Foundation for Research in Ethology and Biodiversity (FIEB) -whose objective is the development and collaboration in projects that increase the knowledge of animal behaviour and/or facilitate the preservation of biodiversity- or the support to the group for the Rehabilitation of Native Fauna and its Habitat (GREFA) -whose pillar is research and environmental education and the preservation of natural resources-.
- **Artistic and musical culture:** the company maintains its efforts in the field of cultural sponsorship, with the encouragement and promotion of music, art and training, which goes beyond its business activity and which takes the form of extensive sponsorship of initiatives that generate great value for society. In 2021 it has continued to collaborate with the Gran Teatre del Liceu in the celebration of the 175th anniversary of the opening of the institution. The aim is for the entity to continue to be an artistic reference, to strengthen its social project and to facilitate its adaptation to the new times through innovation. Naturgy has maintained its support to the Teatro Real with the "Plan for the promotion of street opera at the Teatro Real", to contribute to the enhancement of its work and its dissemination to all audiences at regional, national and international level. In 2021 it has also collaborated in the celebration of the Xacobeo 2021 holy year, declared "an event of exceptional public interest", as in the two previous collaborations, and whose objective is to reinvigorate culture and heritage.

Social action in Latin America

For Naturgy it is essential that its social action activities are focused on the geographical areas in which it is present and that they are developed within the framework of the activity it carries out. The main actions carried out in the different locations are:

Argentina

- Efficient use of resources: work has continued on training students and teachers through the portal cuidemosnuestrosrecursos.com, where they can learn about energy efficiency and become aware of the efficient use of gas, electricity, water and paper. In addition, courses on the 3Rs (reduce, reuse, recycle), gardening and composting have been implemented. During 2021, 2,200 students and 1,300 teachers have been trained.
- Energy of Flavour: this programme aims to promote the inclusion of disadvantaged groups into the labour market through training linked to gastronomy. This year, the programme has featured two types of courses: on the one hand, aimed at gastronomic staff of community kitchens - held together with the Peregrina Foundation in the community kitchen Unidos por la Sociedad in La Cava, and together with the Civil Association Siloé in the Community Centre Acá Sí, in Cascallares, Moreno-, and on the other hand, aimed at female victims of gender violence, a special bakery programme together with Siloé and the Secretariat of Women, Gender and Diversities of Moreno. A total of 61 people have been trained.
- Sowing the Future: the programme seeks to encourage the planting of native trees and the development of urban gardens. Throughout the year, three workshops have been held, where a total of 75 native trees have been planted, as well as two training courses on urban vegetable gardens.
- Social Entrepreneurs: its objective is to collaborate in the support of social projects presented by the company's collaborators. This year, the programme has received 24 projects.
- Trades Workshop: this year an agreement has been signed with the Benavídez Trades Foundation, to move forward with joint actions to train young people from vulnerable neighbourhoods in the trade of registered gas fitter of single-function units. Courses have been offered in carbon monoxide accident prevention and digital marketing for entrepreneurs.
- Planning your Future: its purpose is to encourage the employees' children to achieve their professional aspirations by granting them an incentive scholarship to start higher education. In 2021 there have been five beneficiaries.

Brazil

- Energy of Flavour: this programme aims to promote the inclusion of disadvantaged young people aged between 17 and 25 in the labour market through training linked to gastronomy. In partnership with Unilasalle, Naturgy has sponsored courses for international chefs, bakers, pastry chefs and kitchen assistants. In 2021, due to the pandemic, two classes with ten students each have been created, instead of one class with twenty students, to maintain social distance. All students have received appropriate and personal protective equipment. The first class graduated in December and the second class will graduate in March 2022, both as kitchen assistants.
- Energy to Grow: the project brings culture and environmental education to children in public and private schools in Rio de Janeiro, and teaches them about the safe use of natural gas through a theatrical play and a lecture. Due to the pandemic, in 2021 the initiative has been resumed in a new format, with online presentations. In total, there have been 24 presentations in eight schools in Rio de Janeiro, impacting 2,000 children between the ages of six and ten, in addition to 109 educators. The initiative has existed since 2010 and has already reached a total audience of more than 85,000 students and 280 schools in 23 cities in the State of Rio de Janeiro.
- Donation of 32 respirators: in partnership with the Brazilian Navy and the University of São Paulo (USP), Naturgy donated, in February 2021, 32 respirators to public hospitals in Rio de Janeiro and Sorocaba, a city located in the interior of São Paulo. These hospitals have designated the ventilators to treat patients with COVID-19.

Chile

- The company has focused its actions on strengthening community relations and development in the regions, specifically in Libertador Bernardo O'Higgins and Los Lagos, with the commitment to bring clean energy to important areas with high levels of pollution.
- Emphasis has also been placed on the relationship with companies that work in the sectors where Metrogas has its networks, with the purpose of developing a preventive culture that avoids any type of affectation to the facilities. In the same way, emergency response institutions (firefighters, police, municipalities) have been involved, with work that has focused on training officials so that they know how to deal with this type of event, always thinking about safety and the protection of health.

Mexico

- This year collaboration has been carried out with the SM Foundation to avoid educational backwardness, 169 books have been donated to the children of Naturgy Mexico employees, from primary to secondary level, with the most relevant topics of the school year in subjects such as Spanish, mathematics, history or knowledge of the environment, among others; all with the aim of reinforcing knowledge and avoiding the educational gap for the next level.
- Another of the activities the company carried out during 2021 with the collaboration of the visual artist Patricia Victoria was to participate in Mexico City (in the Cuauhtémoc City Hall), in the creation of two ecological murals made with paint that absorbs CO_2 and that were on show during July and August of this year.

  The main theme of the two murals was the importance of raising awareness among the population of environmental care and commitment to cleaner energy. In this way, the company acts as a reflection of these small actions that can be carried out in the places where it operates, and that lead to change for the benefit of new generations.

Panama

- Donation of layettes with supplies for new-borns in hospitals throughout the country.
- Donation to the Waved Foundation, which supports education and nutrition in underprivileged communities throughout the country, specifically in indigenous areas.
- Donation of food and personal hygiene supplies to the Luz y Vida nursing home and the Nuestra Señora children's home.
- Participation in the "Panamá en positivo" programme, which rewards the work of socially responsible companies.

Corporate volunteering and employee participation

Corporate volunteering

Naturgy structures the Corporate Volunteer Programme in three areas: energy, social and environmental. Over the course of 2021, 477 employees from Spain, Mexico, Panama and Argentina spent more than 9,618 hours on corporate volunteering with their companions.

Globally, 26 initiatives of a one-off, temporary or continuous nature, 6 social volunteering actions, 9 environmental volunteering actions and 11 energy volunteering actions, with the participation of 1,033 volunteers, were carried out. The number of beneficiaries dealt with amounted to 8,371 [10] in 2021.

Energy volunteering has been consolidated with regular online energy advice workshops, where vulnerable users are helped to understand the bill and access the discount rate and, at the same time, energy saving measures are explained to reduce the cost of the bill. During this year a new action has been developed for the user, the realisation of an energy advice report based on the bill and a mini-energy audit.

Due to the global situation of movement restrictions due to the pandemic, the environmental and energy volunteer programmes have continued in an online format. However, at the year-end, the on-site activity was resumed as a result of the improvement in the health situation and it was possible to carry out two activities to care for the natural environment, which together with the three online workshops conducted, rounded off the environmental volunteering activity for the year.

[10] Argentina, Mexico and Panama carried out environmental volunteering. This does not include entities to which material was donated as a result of the transfer of offices, nor the donation of km of solidarity energy.

Different initiatives have been launched during December on the occasion of International Volunteer Day, some of them enhancing previous activities and others newly created: energy workshops for children with special abilities, solidarity energy kilometre, training sessions on energy prices, how to learn to speak in public or the activity "Wise Man for a Day".

Also, for the third consecutive edition, a coaching volunteering activity has been continued and a new mentoring activity has been added. In both cases the aim is to show vocational students what the company is like from the inside and to motivate them to continue studying. Volunteers act as mentors or coaches in individual sessions with students.

Solidarity Day

The initiative was created in 1997 and is managed by the company's employees. It involves participants voluntarily donating a one-day fraction of their annual salary to projects targeted at promoting education and teaching children and young persons in those countries in which Naturgy operates. For the Solidarity Day event, the company donates an amount equal to the amount donated by employees and assumes all management costs, so that 100% of the amount raised can be used for the annual selected project. Close to 1,004 employees around the world take part in the initiative.

In 2021 these employees donated approximately Euros 171,666 of their salaries and the company made an additional matching contribution, as well as assuming the costs of managing the association. Since its inception, Solidarity Day has raised Euros 3.2 million in employee donations and an equal amount contributed by the company.

In 2021, Solidarity Day financed the education of approximately 988 school, technical and university students as part of the ordinary projects being implemented in Argentina Brazil, Morocco, Mexico, Moldova, Nicaragua, Panama, Chile and Portugal.

In addition, the association continued to develop the recurring initiative, which was launched in the wake of the pandemic, of donating computers that are being replaced to employees and which are in perfect working condition. These computers go to organisations and schools that use them to reduce the digital gap for the most vulnerable people. To date, nearly 800 computers have been donated to more than 40 entities in Spain, Chile, Panama and Portugal.

Since its inception,
Solidarity Day has raised Euros

3.2 million

in employee donations
and an equal amount contributed
by the company

5. Naturgy Foundation

The Naturgy Foundation, which is present in the countries where the company operates, is tasked with disseminating information, training, and raising society's awareness on issues of energy and the environment, as well as developing business and academic programmes. It also develops social action programmes, focusing on actions aimed at alleviating energy vulnerability.

Dissemination of information and awareness-raising in society

In 2021, the Foundation has continued all the initiatives carried out in the previous year in the area of communication, dissemination and debate on current issues related to energy, technology and the environment. The aim of these initiatives, which has received trust and interest from the specialised public, is to promote debate on the energy sector, its current situation and its near future, with the participation of speakers of recognised national and international prestige. This year a total of 2,884 people attended.

The balance of the year's activities is as follows:

- 3 high-level Energy Prospectives conferences held, a joint initiative of the Naturgy Foundation and IESE Business School.
- 5 conferences organised jointly with the Spanish Chapter of the Club of Rome.

Among the activities related to the dissemination of energy-related content, the presentation of books, studies and reports published and edited by the Foundation and prepared by experts in the field worldwide is particularly noteworthy. Through online events, 5 webinars (online seminars to present the publications and discuss them) and 7 online presentations (sending publications by mail) were held, both accompanied by summary videos that facilitated an approach to the publication in a simple way, with the main conclusions explained by the authors.

This new way of communicating has allowed the publications to reach a much wider audience than in previous years, both nationally and internationally. And so the numbers show, with more than 2,405 webinar attendees, more than 28,823 views of the video summaries and more than 4,945 downloads of the publications.

Education and heritage

In the line of education and heritage, the Naturgy Foundation has launched several programmes, including:

Efigy education

Es el programa educativo de la Fundación que recoge propuestas didácticas alineadas con la Estrategia de Transición Justa y con el Plan de Acción de Educación Ambiental del MITECO (Ministerio de Transición Ecológica y el Reto Demográfico). Cuenta, además, con el reconocimiento y la colaboración del Ministerio de Educación y Formación Profesional, la Fundación Española para la Ciencia y la Tecnología (FECYT), el Consejo Superior de Investigaciones Científicas (CSIC), así como las administraciones públicas competentes en educación y los agentes sociales.

2021 has meant the adaptation to a new reality in which face-to-face and digitalisation are of equal importance and capacity. The exit of the pandemic has drawn a different educational scenario than the one we knew, causing an evident shake-up in the educational sector. Educational centres have had to adapt both to situations of occasional confinement in online settings and to face-to-face scenarios with stringent safety measures in the classrooms. However, if the pandemic has shown anything, it is that school needs close human contact and relationships. In this context, the Foundation has worked to continue to be a help and support at the service of society and the community.

The Foundation's educational programme has adapted to these new circumstances to continue offering activities that reinforce knowledge in energy, environmental and technological matters, under the perspective of the Sustainable Development Goals (SDGs) of the United Nations.

The good relationship with the education ministries of the different autonomous communities and the agents involved in the sector was maintained and strengthened, ensuring that, throughout the year, the different activities that make up the Efigy Education educational programme were in great demand and received positive feedback.

Efigy Education in the classroom

In 2021, this itinerant action has been revived, offering innovative workshops for schools to explore new energy technologies. The aim is to transmit in a pleasant and didactic way specialised knowledge about the transition to a new energy model, the preservation of the environment and the responsible consumption of energy.

The workshops are aimed at all stages of formal education, with special attention and support for vulnerable or more complex groups. The programme contents are adapted to the different curricula and educational competencies according to a methodology aligned with the new pedagogical models.

This itinerant action has reached the autonomous communities of Aragon, Catalonia, Community of Madrid, Region of Valencia, with stops in the areas directly affected by the closure of thermal power stations as part of the plan to accompany the facilities in Galicia, Castilla y León and the Principality of Asturias.

The Foundation, given the peculiarity of this year, has offered schools to possibility to conduct educational workshops in virtual format. Through a digital channel adapted to each centre, the educator offers live explanations and energises the activity, encouraging the interaction and participation of all students.

Efigy Education Digital

The Foundation has continued its commitment to content and resources in digital format, periodically updating and expanding those that already exist within the framework of Efigy Education Digital. This ensures universal access to educational and informative material developed by experts on topics such as energy transition, circular economy, sustainability, efficient building, energy efficiency, air quality and new energy technologies, among others.

One of the greatest successes of the programme is that all these resources continue to be accessible to any educational centre free of charge, regardless of its social and economic reality or location, which has fostered equal access to education and educational equity.

Efigy Planet

New pedagogical innovation project to support teachers and aimed at middle and upper primary school students. It has been presented by the Foundation in 2021 as a new differential, interactive and didactic proposal, based on gamification -which motivates students and gives visibility to their learning and progress- and blended learning methodology -which combines digital and face-to-face classroom lessons-. It is designed to be an aid to cross-curricular teaching and prepared to work curricular content on energy, technology and environment.

This platform allows the incorporation of updated contents on energy, technologies, STEM disciplines and environmental sciences to the educational curricula, and encourages each student to experience their own learning process in an individualised way and adapted to their skills and abilities, as well as offering permanent technical support to the teacher. It is the teacher who creates the itineraries for the students and who, by resolving the challenges, can evaluate the results.

This tool also allows the reduction of the digital gap of vulnerable groups, traditionally excluded from the processes of technological development, as it complements an individual action plan for schools in disadvantaged environments. It also provides support and assistance to groups of schoolchildren at risk of exclusion in agreement with the administration in order to give value to public-private collaboration, promoting social equity and directing resources to where they are really needed.

Efigy Technology Competition

In 2021, the Foundation held the 3rd edition of the Efigy Technological Competition, with the support of the Spanish Foundation for Science and Technology (FECYT), which reports to the Ministry of Science and Innovation, the Ministry for the Ecological Transition and the Demographic Challenge (MITECO) and the Spanish National Research Council (CSIC).

During the academic year, around 570 students in the 3rd and 4th years of Obligatory Secondary Schooling (E.S.O) have worked on more than a hundred projects together with their teachers at 67 schools in Aragon, Castilla-La Mancha, Catalonia, Valencia, Galicia, Madrid and La Rioja.

The ultimate goal of this initiative is to encourage technological vocations among young people and the values of energy efficiency, as well as to strengthen their research skills while promoting teamwork.

Planet First LEGO League

The Foundation has joined the STEM alliance for female talent promoted by the Spanish Ministry of Education and Vocational Training to promote female talent in the field of energy among young women.

The #EfigyGirls are the stars of the main initiative in this area. The Foundation has promoted and mentored eight female teams, aged 10 to 16, who have participated in the FIRST LEGO League, with projects related to innovation in the field of energy. Two of them qualified for the grand final FIRST LEGO League España RePLAY, in which a thousand groups from all over the country competed.

In June 2021, Naturgy Chairman Francisco Reynés met, in a hybrid face-to-face and digital event, with the more than 160 girls sponsored by the Foundation who participated in the initiative this year.

Visits to power stations

The educational programme of the Foundation also includes informative actions to transmit to society, in a transparent way, the operation of the facilities of the Naturgy group. This programme of support to other units has led us to organise and carry out visits with educators and specialists from the plants to the Bolarque hydroelectric power station-Museum (Castilla-La Mancha), to the Puerto del Rosario wind farm in Fuerteventura and to the Piletas 1 wind farm in Gran Canaria (Canary Islands).

This activity, available to the educational community and the general public, allows them to discover the peculiarities of the operation of a power station, its close relationship with the environment, the different professional profiles required to carry out its operation, raise awareness of the complexity involved in power generation and distribution, and publicise Naturgy's commitment to renewable energy.

In this context, the Foundation collaborates with the EducaEmprede programme of the Xunta de Galicia, which aims to give Galician schools the opportunity to see first-hand the facilities of leading companies in the technology sector. During 2021, adapting to the health circumstances, a material and a video of the Galician hydroelectric power stations has been created to carry out the sessions in digital format.

Vocational training for employability

Improving employability by optimising vocational education and training (VET) around the theme of energy is an important activity in the framework of the just energy transition. In addition, New technological developments and current social needs linked to energy offer employment opportunities both for young people and active workers, who need to retrain, and for the unemployed who are looking to re-enter the labour market.

It is therefore very important that the private sector and public administrations join forces to adapt training to the real needs of companies working in the field of energy.

In this context, the Naturgy Foundation continues to promote the vocational training programme for employability. A programme that is fully in line with the Just Transition Strategy approved by MITECO, which aims to create an active employment and vocational training policy for coordinated work between administrations and social actors.

The programme offers certified training for VET educators, direct training for students with complementary sessions to their usual classes or refresher courses and new content for employees or unemployed people in the sector.

The most notable initiatives in 2021 under the programme were:

- In collaboration with Unión Fenosa Distribución, adapting the content and conducting training on the digitisation of electricity grids.
- Continuation of the already consolidated training courses on energy advice in vulnerable environments, efficient mobility, gas vehicles, renewable gas and efficient construction and renovation.
- Joining the Alliance for Vocational Training.

- Cooperation agreement with the State Employment Agency (SEPE), which will be guided by this agency in the continuous updating of its catalogue of training specialities developed by Naturgy in the fields of energy, sustainability and the environment. .

In addition to working with the administrations, the Foundation collaborates with experts such as the School of Architects of Catalonia, MINSAIT —leader in digitalisation processes—, BIOVIC —leader in the construction and maintenance of biogas plants—, SEAT, Scania or the Universitat Oberta de Catalunya, with which the training courses are developed in e-learning format.

Naturgy

Transforming together

9

Annexes

9.
Annexes

1. About this report

This Sustainability Report and Statement Non-Financial Information forms part of the Management Report of Naturgy Energy Group, S.A. and of the Consolidated Management Report of Naturgy Energy Group, S.A. and subsidiaries for the 2021 financial year. It is subject to the same approval, filing and publication criteria as these reports and has been verified by an independent verification service provider. By issuing this report, Naturgy Energy Group, S.A. complies with the provisions of Article 262 of the Corporate Enterprises Act and Article 49 of the Commercial Code as amended by Law 11/2018 of 28 December on non-financial reporting and diversity, which transposes Directive 2014/95/EU into Spanish law.

Materiality focus

For the preparation of this 2021 Sustainability Report and Non-Financial Information Statement, Naturgy has based itself on the standards of the Global Reporting Initiative (GRI)—known as GRI Standards—, on the Sustainability Accounting Standards Board (SASB), and has taken into account the requirements of Law 11/2018 on non-financial information.

The company believes that the report has been prepared in accordance with the core or essential level of GRI Standards. The Materiality Disclosures methodology has been applied for yet another year. This methodology reviews the definition of material issues, their scope and the information on the commitment of stakeholders.

Materiality analysis process

To identify material issues, Naturgy has relied on the use of the Datamaran® tool. This tool provides the following advantages:

- Data-driven materiality analysis: Datamaran® is software that enables a comprehensive, data-driven process for monitoring external risks, including Environmental, Social and Governance (ESG) risks. The software technology provides real-time analysis of strategic, regulatory and reputational risks and opportunities. Its use strengthens understanding of ESG, geopolitical, technological and emerging issues, ensures alignment with the different expectations of internal and external stakeholders, and enhances the company's ability to monitor its evolution.
- Dynamic materiality based on diverse sources: the analysis takes into account information published by different companies from all sectors in their annual corporate reports, introduces into the analysis both mandatory regulations and other voluntary policy initiatives, as well as information published in traditional media and social media such as Twitter. The analysis has focused on those issues that experienced an increase in relevance, and also identifies which stakeholders (peers, industry, regulators, general public) were behind the increase. This analysis is carried out regularly throughout the year and makes it possible to monitor those issues that are in the process of materialising, based on a dynamic materiality perspective.

- General issues map adapted to Naturgy's reality: the 21 issues assessed in the materiality analysis have been built from an exhaustive map of 90 issues (topic mapping) included in the tool itself, so that all emerging issues of interest are taken into account in the analysis.

The materiality analysis combines an external view (which issues are considered relevant by the different stakeholders) and an internal view (which aspects are considered to be of greater importance from the company's point of view).

The following sources of information have been incorporated for the external view:

- Comparison of the 22 leading energy companies, mainly European in scope; comparison of 190 companies from 28 countries representative of the water, gas and diversified utilities, electric utilities and electricity generators sectors; and comparison of leading companies in sustainability in various sectors.
- Both mandatory regulations and voluntary initiatives representative of the three sectors mentioned above.
- News appeared in the media for the Utilities and Oil & Gas sectors.
- Mentions on social media such as Twitter.

For the internal vision, an analysis of the annual reports published by Naturgy has been made through the tool to objectively identify which are the most relevant issues in the company's discourse; this analysis has been adjusted according to internal expert knowledge.

List of material aspects at corporate level

Naturgy has identified fourteen material issues, which are detailed below:

Relevant issues	
01. Climate change and energy transition	Environmental
02. Cybersecurity and information security	Governance
03. Circular economy and eco-efficiency	Environmental
04. Occupational safety and well-being of workers	Social
05. Business continuity	Economic
06. Safety of facilities and operations	Economic
07. Diversity and equality	Social
08. Attraction and quality of employment	Social
09. Business integrity, compliance and transparency	Social
10. Talent development	Social
11. Good corporate governance	Governance
12. Biodiversity and natural capital	Environmental
13. Business model resilience	Economic
14. Customer service and satisfaction	Economic

NB: each country has a different prioritisation based on its corporate responsibility agenda.

Matters of the greatest relevance to the company

Of the issues identified as relevant for Naturgy, the first three are considered to be of maximum relevance. For each of these we set out below how the company sees these three issues as making a particular contribution to long-term value creation.

Matters of the greatest relevance	Business motivation	Supporting business strategy	Long-term tracking metrics
Climate change and energy transition	**Business opportunity.** Naturgy's climate action is based on the management and integration of climate change risks and opportunities in the company's strategy. The key lines of action, goals and indicators aim to promote renewable energies, energy efficiency and renewable natural gas, as well as to offer innovative solutions for transport that contribute to the reduction of emissions and the improvement of air quality in cities.	Naturgy's strategy for the next five years focuses on growth that contributes to the energy transition by focusing on renewable projects. The company has an investment target of Euros 8.700 billion on renewables, which will enable it to triple its installed renewable capacity to 14GW of installed capacity. In addition, projects worth Euros 13.9 billion have been submitted to the NextGen EU to develop renewable gases, among others.	This target for investment in renewables is accompanied by emission reduction targets in the three scopes so that by 2025 the group's total emissions will have been reduced by 24% compared to 2017. In addition, Naturgy is committed to achieving zero net emissions by 2050.
Cybersecurity and information security	**Risk reduction.** Naturgy's transformation involves increasing its digital footprint, both in customer relations and in the management of its networks and assets in general. In this context, it is critical to have infrastructures and information systems that are secure and safe from threats.	Being a best-in-class operator is one of the company's strategic pillars through the transformation of its operations to simplify and digitise them. Over the next five years, Naturgy will spend Euros 1.2 billion to reposition its services through the digitisation of systems.	Reach a level of 790 points in 2025 in the international BitSight index.

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Circular economy and eco-efficiency	**Business opportunity.** Promoting renewable gas as an energy and storage vector that contributes to the transition to a circular and low-carbon economic model.	The future of natural gas lies in achieving decarbonisation. Naturgy, in its Strategic Plan 2021-2025, sets ambitious targets for renewable gases with the implementation of projects in areas of just transition.	Development of renewable gas projects for more than 1TWh in 2025.

Map of material issues

In order to respond to the requirements of the GRI Standards, a map of material issues that identify what represents a material issue for Naturgy and where it is relevant is provided. As regards the latter criterion, Naturgy identifies the materiality of the issue from three standpoints on this map:

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

#	Material Aspects for Naturgy	Nature	Stages of the value chain where the material issues have greatest impact							Impact of the aspect inside and/or outside the organisation by stakeholder	Sustainability Report and Non-Financial Information Statement 2021 chapter that deals with the issue
			Gas				Electricity				
			Procurement	Transport	Distribution	Commercialisation	Generation	Distribution	Commercialisation		
01	**Climate change and energy transition**	EN	■	■	■		■	■		Shareholders · Investors I Suppliers I Business partners I Analysts I Society I Administrative staff · Regulatory bodies I Financing groups I Customers I Insurance and reinsurance agencies.	The opportunity of environmental challenges.
02	**Cybersecurity and information security**	SO	■	■	■	■	■	■	■	Shareholders · Investors I Suppliers I Business partners I Analysts I Society I Administrative staff · Regulatory bodies I Financing groups I Customers I Insurance and reinsurance agencies.	Integrity and trust.
03	**Circular economy and eco-efficiency**	EN	■	■	■	■	■	■	■	Suppliers I Business partners I Employees I Analysts I Society I Administrative staff · Regulatory bodies I Insurance and reinsurance agencies.	The opportunity of environmental challenges.
04	**Occupational safety and well-being of workers**	SO	■	■	■	■	■	■	■	Shareholders · Investors I Suppliers I Business partners I Analysts I Society I Administrative staff · Regulatory bodies I Financing groups I Customers I Insurance and reinsurance agencies.	Commitment and talent.
05	**Business continuity**	EC	■	■	■	■	■	■	■	Shareholders · Investors I Suppliers I Business partners I Analysts I Society I Administrative staff · Regulatory bodies I Financing groups I Customers I Insurance and reinsurance agencies	Integrity and trust.
06	**Safety of facilities and operations**	EC		■	■		■	■		Suppliers I Employees I Business partners I Analysts I Society I Administrative staff · Regulatory bodies I Financing groups I Customers I Insurance and reinsurance agencies	Integrity and trust.

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#	Material Aspects for Naturgy	Nature	Stages of the value chain where the material issues have greatest impact							Impact of the aspect inside and/or outside the organisation by stakeholder	Sustainability Report and Non-Financial Information Statement 2021 chapter that deals with the issue
			Gas				Electricity				
			Procurement	Transport	Distribution	Commercialisation	Generation	Distribution	Commercialisation		
07	**Diversity and equality**	SO	■	■	■	■	■	■	■	Shareholders · Investors I Employees I Analysts I Society I Administrative staff · Regulatory bodies.	Commitment and talent.
08	**Attraction and quality of employment**	SO	■	■	■	■	■	■	■	Shareholders · Investors I Employees I Analysts I Society I Administrative staff · Regulatory bodies.	Commitment and talent.
09	**Business integrity, compliance and transparency**	SO	■	■	■	■	■	■	■	Shareholders Investors I Suppliers I Business partners I Employees I Analysts I Market agents I Society I Administration · Regulatory bodies I Financing groups I Customers I Insurance and reinsurance agencies.	Integrity and trust.
10	**Talent development**	SO	■	■	■	■	■	■	■	Shareholders · Investors I Employees I Analysts I Society I Administrative staff · Regulatory bodies.	Commitment and talent.
11	**Good corporate governance**	SO	■	■	■	■	■	■	■	Shareholders · Investors I Analysts I Administrative staff · Regulatory bodies I Financing groups.	Integrity and trust.
12	**Biodiversity and natural capital**	EN	■	■	■		■	■		Shareholders · Investors I Suppliers I Business partners I Employees I Analysts I Society I Administrative staff · Regulatory bodies I Insurance and reinsurance agencies.	The opportunity of environmental challenges.
13	**Business model resilience**	EC	■	■	■	■	■	■	■	Shareholders · Investors I Suppliers I Business partners I Analysts I Society I Administrative staff · Regulatory bodies I Financing groups I Customers I Insurance and reinsurance agencies.	Integrity and trust.

Continues ›

#	Material Aspects for Naturgy	Nature	Stages of the value chain where the material issues have greatest impact							Impact of the aspect inside and/or outside the organisation by stakeholder	Sustainability Report and Non-Financial Information Statement 2021 chapter that deals with the issue
			Gas				Electricity				
			Procurement	Transport	Distribution	Commercialisation	Generation	Distribution	Commercialisation		
14	**Customer service and satisfaction**	EC		■	■		■	■		Suppliers I Employees I Business partners I Analysts I Society I Administrative staff · Regulatory bodies I Financing groups I Customers I Insurance and reinsurance agencies	Customer experience.

Materiality of the aspects of Law 11/2018

The materiality analysis has shown that almost all the aspects required by Law 11/2018 on non-financial information are material for the specific activities performed by Naturgy. In this regard, according to the independent review report, this report has met all those aspects required by Law 11/2018 that are material to Naturgy.

Only food waste and light and noise pollution have not been identified as material. Food waste is not a relevant issue for the company because the company's activity is not linked to the food sector and the company does not engage in intensive food consumption. Likewise, the environmental risk analyses carried out by the company have determined that the company does not have a significant or relevant impact on light and noise pollution.

Scope of the information

The financial and non-financial data of Naturgy Energy Group, S.A. and its subsidiaries -the Naturgy group- (hereinafter, Naturgy, the "company" or the "group") presented in this report are consolidated and refer to all activities carried out during 2021 as a global gas and electricity operator.

In general:

- Those indicators that plot progress throughout the year must reflect information on companies held for sale except where indicated otherwise in a footnote, while the indicators that represent information at year-end will not include information in connection with such companies.
- As these are consolidated data, they do not include companies consolidated using the equity method.

There are particularities in some chapters::

- In the field of human resources, the reported information refers to the countries in which Naturgy operates and where it has established companies with hired staff assigned to these countries and where the company performs centralised management of its human resources policies, except the number of employees.
- With regard to the environment, the disclosures refer solely to those companies or activities that are at least 50% owned or controlled by the company, which have the capacity to influence environmental management and have the capacity to make a significant impact, based on global data.

Appendix I of the Consolidated Annual Accounts, entitled "Naturgy Companies", contains a complete list of the companies belonging to Naturgy at 31 December 2021.

Changes in the consolidation scope are described in Appendix II of the Consolidated Annual Accounts.

Compliance with benchmark standards

The company prepares its report in accordance with the GRI Standards, and includes the applicable additional information required by the GRI "Electric Utilities" and "Oil and gas" supplements. The company therefore considers that this report has been prepared in accordance with the Core option of the GRI Standards. In addition, it has followed the indicators identified in the standards of the "Electric Utilities & Power Generators" and "Gas Utilities & Distributors" sectors by the Sustainability Accounting Standards Board (SASB).

This report has also been drawn up in accordance with the AA1000AP (2018) standard and the United Nations Guiding Principles Reporting Framework.

- AA1000AP (2018) standard: the purpose of this standard is to provide organisations with a set of principles to situate and structure the way in which they understand, govern, administrate, implement, assess and surrender their accounts in sustainability performance.
- The Global Reporting Initiative Standards: in accordance with the Global Reporting Initiative recommendations, the balanced and reasonable presentation of the organisation's performance requires application of certain principles to determine the content of public information on this issue and to guarantee its quality.
- United Nations Guiding Principles Reporting Framework: the idea behind this framework is that the companies should report all information relating to human rights in line with the UN Guiding Principles on Business and Human Rights.
- SASB Standards: the purpose of the Sustainability Accounting Standards Board is to identify and guide the disclosure of financially relevant sustainability-related information by companies to their investors.

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

Application of the AA1000AP (2018) standard.

- Inclusivity: in relation to this principle, the numerous actions aimed at stakeholders for consultation and dissemination carried out throughout the year are particularly relevant.
- Relevance: the relevant matters for Naturgy are included in its Corporate Responsibility Policy, updated in 2019. A major part of this report is structured according to said matters. The contents of this report are also determined by the materiality study.
- Response capacity: this includes key performance indicators of the company, as well as its core policies, strategies, management systems and initiatives in the spheres taken into account.
- Impact: this includes information on the effect of Naturgy's behaviour, performance and/or results on the economy, the environment, society, the stakeholders and the company itself.

Principles for drafting this report.

- Stakeholder participation: the company has identified its stakeholders and their expectations and has specified actions to establish a two-way dialogue with them. For further information, see the sections included in this report on "Naturgy's stakeholders".
- Sustainability context: the report analyses the company's performance in the context of the social, environmental and economic requirements of its social and market environments. The sections on business model, strategy and sustainable opportunities focus specifically on this area.
- Materiality: the issues identified in the materiality study 2021 have been considered as material and have been included in the Sustainability Report and the Non-Financial Information Statement 2021.
- Thoroughness: the outline of contents have been 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 Naturgy has on its environment and on its own business targets have been taken into consideration.

Quality of the information disclosed.

- Accuracy: all the information in the report is necessary and given in sufficient detail for the company's stakeholders to be able to value its performance in an appropriate manner.
- Balance: the report clearly shows the positive and negative aspects of the organisation's performance, which enables a reasonable valuation thereof.
- Clarity: the information is presented in a way that is understandable and accessible. 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.
- Comparability: the information given in this report is consistent and makes it possible to analyse the evolution of the company performance over time and be compared with other companies.
- Reliability: the figures given in this report have been verified by KPMG. The drafting of the report took into account the four principles required by the AccountAbility AA1000AP (2018) standard, and whether or not the information disclosed responds to the stakeholders' concerns and requirements.
- Frequency: Naturgy publishes its Sustainability Report and Non-Financial Information Statement annually, as soon as the information is available, so that the stakeholders have a good understanding of the company.

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United Nations Guiding Principles Reporting Framework.

- Setting human rights reporting in the business context.
- Meeting a minimum threshold of information.
- Demonstrating ongoing improvement.
- Focusing on respect for human rights.
- Addressing the most severe impacts on human rights.
- Providing balanced examples from relevant geographies.
- Explaining any omission of important information.

Verification

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

In these policies and in accordance with the Global Reporting Initiative recommendations, Naturgy commissions an annual verification of the contents of its report by an independent third party.

This report, corresponding to 2021 has been verified by KPMG, which reviews the adaptation of the contents of the Sustainability Report and Statement of Non-Financial Information to that indicated in the recommendations of the Global Reporting Initiative, in the AA1000AP standard (2018) and in Law 11/2018 on non-financial information and diversity.

As a result of the said process, an independent review report is drawn up to include the goals and scope of the review, as well as the verification procedures used and the corresponding conclusions, which can be consulted in the "Additional information" chapter of this report.

Queries and additional information

In addition to this report, Naturgy has published the following reports in 2021 which include both financial and non-financial information:

- Corporate Governance Report.
- Audit and Control Committee Report.

It should also be noted that Naturgy publishes local corporate responsibility reports in the main countries where it operates.

Readers can send their questions, queries or requests for information via the corporate website: https://www.naturgy.com/inicio.

Glossary of non-financial indicators

Indicator	Definition
Investment in innovation	Amount in euros allocated to innovation activities.
Overall satisfaction with service quality	Customers' degree of satisfaction with the quality of global service on a scale from 1 to 10 (in Chile from 1 to 7), broken down by country or geographical region.
Direct greenhouse gas emissions (GHG)	Greenhouse gas emissions (GHG) caused by sources owned by or controlled by the company.
Emission factor for electricity generation (tCO2/GWh)	Emission rate as a result of electrical generation activity arising from the ratio of the amount of atmospheric pollution emitted (tonnes of carbon dioxide) divided by energy generated (GWh).
Installed capacity free of emissions (%)	% that represents the installed capacity in hydro, mini-hydro, wind, nuclear and solar technologies over the total installed capacity at the year-end.
Net production free of emissions (%)	% representing the net output of hydro, mini-hydro, wind, nuclear and solar technologies over total net output.
Activity with ISO 14001 environmental certification (%)	Percentage of Ebitda corresponding to companies certified (*) by means of the environmental management model included in the ISO 14001 standard, with respect to total Ebitda generated by activities that have an environmental impact. (*) Certified companies have been included as companies assimilated to certified companies pursuant to the following definition: - Those parent companies whose subsidiaries, of which they are more than 50% owned, are practically all certified. - Those companies that concentrate corporate services only from certified companies. - Those companies whose parent company concentrates corporate services and is certified.
Water consumption	Volume of water consumed by the company's activities.
Consumption of raw materials	Thousands of tonnes of raw materials used in the company's main processes.
Direct energy consumption	It represents the difference between the consumption of non-renewable fuels, electricity purchased for consumption and renewable electricity generated, less the electricity and steam sold.

Continues ›

Indirect energy consumption	It represents the consumption by the final use of the natural gas distributed/marketed.
Generation of hazardous waste (kt)	Amount of most representative hazardous waste generated.
Resources targeted at the prevention of environmental risks	Amount allocated to investments and expenditure on environmental matters.
Distribution of employees by age, country, gender and professional category	Distribution of employees by age, country, gender and professional category t year-end.
Annual average of indefinite and temporary contracts by age, gender and professional category	Percentage of employees recruited by type of contract at year-end and annual average of temporary contracts by age, gender and category.
Rotation index	Layoffs/average staff.
Voluntary rotation index	Voluntary layoffs/average staff.
Number of dismissals by age, gender, and professional category	Number of persons dismissed, either rightly or wrongly, classified by age, gender and professional category.
Salary gap	Difference between men's and women's wages, calculated as the difference between men's and women's wages, divided by men's wages. The result above zero represents the percentage of salary below men that women receive. The result below zero represents the percentage of salary above men that women receive.
Average remuneration by age, gender, and professional category. Average remuneration of directors and senior managers	Amount of the average remuneration of staff classified by country, age, gender and professional category. Amount of directors' and senior managers' remuneration weighted by the number of directors and executives.
Personnel costs (million euro)	Monetary amount representing the staff expenses for the company (wages and salaries, Social Security expenses, defined contribution plans, defined benefit plans, works performed on the company's fixed assets, and others).
Percentage of employees covered by collective bargaining agreements	Percentage of employees by country whose contract is covered by a collective bargaining agreement.

Continues >

Indicator	Definition
Staff trained (%)	Percentage of staff who have received training.
Total training hours	Total hours of training received by staff.
Annual investment in training (euros)	Total monetary amount invested by the company in employee training.
People with disabilities integration index	Percentage of employees in Spain with disabilities.
No. of lost time accidents	Number of work accidents with days lost (whether or not fatal).
Days lost	Workdays lost due to occupational accidents. Calculated from the day following the day the medical leave is received and considering calendar days.
Fatalities	Number of workers who have died due to work accidents.
Number of hours worked	Total actual hours worked in the company.
Number of days lost	Total days off as a result of recorded occupational accidents.
Lost time accidents frequency rate	Number of accidents with lost time occurring during the working day per 200,000 hours worked.
Lost time accidents severity rate	Number of days lost as a result of work accidents per 200,000 hours worked.
Occupational illnesses	Illnesses caused by work activity.
Absenteeism	Hours of absenteeism due to occupational and non-occupational illness.
Total number of suppliers	Number of suppliers who have remained active (registered in the supplier database) during the year, and who have been awarded purchases in the year; total and broken down by country.
Total purchase volume awarded	Total monetary amount corresponding to the awards of the year, considering 100% of the awards whose period of validity is less than 365 days, as well as the annualised amounts corresponding to 2021 for the awards of more than 365 days.
Purchasing budget targeted at local suppliers (%)	Amount of budget used for the procurement of suppliers located in the geographical area from where the purchases are made over the total procurement budget.
ESG (Environmental, Social and Governance) supplier assessment	Total number of suppliers that have been active (registered in the supplier database) during the year, evaluated in accordance with ESG criteria, regardless of whether or not they have been awarded, or have provided a service/product to Naturgy during the year.

Continues ›

Number of critical suppliers	Number of suppliers classified as “High” risk, who have remained active (registered in the supplier database) during the financial year, and who have provided products/ services to Naturgy during the financial year.
Official-approval suspended suppliers	Suppliers who have not passed the supplier approval process.
Sponsorship and social action investment	Economic contribution to social action or investment and sponsorship and patronage programmes.
Distribution by type of social action (%)	Distribution of investments by reason for initiatives, broken down according to the London Benchmarking Group (LBG) methodology.
Sponsorship and social action activities	Number of sponsorship, patronage and social action activities carried out by the company.
Queries and notifications to the Code of Ethics	Number of communications relating to the Code of Ethics and Anti-Corruption Policy which have been received by the Code of Ethics Committee.
No. of notifications received per 200 employees	Ratio of number of communications received relating to the Code of Ethics and the Anti-Corruption Policy which have been received by the Code of Ethics Committee per 200 company employees.
Average time for resolving notifications (days)	Average number of days from the time the company receives the communications until it resolves them.
Audit projects analysed on the basis of operational risks	Number of audit projects analysed on the basis of operational risks.
Notifications received in the area of human rights	Number of communications which the company has received concerning human rights.
Number of persons trained on the Human Rights Policy	Number of employees who have taken part in training on the Human Rights Policy.
Tax contribution	Amount of taxes actually paid by country and segmented between those that represent an effective expense for the group and those that are withheld or passed on to the end taxpayer.

Greenhouse gas (GHG) emissions inventory calculation methodology

Assessment and reduction of uncertainty

The uncertainty associated with reporting Scope 1 emissions for 2020 is 6.7%.

For facilities under the EU Emissions Trading Scheme, in accordance with Decision 2007/589/EC of 18 July, uncertainties regarding GHG emission values will be lower than those corresponding to the approach levels approved by the competent authority. For all other emission sources, the uncertainty associated with the calculation of GHG emissions is a combination of the uncertainties associated with the activity data and emission factors, using the references established in 2.38. IPCC 2006 GHG, vol. 2, table 2.12.

To minimise the uncertainty associated with the activity data, all emission sources have environmental and quality management systems that conform to ISO 14001:2015 and ISO 9001:2015 standards. In order to minimise the uncertainty associated with the emission factors, official sources are always used, as are, by default, the core values recognised in the 2006 IPCC Guidelines for GHG Inventories.

Methodology

To quantify Naturgy's greenhouse gas emissions, an application and calculation methodology has been developed based on the following standards and methodologies:

- Scopes 1, 2 and 3 emissions are included according to "The Greenhouse Gas Protocol. A Corporate accounting and reporting standard".
- Scope 3 reported in accordance with Corporate Value Chain (Scope 3).
- It includes the emissions of the six GHG set out in IPCC in accordance with the 2006 IPCC Guidelines for national GHG inventories (hereinafter 2006 IPCC GHG).
- Standard UNE-ISO 14064-1. Greenhouse gases. Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals.
- Standard UNE-ISO 14064-2. Greenhouse gases. Part 2: Specification with guidance at the project level for quantification, monitoring and reporting of greenhouse gas emission reductions or removal enhancements.
- Standard UNE-ISO 14064-3. Greenhouse gases. Part 3: Specification with guidance for the verification and validation of greenhouse gas statements.
- Definition of the life cycle in accordance with the UNE- EN-ISO 14040 and ENE-EN-ISO 14044 standards for life cycle analysis.
- Specific emission factors are used in accordance with the 2006 IPCC guidelines for national GHG inventories (hereinafter 2006 IPCC GHG) and other verifiable documentary and bibliographic sources.

Operational limits

Naturgy's carbon footprint inventory includes GHG emissions from the following group activities:

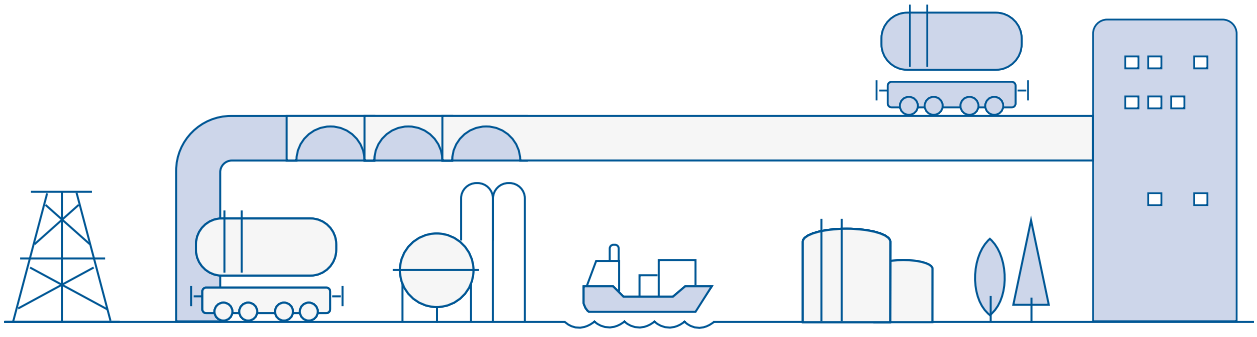
- Extraction, road transport, maritime transport, distribution and commercialisation of natural gas.
- Thermal power stations from coal and fuel oil, combined-cycle power stations, cogeneration, generation at wind farms, photovoltaic power stations and hydroelectric power stations.
- Distribution of electrical power.
- Offices, fleets and travel.

Within the aforementioned activities, different calculation units corresponding to each of the facilities comprising those activities have been defined. These calculation units or facilities are treated according to the global consolidation criteria, in accordance with the shareholding percentages.

Life cycles of fuels used

Energy (fuels, electricity) is consumed throughout the various processes, producing emissions throughout its life cycle. A diagram with the life cycles of the main fuels used is included below.

The fuels used in both fixed sources (fuels from thermal power stations, offices, gas transport and distribution facilities, etc.) and in mobile sources have been considered.



<table>
<tr><th>Extraction and treatment</th><th>Transport</th><th>Transformation</th><th>Transport</th><th>Transformation</th><th>Transport</th><th>Consumption</th></tr>
<tr><td rowspan="2"></td><td>Road transport</td><td rowspan="2"></td><td rowspan="3">Maritime transport</td><td rowspan="2"></td><td rowspan="3">Road transport</td><td>Stationary sources</td></tr>
<tr><td>Oleoducto</td><td rowspan="2">Refining</td><td rowspan="3">Stationary sources and mobile sources</td></tr>
<tr><td rowspan="2">Gas natural</td><td>Gas pipelines</td><td>Liquefaction</td><td>Regasification</td><td>Gas pipeline</td></tr>
<tr><td colspan="5">Gas pipeline</td></tr>
</table>

Electrical energy

Emissions derived from electrical energy have only been considered when it is used in primary energy terms and is not generated by any of the group's calculation units:

- Electricity consumption purchased from external suppliers.
- Losses arising from the transport and distribution of energy distributed and not generated by the company in each country.
- Emissions from the life cycle of the fuels used in the generation mix of each country.

Geographical limits

All the countries in which activities are carried out, as well as the countries from which the fuels originate, have been considered.

For the annual preparation of the inventory, a series of prior studies are carried out to update the initial data, such as the review of gas, coal and crude oil supply routes (there are more than 500 routes connecting 165 extraction points in 30 destination countries).

Three types of data are updated each year:

- Characteristics of the extraction points (specific factors depending on the country, technology, type of well or mine, etc.).
- Definition of the routes themselves (distances from each country of passage and specific factors).
- Fuel balances in destination countries.

Types of emissions

Scope 1

Direct GHG emissions, meaning those from sources controlled by the company itself.

Scope 2

Indirect emissions due to the generation of electricity that is acquired by the company for its own consumption but is not generated by the group.

Scope 3

Indirect emissions, not included in Scope 2, derived from the value chain of activities, including upstream and downstream emissions, over which the group has no direct influence or control. Within the categories defined by the GHG Protocol, those with a weight of less than 1% have been excluded, provided that the sum of all of them does not exceed 5%. The categories reported are:

- Fuel life cycles: emissions derived from the life cycles of fuels. This category includes the following subcategories:
  - Emissions derived from the extraction, treatment (liquefaction and regasification) and transport (by gas pipeline and/or methane tanker not owned by the company) of natural gas.
  - Emissions derived from the extraction, treatment (refining) and transport (by oil pipeline and/or oil tanker) of petroleum products.
  - Emissions produced in the life cycles of the fuels used for electricity generation of the energy mix of each country.
  - Emissions due to electricity losses in the transmission and distribution of electricity consumed but not generated.
- Business trips: emissions derived from the movement of employees by plane, train or any other means of transport not belonging to the fleet of vehicles owned by the group. It is divided into two subcategories:
  - Trips made by company employees by train.
  - Trips made by company employees by plane.
- Employees commutes: emissions derived from employees commuting from their respective homes to the workplace.
- End use of products sold: emissions derived from the combustion of products, which correspond to those derived from the combustion of natural gas sold by the group to the customer, discounting the gas consumed within the organisation.
- Investments: includes emissions derived from the investment in Unión Fenosa Gas.

Organisational limits

The GHG emissions inventory in the Carbon Footprint Report includes all businesses and activities under financial consolidation criteria, according to the shareholding percentages.

Emission factors used

Unit	Unit	Value	Source
LCV ng	MJ/kg	48.2	OECC Carbon Footprint Calculation Guide v.15 (June 2020).
HCV ng	MJ/kg	53.496	OECC Carbon Footprint Calculation Guide v.15 (June 2020).
LCV petrol	MJ/kg	44.3	OECC Carbon Footprint Calculation Guide v.15 (June 2020.
LCV diesel/gas oil A & C Spain	MJ/kg	43	OECC Carbon Footprint Calculation Guide v.15 (June 2020).
LCV ethanol	MJ/kg	27	Table 1.2. 2006 IPCC Guidelines for National Greenhouse Gas Inventories.
LCV biodiesel	MJ/kg	27	Table 1.2. 2006 IPCC Guidelines for National Greenhouse Gas Inventories.
LCV fuel oil	MJ/kg	40.4	OECC Carbon Footprint Calculation Guide v.15 (June 2020).
Density ng	kg/m^3	0.8076	Naturgy internal data.
Density petrol	kg/l	0.7475	OECC Carbon Footprint Calculation Guide v.15 (June 2020).
Density diesel/gas oil A	kg/l	0.8325	OECC Carbon Footprint Calculation Guide v.15 (June 2020).
Density diesel/gas oil C	kg/l	0,9	OECC Carbon Footprint Calculation Guide v.15 (June 2020).
Density ethanol	kg/l	0.789	Naturgy internal data.
Density biodiesel	kg/l	0.845	Royal Decree 61/2006.
Density methane	kg/m^3	0.7175	Naturgy internal data.
Density propane	kg/l	0.5185	CEPSA product sheet.
LCV propane	MJ/kg	46.2	OECC Carbon Footprint Calculation Guide v.15 (June 2020).
HCV propane	MJ/kg	49.98	CEPSA product sheet.
EF CO_2 petrol	kg CO_2/GJ	69.3	OECC Carbon Footprint Calculation Guide v.15 (June 2020).
EF CH_4 petrol	kg CH_4/GJ	0.025	Table 3.2.2. 2006 IPCC Guidelines for National Greenhouse Gas Inventories.
EF N_2O petrol	kg N_2O/GJ	0.008	Table 3.2.2. 2006 IPCC Guidelines for National Greenhouse Gas Inventories.
EF CO_2 diesel/gas oil A	kg CO_2/GJ	74.1	OECC Carbon Footprint Calculation Guide v.15 (June 2020).
EF CO_2 diesel/gas oil C	kg CO_2/GJ	73	OECC Carbon Footprint Calculation Guide v.15 (June 2020).
EF CH_4 diesel/gas oil fixed sources (“fs”)	kg CH_4/GJ	0.01	Table 2.4. 2006 IPCC Guidelines for National Greenhouse Gas Inventories.
EF N_2O diesel/gas oil fs	kg N_2O/GJ	0.0006	Table 2.4. 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

Continues ›

	Unit	Unit	Value	Source
EF CO_2 MDO carriers		tCO_2/tMDO	3.206	4th IMO GHG survey (July 2020): based on Resolution MEPC.308(73). (adopted on 26 October 2018) 2018 Guidelines On The Method Of Calculation Of The Attained Energy Efficiency Design Index (EEDI) for New Ships.
EF CH_4 diesel/gas oil mobile sources (“ms”)		kg CH_4/GJ	0.007	Table 3.5.3. 2006 IPCC Guidelines for National Greenhouse Gas Inventories.
EF N_2O diesel/gas oil ms		kg N_2O/GJ	0.002	Table 3.5.3. 2006 IPCC Guidelines for National Greenhouse Gas Inventories.
EF CH_4 diesel/gas oil power generation		kg CH_4/GJ	0.003	Table 2.2. 2006 IPCC Guidelines for National Greenhouse Gas Inventories.
EF N_2O diesel/gas oil electric generation		kg N_2O/GJ	0.0006	Table 2.2. 2006 IPCC Guidelines for National Greenhouse Gas Inventories.
EF CO_2 HFO carriers		tCO_2/tHFO	3.1144	4th IMO GHG survey (July 2020): based on Resolution MEPC.308(73). (adopted on 26 October 2018) 2018 Guidelines On The Method Of Calculation Of The Attained Energy Efficiency Design Index (EEDI) for New Ships.
EF CH_4 fuel oil ms		kg CH_4/GJ	0.007	Table 3.5.3. 2006 IPCC Guidelines for National Greenhouse Gas Inventories.
EF N_2O fuel oil ms		kg N_2O/GJ	0.002	Table 3.5.3. 2006 IPCC Guidelines for National Greenhouse Gas Inventories.
EF CH_4 fuel oil electricity generation		kg CH_4/GJ	0,003	Table 2.2. 2006 IPCC Guidelines for National Greenhouse Gas Inventories.
EF N_2O fuel oil electricity generation		kg N_2O/GJ	0.0006	Table 2.2. 2006 IPCC Guidelines for National Greenhouse Gas Inventories.
EF CH_4 domestic coal		kg CH_4/GJ	0.0006	Table. 1.4.2. (01.01.01) National Atmospheric Emission Inventories 1990-2012. Volume 2: Analysis by SNAP Activities.
EF N_2O domestic coal		kg N_2O/GJ	0.0008	Table. 1.4.2. (01.01.01) National Atmospheric Emission Inventories 1990-2012. Volume 2: Analysis by SNAP Activities.
EF CH_4 imported coal		kg CH_4/GJ	0.0006	Table 1.4.2. (01.01.01) National Atmospheric Emission Inventories 1990-2012. Volume 2: Analysis by SNAP Activities.
EF N_2O imported coal		kg N_2O/GJ	0.0008	Table 1.4.2. (01.01.01) National Atmospheric Emission Inventories 1990-2012. Volume 2: Analysis by SNAP Activities.
EF CH_4 coke		kg CH_4/GJ	0.0003	Table 1.4.2. (01.01.01) National Atmospheric Emission Inventories 1990-2012. Volume 2: Analysis by SNAP Activities.
EF N_2O coke		kg N_2O/GJ	0.0025	Table 1.4.2. (01.01.01) National Atmospheric Emission Inventories 1990-2012. Volume 2: Analysis by SNAP Activities.
EF CO_2 natural gas		kg CO_2/GJ	56.13	OECC Carbon Footprint Calculation Guide (2021).
EF CH_4 natural gas fs		kg CH_4/GJ	0.005	Table 2.4. 2006 IPCC Guidelines for National Greenhouse Gas Inventories.
EF N_2O natural gas fs and electricity generation		kg N_2O/GJ	0.0001	Table 2.2. 2006 IPCC Guidelines for National Greenhouse Gas Inventories.
EF CH_4 natural gas ms		kg CH_4/GJ	0.092	Table 3.2.2. 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

Continues >

Unit	Unit	Value	Source
EF N_2O natural gas ms	kg N_2O/GJ	0.003	Table 3.2.2. 2006 IPCC Guidelines for National Greenhouse Gas Inventories
EF CH_4 natural gas electricity generation	kg CH_4/GJ	0.001	Table 2.2. 2006 IPCC Guidelines for National Greenhouse Gas Inventories
EF CO_2 LNG carriers	tCO_2/tGNL	2.75	4th IMO GHG survey (July 2020): based on Resolution MEPC.308(73). (adopted on 26 October 2018) 2018 GUIDELINES ON THE METHOD OF CALCULATION OF THE ATTAINED ENERGY EFFICIENCY DESIGN INDEX (EEDI) FOR NEW SHIPS
EF CH_4 natural gas carriers	kg CH_4/GJ	0.004	Table 2.7. 2006 IPCC Guidelines for National Greenhouse Gas Inventories. By analogy with the type of turbine. Gas turbines >3MW.
EF N_2O natural gas carriers	kg N_2O/GJ	0.001	Table 2.7. 2006 IPCC Guidelines for National Greenhouse Gas Inventories. By analogy with the type of turbine. Gas turbines >3MW.
EF CO_2 propane	kgCO_2/GJ	63.6	OECC Carbon Footprint Calculation Guide.
EF CH_4 propane ms	kgCH_4/GJ	0.062	Table 3.2.2. 2006 IPCC Guidelines for National Greenhouse Gas Inventories LPG.
EF N_2O propane ms	kgCO_2/GJ	0.0002	Table 3.2.2. 2006 IPCC Guidelines for National Greenhouse Gas Inventories LPG.
EF CH_4 propane fs	kgCO_2/GJ	0.005	Table 2.4. 2006 IPCC Guidelines for National Greenhouse Gas Inventories.
EF NO_2 propane fs	kgCO_2/GJ	0.0001	Table 2.4. 2006 IPCC Guidelines for National Greenhouse Gas Inventories.
GWP Methane	kgCO_2/kgCH4	28	IPCC 6th Assessment Report.
GWP SF_6	kgCO_2/tSF6	23500000	IPCC 6th Assessment Report.
GWP N_2O	kgCO_2/tN2O	265000	IPCC 6th Assessment Report.
GWP HFC	kgCO_2/tHFC	12,400,000	IPCC 6th Assessment Report.
GWP PFC	kgCO_2/kg PFC	11,100,000	IPCC 6th Assessment Report.

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