

Corporate  
Responsibility  
Report  
**2019**





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Responsibility  
Report  
**2019**



A new challenge  
every day,  
caring for you,  
caring for us all

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# Letter from the Chairman

— [102-1] and [102-14]



Dear reader,

At this time when we are experiencing the worst health crisis that we as a society have faced in the last century, it is imperative that we make reference in the Corporate Responsibility Report 2019 to our social commitment and the impact that this global pandemic is having on our activity.

The first of the measures taken by Naturgy has been to protect the health of our employees in all the countries where we operate, ensuring the best preventive practices are followed to protect those employees involved in providing essential services, while making available all the necessary means for all others to be able to work remotely from their homes. Furthermore, we have been pioneers in designing a plan to return to ordinary activity in stages, ensuring a return to work with the greatest assurances and adhering to the recommendations and protocols set out by national and international health authorities.

Naturgy has taken on a commitment to help mitigate the effects of this pandemic, particularly in relation to vulnerable groups, families, self-employed individuals and SMEs. Consequently, we led the way in implementing a series of measures for this purpose, such as deferral of payment of electricity, gas and service bills, and payment flexibility through interest-free financing. Our essential aim is to help our more than four million domestic customers and 250,000 SMEs and self-employed professionals in Spain.

Moreover, the company has also identified and implemented measures in all Latin American countries where it has operations. These measures were taken in line with the evolution of the pandemic in that region, some of which are common to all countries, such as the suspension of service cuts or the postponement or renegotiation of bill payments, and others differentiated according to the reality of each area.

The company also made the decision to advance payments to a large number of our suppliers in order to provide these companies with as much financial stability as possible, which will also help to maintain employment in Spain's productive fabric in the face of this situation. Up to 1,100 suppliers, employing about 16,000 people, have taken advantage of this measure. In other countries such as Argentina, Chile and Mexico, among others, measures have also been implemented to facilitate the liquidity of these companies.

Naturgy has also been able to be of service to society by offering free energy, both electricity and gas, to hotels and residential facilities that have offered their facilities to the health services owing to the saturation of hospitals. Specifically, as many as 36 hotels that have been converted into makeshift hospitals have already joined this initiative. In addition, Naturgy has also offered free gas to the IFEMA exhibition centre in Madrid and the Fira exhibition centre in Barcelona which have been used as field hospitals.

I would also like to make specific mention of the solidarity and initiatives launched by Naturgy employees during this whole period, and to express the pride I feel of being a part of the team. Through the Tu Idea Suma ('Your Idea Counts') programme, which was created specifically for this occasion, the company's employees put forward 221 initiatives, including some of the measures I have previously described, with which to combat Covid-19. The complementary programme, Tu Solidaridad Suma ('Your Solidarity Counts') was also launched to raise funds through donations from employees. In a matter of only a few days in Spain alone the sum of Euros 1,100,000, to which the company also contributed, was collected and given to the Spanish Red Cross for the purchase of medical equipment for hospitals. This campaign was replicated in the other countries where the company operates, with the proceeds donated to local branches of the Red Cross or directly to health institutions.

Fortunately, Naturgy has not been alone in showing solidarity and social responsibility and its initiatives have been part of an outpouring of actions by thousands of companies of all sizes and sectors that are contributing with their workforce and services to the mitigation of this crisis. We acknowledge their spirit of solidarity and collaboration that is so essential at this time.

The importance of the measures taken to respond to this crisis has not distracted us from our strategy in the field of sustainability. We are deeply aware of the current economic and social context and the fact that it is unquestionably influenced by such challenges as climate change and the continuous loss of biodiversity. The significant and far-reaching nature of these impacts requires a clear vision of the future and a framework that will allow the private sector, governments and the rest of society to act swiftly and effectively.

This framework for action has mainly been defined by the Paris Agreement and the United Nations 2030 Agenda for Sustainable Development, whose objectives are geared towards the transformation of the current economic model towards one that is decarbonised, inclusive and within the limits of the planet. Through the European Green Deal, Europe has shown itself to be a model of ambition and leadership in this area by setting out a 2050 target, driving the changes needed to benefit people, the environment and the economy.

Naturgy is not oblivious to this priority on the global agenda, and to the demand by different stakeholders for companies to have strict sustainability practices, with particular regard to everything associated with climate change. In response to these demands, our commitment was strengthened in 2019 by the adoption of a new Environmental Policy and Plan, with greenhouse gas emission reduction targets. In this respect, we are moving decisively towards a scenario in line with the mandate of the Paris Agreement and we are advancing the adaptation of our company to the energy transition.

In 2019, we increased our expenditure on renewable energies through the company's largest investment in its history, and we led the way by formally requesting the closure of all the group's coal-fired power stations in Spain.

Our commitment to a higher proportion of renewables in the energy mix helped us to reduce direct CO<sub>2</sub> emissions by 16% during the year, in line with our Environmental Plan 2022, which also sets out the lines of action to be taken in terms of the circular economy and biodiversity. Moreover, last year was the first time that the emissions prevented by Naturgy were able to exceed our total direct and indirect emissions, an indication of our progress and contribution towards a decarbonised economy.

This contribution to the energy transition is being strengthened by our model of sustainable and open innovation, embodied by our innovation policy and the work carried out by our think tanks through their contributions in the areas of sustainable mobility, the circular economy and fair transition.

Sustainability issues are now at the heart of the Board's agenda as one of its strategic priorities. The fact that the Board itself decided to set up a Sustainability Committee and to delegate to it the responsibility for monitoring compliance with the targets set in the area of sustainability is a demonstration of the Board's utmost commitment to this end.

In addition to the various instruments we already have in place to ensure the integrity of the company (Code of Ethics, Anti-Corruption Policy, Conflict of Interest Policy and Human Rights Policy), 2019 saw the introduction of an Institutional Relations Policy, which sets out the principles of our relationship with Public Administrations and our presence in institutions and associations. Also during the last financial year, the Crime Prevention Model was certified as complying with the standards UNE 19601 on criminal compliance management systems and ISO 37001 on anti-bribery management systems.

Another strategic priority for Naturgy is our commitment to health and safety, also included in the Corporate Responsibility Policy and the new Global Health and Safety Policy, which allowed us to continue to reduce the accident rates of our employees. There were no fatal accidents among the company's employees in 2019 and the lost-time injury severity rate was reduced by more than 12%.

In the field of human resources, we also continued to implement new measures for progress in the areas of workforce diversity, talent development, and the well-being and productivity of employees, all of these driven by technology, allowing us to advance in our global transformation, simplifying processes and giving business units full responsibility, and optimising the support they receive from corporate functions.



Furthermore, and thanks to the action of the Naturgy Foundation, we were able to complete the energy-efficient retrofitting of the dwellings of more than one thousand vulnerable families, improving their well-being at home. The Energy School also trained more than 19,000 people to adopt more behaviour to improve energy efficiency, and as part of our Vulnerability Plan, our volunteers provided advice to 4,000 families. In addition, in line with the European objectives of fair energy transition, we have been implementing initiatives to promote the development of the areas affected by the closure of our coal-fired power stations.

Naturgy's responsibility towards the outside world does not end with the impact of our activities, but extends to our supply chain. For this reason, in 2019, we assessed up to 94% of our suppliers from a sustainability perspective and audited 61% of the volume of purchase from suppliers with high ESG risk.

These achievements were again acknowledged by different indices and rating agencies. In 2019, Naturgy topped the world ranking of gas utilities in the Dow Jones Sustainability Index for the third year in a row, and was also the highest-ranked of all utilities in the FTSE4Good Index for the second year in a row. The Euronext Vigeo Index included us in its World120, Eurozone120 and Europe 120 rankings as one of the 120 most sustainable companies in these regions. MSCI maintained our AAA rating and Sustainalytics placed us among the top five utilities in the world. Finally, in the area of climate change, Naturgy was acknowledged by CDP in 2019 with its highest rating (A List 2018), and was the only Spanish energy company and one of five energy companies in the world to achieve this recognition.

I now invite you to take a close look at the Corporate Responsibility Report 2019, which details the company's results over the year in terms of its commitments to our stakeholders. This report also explains our contribution to the Paris Agreements and the United Nations Sustainable Development Goals. It has been prepared in accordance with the GRI Standards at their comprehensive level.

Finally, we would like to remind you that you will also find sustainability information in the Integrated Report and the Carbon Footprint Report, the latter having been prepared according to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).



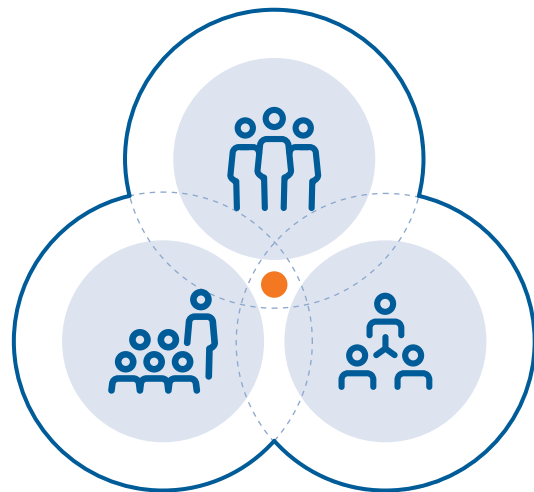
**Francisco Reynés**  
Executive Chairman

# Sustainable positioning of Naturgy



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 presents a number of challenges, including climate change, energy transition, scarcity of natural resources, technological and digital disruption, or population growth and town planning, 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.



### Three aims, the same target

- **Meet society's energy needs** by offering high-quality products and services that are respectful of the environment.
- **Meet the energy needs of our shareholders** by offering them growing and sustainable levels of return.
- **Meet the needs of our employees** by offering them opportunity to develop their professional skills.

Naturgy's vision of the future –without overlooking its roots and over 175 years of history– aims to protect the current business model and lay the foundations to continue creating value, committed to natural gas as energy for a sustainable transition and the promotion of renewable energies, energy efficiency and the circular economy.

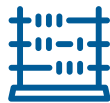
This corporate overview is aware of the importance that the company's actions have on people and the environment where it operates, and it therefore introduces a series of undertakings that ensure the current and future welfare of people and the environments with which it comes into contact.

### Naturgy's commitments



**01**

Service  
excellence



**02**

Commitment  
to results



**03**

Responsible  
environmental  
management



**04**

Interest in  
people



**05**

Health  
and safety



**06**

Responsible  
supply chain



**07**

Social  
commitment



**08**

Integrity  
and transparency

Thanks to the positive results in each of these commitments, once again in 2019 different organisations of international relevance have recognised Naturgy's management. These acknowledgements are founded not only on the Company's excellent trading figures, but also on its achievements in environmental, social and reputational matters, allowing the company to distinguish itself both as a good place to invest and a great workplace.

# Business model

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### An integrated and sustainable business model | 15

### The present and future of Naturgy: strategic bases | 21



## Naturgy at a glance

— [102-4], [102-6] and [102-10]

Naturgy operates in 28 countries with more than 18 million customers, and nearly 50% of its employees work outside Spain. Its international presence puts it in an ideal position to capitalise on the growth of new regions which are in the process of economic growth, making it one of the world's most important operators.

### Algeria

NG/LNG supply and infrastructure, and Medgaz gas pipeline.

### Argentina

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

### Australia

Wind generation (96 MW).

### Belgium

NG/LNG commercialisation.

### Brazil

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

### Chile

Gas distribution (4 regions and 0.7 million customers), electricity distribution and transportation (13 regions and 3.0 million customers). Wind and solar generation projects.

### China

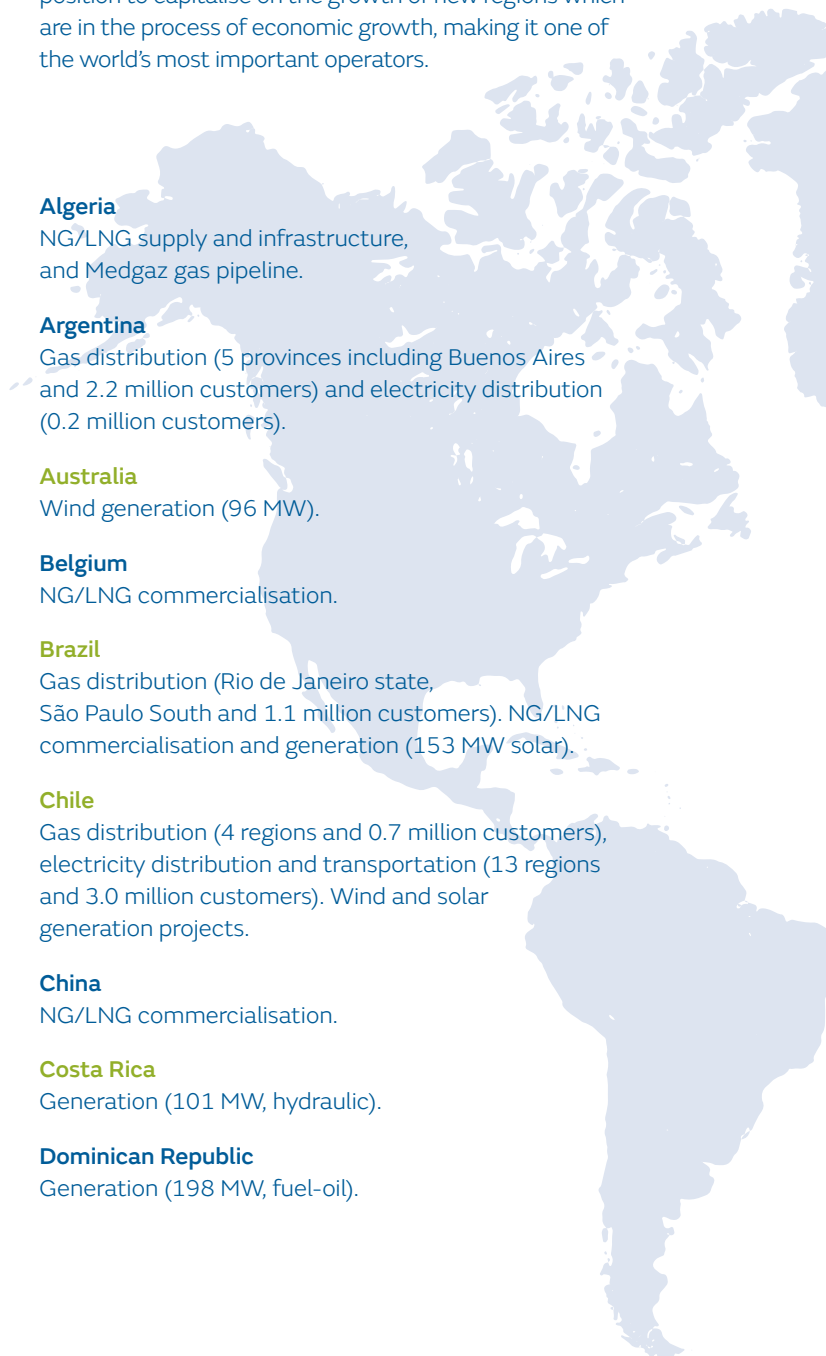
NG/LNG commercialisation.

### Costa Rica

Generation (101 MW, hydraulic).

### Dominican Republic

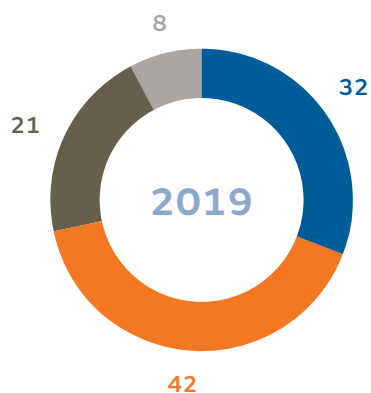
Generation (198 MW, fuel-oil).





## Contribution to Ebitda by activity\_

(%)



### Activity

- Gas & Power (Spain, Europe and Latin America).
- Infrastructure EMEA (Spain and Africa).
- Infrastructure South LatAm (Latin America).
- Infrastructure North LatAm (Latin America).

NB:  
-3% other activities.

## Main figures of Naturgy\_

[102-7]

	2019	2018	2017
<b>Operations</b>			
Gas distribution sales <sup>(GWh)</sup>	465,844	449,259	460,014
Gas transportation/EMPL <sup>(GWh)</sup>	68,703	117,526	100,371
Gas distribution supply points <sup>(in thousands)</sup>	11,075	10,605	10,491
Electricity distribution supply points <sup>(in thousands)</sup>	7,691	7,569	7,447
Gas distribution network <sup>(km)</sup>	133,917	119,998	116,181
Length of electricity distribution and transportation lines <sup>(km)</sup>	218,831	215,532	214,399
Electricity generated <sup>(GWh)</sup>	44,704	46,658	46,389
<b>Personnel</b>			
Number of employees <sup>(1)</sup>	11,847	12,700	14,718
<b>Financial (million euro)</b>			
Net turnover	23,035	24,339	23,207
Gross operating profit (Ebitda)	4,562	4,019	3,903
Total investments	1,685	2,321	1,782
Net profit	1,401	(2,822)	1,360
Dividend paid	1,319	1,400	1,001
<b>Stock information (euros/share)</b>			
Share prices as at 31 December	22.40	22.26	19.25
Profit <sup>(2)</sup>	1.43	(2.83)	1.36

<sup>(1)</sup> Does not include number of employees in businesses classified as discontinued operations (78 persons in 2019 and 786 persons in 2018).

<sup>(2)</sup> Calculated considering the weighted average number of own shares during the year.

# An integrated and sustainable business model

— [102-2] and [102-6]

Naturgy is present in the electricity and gas business, from procurement to distribution and commercialisation. This has enabled Naturgy to be the largest integrated gas and electricity company in Spain, and to be recognised as the gas distributor with the best financial performance in the EMEA zone by S&P Global Platts.

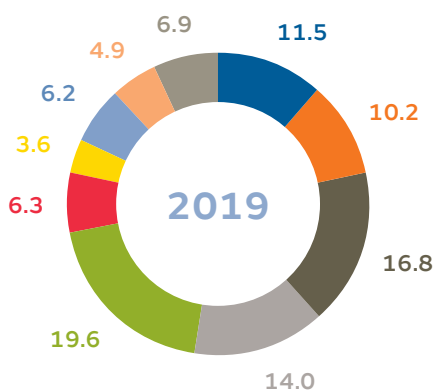
## Gas supply and transportation

Naturgy has a flexible, diversified and competitive 30 bcm portfolio of supply. The company has unique and integrated gas infrastructure featuring the management of sections of gas pipelines and a fleet of eight methane tankers.

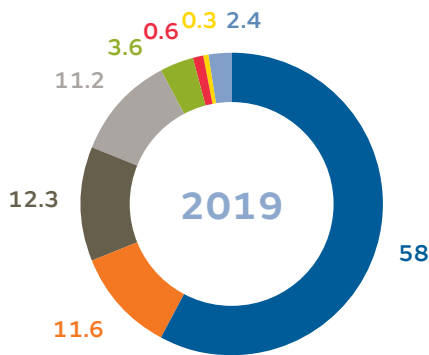
## Generation of electricity

The electricity production capacity of Naturgy is 16.9 GW and is based on a balanced, competitive and environmentally-friendly generation mix. Thus, the company performs its activity with different technologies: renewable (hydraulic wind and solar), combined-cycle, cogeneration, coal and nuclear.

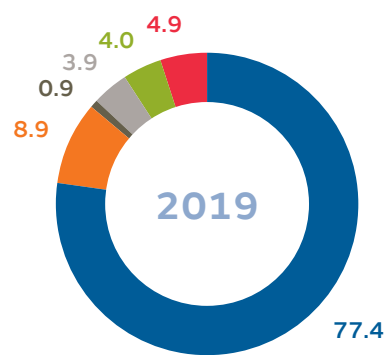
Gas supply and transportation\_ (%)



Installed capacity by source of energy\_ (%)



Electricity produced using renewable sources by country\_ (%)



- Nigeria.
- Trinidad and Tobago.
- United States.
- Others (NG).
- Algeria.
- Russia.
- Oman/Egypt/Others\*.
- Qatar.
- Norway.
- Others (LNG).

- Combined cycle.
- Thermal.
- Hydroelectric.
- Wind.
- Nuclear.
- Small hydro.
- Cogeneration.
- Solar.

- Spain.
- Mexico.
- Panama.
- Australia.
- Brazil.
- Costa Rica.

\* Gas deriving from Unión Fenosa Gas.

## Gas and electricity distribution

The company distributes natural gas in the commercial domestic market and the industrial market of major customers, both in Spain and abroad. It is the leader in the Spanish and Latin American markets.

### Length of the gas distribution network\_

[EU4]

	2018   2019	
	Total	Variation (%)
Distribution network <sup>(km)</sup>	133,917	11.6

In addition, Naturgy performs electricity distribution activities in **Spain, Argentina, Chile and Panama**. This business line includes the distribution of electricity to small and to major users: residential consumers, SMEs and corporations.

### Length of the electricity distribution and transport network\_

[EU4]

	2018   2019	
	Total	Variation (%)
Distribution and transport network <sup>(km)</sup>	218,831	1.53

## Gas and electricity commercialisation

The commercialisation activity of Naturgy takes in the wholesale and retail gas and electricity segments in liberalised energy markets, both in Spain as well as the rest of the world. In Spain, it is the leading company in the energy commercialisation market: gas, electricity and other products in all segments, ranging from residential to industrial.

	2019	
	Gas	Electricity
Number of customers <sup>(in millions)</sup>	11.1	7.7

## Other business lines

Energy services: which favour the diversification of activities and revenue streams, anticipating new market trends, the specific needs of customers and offering them an integral service not focused solely on the sale of energy.



## Key corporate responsibility indicators\_

	2019	2018	2017
<b>Service excellence <sup>(1)</sup></b>			
Global satisfaction with service quality <sup>(on a scale of 0-10)</sup>			
Spain (residential)	7.24	7.42	7.27
Spain (industrial)	7.54	7.38	7.55
Argentina	-	7.47	7.92
Brazil	8.6	8.45	8.41
Chile (electricity) <sup>(2)</sup>	5.68	5.67 <sup>1</sup>	5.60 <sup>1</sup>
Chile (gas) <sup>(2)</sup>	5.92		
Mexico	8.52	8.39	8.68
Panama	-	7.40	7.61
<b>Commitment to results</b>			
Net turnover	23,035	24,339	23,207
Gross operating profit or Ebitda <sup>(million euro)</sup>	4,562	4,019	3,903
Evolution of the DJSI percentile	100	100	100
<b>Responsible environmental management</b>			
Direct greenhouse gas emissions <sup>(GHG) (Mt CO<sub>2</sub>eq)</sup>	15.4	18.3	20.5
Emission factor including nuclear <sup>(tCO<sub>2</sub>/GWh)</sup>	301	342	388
Water consumption <sup>(hm<sup>3</sup>)</sup>	20.0	26.5	28.0
Generation of waste <sup>(kt)</sup>	154	450	824
Recovered and recycled waste <sup>(%)</sup>	57	65	33
Initiatives to improve biodiversity <sup>(No.) <sup>(3)</sup></sup>	257	-	-
Environmentally certified Ebitda <sup>(%)</sup>	88.7	88.7	87.7
Environmental investments and expenditure <sup>(million euro) <sup>(4)</sup></sup>	546	494	96
<b>Interest in people</b>			
Number of employees <sup>(5)</sup>	11,847	12,700	14,718
Men/Women <sup>(%)</sup>	68/32	69/31	71/29
Women in management posts <sup>(%)</sup>	29.4	28.3	26.2
Personnel costs <sup>(million euro)</sup>	924	1,010	1,009
Annual investment in training <sup>(euros)</sup>	6,989,462	10,387,384	14,322,806
Employees covered by collective bargaining agreements <sup>(%)</sup>	74.0	75.9	77.2

Continues &gt;

<sup>(1)</sup> In 2018 and 2017, Chile's satisfaction data was provided in an aggregate form, for gas and electricity. From 2019 it is provided separately. Likewise, Argentina and Panama have not carried out any measurement of overall satisfaction with the quality of service during 2019 and will do so in 2020.

<sup>(2)</sup> Figures measured on a scale of 1 to 7.

<sup>(3)</sup> Indicator created in 2019.

<sup>(4)</sup> The 2018 and 2019 figures include the investment in renewable energies.

<sup>(5)</sup> They do not include the number of employees in businesses classified as discontinued operations (78 persons in 2019 and 786 persons in 2018).

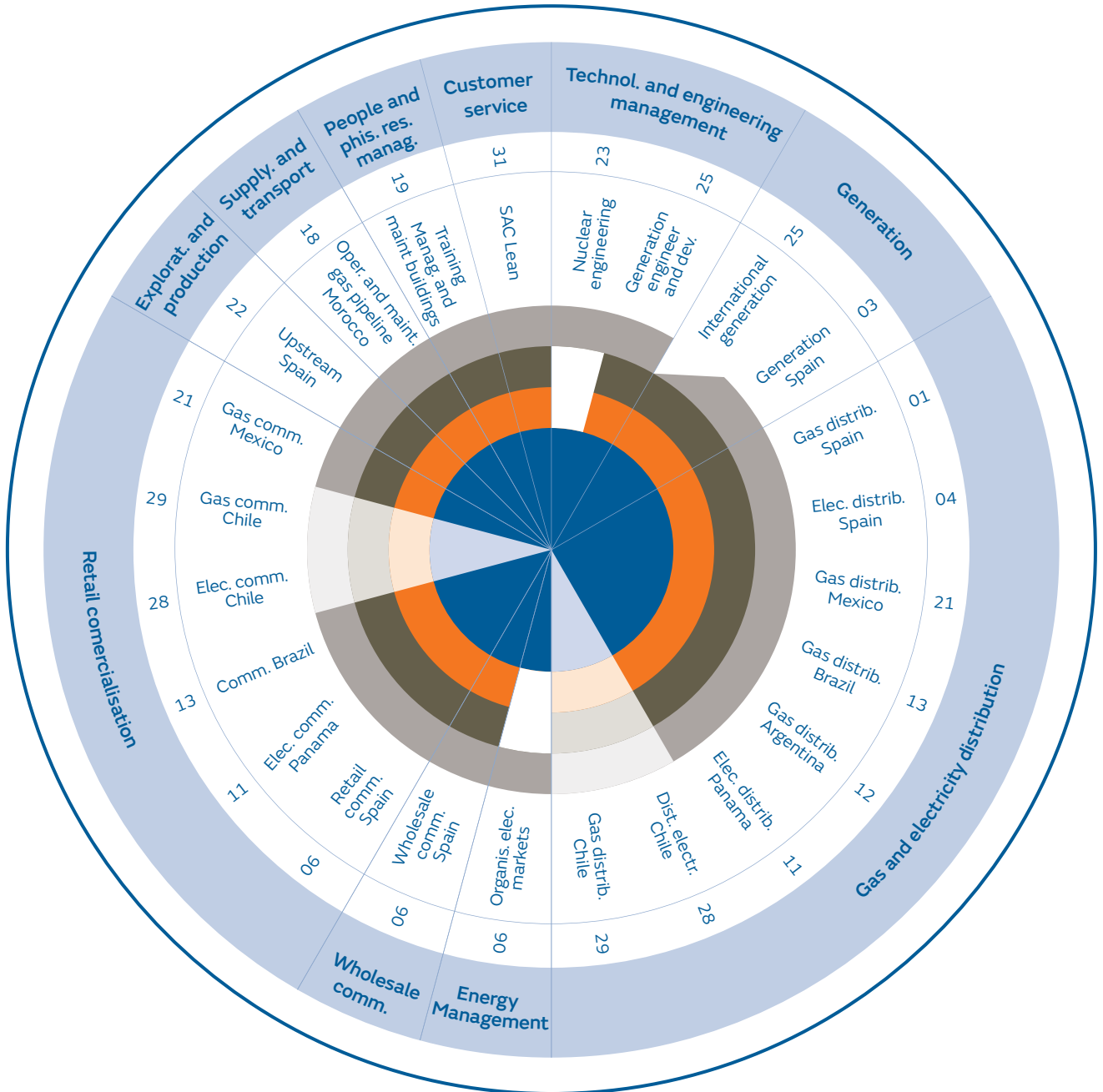
	2019	2018	2017
<b>Health &amp; safety <sup>(6)</sup></b>			
No. of lost time accidents <sup>(No. of employees)</sup>	14	16	-
Days lost of lost time accidents	704	956	-
Mortalities	0	0	0
Lost time accidents frequency rate	0.12	0.12	-
Lost time accidents severity rate	6.04	7.13	-
Absenteeism rate <sup>(%)</sup>	2.48	2.68	2.18
<b>Responsible supply chain</b>			
Suppliers with contracts currently in force	7,896	8,670	9,877
Total purchase volume awarded <sup>(million euro)</sup>	2,510	3,147	3,428
Purchasing budget targeted at local suppliers <sup>(%)</sup>	92.37	94.94	90.75
Suppliers assessed according to ESG criteria <sup>(No.) <sup>(7)</sup></sup>	7,407	6,906	4,758
<b>Social commitment</b>			
Evolution of the contribution from Naturgy <sup>(million euro)</sup>	8.16	11.01	12.86
Breakdown by type of action <sup>(%)</sup>			
Social	83.7	30.04	61.0
Environmental	2.1	26.48	8.0
Cultural	14.2	43.48	31
Sponsorship and social action activities	134	253	361
<b>Integrity and transparency</b>			
Notifications received by the Code of Ethics Committee	194	199	141
No. of notifications received per 200 employees	3.28	3.18	1.67
Average time for resolving notifications <sup>(days)</sup>	48	26	44
Audits performed based on fraud risk	95	58	77
Communications received in the area of human rights <sup>(8)</sup>	0	0	0
Number of persons trained on the Human Rights Policy	7,918	7,508	10,132

<sup>(6)</sup> With the exception of the absenteeism rate, the health and safety indicators have been calculated according to the new OHSAS 18001 criteria (indicators per 200,000 hours worked). 2018 has been recalculated so that the information can be compared. Absence rate responds to indicator 403-2.

<sup>(7)</sup> Environmental, Social and Governance (ESG). The suppliers ESG assessment is conducted at the main subsidiaries of the group where the Achilles tool is implemented, and through which the business classification of suppliers is carried out.

<sup>(8)</sup> The human rights issues referred to in this indicator are freedom of association and collective bargaining, respect for the rights of ethnic minorities and the rejection of child labour and, in general, any form of exploitation.

Outline of quality, environmental, health and safety certifications\_



<sup>(1)</sup> The figures correspond to the Addendum of the integrated management system.

- Quality (ER) · ISO 9001.
- Environment (GA) · ISO 14001.
- Health and Safety (SST) · ISO 45001.
- Healthy Company Model.



## 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 and ISO 14001:2015 standards. This system is audited externally every year. In 2019 this audit was carried out by AENOR in all businesses and countries.

The processes certified through this system are:

- Extraction and injection of natural gas.
- Transport and operation of the Maghreb-Europe gas pipeline.
- Electricity generation (thermal, hydraulic, wind and solar origin).
- Distribution of natural gas and electricity.
- Transportation of electricity.
- 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.
- Building maintenance.

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 commercialisation of natural gas and electricity in Spain is certified in the energy management system according to ISO 50001.

With regard to the previous year, in 2019, the implementation of the ISO 45001 standard for occupational health and safety management began throughout the Group, replacing OHSAS 18001. The implementation of the Industrial Safety, Operational Safety and Environmental Protection Administration System (SASISOPA) has also begun in Mexico, in accordance with Mexican regulations on safety and environmental protection. Also, the disconnection of the IMS processes from the distribution and marketing activities in Colombia, Italy and Moldova has been completed.

## The present and future of Naturgy: strategic bases

The Strategic Plan 2018-2022, unveiled in June 2018, established the group's Business Model, which is focused on value creation.

Based on the plan, Naturgy is focused on responding to its own industrial model, focused on:

### Treating the energy transition as an opportunity

Natural gas and renewable energies will play a very important role in meeting the climate change objectives set out in the Paris Agreement.

As a result, Naturgy has established the following lines of action:

- Triple renewable installed capacity by 2022.
- Leverage leadership in combined-cycle plants and in the global LNG market.
- Develop the use of natural gas in transportation.
- Develop renewable gas.

Also, the company works for:

- Improve the energy efficiency of its assets.
- Increase electrification and gas penetration in the countries of operation.

### Being a flexible, competitive company

Naturgy presented a new efficiency plan and undertook to cut annual operating expenses by Euros 500 million by 2022.

To this end, it defines solid and tangible lines in the three stages of its operation:

#### ■ Organisation

Changes have been implemented throughout the organisation to gain autonomy and facilitate decision-making by business units, always under the control of the corporation.

#### ■ Assets

Best practices to optimise asset management and maintenance are searched for based on predictive models and centres of excellence.

#### ■ Processes

Collaborations with third parties are reviewed to achieve automation of non-core tasks.

### Promote transformation via digitalisation

Digitalisation will lead the transformation of the Group through the following objectives for 2022:

#### ■ Customer relations

75% of services to be provided via digital channels and 20% penetration via Internet of Things.

#### ■ Processes and operations

More than 80% automated.

#### ■ Remote control of assets

80% sensorisation and remote control.

#### ■ Advanced analysis techniques

90% data-based management.

### Placing the customer at the centre of the model

With the technological innovations –Smartapps, Smart meters, remote control, self-consumption of electricity, energy storage– Naturgy is seeking:

- A single customer experience model.
- Defining services and solutions that provide greater added value.
- Improve customer segmentation.
- Innovation and digitalisation.

# Avant-garde and sustainable innovation

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monitoring | 30**

**Encouraging innovation | 33**



## Innovation overview

— [103-1], [103-2] and [103-3] (Innovation and sustainable technology)

For Naturgy innovation is not a possibility, it is a necessity. It is the key to the company's transformation. It makes activity more efficient, by imagining disruptive new business models and discovering new ways to be more customer-centric, taking advantage of new technologies or following the latest market trends.

This way of conceiving innovation allows enables risks to be transformed into opportunities, as a contribution to the creation of an agile company capable of riding the wave of constant transformation.

With this goal of transformation and considering innovation to be indispensable to achieving the objectives of the Strategic Plan, the corporate innovation policy is being drawn up, a framework for action for all group employees has been established.

Innovation is key to anticipating the impact of the changes that are taking place in society, such as the digital transformation, which affects customers' way of life and needs, or the energy transition towards a decarbonised economy. Naturgy develops products and new business models that complement its main activities.

It also presents a new path in the field of open innovation, in which Naturgy collaborates with other companies in the ecosystem by sharing the agenda and tools for innovation. Examples of these initiatives include Start4Big or Madrid in Motion.

In short, innovation is a fundamental business tool for anticipating what will come in the future and achieving sustainable development of the activity. It also provides a clear story that underpins Naturgy's objective and its contribution to society, a message that also reaches shareholders, administrations, customers and employees.

## Innovation focus

— [103-1], [103-2] and [103-3] (Innovation and sustainable technology)

Naturgy’s Innovation Model is structured through priority innovation lines, in line with the targets of the Strategic Plan that sponsor and support businesses. To implement the plan, Naturgy uses a two-pronged innovation model: *push & pull*. The former, which focuses on the development of own technological solutions that respond to the challenges set out in the strategic vision. The latter focus seeks the pull of the open innovation ecosystem to find business opportunities, ideas and talent.

This innovation model is based on six lines of strategic innovation: renewable generation and storage, advanced management of distribution assets, renewable gas and hydrogen, distributed generation and storage, sustainable mobility and customer solutions, over which roadmaps are defined that include the main environmental insights and guide innovation actions.

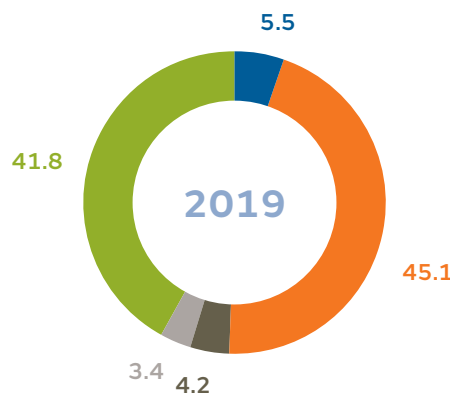
One of the main tools on which Naturgy’s innovation is based are the observatories and think tanks, which are in charge of carrying out technological surveillance and exploring the most relevant trends. These groups

are made up of more than 200 people from all over the organisation, responsible for drawing up the roadmaps for each of the innovation lines. In addition, think tanks collaborate with the business and strategy units to develop Naturgy’s positioning and define specific lines of action.

A clear and precise vision of the innovation ecosystem is essential, both for launching challenges and piloting solutions. The integrating element between the talent that resides in the ecosystem and Naturgy are the laboratories and innovaHubs, which help devise and facilitate the creation of multidisciplinary groups to solve business challenges.

In addition, innovation must guarantee speed and a high success rate. To this end, Naturgy’s model is based on the hit or fail-fast methodology, in which all initiatives are validated at each stage of development, favouring agile and efficient decision-making, minimising risks and investments and maximising the return on the investment made.

### Investment in innovation\_ (%) [OG2]



Total innovation

**36M€**

2019

#### Innovation

■ Social. ■ Process. ■ Marketing. ■ Organisational. ■ Product.

## Innovation governance

The Strategic Innovation Committee, composed of the Chairman and his direct reports; is the governing body responsible for ensuring that all innovation initiatives are aligned with the strategic lines of innovation.

The activity focuses on six strategic lines:

- Renewable generation and storage.
- Advanced management of distribution assets.
- Renewable gas and hydrogen.
- Distributed generation and storage.
- Sustainable mobility.
- Customer solutions.

On these lines, roadmaps have been designed for each business line, establishing guidelines and objectives, both on the horizon of the Strategic Plan and in the long-term, thus contributing to the sustainability of the company. This approach also ensures that innovation activities and projects are implemented in a coherent manner, with follow-up and assessment using consistent KPIs.

## Renewable generation and storage

Naturgy's vision is clear, to comply with the commitment to fight climate change the company's energy mix must progressively evolve towards an emission-free model, always guaranteeing the security and quality of supply.

In the new emission-free model, renewable energies will have a very important role to play and, in order to ensure continuity of supply, they will also have to be supported by reliable storage systems. Therefore, the development of energy storage technologies is key in this process.

## Renewable generation

Within the framework of the European Union's energy strategy for 2030, the photovoltaic and wind sectors are set to become the main sources of primary energy in Spain.

The innovation in renewable generation developed in Naturgy is committed to the implementation of new technologies in the optimised monitoring of the state of the assets and their automated and smart management. The company also considers it essential to continue making progress in prioritising the safety and sustainability of its activities.

### ⚙️ Photovoltaic test field in La Nava, Ciudad Real

The project aims to carry out tests on different solar panels, trackers and other equipment and design parameters of photovoltaic solar generation facilities. The test field facilities are integrated into the existing 49.0 MW photovoltaic field, which lends the results the representativeness of a real facility.

### ⚙️ DCIM-Renewables

The project consists of finding an optimal cost solution for monitoring the data processing centres of remote unattended renewable generation facilities. The auxiliary systems of these centres are critical to ensure the availability of these. The unique nature of these facilities in terms of communications access, coverage and unattended operation present new challenges in terms of IoT and AI. During 2019, different proofs of concept have been carried out and will be extended during 2020.



## Storage

Another important area in innovation activities is the storage, aimed at offering an even greater increase in quality and reliability of supply, at developing joint solutions with customers and also at allowing a greater and easier integration of renewable-source electricity into the grid.

### ⚙️ BESTRES

The scope of the project consists of the development of a simulator of the viability of battery participation in the energy and operation markets. The tool allows the study of various regulatory environments. So far, the Spanish, Chilean and Mexican markets have been particularly addressed.

### ⚙️ Renewable hybridisation - storage La Vega I & II wind farm

The objective is to demonstrate the technical feasibility of a manageable hybrid facility, capable of providing multiple electrical services, to the farm itself and to the system. The chosen wind farm is the La Vega I & II complex, located near the municipality of Monfarracinos (Zamora). The installed energy management system consists of a vanadium flow battery, a two-way converter and a control system that manages the entire facility.

During 2020, various tests will be carried out under real conditions of the system in order to explore the actual possibilities it can offer to improve the management of the energy delivered to the system by this type of plant as well as other similar ones.

## Advanced management of distribution assets

### The future of distribution networks

The energy transition marks the path towards a more distributed, sustainable system with greater

customer participation. This entails a new paradigm of electricity distribution based on distributed generation, electrification of demand, and the connection of electric vehicles. In this scenario, the electricity distributor faces new challenges in operating its networks and managing its assets. Digitalisation becomes a key enabler of solutions to these challenges. The gas network also facilitates the integration of sustainable new technologies such as renewable gas.

Along these lines, during 2019, a series of studies has commenced on the impacts of distributed generation and electric vehicles in the existing networks, as well as the effect that different mitigation measures would have on these impacts. In the coming periods, work will be done on a positioning on the role of the electricity distributor in the new energy scenario.

As regards the gas network, it is prepared for the integration of new customers who will inject renewable-origin gas in a distributed way through the participation of Nedgia, Naturgy's gas distributor, in the renewable gas projects described in the corresponding section.

### Advanced network maintenance

The world of electricity and gas networks is undergoing a substantial transformation: in addition to maintaining their role as critical infrastructures for energy supply, they are assuming a fundamental role in the efficient integration of clean energies such as distributed generation and renewable gas, as well as sustainable mobility. In this context, new ways of operating and maintaining networks that improve efficiency, increase security and improve service to customers should be explored.

This challenging scenario is accompanied by a dizzying development of digital technologies that facilitate and accelerate change. Robotics and artificial intelligence are two such technologies that Naturgy is taking advantage of, both to automate asset inspection processes and to implement new condition-based maintenance processes. This new philosophy makes it possible to plan jobs by prioritising those where you can anticipate something that might happen.

### **GALA** (Advanced Airline Management)

In the electricity sector, during 2019, great progress has been made in creating a management system for felling and pruning work that works with a predictive model of vegetation growth based on satellite images and drone flights. The system has a work optimisation based on risk minimisation. As a result of all these actions, we obtain major efficiencies and improvements in the safety of the facilities and the people working in the field.

### **SPIDER**

In the area of corrective actions, Unión Fenosa Distribución –the Group's electricity distribution company– began a project in 2019 to develop and integrate low-cost sensors capable of measuring the position and vibrations of power line conductors. This will allow us to anticipate breakdowns by detecting the impact of vegetation on conductors, reduce service restoration times in the event of a breakdown and make better use of the transmission capacity of power lines.

### **ENSO**

In the field of asset monitoring, Nedgia –Naturgy's gas network company– and a consortium of 36 partners from eight countries are working on a project to develop and demonstrate micro battery and harvesting solutions. This will allow energy management in autonomous IoT devices based on a series of technologies previously developed and for which pre-series production capacity is already available.

## Renewable gas and hydrogen

Renewable natural gas is a fuel that is equivalent to natural gas but is obtained from renewable resources such as biomass or organic waste. It is a CO<sub>2</sub>-neutral energy that contributes to the fight against climate change, it is part of the so-called circular economy. It involves efficient waste management that enables society to produce, distribute and consume indigenous

gas, thus developing the local economy. To promote the use of renewable natural gas, actions have focused on the production of biomethane from biogas and on methanation with hydrogen. Naturgy has been working for years on the promotion of renewable natural gas. The activity is focused on the development of pilot projects to investigate this type of gas with the aim of maximising its production and reducing its costs.

### **Renewable gas production project at the Butarque WWTP**

In 2019, renewable gas was injected for the first time into the Nedgia distribution network, this gas was generated from biogas from the recovery of waste from the wastewater treatment plant (WWTP) in Butarque, Madrid. The facility, operated by Nedgia, is part of the European ECO-GATE consortium to promote sustainable mobility. The WWTP has a biomethane production module, a module to inject the gas into its network, and a module for refuelling compressed natural gas (CNG) for vehicles. The facility will be operational for one year, and is aimed at demonstrating the efficient and ecological use of renewable gas in land mobility applications and the development of the market for renewable gas certificates of guarantee of origin in Spain.

### **Renewable gas mixed unit**

This is a success story in which Naturgy, together with Energylab and the collaboration of the sewage treatment company of the municipality of Bens (A Coruña), has started up a plant to produce biomethane from organic sludge from the urban wastewater treatment plant. At the same facility, an experimental biological methanation plant has been put into operation, with a high component of innovation and development. With the biomethane produced, a regular-line bus has been supplied with renewable fuel, as well as three vehicles for operating the plant, allowing them to travel more than 135,000 km overall. This has led to a reduction in emissions of around 6,000 tCO<sub>2</sub> during 2019. During the coming year, giving continuity to the project, an injection module will be installed to inject the biomethane produced into the gas network.

### ⚙️ Ris3Cat CoSin

Together with the Institute for Energy Research of Catalonia (IREC) and the German spin-off Ineratec GmbH, Naturgy has designed, built and put into operation a pilot plant for the production of synthetic methane at the Sabadell wastewater treatment plant. This innovative project is part of the Power-to-Gas concept, which is based on converting and storing excess electricity from random renewable sources, such as photovoltaic and wind, into methane gas. The pilot programme has been successfully carried out, developing new catalysts that offer improvements in the reaction in order to reduce process costs.

In addition to the foregoing methanisation projects, within the concept of Power-to-Gas, Naturgy participates in different activities to study the production of green hydrogen and its possibilities of injection into the natural gas network.

## Distributed generation and storage

The publication of Royal Decree 244/2019, which regulates the conditions for electricity autoproducers, represents an opportunity for the development of distributed generation based on photovoltaic solar energy in Spain. The directive sets out the principles for a new configuration of the electricity market that promotes the figure of the aggregator.

With the current regulation, the batteries have been displaced by the incentive of feed-in. However, the lower cost of photovoltaic technology makes self-consumption facilities more affordable. This competitive advantage is enhanced by the possibility offered by the new Royal Decree of joint ownership of self-consumption facilities.

Thanks to technological advances, smart infrastructures and systems now make it possible to decentralise electricity distribution points, which is revolutionising the models and opening up new business opportunities. Naturgy assumes that society is evolving towards collaborative and decentralised models, and distributed generation is no exception. The blockchain technology offers the possibility to develop new models of production and shared self-consumption.

In 2019, the distributed generation and self-consumption initiatives begun in previous years were continued, and the creation of new products and services for customers began to be promoted.

### ⚙️ GrowSmarter project

The objective is to apply technologies for the empowerment of citizens, economic savings and emissions reduction in smart city environments, so that these can be replicated in the future in other districts and cities. In this project Naturgy assumes a key role in Barcelona developing new technologies in three areas:

- The energy rehabilitation of residential and tertiary buildings to reduce their environmental impact.
- The application of smart energy management systems in the home to improve efficiency and energy savings.
- The installation of photovoltaic panels with storage systems that allow self-sufficiency and the integration of renewable energies into the network, such as Naturgy's headquarters in Barcelona.

### ⚙️ Manhattan Project

Development of new products and services that use the energy that the customer is able to generate with their own installation and where Naturgy can offer energy storage services.

## Sustainable mobility

Naturgy continues its leadership strategy in sustainable mobility solutions. The company continues to work on the nationwide deployment of vehicular natural gas charging infrastructure for public use. In addition, it participates in technological projects for the refuelling of this type of fuel at user scale such as the HYGEN project or the NGV Web project, developed in Rio de Janeiro to provide customers with an agile and flexible web tool that facilitates the development of the natural gas vehicles consumption market.

Likewise the company focuses particularly on improving the energy and economic efficiency of the filling stations, and it has researched solutions for storing energy in flywheels in pursuit of greater energy efficiency.

During 2019, Naturgy not only continued to promote improvements in natural gas-fired mobility, it also undertook important projects in the area of electric mobility.

### ⚙️ NEAR (New Electricity Assets for Recharging)

The project seeks to address the role of the distributor in the deployment of public charging infrastructure. During 2019, the efficiencies arising from the use of the existing network infrastructure to deploy these electric recharging resources were examined. In addition, two test environments have been created in Naturgy facilities with use of Unión Fenosa Distribución's own infrastructure that will support the development of solutions during 2020.

### ⚙️ LNG ON Wheels ©

During 2019, the company has continued to develop a solution that will facilitate the supply of liquefied natural gas (LNG) in areas with defined characteristics. It consists of an LNG Truck Carrier that transports tanks and which has an innovative module that allows the simultaneous connection and loading of the tanks from a methane tanker or other supply infrastructure.

## Customer solutions

### Smart Client

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 his facilities in order to consume energy more efficiently and integrate new services such as distributed renewable generation or electrical mobility.

### ⚙️ Customer Engagement Chile

A project whose objective is to create and develop a new digital channel with the customer - through a new app - that is faster, more efficient, accessible and affordable. This app should transform the relationship with the customer, to deliver personalised and timely attention and information. This app will provide real time information and a personalised service that will allow you to make a forecast and comparison of consumption, digital transactions and many other features.

### ⚙️ Pilot energy assistant for residential customers

The aim of this project has been to develop a proof of concept to test how a solution based on artificial intelligence can advise on the most appropriate time for the energy consumption of certain customers with a solar photovoltaic installation in their home. The solution has been integrated into a smart speaker to be used as a communication channel. The project has been piloted in the Living Lab of the innovaHub Madrid and will serve as a basis for further development of this type of solution.

## Sustainable building projects

In the field of building, there is a high potential for reducing primary energy consumption and the generation of CO<sub>2</sub> emissions associated with the sector. The energy solutions offered to customers must evolve by integrating renewable energies and highly efficient passive and active construction solutions, as well as integrating sustainable mobility solutions as another option to be offered within buildings.

### ⚙️ KIC COFAST

This is an innovation project funded by KIC Innoenergy, consisting of the development and market launch of a new standardised integrated solution for fast charging stations for electric vehicles based on a small-scale natural gas-fired cogeneration plant.



## Smart Channel Projects

The digital transformation is changing the communication model between consumers and companies. To adapt the communication model to this new reality, the digitalisation of communication channels must be accelerated through the use of technologies such as artificial intelligence, which allows the automation of certain customer service processes, with the benefits of increasing the immediacy and simplicity of communications.

### ⚙️ Development of a virtual assistant

This project will allow for 24-hour service, seven days a week, availability of a single channel to centralise the vast majority of queries on products and services throughout the value chain, as well as being able to offer agile, clear and transparent communication.

## Other fields of action

In recent times the company has changed the way it implements innovation, from a transversal to an independent work for each business line. However, during 2019 new technologies with multiple applications have been explored in the company. One of them is blockchain technology, on which several initiatives have been carried out such as pilot projects that are allowing us to learn the different cases of use.

### ⚙️ Sedigas Certification Project

Pilot of a platform with Sedigas for the certification of the installer's licence. The aim is to avoid fraud in the generation of the identifications, giving traceability to the process of creation of the licences and generating the digital identity of the installer. The platform certifies people, and in the future it could be applied in the certification of works and installations, such as the certification of renewable energy generation systems and the maintenance of these. Thanks to blockchain technology, this customer service is now fully viable anywhere in the world with absolute security and data privacy.

## Innovation planning and technology monitoring

Technology monitoring involves the capture and analysis of internal and external information on the technological ecosystem and its associated market dynamics, in order to guide and plan innovation activities and create knowledge in the Group that helps businesses to identify the opportunities and risks that arise in a rapidly changing environment, immersed in the energy transition. This activity is carried out with a comprehensive approach, analysing technology, social, environmental and regulatory aspects, market, commercial and additionally evaluating the positioning of competitors.

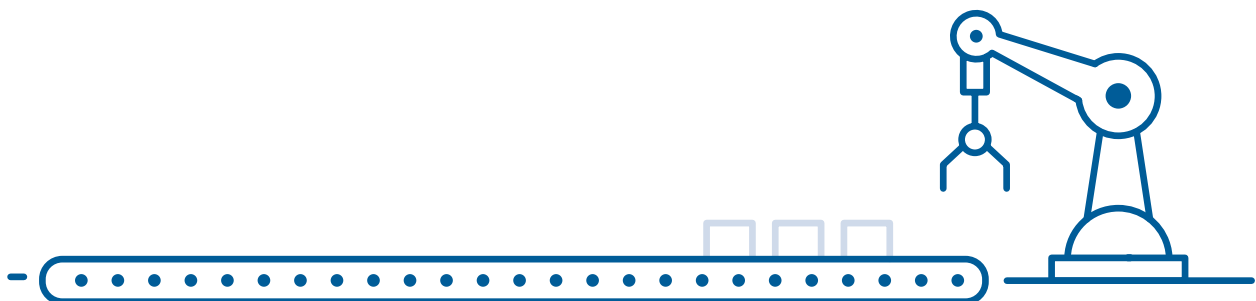
The fundamental tool to carry out this monitoring and analysis in Naturgy are the technology observatories, coordinated by the innovation area in which both corporate and business units participate in a collaborative and transversal format.

In 2019, a digital management system was implemented for monitoring technology with the goal of acquiring, processing, analysing and reporting information in a more agile and flexible way so as to encourage transversal collaboration initiatives. Progress is being made towards a highly flexible model that is able to incorporate best practices and to update them as appropriate.

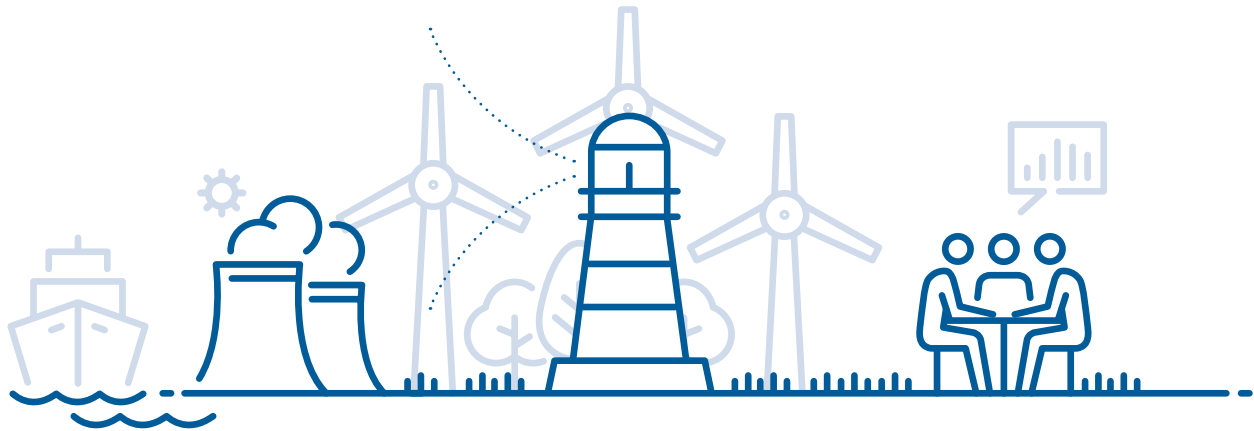
### Technology Observatories

Innovation in Naturgy begins with the monitoring of the ecosystem identified as relevant to the businesses. This monitoring represents a major component as a source of information for the company, to facilitate decision-making in the management of technologies identified and to form a basis of own self-knowledge. It allows us to anticipate changes, to know the positioning of the competition, to properly assess the importance of new technologies, products or business models, and to integrate them in a fluid and natural way in the business, optimising means and resources. In short, it contributes to maintaining and increasing Naturgy's competitiveness.

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.



This image summarises the analysis process and results of the observatories\_



### Disruptive environment

Data mining <sup>(RSS feeds)</sup>  
 Bloomberg  
 Stanford  
 Thomson Reuters  
 Associations  
 Prospecting studies  
 Scouting



### Market dynamics

### Observatories

Renewable Gas · H<sub>2</sub> · Gas Network | LNG | Conventional Gen. · CCUS | Sustainable Mobility | Electricity Grids | Wind | Solar | Hydro | Customer and distributed generation | Storage | Digital technologies <sup>(Blockchain, IoT and communications, AI and Data)</sup>



Participation of key people of the group (>190 people with 2% dedications) in a transversal, collaborative and autonomous format, coordinated from Innovation.

Technological positioning | Business Cases | Dissemination | Radar | Disruptive technologies | Forums and associations | Trends | Knowledge bases | Market dynamics | Expert analysis | Information exchange.

Contributing to the **transformation of businesses** and preparing them for the rapid adoption of new technologies and best practices.

### Useful and high-value results

Roadmaps  
 Proposals and new business models  
 Newsletters  
 Technology bulletins  
 State of the art <sup>(Pathways)</sup>

#### An efficient system

Centralised search and decentralised analysis.

During 2019, the Digital Technology Observatory was launched, bringing together three areas: Blockchain, IoT and Communications, Artificial Intelligence. This observatory, focused on new technologies, is transversal to all the others -such as the one for Storage- and will allow, in a collaborative environment, not only to be in contact with the technological ecosystem but also to help the businesses:

- Be aware of the technology that serves as a lever for the automation of its processes.

- Share external and internal success stories.
- Know what the competition (utilities) and new entrants are doing.
- Know and explore benchmark start-ups, technology centres, etc.
- Design, develop and launch new business models based on technology.

Of particular importance in the monitoring effort is the issue of newsletters addressed to senior management, summarising the main trends and associated market dynamics; accompanied by an analysis of the challenges and opportunities, and highlighting the implications for Naturgy in the short, medium and long-term. It is also important to carry out the pathways once a year, days in which the main conclusions of the observatories are disseminated and shared and which serve as a basis for the technological positioning that is embodied in the roadmaps, which define the high-level planning of innovation in each of the six priority lines.

Based on the knowledge of the environment and its analysis, the roadmap of each line of innovation defines the objectives and activities to achieve them in the short, medium and long-term. The activity of monitoring and analysing technological trends and market dynamics of the observatories allows these objectives to be defined. Each line of innovation leads the annual roadmap review process with the observatories involved. During 2019, we performed the first exercise to review and update the roadmaps that were first defined in 2018.

In the same way, roadmaps serve as “line 0” for the definition of Naturgy’s positioning in think tanks.

## Think tanks

Several think tanks have been devised as a consequence of innovation, to examine trends in the energy industry and detect new business opportunities. These groups spearhead strategy and innovation with the active participation of all the businesses, in which the final positioning must be validated by the Management Committee.

The main purpose of think tanks is to define the strategic positioning of the Naturgy Group based on a decisive analysis of the information from the observatories and the roadmaps that define the technological positioning. They define and launch the specific lines of action to carry it out. Likewise, in those business segments that require it, work teams –agile groups– are created to devise and prototype new business models and to develop lines of action.

The first two think tanks on which work has begun in 2019 have been “Sustainable Mobility” and “Circular Economy and Fair Transition”, to cover all the areas in which the company participates and define a positioning.





## Encouraging innovation

Innovation remains a fundamental lever in Naturgy for the development and evolution of proposals and services to customers, as well as for the transformation of culture and working methods. In many units of the company and on a daily basis, it is one of the tools that has allowed the works to be undertaken using agile methodologies. Thus, new ideas generated internally are tested and we are open to exploring other external ideas and even to participate in open innovation platforms and programmes. This is where we collaborate with other corporations, through multidisciplinary work groups to solve specific business challenges. One example of this is our participation in cross-sector programmes such as Madrid in Motion, Start4Big or CleanTech Camp, or the development of specific business solutions carried out by agile groups, with the participation of internal and external personnel. It is also important to highlight the increasing participation in the innovative events carried out in the innovaHub.

### InnovaHubs

The innovaHubs are open spaces available to all employees to carry out innovative activities and where new forms of collaborative and agile work are explored.

Among the many activities that take place there are the meet ups and techbreakfasts, both with a similar format, informal, dynamic and collaborative, where for each proposed topic there is a brief presentation of the state of the art of that subject, followed by interventions of several companies and pre-selected start-ups that set out their products, technology or services, to give a first-hand idea of what is being worked on.

innovaHub@MAD is the pole in Madrid, the innovation centre of Naturgy located in the San Luis offices. Since its creation it has become a fundamental lever in promoting innovation within the company, as well as a meeting place with the ecosystem. During 2019, almost 5,000 people have been welcomed at innovaHub@MAD. The techbreakfasts have covered areas such as: smart mobility, distributed generation, smart home, renewable generation, environment, and artificial vision.

For its part, innovaHub Barcelona –innovaHub@bcn– is the innovation centre in Barcelona and the meeting point with players from the digital and technological ecosystem that are having an impact on the energy sector. It is located in Barcelona Tech City, a digital business cluster with leading technology companies, investment funds, start-ups and other corporate spaces. It is without doubt a key location to enable Naturgy to strengthen its positioning in the innovation ecosystem and achieve synergies with other players. During 2019, almost 2,500 attendees have been received. The meet ups held have covered areas such as augmented reality, maintenance 4.0, renewable hydrogen, smart cities, sustainable and circular construction and identification, ideation and innovation processes.

### Open innovation and platforms

[102-13]

Through the open innovation initiatives, Naturgy maintains an open attitude to observe and identify opportunities and trends and to discover the status and development of new business models and services and how these are progressing, with the aim of finding new ideas that can meet the demands of markets and customers. Examples of these initiatives in 2019 have been Madrid in Motion (mobility in the city), Start4Big (transversal challenges among large companies) and CleanTech Camp (incubation of start-ups in renewable energies).

#### ■ Start4Big

Is the first multi-sector open innovation initiative in Europe that was launched to find the best start-ups with which to develop solutions to solve different business challenges that will allow, if successful, to quickly scale up the solution to a commercial level.

173 projects were submitted, 43% from outside Spain. The ones selected are four Spanish start-ups and one British one. Of the five projects selected, four will be multi-sectoral, i.e. two or more companies will collaborate in the pilot. Naturgy will perform a total of four pilots.

- **Cleantech Camp**

Is an entrepreneurial programme the aim of which is to foster technology transfer and entrepreneurship in the field of clean energy. In the third edition of the Cleantech Camp, a total of 56 projects were submitted from start-ups from everywhere. Among all the projects received, 15 were selected for mentoring by experts to develop their business plan over a four-month period. Currently, Naturgy is conducting pilots with three of the participating start-ups.

- In 2019, the initiative was launched for the first time to respond to the great challenge of urban mobility in Madrid, called "Madrid in Motion". Through this initiative, an Israeli start-up's proposal for optimisation of Capex and Opex in the company's gas stations is being accelerated.

The company has partnered with public administrations to identify the general development needs and to define innovation plans. In addition, the company continues to hold a presence at the different leading entities and institutions of the energy sector, as well as on the different technological platforms such as the Spanish technological platform for electricity grids (FutuRed), the Spanish Energy Efficiency Technological Platform (PTE-EE) or the interplatform of smart cities (GIC), among others.

## Other innovation centres

During 2019 Naturgy has developed and created a new space dedicated to promoting the data-driven transformation set out in the Strategic Plan. A space focused on learning by doing and where we work, share and accelerate data initiatives with a focus on advanced analytics and artificial intelligence, reporting and visualisation, data management and governance.



# Governance

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and transparent management | 36

Risks and opportunities | 44

Internal Auditing and Compliance | 52



## Proposed actions 2019

Finalise the implementation of the Continuous  
Audit Indicators Model. ■

### Level of fulfilment.

■ Finalised. ■ Major progress. ■ Intermediate progress.  
■ Little progress. ■ Not started.

## Good governance for efficient and transparent management

### Corporate governance, in constant evolution

[102-12] and [102-18]

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

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 2019, Article 6 of the Board Regulations was amended, increasing the minimum annual meetings at which the Board must meet from six to eight and allowing any director to request the inclusion of items on the agenda.



During the 2019 financial year, the Board has placed special emphasis on the company's strategic reflection. It has continued to make progress in improving corporate governance matters and, following the analysis by the Appointments and Remuneration Committee of the recommendations of the Technical Guide 1/2019 on Appointments and Remuneration Committees of the CNMV, measures have been introduced to implement some of its recommendations, which have resulted in the approval of a Board Competence Matrix.

It is considered best practice to prepare a board matrix that defines the skills and knowledge of the candidates for directors, especially those of executive and independent directors, and which helps the Appointments and Remuneration Committee to define the functions that should correspond to each position to be covered, as well as the skills, knowledge and experience that are most appropriate for the position.

**Governing structure of Naturgy**



**General Shareholders' Meeting**

**Board of Directors**

Appointments and Remuneration Committee.  
Audit Committee.

## Functions and composition of the Board of Directors

[102-18], [102-26], [102-28] and [102-32]

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 executives 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 these Regulations.

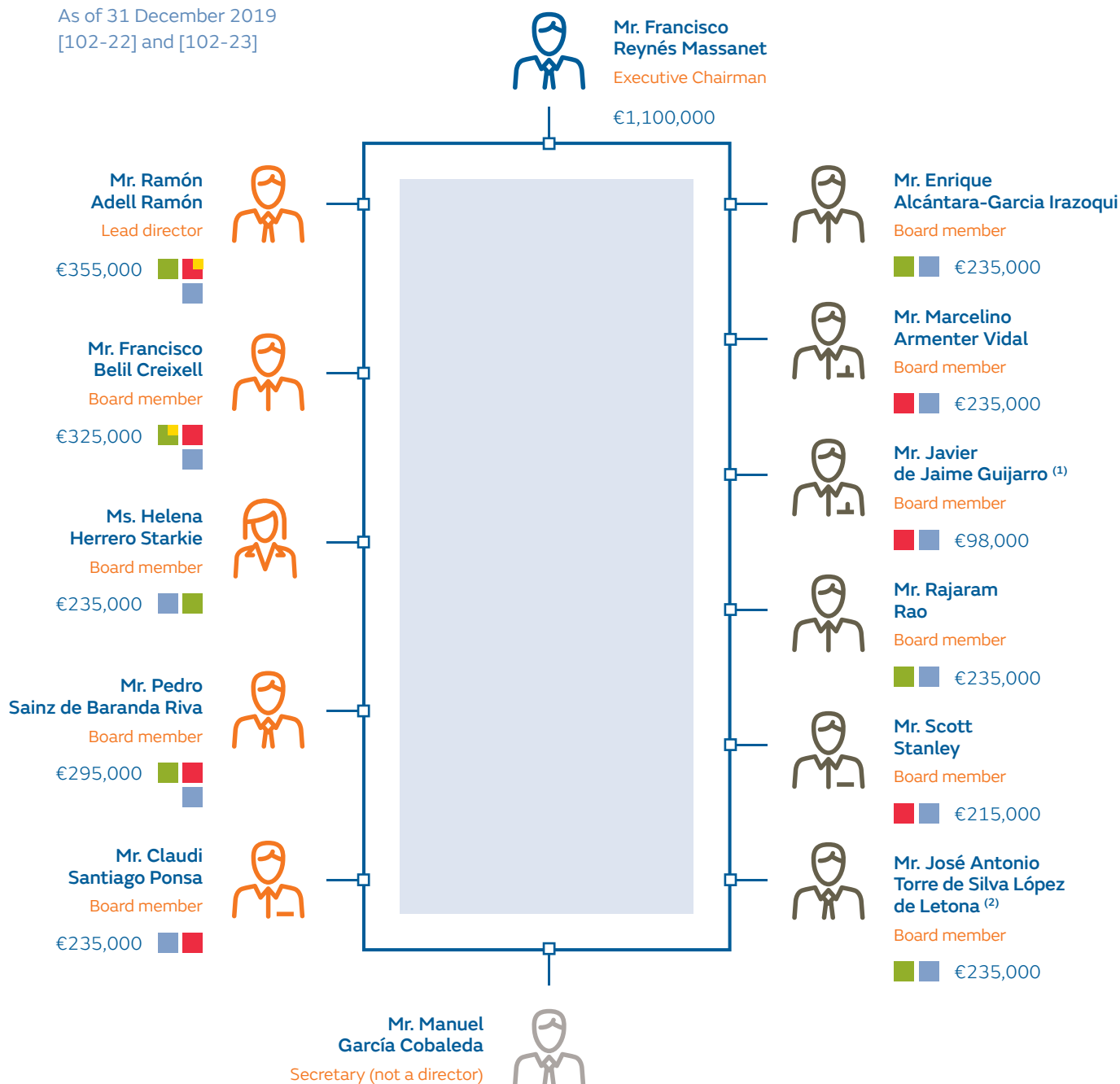
Matters ordinarily non-delegable, but which may be adopted by the delegated bodies or persons, for reasons of urgency duly justified and which must be ratified at the first Board of Directors session held after the take-up of the resolutions, of which the following stand out:

- 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 ones, 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\_

As of 31 December 2019  
[102-22] and [102-23]



### Type of Director

■ Executive. ■ Independent. ■ Proprietary. ■ N/A.

### Type of committee

■ Audit and Control Committee. ■ Appointments and Remuneration Committee.

■ Chairman of the Committee.

■ Member of the Committee.

<sup>(1)</sup> The company Rioja S.à.r.l. replaced Rioja Bidco Shareholdings, S.L.U. as Director in August 2019.

<sup>(2)</sup> Theatre Directorship Services Beta, S.à.r.l.



## 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 2019, an internal process of self-assessment has been set in motion for both the functioning of the Board of Directors and the Audit and Appointments and Remuneration Committees.

The 2019 self-assessment has concluded that both the Board of Directors and its committees operated as expected, exercising their powers without interference and in full observance of both current legislation and the standards for the organisation.

## Diversity in the process of appointments and renewal of Directors

[102-24], [102-25] and [405-1]

The Naturgy Board of Directors comprises 12 members, of whom one is a woman. 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 Matrix.

The company, in its Board Member selection policy, expressly specifies that the Appointments and Remuneration Committee shall ensure that the screening procedures do not include any implicit bias that could involve any discrimination whatsoever.

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.



## Diversity and competence matrix \_

[405-1]

Key competencies	Mr. Ramón Adell	Mr. Enrique Alcántara	Mr. Marcelino Armenter	Mr. Francisco Belli	Ms. Helena Herrero	Mr. Javier de Jaime	Mr. Rajaram Rao	Mr. Francisco Reynés	Mr. Pedro Sainz de Baranda	Mr. Claudi Santiago	Mr. Scott Stanley	Mr. José Antonio Torre de Silva
<b>Strategic / business priorities</b>												
Global energy trends / strategy / technology												
Infrastructure (investments in regulated environments)												
B2C (customer experience and new services)												
Operational excellence and optimisation processes												
Regulators / other public relations												
International experience												
<b>Specific functions / Profiles related to board responsibilities</b>												
Senior management experience												
Accounting / auditing / risk management												
Corporate finance												
Industrial and energy technologies (industrial technologies)												
Industrial and energy technologies (information technologies)												
Talent management and remuneration												
Corporate governance and sustainability (ESG)												

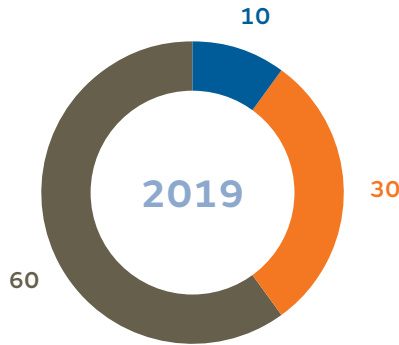
### Type of Director

■ Executive ■ Independent ■ Proprietary

### Experience

■ Executive professional. ■ As a director or indirect executive.

**Breakdown of the Board of Directors by age \_**  
(%) [405-1]



**Ages**

■ -55 years. ■ 55-60 years. ■ +60 years.

**Remunerative model of the Board of Directors**

[102-35], [102-36] and [102-37]

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 Ordinary General Shareholders' Meeting of 2019, the Annual Report on Remuneration of Board Members for 2018 was approved by a majority vote, as follows:

Number of shares that have cast valid votes	834,319,657
Total number of valid votes cast	834,319,657
Proportion of the share capital that the valid votes represented (%)	83.4
Votes in favour	817,516,132
Votes against	15,644,927
Abstentions	1,158,598
Quorum of attendance at the General Shareholders' Meeting (%)	85.2

## Issues dealt with at the General Shareholders' Meeting

[102-21], [102-33] and [102-34]

The quorum of attendance at the meeting represented 85.2% of all shares in Naturgy.

Issue	Nature of the issue	Conclusions drawn
Approval of the Annual Accounts and the Directors' Report of Naturgy Energy Group, S.A.; the Consolidated Annual Accounts and the Directors' Report of the Consolidated Group for the financial year that closed on 31 December 2018.	■	■
Approval of the allocation of profits for the year that closed on 31 December 2018.	■	■
Approval of the consolidated Non-Financial Statement of Naturgy Energy Group, S.A.	■ ■ ■	■
Transfer to the "Voluntary Reserve" account.	■	■
Authorisation to the Board of Directors for derivative acquisition of treasury shares.	■	■
Approval of management performed by the Board of Directors in 2018.	■ ■	■
Re-election, ratification and, where applicable, appointment of members of the Board of Directors.	■ ■	■
Approval of a capital reduction through the cancellation of own shares under the "share buy-back" programme.	■	■
Approval of the policy on the remuneration of directors for 2019-2021.	■	■
Approval of the Long-Term Incentive for the Executive Chairman and other Executives.	■	■
Share delivery plan for Naturgy Group personnel.	■ ■	■
Consultative vote concerning the Annual Report on remuneration of members of the Board of Directors.	■	■
Information on amendments of the Regulations for the organisation and functioning of the Board of Directors of Naturgy Energy Group, S.A. and its Committees.	■ ■	■

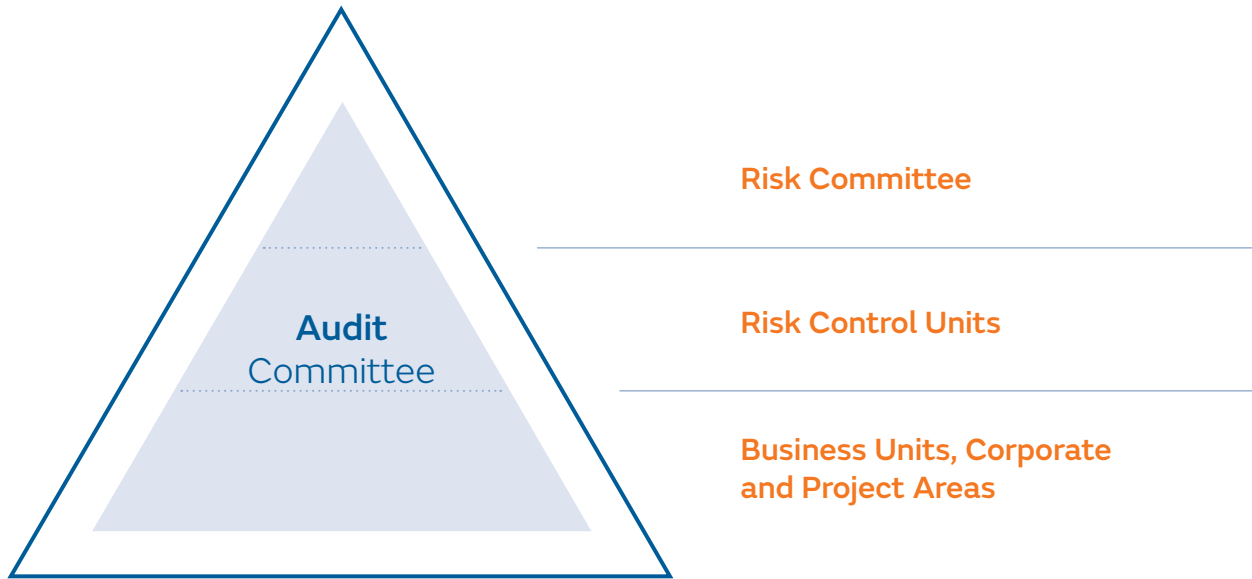
### Nature of the issue

■ Economic. ■ Social. ■ Environmental.

### Conclusions drawn

■ Approved by a majority.

## Risks and opportunities



### Risk management at Naturgy

[102-30]

Naturgy identifies and quantifies the impact of the main risk factors for the company, ensuring uniformity in the criteria used in measuring these risks and proposing control and corrective measures together with the businesses affected.

#### Audit Committee

Supreme body in charge of the efficiency 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 monitoring, controlling and reporting the risk assumed, and ensuring this is within the limits defined by the objective risk profile. We can highlight the following units: Risks and Insurance, Gas & Power Risks and Internal Audit.

#### Business Units, Corporate and Project Areas

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

## A model that anticipates the developing situation

The Risk Management Model of Naturgy seeks to ensure predictability of the company's performance in all relevant aspects for its stakeholders. This means establishing risk tolerance by setting limits for the most relevant risk categories. By doing this, the company can anticipate the consequences of certain risks materialising, and is perceived in the market as a solid and stable company.

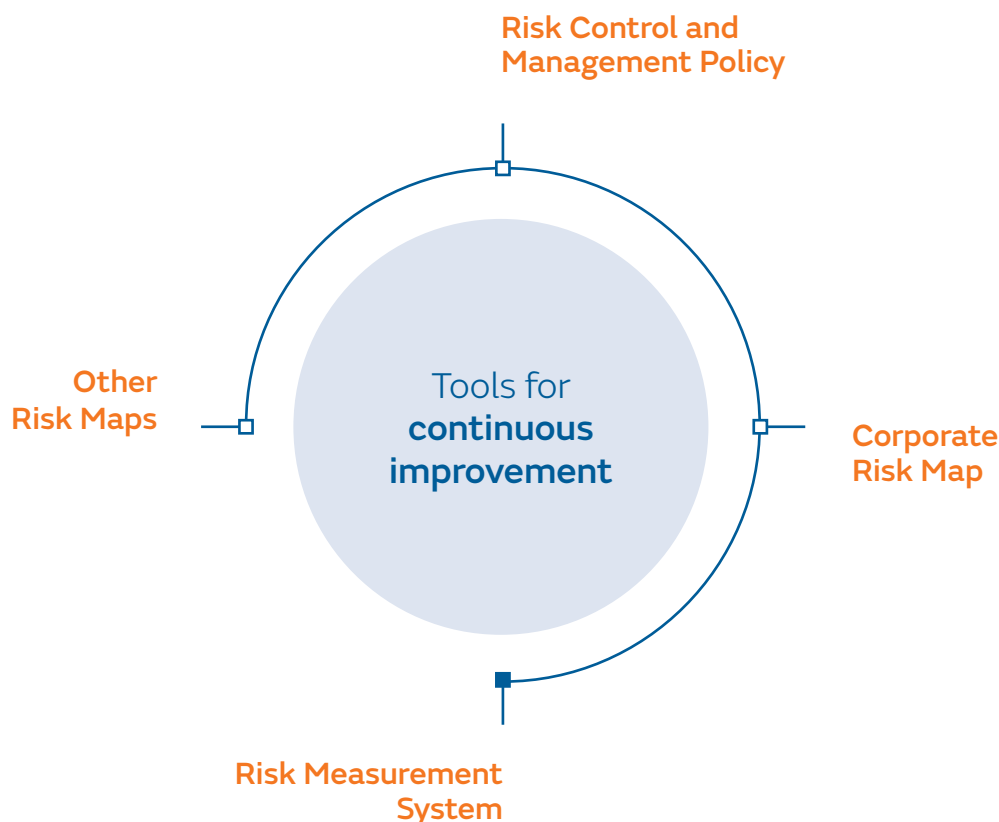
Naturgy has a framework that integrates the corporate vision of governance, risks and compliance, enabling an integrated overview of the group's processes, the existing controls over these and the associated risk.

## An integrated management

[102-11], [102-15] and [102-31]

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:



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.

### Risk Control and Management Policy

The Global Risk Management and Control Policy was approved by Naturgy's Board of Directors in January 2019. 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

It identifies and assesses the risks that may affect Naturgy's performance, taking 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 every year to the Audit Committee.

Within the framework of the Strategic Plan 2018-2022, methodologies have been developed to quantify and control the impact on value of Naturgy's most relevant risks during the plan's time horizon.

### Other Risk Maps

At their discretion, the Naturgy Business Units promote 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.

### Resilience

Companies must be prepared to cope with crisis scenarios that may endanger their goals or society itself (supply of essential services, fires, discharges, etc.). In this context, co-operation with public and private entities is essential.

Naturgy has a Resilience Model with which it anticipates and deals with situations of crisis by reducing their impact on the business, customers and society. This model includes the implementation of crisis management plans and education and training programmes for crisis management committees and teams involved, and the relationship with affected stakeholders.

Naturgy currently has crisis management plans in Morocco, Egypt, Chile, Brazil, Mexico, Panama and Spain. Seven crisis drills were carried out in 2019, the aim of which was to ensure the effective action of teams and to verify the operability and coherence of the protocols set out in the plans.

### Main risks

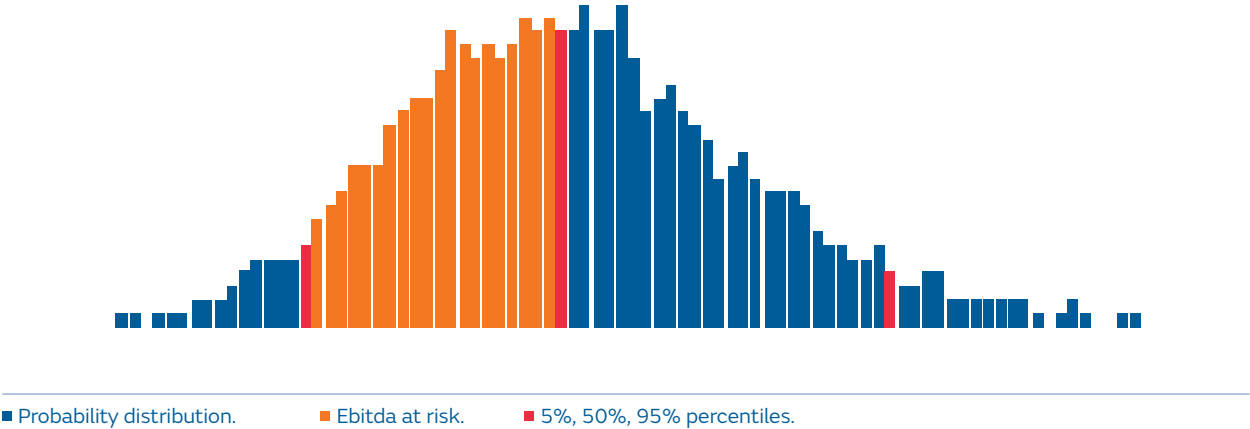
[102-15]

#### Description of main risks

The Risk Area seeks to guarantee the recurrence and sustainability of the performance indicators. One of its key tasks is the modelling of the Financial Statements, targeted at identifying their main sensitivities and anticipating possible incidents. Quantitative modelling is organised in accordance with the areas of credit risk, market risk and operational risk.

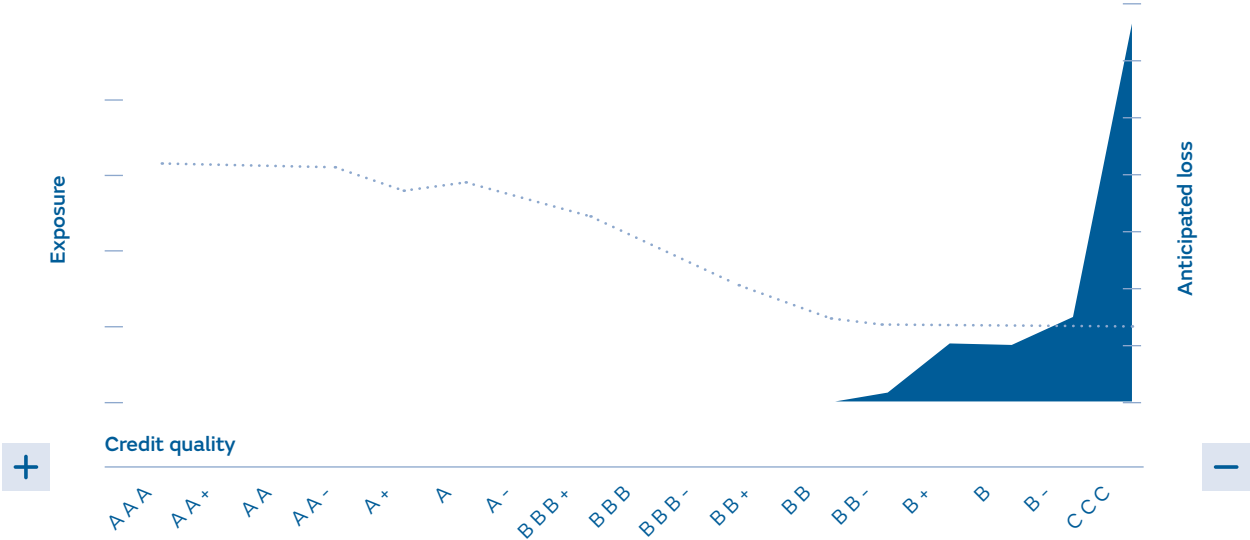
### Market risk

Range of values that the annual Ebitda of Naturgy can reach due to the evolution of market factors: price of gas, price of electricity and exchange rates.



### Credit risk

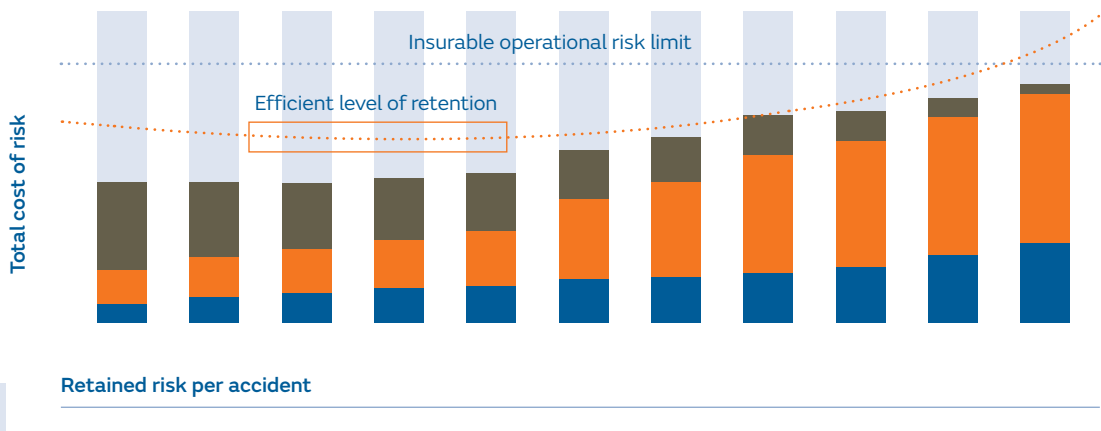
Logic of the risk profile and anticipated loss. Worse levels of credit quality mean the company's exposure has to be limited. It also shows the distribution of the anticipated loss, which increases with the deterioration of customer credit quality.



### Insurable operational risk

Fundamental magnitudes with regard to management: efficient level of retention and breakdown of overall costs associated to the risk (premium, unexpected loss, expected 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.



Retained risk per accident



Subsequent to the approval of the Strategic Plan, Naturgy registered asset impairment or write-offs of Euros 4,851 million, caused by the reassessment of future cash-flow estimates based on the aforementioned plan, as well as other factors that have occurred during the period.

### 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 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 electric profile.

The emerging risks identified that are particularly relevant in 2019 for the company are:

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

- Design and implementation of the Cybersecurity Plan 2019-2020.
- Naturgy's Global Cybersecurity Strategy campaign to prevent the following types of attacks:
  - **Phishing**  
Attacks via e-mail
  - **CEO fraud**  
Impersonation, via e-mail, of the company's senior management.
  - **Third-party fraud**  
Phishing of bank transfers, etc. (suppliers, financial institutions, etc.).
  - **Malware**  
Theft of keys and passwords.
  - **Threats to industrial devices**
- Periodic password change.
- Access control.
- Software update.
- Alerts on suspicious e-mails.
- Backup copies.



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

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 given the large number of extreme weather events that have occurred recently.
- 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.

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

Mitigation actions carried out by Naturgy:

- Promote renewable energies, natural 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.

## Main opportunities

[102-15]

The main opportunities identified by Naturgy are:

- **Renewable generation**

Increase renewable generation capacity internationally, given that renewable energies are cost-competitive and considering Naturgy's presence in growth markets.

- **Generation mix**

Naturgy's power generation facilities, which are dominated by combined-cycle power stations, have the necessary flexibility to adapt to different market situations and are a valuable asset for seizing opportunities related to volatility in prices and demand volume in the gas and electricity markets.

- **Natural gas and LNG supply portfolio**

The management of gas pipelines, participation in plants and the fleet of methane tankers enables the group to cover the needs of its different business activities in a flexible and diversified way, optimising for the different energy scenarios. Naturgy is one of the world's leading LNG operators and a key player in the Atlantic and Mediterranean.

- **A balanced structural position in businesses and geographical areas**

With stable flows that are independent of commodity prices, making it possible to optimise the capture of energy demand growth and maximise new business opportunities in new markets.

- **Technological development and innovation**

Naturgy focuses on research, development and innovation projects as a means of generating a reliable, sustainable energy supply.



## Internal Auditing and Compliance

— [205-1]

### Assurance function of Internal Audit

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

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

In 2019, 124 internal audit projects were carried out, 95 of which corresponded to the review of processes associated with the main operational risks (corruption, fraud and legal) of the business and services departments of Naturgy. The analysis carried out extended to 100% of the departments and placed special emphasis on those with greater probabilities of these risks materialising. In the projects performed in 2019, no significant incidents related to corruption were detected.

### Assurance function of Compliance

Responsible for supporting the Ethics and Compliance Committee with ongoing assurance of compliance with the external regulations and of the policies and procedures introduced at the Group to mitigate the main legal, corruption and fraud risks. In this regard, the Compliance Unit is responsible for management of the Crime Prevention Model and, in collaboration with the Legal Services, assesses the legal risks in the models that are developed, especially the criminal and regulatory prevention ones. 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.

Also, the Compliance Unit takes charge of management of the Code of Ethics of Naturgy, through dissemination of the code and by overseeing compliance with the same and the Anti-Corruption Policy. The Unit, through the Ethics and Compliance Committee, regularly informs the Audit Committee of the activity carried out in the exercise of its functions.



# Corporate responsibility and Naturgy

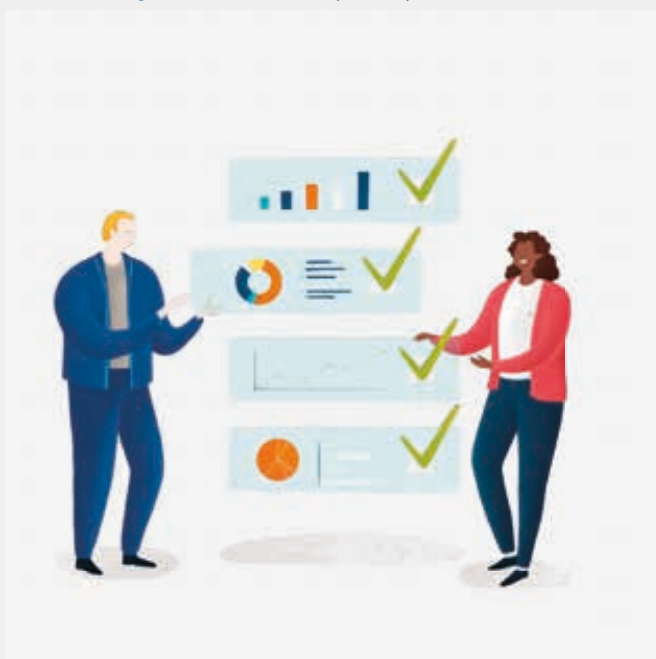
Corporate Responsibility  
Policy | 54

Sustainability Plan 2022 | 55

Management and measurement of  
corporate reputation | 58

Stakeholders of Naturgy | 59

Naturgy's contribution to the Sustainable  
Development Goals (SDG) | 60



## Proposed actions 2019

Update of the Corporate Responsibility Policy.	■
Update of the Human Rights Policy.	■
Preparation of the Sustainability Plan 2022.	■
Implementation of the In-house Communication Plan on issues of Corporate Responsibility.	■

### Level of fulfilment

- Finalised.
- Major progress.
- Intermediate progress.
- Little progress.
- Not started.

## Corporate Responsibility Policy

Naturgy's Corporate Responsibility Policy –whose update was 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. It is around this that much of this report is structured.

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.



## Sustainability Plan 2022

In line with the transformation process initiated in previous years, during 2019 Naturgy has launched a Sustainability Plan which will last to 2022. The plan aims to facilitate compliance with the strategy defined in the Strategic Plan 2018-2022, to take advantage of opportunities in the area of sustainability and to develop actions, and objectives for such actions, in line with the commitments of the Corporate Responsibility Policy and the Sustainable Development Goals (SDG), leading to the generation of economic, social and environmental wealth.

For preparation of the Sustainability Plan 2022, a materiality analysis was carried out, including an internal analysis, which took into consideration:

- The Strategic Plan 2018-2022.
- The risk map.
- The Annual Reports.
- The Corporate Responsibility Policy.
- The 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 analysis identified 33 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. To this end, four drivers were established that encompass 30 actions:

- Innovation for the customer.
- Commitment and talent.
- The opportunity of environmental challenges and renewable energies.
- Integrity and trust.

The following describes the actions planned within the Sustainability Plan 2022 and which will begin to be developed in 2020. The targets for each of the actions will be defined throughout 2020 and published in the Corporate Responsibility Report 2020.

### Actions planned as part of the Sustainability Plan 2022\_

Policy commitment <sup>CR</sup>	Planned action	SDG
Service excellence	Development of new solutions for sustainable mobility and recharging points.	
	Implementation and monitoring of the Global Customer Experience Policy.	
	Digitalisation of the customer relationship through data driven and customer centric systems.	
	Development of distributed generation and development of new self-consumption solutions for the customer.	
	Compliance with the Certification Model to be implemented with the transposition of the NIS, Security in Essential Services directive.	
	Development of a Critical Infrastructure Cybersecurity Plan.	
Commitment to results	Development of the model for the monitoring, operation and remote control of the facilities.	
	Analyse the possibility of including financing actions that fall under the concept of green financing or that contribute to the energy transition.	
	Continue to hold meetings with investors and ESG analysts.	
Responsible environmental management	Development of a methodology for the quantification of ESG Risks.	
	Increase the supply of renewable energy.	
	Continue to reduce greenhouse gas (GHG) emissions.	
	Strengthening governance in environment and climate change.	
	Development of renewable gas projects and promoting the circular economy.	
Interest in people	Development of initiatives to protect biodiversity and enhance natural capital.	
	Development of programmes for profile assessment, development and transformation of talent.	
	Development of a new comprehensive compensation model.	
	Development of the comprehensive diversity programme: Gender, training, capabilities and geography.	

Continues >



Policy commitment <sup>CR</sup>	Planned action	SDG
Interest in people	Carrying out of the survey on working environment.	<span style="color: #8e44ad;">■</span>
	Implementation of new ways of working: transversal, multidisciplinary and light structures.	<span style="color: #8e44ad;">■</span> <span style="color: #f1c40f;">■</span>
Health and safety	Implementation of the Safety Plan.	<span style="color: #27ae60;">■</span>
	Continue to develop the Health Plan.	<span style="color: #27ae60;">■</span>
Responsible supply chain	Evolution of ESG risk control and monitoring in the supply chain.	<span style="color: #8e44ad;">■</span> <span style="color: #f1c40f;">■</span>
	Development of new initiatives of the Vulnerability Plan.	<span style="color: #e91e63;">■</span> <span style="color: #27ae60;">■</span> <span style="color: #8e44ad;">■</span> <span style="color: #e91e63;">■</span> <span style="color: #f1c40f;">■</span> <span style="color: #2980b9;">■</span>
Social commitment	Development of the Foundation's Social Impact Plan.	<span style="color: #27ae60;">■</span> <span style="color: #8e44ad;">■</span> <span style="color: #f1c40f;">■</span> <span style="color: #e91e63;">■</span> <span style="color: #f1c40f;">■</span> <span style="color: #2980b9;">■</span>
	Human Rights Due Diligence in infrastructure projects: partners and counterparts.	<span style="color: #2980b9;">■</span> <span style="color: #2980b9;">■</span>
Integrity and transparency	Development of a policy for the use and management of social networks.	<span style="color: #f1c40f;">■</span> <span style="color: #2980b9;">■</span>
	Renewal of ISO37001 and UNE 19601 certifications.	<span style="color: #2980b9;">■</span>
	Obtaining 0 qualifications in compliance with Law 11/2018 on Non-Financial Information and Diversity.	<span style="color: #2980b9;">■</span>
	Publication of the tax transparency report.	<span style="color: #2980b9;">■</span>



## Management and measurement of corporate reputation

---

In 2019, measurement of Naturgy's reputation was conducted through the MERCO business reputation monitor. This international benchmark study has a global assessment that integrates the perception of nine opinion groups with an impact on the business world –financial analysts, economic information journalists, government, NGOs, trade unions, consumer associations, influencers/ social media managers, professors from the business area and communications agencies–.

In Spain, Naturgy holds 25th position in the general ranking of companies with the best national reputation, and is second in the ranking of best reputation in its sector.

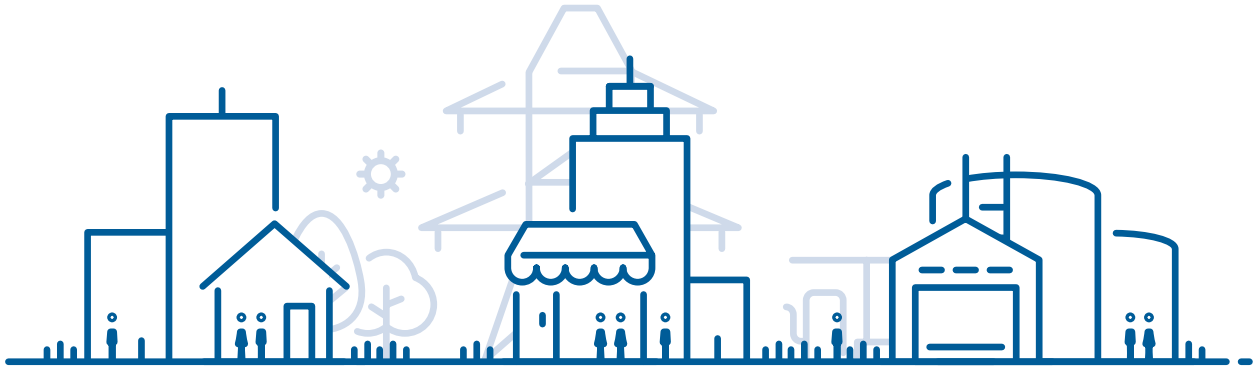
In Latin America, the company maintains a presence in some of the rankings prepared for those markets.

In the 2019 results, Naturgy's performance stands out among three expert audiences –economic information journalists, professors from the business area and communication agencies– who assess the company as the second best performer in its sector and the improvement in the result of the Merco Digital monitor, in which the company went from 64th to 38th place. Naturgy has also continued measuring reputation in the general public, using its own study tools, with positive and stable results.



## Stakeholders of Naturgy

— [102-40]



**Shareholders and investors | Suppliers | Business partners | Employees | Analysts | Market agents | Society | Management · Regulatory Bodies | Financing groups | Customers | Insurance and reinsurance agencies.**

### Dialogue with stakeholders

[102-42], [102-43] and [102-44]

The company carries out actions that enable it to discover the expectations 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.

## Naturgy's contribution to the Sustainable Development Goals (SDG)

—

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**  
The company carries out initiatives, programmes or actions that contribute towards said goal.
- **Indirect contribution**  
Through the impact of policies and practices in countries in which it operates.



- 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.**



# Service excellence

— [103-1], [103-2] and [103-3] (Customer care and satisfaction)

**The customer at the centre  
of all decisions | 62**

**Quality and reliability of the service | 63**

**Products and services adapted  
to customers' requirements  
and priorities | 65**

**Customer service | 67**

**Customer satisfaction  
and experience | 68**

**Communication, transparency  
and customer protection | 71**



## Proposed actions 2019

Digitalisation of the bill and greater self-management by the customer on the website.	■
Annual Customer Centricity Action Plan.	■
Simplification of the Naturgy Customers digital universe.	■
New in-store customer service model.	■
Redesign of e-commerce from the point of view of simplicity (SimpleMind Project).	■

## Level of fulfilment

■ Finalised. ■ Major progress. ■ Intermediate progress.  
■ Little progress. ■ Not started.

## The customer at the centre of all decisions

—

In 2019, Naturgy consolidates the new stage started in 2018, with a renewed brand that reflects what we are: flexible, agile, with excellent service, innovative, and more committed to the environment.

For Naturgy, placing the customer at the centre of the activity is an indispensable necessity to achieve the commitment that allows the establishment of long-term relationships of trust. To this end, we listen to the customer, to evolve through their vision, their needs and their experience in each interaction with the company, which contributes to the development of the company's value proposal and service excellence.

## Quality and reliability of the service

— [103-1], [103-2] and [103-3] (Access to energy)

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.

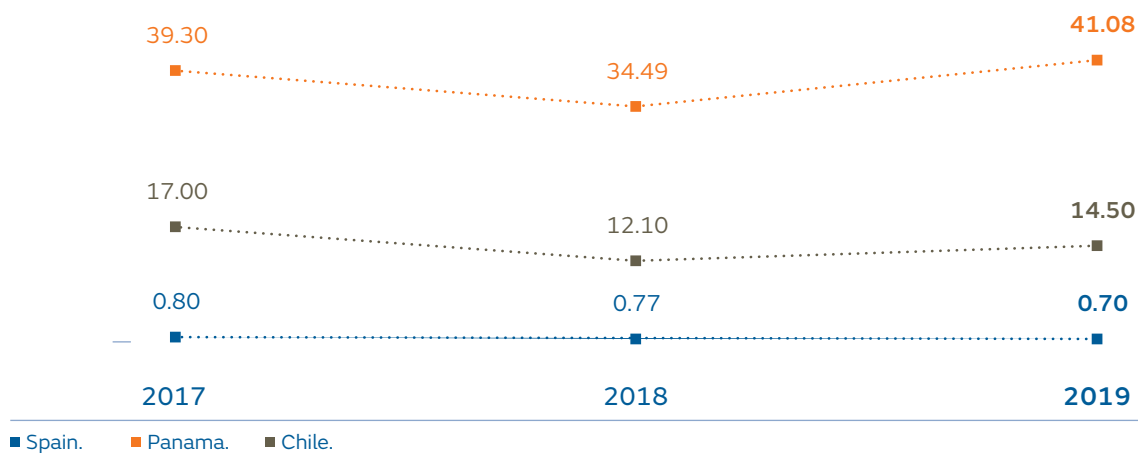
Naturgy employs modern and innovative methods and work equipment that are included in safe and efficient work and operation procedures. The company also encourages close collaboration with contractor companies in the permanent quest to achieve best practices in the development of its activity.

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 –periodically reviewed– 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 power, the kilometres of the grid and facilities inspected, and the number of incidents per kilometre of grid.

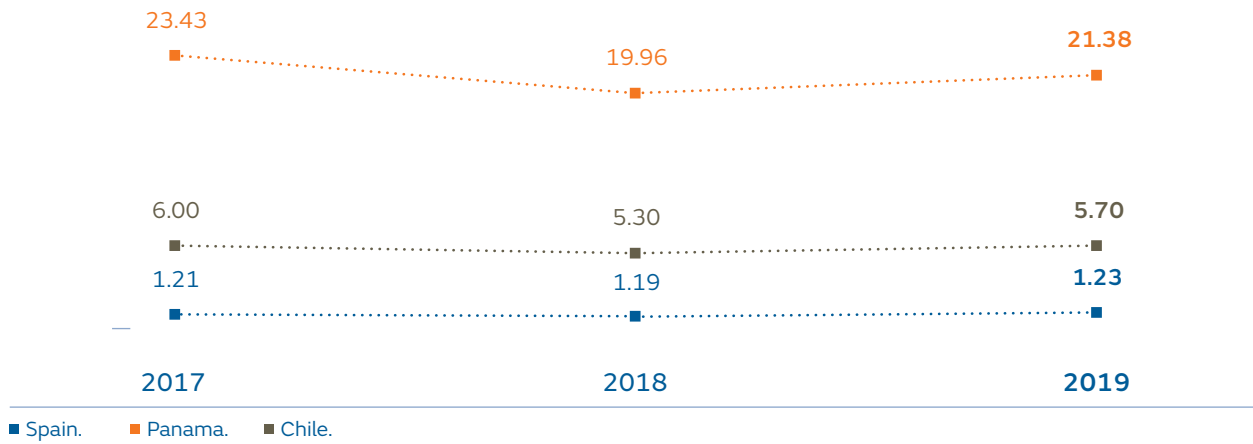
To ensure that supply meets demand, Naturgy regularly reviews the operating conditions of its networks, to make sure these are correctly sized or, if appropriate, to determine the potential needs of repowering or enlarging these. Furthermore, in electricity distribution, Naturgy partakes in several R&D&I projects for storage of energy in batteries, the development of smart grids, the application of drones to the maintenance of installations and the introduction of predictive maintenance techniques for the main grid equipment.

### Installed capacity equivalent interrupt time (ICEIT)<sub>2</sub> (hours)<sup>\*</sup> [EU29]



<sup>\*</sup> Figures relative to the electricity business.

**Frequency of electrical power cuts\_**  
 (No. of interruptions by customer)\* [EU28]



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





## Products and services adapted to customers' requirements and priorities

---

The commercial strategy of Naturgy focuses on customer satisfaction, meeting their expectations with value-added proposals, innovating and incorporating digitalisation, whilst seeking to simplify the portfolio of products and services to facilitate a simpler and more complete experience to customers.

In its service offer, the company takes charge of the planning and execution of the main energy facilities and their optimal maintenance throughout the entire contract:

- Renovation of facilities and, if necessary, transformation to natural gas.
- The financing of the entire project.
- The most suitable maintenance plan to obtain the maximum efficiency of their business.
- Total guarantee of the facility.
- Attention 24 hours a day, 365 days a year.
- Digital platform for management of their consumption.

During 2019, all the products in the portfolio have been improved and adapted to the requirements of customers. Especially, the services of self-consumption, equipment and electric mobility. This value proposal is contextualised in different services:

### Innovative products and services

[102-2]

#### Eco Gas Tariff

Since 2017 Naturgy has had an ECO gas tariff, with a stable kWh price for one year, for those customers with a greater sensitivity in environmental matters.

#### Superpack Home

Pack that includes energy supplies, maintenance services and repair of household equipment. Customisable based on the customers' needs.

#### Servielectric Car

Comprehensive and personalised electric mobility solution that allows customers to enjoy their electric vehicle charging point.

#### Solution for photovoltaic installation in homes and businesses

Comprehensive offer to encourage the installation of solar panels (includes flexible nightly tariff, preventive maintenance and financing).

#### Solution for installation of equipment in homes

Comprehensive offer for the installation of boilers (includes warranty extension, preventive maintenance and financing).

## SMEs

### ECO Business Plan

- **ECO electricity offer**  
For businesses that want 100% of their energy to be from a renewable source.
- **ECO gas offer**  
For those customers with a greater sensitivity in environmental matters.

### Superpack SMEs

Pack of energy supplies + maintenance services + repair of business equipment. Customisable based on the customers' needs.

## Wholesale

### Personalised self-consumption solutions

From execution and commissioning of the installation to the O&M services, monitoring services in real time and the possibility of financing the installation.

### LNG bunkering

Product targeted at large consumers of gas in maritime transport.

### Gas and electricity coverage

Transactions agreed directly with the customer and which are settled by differences. These enable the price to be set beforehand, removing uncertainties.

## Smart solution

### Gascomfort

Gascomfort is a production plant optimisation service through the renewal/transformation of the room and comprehensive management throughout the contract.

### Climatecomfort

Electric air conditioning service, which allows the customer to renew their old air conditioning equipment with the best systems on the market.

### Electric mobility

Services to customers that promote electric mobility.

### LNG option

A service that enables natural gas to be taken to customers that are some distance from the distribution network.

### PV option

Integral service of photovoltaic self-consumption, from design and installation to maintenance and management of the surplus.

### Equipment services

Service that allows the customer to equip themselves with technological equipment to improve the efficiency of their facilities.

In order to give a more agile and efficient response to the customer, Naturgy has developed and improved the system for the elaboration and management of solution offers -NETKI-. The system has been migrated to a web environment, which has contributed to improving overall performance and simplifying procedures. In addition, the generation of contracts and financial documentation has been included, improving the traceability and agility of the entire marketing process.

## Customer service

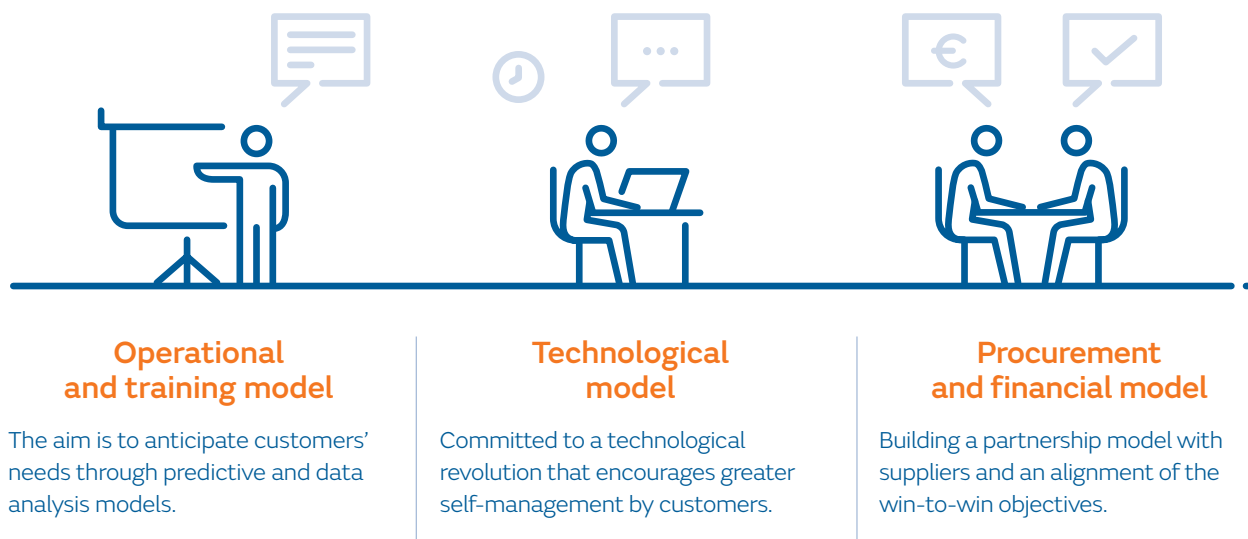
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Naturgy has introduced an innovative customer service model that is adapted to customers' characteristics and needs, offering accessible solutions that allow for greater comfort and flexibility to its customers' requests. Technological innovation reduces language or disability barriers.

The customer service channels that Naturgy makes available to its customers offer personalised and close attention that aims to exceed customer expectations.

In 2019, Naturgy has worked in two areas, the personalisation of customer service, listening to customers, analysing their behaviour, to anticipate their demands, and the digitalisation of channels providing a fast and flexible resolution with management autonomy and simplicity, being environmentally sustainable.

### Naturgy customer service model\_



### Customer service means\_



Telephone channel | Digital channel | Face-to-face channel · personal manager | Face-to-face channel · stores | Guarantee office.

## Customer satisfaction and 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”.

Consequently, in 2019 the Global Customer Experience Policy was formalised, becoming the group's standard as a company-wide process. This policy defines a framework of action, which must be complied with, on those lines of work considered necessary to guarantee that the customer is at the centre of our activities:

- **Customer measurement**  
Assessment of customer perception both in terms of overall satisfaction as well as when interacting with the company.

- **Objectives and annual action plan**

Actions to be carried out during the year that will improve the customer experience and that meet the group-defined strategic and efficiency criteria.

- **Clear communication**

Review of the customer relations models to facilitate the understanding of processes and increase Naturgy's support in the execution of tasks and tutoring of services provided.

- **Complaints**

Focus on eliminating root causes while defining methods to ensure the best customer experience once the complaint is opened.

- **Employees**

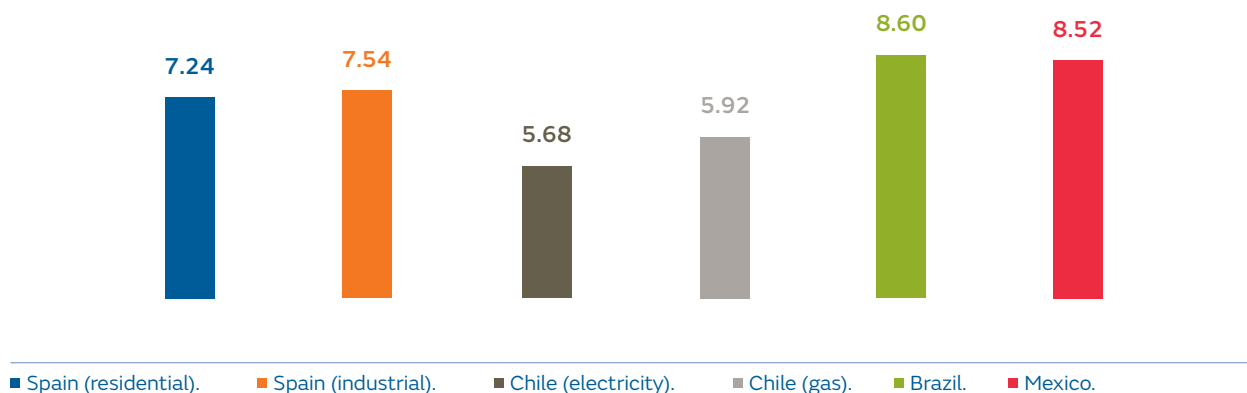
Visibility towards the employee of everything that impacts the market and can be queried with them, placing them in a role of brand ambassador.

- **Channel for partners**

Guarantee of involving collaborating companies so that their actions are in line with the customer experience policy defined by each business.

- 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.

## Overall satisfaction with service quality\_



### NB

Chile has been calculated based on a 1-7 scale, unlike other countries which used a 0-10 scale. Argentina and Panama have not measured satisfaction during 2019; this measurement will be carried out in 2020.

In 2019, all the group's countries maintain or have initiated actions within the framework of the CeX Global Policy and report the results thereof, both in qualitative and quantitative terms. Some of the actions developed within the CeX Action Plan are:

## CeX Action Plan

### Spain commercialisation

- **DNA + Engagement Project**  
To define the commercial purpose and promise that determines how Naturgy differentiates itself in the market and how it relates to the customer. Among the main objectives, the following stand out:
  - Construction of the customer-oriented model.
  - Commercial positioning and value proposition.
  - Customer life maps and procedures.
  - Training and dissemination.

### Spain (gas distribution)

- New customer relations model through a clear, digital communication to customers during the process of Gas Registration, in order to keep them informed of the steps taken as well as the next one to be performed, enabling an active role in speeding up the commissioning process.

### Spain (electricity distribution)

- Implementation of a new complaint management model that, firstly, increases First Contact Resolution, and secondly, allows the speeding up of its resolution and guarantees a clear communication of responses to the customer.
- Improve the accompaniment of the most vulnerable or essential groups such as electro-dependent customers, with cut-off plan warnings and procedures to speed up service recovery.

### Chile · CGE

- Publication of the CeX Policy on the intranet.
- CeX training for customer service and call centre executives.

## Chile Metrogas

- Development of a management model based on the customer's voice. Customer perception as the basis for ongoing process improvement from the end to end view of the customer's journey.
- To promote knowledge of the business by Metrogas collaborators, in order to increase the level of customer service.

## Brazil

- Creation of an interactive customer service portal "Minha Naturgy".
- Implementation of a new service system in Naturgy (São Paulo).
- Monthly monitoring through customer visits at the centres.
- Sessions with experts in customer service, indicator analysis and process improvement.
- Creation of a new work portal and consultation with experts.

## Argentina

- Development and improvements in the virtual office.
- Microsite for operating from smartphones.

## Panama

- Customer service fairs both in and out of the call centres.
- Ongoing training for front office staff.

## Mexico

- **Change in the customer service model**  
Initiation of a process of transformation of the service model based mainly on the following strategic lines:
  - **Scalability**  
Make the most of the current network of external collection channels, extend and modernise it (banks, shops, supermarkets).
  - **Modernity**  
Make new payment platforms (banking apps, ATMs, Naturgy apps, direct debit, credit card payment) and technologies available to customers.

Satisfaction and recommendation indicators	Spain				Chile			Brazil	Argentina	Panama	Mexico
	Residential	Commercial	Industrial	Gas distribution	Electricity distribution	Electricity	Gas				
Market Satisfaction Index (%) satisfied	33.40		25.3	-	-	78.00	73.40	55.00	-	-	64.00
Market Satisfaction Index (%) unsatisfied	10.30		3.80	-	-	19.00	8.90	3.50	-	-	6.00
Net Promoter Score Telephone Customer Service	54.24	56.39	-	26.92	26.11	(8.20)	39.00	48.43	-	-	(23.07)
Net Promoter Score Face-to-face Customer Service	74.50	76.55	-	-	-	(13.00)	53.80	56.30	-	-	62.49
Net Promoter Score Emergency / Malfunctions	-	-	-	60.54	-	(11.50)	68.30	55.70	-	-	-

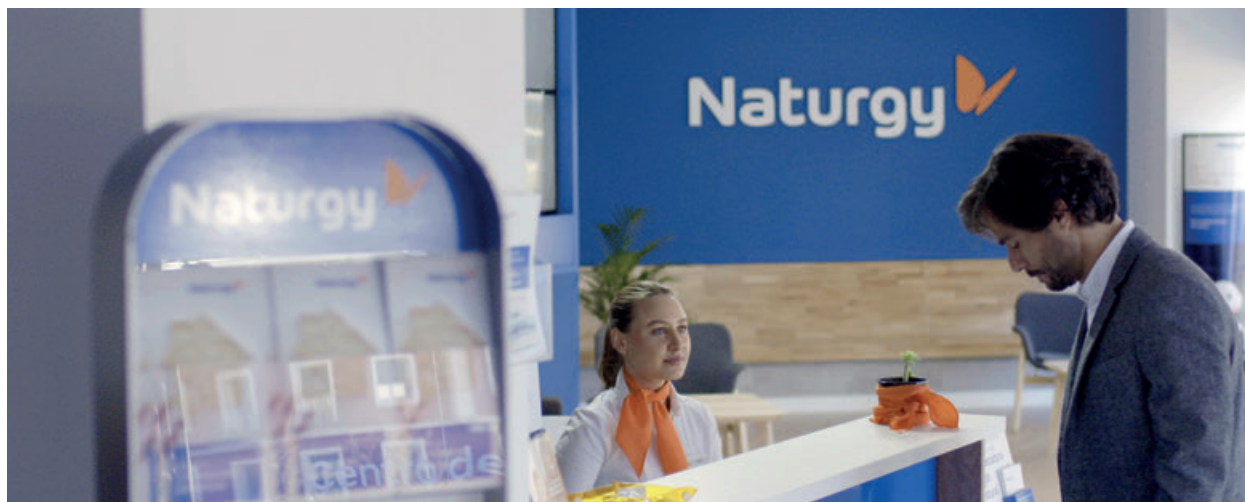
**NB**

Chile has been calculated based on a 1-7 scale, unlike other countries which used a 0-10 scale. Argentina and Panama have not measured satisfaction during 2019; this measurement will be carried out in 2020.

% satisfied: Those who have rated 9 or 10 in satisfaction surveys (6 or 7 in the case of Chile).

% unsatisfied: Those who have rated between 0 and 4 in satisfaction surveys (between 1 and 3 in the case of Chile).

Net Promoter Score: Measure of the recommendation of a product or service. Promoters (9-10) versus detractors (0-6). The value can range from -100 to +100.



## Communication, transparency and customer protection

---

### New channels of communication

Naturgy has adapted communication with customers through the use of new technologies, which encourages ongoing contact.

In 2019, Naturgy's online business in Spain has multiplied its digital sales x 1.6, with 52,180 contracts for electricity, gas and other value-added services. Likewise, digital sales channels for collaborators and installers have been consolidated, achieving a digital contribution of more than 9,000 new contracts, 100% online and paperless. The experience and digital simplicity have been integrated into face-to-face sales channels that allow any rate to be contracted solely on the basis of the postal address data.

Naturgy's online invoice has experienced considerable growth, from 1,267,085 contracts with online invoicing in 2018 to 2,234,722 contracts with online invoicing in 2019.

Naturgy.es has registered more than 9 million unique accesses during 2019. As regards customer service, a total of 7.2 million customers used the company's digital platforms. The Net Promoter Score (NPS), at the end of 2019, showed the following results: sales 60%; customer area 38%; mobile customer area 36%; and online service 70%. In addition, the digital servicing rate with respect to offline servicing has reached 31%.

During 2019, more than 130,000 fans/followers have been reached on social networks (Facebook, Twitter, Instagram, YouTube and LinkedIn), and Instagram, YouTube and LinkedIn channels have been opened. The community managers and web chats have dealt with more than 95,000 requests during this period, which has improved the levels of customer satisfaction in the after-sales processes and placed the NPS at 70%. Additionally, during the last quarter work has been done to launch an automated support chatbot for web and apps.

## 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.

## Privacy and security of the customer's data

During 2019, Naturgy has been working on updating the cybersecurity regulatory corpus to adapt it to the new structure of the organisation. In the final stage of the year, most of the high-level documents –policies and technical standards– have been approved and progress has been made in closing specific specifications and procedures. This update is being carried out using a series of international standards and best practices as a control framework, such as ISO 27001, NIST SP 500-53 or ISA 62441. Once the final version of the documents has been approved, they will be adapted to each of the group's geographies and published in the corporate regulations space available to all employees.

In this way, Naturgy works actively to include cybersecurity from the design of the projects, carries out exercises of identification, classification and resolution of vulnerabilities, and controls the inherent risk of cybersecurity in the procurement of services with suppliers.

In relation to the protection of personal data, it continues to work in line with the requirements of the General Data Protection Regulation (GDPR), using the results of the impact assessments and the study of the different tools to determine the most appropriate technical measures.

With regard to secure access, the company has defined a series of measures at different levels to guarantee confidentiality and to prevent unauthorised access to

data or applications. The data processing centres are properly controlled and protected against threats and the identity and access management model has been strengthened with a password policy and updated systems for information recovery and retrieval of critical functions.

The capabilities of the CyberSOC (Security Operations Centre) have been extended, integrating new sources of cyberintelligence and new use cases to ensure that potential incidents are detected early and potential damage is minimised with optimal responses. Work is underway to extend its reach to other countries. 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.

As regards training, the cybersecurity course –which is compulsory for all employees– is being renewed to keep it in line with all the group's geographies. Customised quarterly campaigns are also being carried out to assess and increase the level of staff awareness.

Finally, throughout the year work has continued to maintain and improve relations with third parties in the field of cybersecurity, both with public bodies such as the National Institute for Cybersecurity or the European Commission, and with private entities, whether they are companies in the sector or others dedicated to providing cybersecurity services.

## Protection of strategic assets at Naturgy

In compliance with Law 8/2011, Naturgy was designated critical operator, implementing the Critical Infrastructures project (CI). Throughout 2019, the Security and Cybersecurity units have supervised the processes established for their protection, managing the incidents detected and liaising with the National Centre for Infrastructure Protection and Cybersecurity (CNPIC) and other public and private bodies. It has also updated and improved the procedural, technical and operational protection measures set out in its protection model.

In addition, and in compliance with Royal Decree-Law 12/2018, Naturgy was designated in 2018 as an essential services operator, as its critical infrastructure



depends on networks and information systems. For this reason, in 2019 work has begun to integrate the processes contemplated in the Naturgy protection model with the requirements established in the aforementioned Decree-Law, adopting the appropriate measures to manage the risks related to network and information system security.

Likewise, through the Security unit's risk analysis and intelligence service, Naturgy detects and anticipates security threats (terrorism, organised crime, natural disasters and socio-political conflicts, among others), avoiding or reducing the impact they may generate, and fostering resilience and continuity of operations. By 2019, over 100 security alerts have been identified and communicated to businesses and 156 specific risk reports have been produced.



# Commitment to results

Focus on growing and sustained  
profitability | 74

Communication channels adapted  
to the needs of shareholders  
and investors | 76

Sustainable financing  
and investor activities that take  
ESG criteria into account | 77

Inclusion in socially  
responsible investment indices | 78



## Proposed actions 2019

Maintaining a presence  
on sustainability indices. ■

### Level of fulfilment.

■ Finalised. ■ Major progress. ■ Intermediate progress.  
■ Little progress. ■ Not started.

## Focus on growing and sustained profitability

### Overall results

#### Net turnover

Net turnover totalled Euros 23,035 million in 2019, 5.4% below 2018, mainly as a result of lower energy prices and volumes sold in the liberalised businesses.

#### Ebitda performance

2019 has been marked by the growth of international activities and active management in the operations of all businesses. Ebitda reached Euros 4,562 million including non-core items. Excluding the latter, recurring Ebitda grew by 5.8% to Euros 4,668 million, supported by a solid performance in the infrastructure business, the new commercial strategy in marketing activity and the efficiencies gained.

Excluding non-core items, ordinary net profit for 2019 totals Euros 1,432 million, 15% higher than the previous year, meeting the company's targets despite the demanding energy scenario in liberalised operations.

## Debt ratio

As of 31 December 2019, according to IFRS 16 net debt amounted to Euros 15,268 million, stable versus last year, thanks to the increased focus on cash-flow generation of the company and despite the substantial investments for growth in energy transition assets and its shareholder remuneration commitments. As a result, net debt/Ebitda declined to 3.3x from 3.8x as of 31 December 2018.

## Cash-flow

Cash-flow after minorities amounted to Euros 1,958 million. Naturgy has experienced a positive evolution of its working capital, explained by an increased focus on working capital management as well as other seasonal circumstances occurring in the period.

## Completed transactions

- Sale of 100% of the distribution and marketing of electricity in Moldova, and of Transemel, the electricity transmission subsidiary in Chile, with an equity valuation of Euros 141 million and Euros 155 million, respectively.
- Asset swap in Argentina whereby CGE, a company owned by Naturgy in Chile, acquired 100% control of two gas distribution companies.
- New USD 1,500 million syndicated loan for international power generation business.
- Naturgy executed the repurchase of Euros 653 million in existing notes and issued a new bond of Euros 750 million with maturity at 10 years at a cost of 0.75%.

## Consolidated net income\_

(million euro)

	2019	2018	2017
Net profit of Naturgy	1,401	(2,822)	1,360

## Investments

Investments in property, plant and equipment and intangible assets amounted to Euros 1,685 million in 2019, a 27.4% decrease with respect to the previous year due to it having included the recognition of two new gas carriers under finance lease (Euros 380 million).

Growth Capex in 2019 represented approximately 60% of total Capex and amounted to Euros 1,052 million, including:

- A total of Euros 418 million invested during the period in the construction of different renewable generation projects in Spain (wind and solar), with close to 800 MW put in operation.
- Euros 155 million invested in the development of 180 MW of wind capacity in Australia and 324 MW of wind and solar capacity in Chile that will come into operation in 2020 and 2021, respectively.

Maintenance Capex in 2019 amounted to Euros 633 million, compared to Euros 683 million in 2018, a 7.3% reduction resulting from the optimisation of Capex processes.

## Stock market performance and profitability

Naturgy shares closed 2019 at a price of Euros 22.40 and stock market capitalisation of Euros 22,044 million, which represents a 0.6% increase versus the previous year-end. This evolution meant a yield per share of Euros 1.43.

## Stock market indicators\_

[102-7]

	2019	2018	2017
No. of shareholders (in thousands)	70	73	79
Share prices at 31/12 (euros)	22.40	22.26	19.25
Earnings per share (euros)	1.43	(2.83)	1.36
Share capital (No. of shares)	984,122,146	1,000,689,341	1,000,689,341
Stock market capitalisation (million euro)	22,044	22,275	19,263

## Financial ratios\_

	2019	2018	2017
Debt (%) (1) (2)	52.2	51.2	45.3
Ebitda / Cost of net financial debt	7.3x	7.5x	6.4x
Net debt (2) / Ebitda	3.3x	3.8x	3.9x

(1) Net financial debt/Net financial debt + Equity.

(2) In 2018, pro forma data is included applying IFRS16, which has become effective at 1 January 2019.

## Communication channels adapted to the needs of shareholders 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 2019 representatives of the company's management team and the Capitals Market Department held more than 350 meetings with institutional investors.

## Communication channel indicators\_

	2019	2018	2017
Meetings with investors and analysts	366	523	589

## Sustainable financing and investor activities that take ESG criteria into account

— [102-12]

Since 2012, Naturgy has been holding meetings with investors focused specifically on evaluating the group's ESG policies. Throughout 2019, Naturgy has continued with this activity, participating in various events, including the ESG conferences organised by JP Morgan in March and by Société Générale in November, both in Paris. The investors with whom these meetings were held during the year included Sycomore AM, AXA Investment, Amundi AM, M&G Investments, Fidelity Investments, Standard Life Aberdeen, LGT Capital, Anima SGR and Generali.

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. This issue is fixed with an annual coupon of 0.875%. At the close of December 2019, 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 addition, to cover its financing needs, in 2017 Naturgy signed a sustainable credit facility with ING Bank NV Branch in Spain for an overall amount of Euros 330 million at four years with a possible additional year. The cost of this is partially pegged to a sustainability rating, based on the score awarded by the Sustainalytics ratings agency, an independent enterprise that issues a report and score in this regard.

As a result of a 7.6% improvement in the rating, the spread on that funding was cut by 5% in 2018 and that reduction was maintained in 2019 as the index remained at similar levels.

Similarly, Naturgy Renovables signed a loan for Euros 500 million in 2019 to finance investments, under the Principles of Green Loans. To maintain this category, the company must prepare and deliver an environmental monitoring report to the accrediting entities that incorporates at least the following information:

- Description of the projects financed with this financing contract and their expected impact.
- Periodic environmental monitoring information in accordance with the environmental monitoring requirements of the project.
- Information on environmental and health and safety management systems that apply.

## Inclusion in socially responsible investment indices



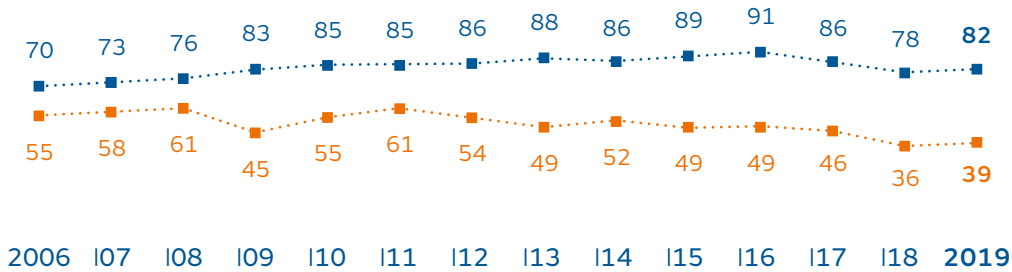
The company's performance in environmental, social and good governance matters has allowed it to position itself in benchmark positions in the main sustainability indices. Naturgy has been part of the Dow Jones Sustainability Index for 15 years without interruption, and in 2019 achieved worldwide leadership in the Gas Utilities sector for the third year in a row. In the same way, the company has belonged to the FTSE4GOOD since its creation in 2001, also obtaining global leadership of the Multiutilities sector for the second year. Furthermore, during 2019, Naturgy has been evaluated by rating agencies such as MSCI in which it has once again achieved the highest rating (AAA), Sustainalytics in which it remained one of the top 5 among 193 utilities assessed and ISS ESG which it remains within the best 20% of companies in the sector, following the last biennial assessment by that agency. The company also maintained the score obtained from Vigeo Eiris in 2018 (the assessment is performed every

two years), and is a member of the three Euronext Vigeo indices: World 120, Europe 120 and Eurozone 120. Naturgy is also a member of the MSCI Global Climate Index and MSCI ESG Leaders Index.

In 2019, Naturgy was recognised as a world leader for its action against climate change through inclusion in the 2018 CDP's Climate Change A List. The company has obtained the highest possible score in this climate change index, in recognition of its actions to reduce emissions, mitigate climate risks and develop a low-carbon economy.

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.

### Evolution of Naturgy and sector average on DJSI\_ (scale from 0 to 100)



■ Naturgy. ■ Sector average.

NB: The decrease in figures in 2018 is due to the methodology change of the index.



# Responsible environmental management

Governance and environmental management | 80

Climate change and energy transition | 88

Circular economy | 96

Natural capital and biodiversity | 105



## Proposed actions 2019

Increase in installed power capacity for renewable energy by at least 900 MW, in line with the targets of the Strategic Plan 2018-2022.	■
Development of at least two renewable gas innovation projects.	■
Encourage the use of natural gas in land and sea mobility to improve air quality, by creating at least 25 new natural gas vehicle stations and doubling the number of vessels on which bunkering operations are carried out (natural gas refuelling) throughout the year.	■
Implementation of 100 or more biodiversity initiatives at both national and international levels.	■
Review of the Naturgy Environmental Policy.	■
Integration of the climate change variable into the supply chain by means of the CDP Supply Chain initiative.	■

### Level of fulfilment

■ Finalised. ■ Major progress. ■ Intermediate progress.  
■ Little progress. ■ Not started.

## Governance and environmental management

### The environmental management of processes

Naturgy is committed to the sustainable development of communities, guaranteeing the supply of competitive and safe energy with maximum respect for the environment. This commitment is materialised in the Strategic Plan 2018-2022, presented in June 2018, which spells out the business model, focused on value creation, and based on the deep conviction that the energy transition is an opportunity. This new strategy,



which promotes renewable energies and natural gas –due to their important role in meeting the climate change objectives of the Paris Agreement– includes the following lines of action:

- Triple renewable generation installed capacity by 2022.
- Increase electrification in the countries where Naturgy operates.
- Take advantage of the leadership in combined-cycle plants to offer the necessary support to allow the swift penetration of renewable energies.
- Develop natural gas in transport, as a low CO<sub>2</sub> alternative and way of improving air quality.
- Promoting renewable gas as an energy and storage vector that facilitates the transition to a circular and low-carbon economic model.
- Improve the energy efficiency of our own assets and by offering solutions to our customers.
- Digitalisation as a lever for change in customer relations, processes and operations, and in managing assets.

In 2019, the group approved the Global Environmental Policy, which is applicable to all the group's businesses and geographies. This policy is aimed at transformation and is based on the premise that environmental management is crucial for meeting the targets of the Strategic Plan. Through this policy the group voluntarily assumed the commitment to be a key player in the energy transition towards a circular, low-carbon and digital economy model, working on four strategic environmental fronts:

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

The policy also spells out the basic principles of action in these areas and defines the functions and responsibilities of the different areas in the company's environmental management. In the area of environmental governance and management, its principles of action are as follows:

- Ensure compliance with environmental legislation and more stringent voluntary requirements; anticipate, as far as possible, adaptation to new regulations.
- Prevent pollution and reduce environmental impacts along the value chain by encouraging the involvement of employees, collaborating companies and stakeholders.
- Integrate the environment into management of risks and opportunities, as well as into mergers and acquisitions of assets through the performance of environmental due diligence.
- Establish targets that drive continuous improvement in environmental performance.
- Have an externally audited and certified environmental management system, in accordance with the criteria of the Global Policy of the Integrated Management System.
- Promote transparency, in line with international reporting standards, to facilitate communication with stakeholders.
- 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.

In 2019, the Environment Plan was also approved. It develops the guidelines spelled out in the Global Environment Policy, within the framework of the Strategic Plan 2018-2022, defining the actions to be developed and the indicators and monitoring targets. These targets are summarised in the table below:

Strategic environmental axis	Indicator	Units	Target 2022
<b>Governance and environmental management</b>	Percentage of industrial Ebitda certified in environmental management by ISO 14001.	(%)	90% of industrial Ebitda certified in ISO 14001.
	Absolute greenhouse gas (GHG) emissions, Scope 1 and Scope 2. <sup>(*)</sup>	MtCO <sub>2</sub> eq	Reduce absolute emissions by 21% compared to 2017.
<b>Climate change and energy transition</b>	CO <sub>2</sub> intensity in power generation. <sup>(*)</sup>	tCO <sub>2</sub> /GWh	Reduce specific emissions from power generation by 22% compared to 2017.
	Percentage of the generation mix from renewable sources measured in installed power over the total of the group.	(%)	Reach a percentage of installed renewable power in electricity generation higher than 34%.
<b>Circular economy and eco-efficiency</b>	Total water consumption.	hm <sup>3</sup>	Reduce water consumption by 20% compared to 2017.
	Total waste production (hazardous + non-hazardous).	kt	Reduce total waste production by 70% compared to 2017.
	Percentage of total waste recycled and recovered (hazardous + non-hazardous).	(%)	Double the percentage of waste recycled and recovered compared to 2017.
<b>Natural capital and biodiversity</b>	Initiatives to improve biodiversity throughout the life cycle of the facilities (construction, operation, dismantling).	No.	Conduct at least 300 biodiversity initiatives per year.

<sup>(\*)</sup> To link to the absolute emissions and GHG intensity targets are in line with the overall Paris Agreement target of keeping temperature increases below 1.5°C.

The Board of Directors is responsible for the environmental governance of Naturgy. It regularly monitors how environmental risks and opportunities are managed and assesses performance through monthly and quarterly monitoring of the main indicators and targets.

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

- An organisational structure that defines the environmental responsibilities of the different areas of the company.

- Environmental, Health and Safety (EHS) Management Committee, which consists of the Chairman and the first level reporting directors and Environmental, Health and Safety (EHS) Operating Committees, in which all businesses and geographies participate, coordinate the activities carried out by the different units and guarantee that all criteria are applied in a uniform manner.
- The integration of the environment throughout the value chain of the businesses, including the decision-making processes, risk and opportunity management, planning and execution of the activities.
- A certified and externally audited environmental management system based on environmental indicators and targets for centralised monitoring and continuous improvement of processes.
- Annual action plans aligned with the environmental targets.
- Methodologies and specific tools for environmental management.
- Innovation in technologies and business products and models that are eco-efficient and less intensive in CO<sub>2</sub>.
- Responsible supply chain, integrating environmental criteria into the purchasing process to encourage the acquisition of environmentally friendly products and services.
- Communication, awareness and training of employees, collaborating companies and stakeholders.
- Preparation of regular reports on environmental performance and participation in international sustainability indices.

### Processes by country with certified environmental management\_

Country	Technology and engineering management	Gas exploration and production	Gas procurement	Generation	Gas and electricity distribution	Wholesale commercialisation	Retail commercialisation	Customer service	Management of office buildings
Argentina					■				
Brazil					■		■		
Chile					■		■		
Costa Rica				■					
Spain	■	■		■	■	■	■	■	■
Morocco			■						
Mexico				■	■		■		
Panama				■	■		■		
Dominican Republic				■					

<sup>(1)</sup> For ISO 14001 certificates and further information on Naturgy's environmental management, please click here: [https://www.naturgy.com/sostenibilidad/medio\\_ambiente/gobernanza\\_y\\_gestion\\_ambiental](https://www.naturgy.com/sostenibilidad/medio_ambiente/gobernanza_y_gestion_ambiental)

■ Certified.

88.7% of 2019 Ebitda comes from industrial activities with ISO 14001 environmental certification. This certification has been obtained after passing the external audits carried out by AENOR.

## Environmental risks

[306-3]

Environmental and climate change risks and opportunities are integrated into the global risk and opportunity management model, as described in the chapter above.

Naturgy manages environmental events with a preventive approach to define, apply and disseminate preventive measures to reduce risks and damages to the environment. To do this, facilities with environmental risk are assessed using recognised standards as a reference. In facilities where these risks are significant, it implements emergency and action plans, providing the necessary means of containment and carrying out periodic drills.

Global and homogeneous procedures are in place in the different businesses and geographies to report, classify, monitor and manage environmental events through the Prosafety global application. This approach allows preventive action, since it not only focuses on accidents, but also records and manages environmental incidents, which do not generate significant damage but are a source of learning and prevention of major events.

The following table shows the main spill events in 2019. In all cases, the environmental incident procedure was activated and the spill was collected and the area cleaned. Most of the spills were contained in Naturgy's facilities, and affected only 575 m<sup>2</sup> of natural soil, not having a relevant impact on biodiversity in any of them.

Activity	No. of events	Nature of spill (No. of events)	Spill volume (m <sup>3</sup> )	Surface area of natural soil affected (m <sup>2</sup> )
Electricity generation	11	Oil (6) Fuel (3) Sulphuric acid (2)	2.5	72
Gas and electricity distribution	26	Oil (23) Fuel (2) Water with oil (1)	26.5	503
Corporate	1	Water with fuel (1)	0.5	-
<b>Total</b>	<b>38</b>		<b>29.5</b>	<b>575</b>

## Awareness and training

[102-13] and [306-3]

### Training

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

In 2019, a total of 1,904 hours were given to 615 participants, with 89% and 99% of the hours and participants performing as planned.

## Communication

The promotion of transparency, awareness and dissemination of knowledge on energy and the environment and constructive dialogue with stakeholders is one of the principles of action defined in Naturgy's Global Environmental Policy. The activities developed in 2019 included the following:

- Relevant messages have been sent to customers through invoices, including the switch to electronic billing because of the environmental benefits it offers and the dissemination of energy efficiency measures.
- Publication of environmental reports, such as carbon footprint, biodiversity, etc.
- Support and participation in the UN conference on climate change in 2019 (Chile COP25, Madrid).
- Sponsorship and participation in the Imperdible COTEC Planeta event, on innovation to meet the SDG of the Agenda 2030.
- Participation in the Spanish Green Growth Group, of which Naturgy is a founding partner.
- Taking part in collaborative environmental improvement initiatives, such as the Circular Economy Committee of the Spanish Chamber of Commerce, the COTEC Circular Economy working group or the Forética climate change cluster led by Naturgy.
- Biodiversity pact and active participation in the Spanish Business and Biodiversity Initiative.
- Participation in congresses (2019 International Wetlands Conference, 2019 European Business Summit, XII Environmental Journalism Congress, etc.), round tables and seminars/workshops disseminating experiences and knowledge in the fields of climate change, energy transition, circular economy and biodiversity.

Through the Naturgy Foundation, numerous initiatives have also been carried out to disseminate, train, inform and raise awareness in communities about energy and environmental issues, reaching more than 122,000 participants in Spain, Belgium, Ireland, Argentina, Chile, Brazil, Mexico, Morocco and Panama in 2019. While the chapter on the Foundation includes all the details of

the actions carried out during the year, the most significant ones are summarised below:

- Energy efficiency workshops for vulnerable families, schools, public administrations and the third sector.
- Various articles about energy and the environment.
- Presentation of books entitled "Air Quality in cities. A global challenge" or "The decarbonisation of the European energy market".
- Innovative educational programmes, such as "Efigy Education", aimed at 20,000 students in educational centres in more than 100 municipalities throughout Spain—a programme which explores new technologies for energy transition, environmental preservation and responsible energy consumption.
- Itinerant, self-produced experiences such as "Air Quality. A current challenge", "The Circular Challenge", an experience on renewable gas as a key energy source to stop climate change and favour the circular economy, or "Energy Challenge", a 70 m<sup>2</sup> eco-efficient lorry that offers visitors an experience that aims to transfer specialised and technical knowledge on sustainable energy, climate change, air quality and the circular economy.
- Through the Foundation, the company has continued to encourage corporate environmental volunteer actions targeted at promoting a positive attitude among employees and their families about the preservation of biodiversity. In 2019, eight environmental volunteering days were held in six natural areas with the participation of 218 volunteers (employees and their families).

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 2019, 80 environmental complaints or claims were registered, 76 of which were resolved during the year, the rest being in the process of resolution.

## Legal requirements

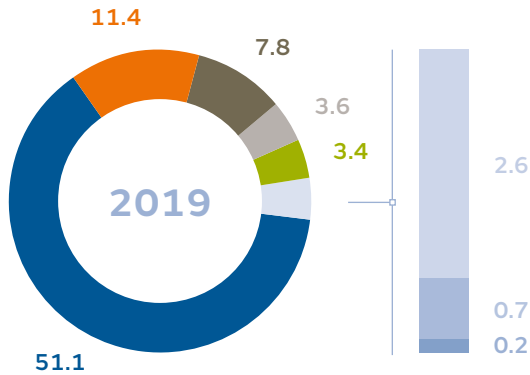
Naturgy continuously monitors environmental legislation to be aware in advance of the repercussion this has on its activity, to define its positioning and to adapt itself to new requirements. The company participates proactively in the processes of consultation and public information in the international,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

The company did not receive any significant sanctions (fines over Euros 10,000) for environmental breaches in 2019.

## Environmental investment

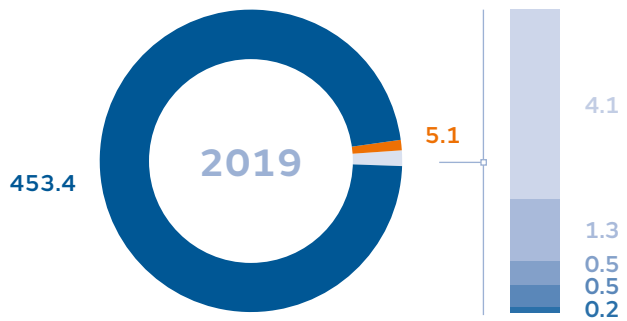
Naturgy makes a significant effort in environmental protection, providing the necessary means and resources. The environmental actions carried out in 2019 have reached a total of approximately Euros 546 million (Euros 494 million in 2018), of which Euros 465 million correspond to environmental investments and Euros 81 million to expenses incurred in the environmental management of the facilities, excluding those resulting from the carbon market. Investments made include Euros 422 million in wind farms and photovoltaic plants in Spain, which will contribute to the energy transition and reduce specific emissions of CO<sub>2</sub> and other atmospheric pollutants.

**Expenses\_**  
(million euro)



- Taxes, licenses, charges, fees and environmental fines.
- Climate change prevention and adaptation and energy transition (renewable energies, sustainable mobility etc.).
- Specialised staff, tools and environmental management audits.
- Biodiversity conservation.
- Eco-efficiency: reducing resource consumption and pollution.
- Risk prevention and environmental insurance.
- Renewable gas and other circular economy projects.
- Environmental training, communication and sponsorships.

**Investments\_**  
(million euro)



- Climate change prevention and adaptation and energy transition (renewable energies, sustainable mobility etc.).
- Eco-efficiency: reducing resource consumption and pollution.
- Biodiversity conservation.
- Taxes, licenses, charges, fees and environmental fines.
- Risk prevention and environmental insurance.
- Environmental training, communication and sponsorships.
- Specialised staff, tools and environmental management audits.

## Monitoring of targets, Environmental Governance and Management Plan

Indicator	Target 2022	Results 2019	Assessment
Percentage of industrial Ebitda certified in environmental management by ISO 14001.	90% of industrial Ebitda certified in ISO 14001.	<b>88.7%</b>	□

□ On track.

### Initiatives and actions

The most significant initiatives and achievements of the year in environmental governance and management are summarised below:

Lines of action	2019 milestones
<b>Governance</b>	Approval of the Global Environmental Policy and the 2022 Environment Plan.
<b>Environmental management</b>	88.7% of Ebitda comes from industrial activities certified in environmental management by ISO 14001. 94% of suppliers evaluated with ESG criteria, almost double that of 2017 (48%). Integration of climate change into the supply chain by means of the CDP Supply Chain initiative.

(\*) For further information on Naturgy's environmental management, please click here: [https://www.naturgy.com/sostenibilidad/medio\\_ambiente](https://www.naturgy.com/sostenibilidad/medio_ambiente)

- **The environmental actions carried out in 2019 have reached a total of approximately Euros 546 million**, of which Euros 465 million correspond to environmental investments and Euros 81 million to expenses incurred in the environmental management of the facilities, excluding those resulting from the carbon market.

## Climate change and energy transition

— [103-1], [103-2] and [103-3] (Emissions and climate change) [201-2] [EU5]

### Commitment

[102-12]

Naturgy believes that climate change is a global environmental challenge and is committed to offering its customers eco-efficient and less CO<sub>2</sub>-intensive energy products and services to help mitigate climate change and the energy transition. The principles actions in climate change and energy transition defined in the Global Environmental Policy are the following:

- Promote renewable energies, natural 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.

Naturgy's climate action is based on the following pillars:

- Climate change governance, where the Board of Directors is the highest authority responsible for overseeing the company's climate change strategy, monitoring climate change and energy transition targets and indicators on a quarterly basis. At the business level, climate governance is carried out through the Senior Management and Operational Environment, Health and Safety (EHS) Committees.
- Managing risks and opportunities of climate change and the energy transition aligned with the recommendations of the Task Force on Climate related Financial Disclosures (TCFD) of the Financial

Stability Board. Naturgy's corporate risk map includes the physical and transition risks and opportunities associated with climate change. This analysis allows it to be integrated into the company's strategy, establishing lines of action, targets and indicators to minimise these risks and maximise opportunities.

- Strategic Plan 2018–2022, which considers the energy transition to be an opportunity, establishing measures such as the target of tripling installed renewable power and increasing the contribution of electricity businesses compared to natural gas.

For the specific analysis of climate change risk, Naturgy has developed its own tool that allows it to estimate risk exposure at an aggregate level and disaggregated by business, geography, technology and time frame (short, medium and long-term). This climate change risk model adopts a central scenario based on the A2 of the Intergovernmental Panel on Climate Change (IPCC) for temperature increase, rainfall, sea level rise and extreme weather event parameters. The model allows for variations in both physical parameters and indicators of energy markets and regulation, such as the penetration of renewable energies, the CO<sub>2</sub> price, energy efficiency and the price of energy. It has adopted two additional scenarios to analyse sensitivities in which the price of CO<sub>2</sub> and the penetration of renewable energies have been increased, and which would correspond to ambitious emission reductions scenarios under possible tightening of climate policies, as it is transition risks which have a significantly greater impact on Naturgy. Thus, it estimates the impact of different climate change scenarios through physical, environmental, business and economic indicators. In addition, impact assessment scenarios based on new products and services or R&D&I actions can be simulated.



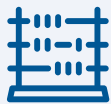
Greenhouse gas emissions are monitored using tools for measuring, controlling and monitoring operational plans for reduction, including a tool used to calculate the group's annual carbon footprint.

Every year, the commitment to transparency and disclosure of climate change information is spelled out in the carbon footprint report, while the group takes part in international climate change benchmark indices such as the CDP, and climate-related initiatives such as the Carbon Pricing Leadership Coalition (CPLC), Caring for Climate, the Climate Change Trust and Disclosure Statement and the Science Based Targets initiative.

With regard to the coverage of facilities regulated by the European Union Emissions Trading Directive during Phase III (2013-2020), Naturgy performs integral management of its emission rights portfolio in order to acquire 100% of emission rights equivalent to its output, given that the electricity sector has not been receiving free assignation since 1 January 2013. For this purpose, it actively

participates both in the primary market, through auctions, and in the secondary market. In 2019, CO<sub>2</sub> emissions affected by the laws governing the European Emissions Trading System came to a total of 6.2 million tonnes.

The following table summarises the main achievements in the management of climate change in 2019:



## Management of climate change at Naturgy in figures

- 16% reduction in direct GHG emissions (Scope 1), which were 15.4 MtCO<sub>2</sub>eq.
- Specific emissions of CO<sub>2</sub> from electricity generation dropped to 301 gCO<sub>2</sub>/kWh generated, representing a 12% reduction compared to the previous year.
- Investment of Euros 422 million in 2019 and start-up of 800 MW of new renewable projects.
- CO<sub>2</sub> emissions prevented in 2019 came to a total of 151.4 MtCO<sub>2</sub>eq, most of which (92%) resulted from the use of natural gas to replace other more carbon-intensive fossil fuels.
- For the first time, in 2019, prevented emissions (151.4 MtCO<sub>2</sub>eq) were higher than the group's total emissions at Scopes 1, 2 and 3 (145.9 MtCO<sub>2</sub>eq). Thus, the climate balance was 104% in favour of prevented emissions, showing the positive contribution made by the group's climate-focused activities.

## Main indicators

### Carbon footprint inventory\_

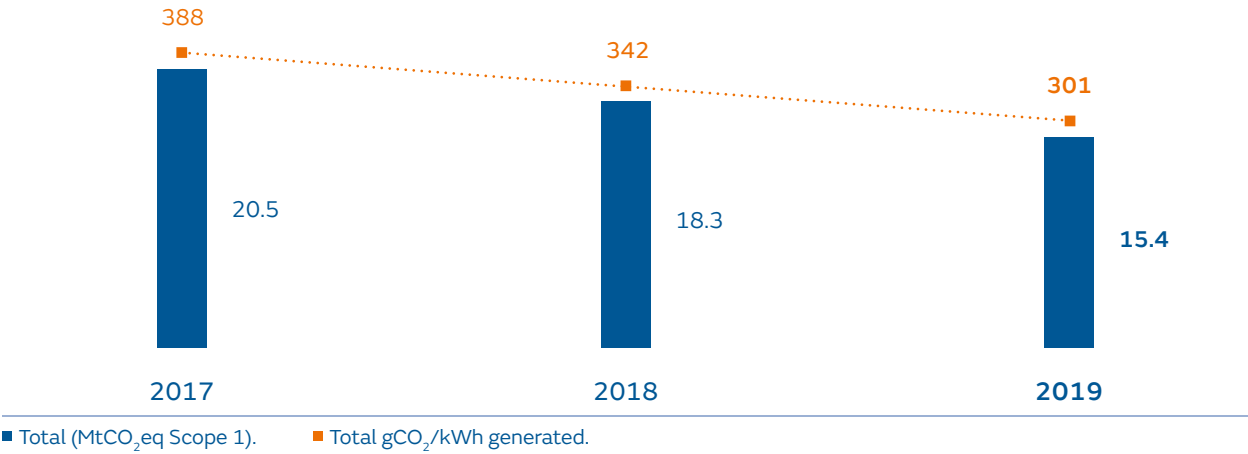
[305-1], [305-2] and [305-3]

Emissions (tCO <sub>2</sub> eq)	2019	2018	2017
<b>Scope 1</b>	<b>15,415,253</b>	<b>18,305,632</b>	<b>20,531,127</b>
<b>Scope 2</b>	<b>1,098,662</b>	<b>1,093,343</b>	<b>1,317,179</b>
<b>Scope 3</b>	<b>129,433,473</b>	<b>131,390,996</b>	<b>141,801,261</b>
Activities associated with upstream fuels and energy	28,390,264	29,786,118	31,621,210
Coal	67,446	373,124	589,395
Natural gas	16,583,367	17,488,011	17,569,486
Oil	392,403	435,839	582,655
Electricity	11,347,048	11,489,144	12,879,674
Business trips	3,108	1,568	6,215
Mobilisation of employees	9,314	9,985	16,236
Use of products sold	100,959,590	100,756,160	109,349,248
Natural gas	100,959,590	100,756,160	105,643,954
Coal	-	-	3,705,294
Investments	71,197	837,165	808,352
<b>Total</b>	<b>145,947,388</b>	<b>150,789,971</b>	<b>163,649,567</b>

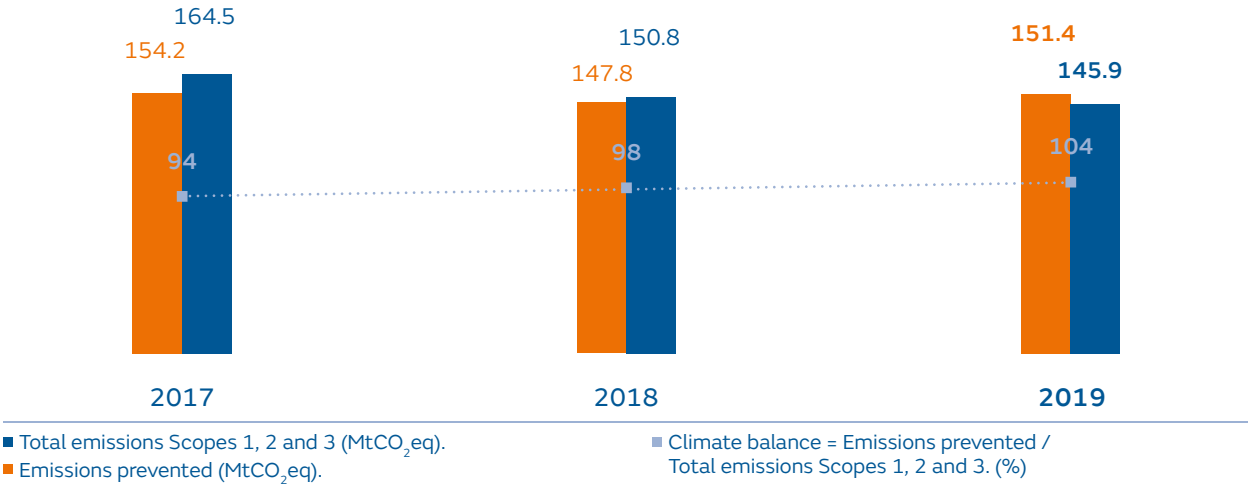
### Other climate change indicators\_

	2019 target value path	2019	2018	2017
Direct GHG emissions Scope 1 (MtCO <sub>2</sub> eq/year)	18.7	15.4	18.3	20.5
Indirect GHG emissions Scope 2 (MtCO <sub>2</sub> eq/year)	1.280	1.099	1.093	1.317
Emission factor (gCO <sub>2</sub> /kWh)	355	301	342	388
Emissions by leaks in gas networks (tCO <sub>2</sub> eq/km network)	6.9	5.7	9.4	9.6

**Direct GHG emissions. Total Naturgy\_**  
 (MtCO<sub>2</sub>eq and gCO<sub>2</sub>/kWh generated) [305-1]



**Climate balance\_**



■ The absolute emissions and GHG intensity targets are in line with the **overall target of keeping temperature increases below 1.5°C.**

## Initiatives for reducing GHG emissions and associated energy savings \_

[302-4], [302-5] and [305-5]

Emissions prevented	Emissions prevented 2019 (tCO <sub>2</sub> eq)	Energy savings 2019 (GWh)	Emissions prevented 2018 (tCO <sub>2</sub> eq)	Energy savings 2018 (GWh)	Emissions prevented 2017 (tCO <sub>2</sub> eq)	Energy savings 2017 (GWh)
<b>Natural gas <sup>(1)</sup></b>	<b>139,922,516</b>	<b>195,207</b>	<b>138,743,226</b>	<b>191,807</b>	<b>145,584,498</b>	<b>200,343</b>
Electricity production	95,991,693	166,697	93,687,996	162,752	98,194,767	170,407
Industry	22,414,029	10,198	22,474,173	10,006	24,657,729	11,035
Residential/commercial	11,622,165	12,183	12,125,495	12,785	11,733,509	12,313
Transportation	2,811,566	2,817	2,702,044	2,707	2,809,704	2,812
Cogeneration	7,083,063	3,312	7,753,518	3,557	8,188,789	3,776
<b>Renewable energies <sup>(2)</sup></b>	<b>6,252,903</b>	<b>16,917</b>	<b>4,764,285</b>	<b>16,853</b>	<b>3,170,359</b>	<b>10,685</b>
Wind farms	2,607,393	7,213	1,835,989	6,335	1,810,365	5,915
Hydroelectric production	3,280,482	8,594	2,853,530	10,129	1,336,842	4,650
Photovoltaic production	365,028	1,110	74,766	389	23,152	120
<b>Energy saving and efficiency <sup>(3)</sup></b>	<b>1,190,936</b>	<b>2,942</b>	<b>1,238,398</b>	<b>3,125</b>	<b>1,824,028</b>	<b>7,541</b>
<b>Own facilities: Energy Efficiency Operations Plan</b>						
Upgrading gas transmission and distribution networks	742,898	553	739,793	544	1,060,899	779
Actions in electricity distribution	20,191	146	56,601	296	93,031	160
Combined-cycle	85,352	428	78,837	412	313,786	1,545
Coal-fired power stations	11,790	35	39,576	115	31,273	87
Fuel oil-fired power stations	26,894	105	7,036	26	2,791	10
<b>Customer facilities</b>						
Energy services	303,811	1,675	316,555	1,732	322,248	4,960
<b>Other</b>						
Nuclear production	4,047,879	(3,603)	3,095,565	(3,508)	3,577,125	(3,631)
<b>Total</b>	<b>151,414,234</b>	<b>211,463</b>	<b>147,841,474</b>	<b>208,277</b>	<b>154,156,010</b>	<b>214,938</b>

<sup>(1)</sup> Natural gas reduces CO<sub>2</sub> emissions by displacing higher emitting coal and oil derivatives

<sup>(2)</sup> Renewable generation that displaces fossil fuel generation.

<sup>(3)</sup> Energy efficiency and saving actions on Naturgy's facilities and on the customers' premises.

### NB

- The emissions prevented by natural gas, renewable energies, energy saving and efficiency actions at customer and nuclear production facilities have been calculated with respect to the mix of fossil fuels they replace in each of the countries where the activity takes place.
- The emissions prevented by energy saving and efficiency actions in own electricity distribution and generation facilities (combined-cycle, coal and fuel plants) have been calculated with respect to the plants with improved performance compared to the previous year.
- The emissions prevented by energy saving and efficiency actions in own facilities corresponding to the renewal of gas transmission and distribution networks have been calculated based on the use of the best materials available, thus including the actions carried out historically.
- Some data for 2018 and 2017 have been recalculated to make the calculations uniform.

## Monitoring of targets, Environmental Climate Change and Energy Transition Plan

Indicator	Target 2022	Results 2019	Assessment
Absolute GHG emissions Scope 1 and Scope 2.	Reduce absolute emissions by 21% in 2022 compared to 2017.	24%	<input type="checkbox"/>
CO <sub>2</sub> intensity in power generation.	Reduce specific emissions from power generation by 22% in 2022 compared to 2017.	22%	<input type="checkbox"/>
Percentage of the generation mix from renewable sources measured in installed capacity over the total of the group.	Reach a percentage of renewable installed capacity in electricity generation higher than 34%.	27%	<input type="checkbox"/>

□ On track.



## Initiatives and actions

The main achievements in Climate Change and Energy Transition in 2019 are summarised below:

Lines of action	2019 milestones
Climate management	Naturgy was externally recognised for its climate management, obtaining the highest rating in 2019 from CDP (A List 2018). Moreover, it was the only Spanish energy company and one of the five utilities in the world to achieve this.
	In 2019, for the second consecutive year, The Ministry for Ecological Transition awarded Naturgy the Calculate and Reduce seal, which distinguishes organisations that calculate their carbon footprint and are on track to reduce their emissions.
Promoting renewable electricity	Start-up in Spain of 800 MW of new renewable projects, which have increased the global installed wind and photovoltaic capacity by 41% and 162% respectively compared to 2018.
	The fact that Naturgy has over 9,700 MW of power installed 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 direct CO <sub>2</sub> emissions	The group has announced the (requested) closure of all its coal-fired plants, which will entail a significant reduction in CO <sub>2</sub> emissions and other atmospheric pollutants.
	Renewal of pipes and connections in the gas networks of Argentina, Spain and Brazil, and optimising operations in order to reduce fugitive methane emissions.
Reducing fugitive GHG emissions	Routine inspections and preventive maintenance of gas networks to identify and correct any methane leaks at an early stage.
	Reduction of emergency response time in networks to reduce accidental methane emissions.
	Implementation in Spain of a new methodology for calculating methane emissions based on the European Gas Research Group's event-based method, increasing the accuracy of the result and applying methods to reduce emissions.
	Improvement in the operation and maintenance of gas transport infrastructures to reduce venting.
	Switching electricity distribution networks to SF6-free switchgear or switchgear with lower leakage rates to reduce SF6 emissions.
Improvement in the management of SF6 in the electricity networks and certification of the professionals who transfer this gas in Spain.	
Widespread regeneration of SF6 not suitable in equipment of the electrical networks of Spain, avoiding its management as waste and the manufacture of new gas (a process in which the highest atmospheric emissions take place).	

Lines of action	2019 milestones
<b>Displace carbon intensive fuels</b>	The distribution and commercialisation of natural gas to replace more carbon-intensive fuels (coal, petroleum derivatives) led to the reduction of 140 million MtCO <sub>2</sub> eq, and other air pollutants (SO <sub>2</sub> , particulate matter, NO <sub>x</sub> ).
<b>Sustainable mobility for customers</b>	More than 80 bunkering operations have been carried out on seven ships, 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 16 vehicular natural gas stations in Europe.
<b>Sustainable mobility for employees</b>	Implementation of a Green Procurement Policy for the fleet, increasing the share of electric and gas-powered vehicles.
	Including only models with zero emissions or eco labels in the catalogue of approved vehicles for managers and in the Flexible Remuneration Plan.
	Implementation of a digital platform in Spain to help employees get to work by car sharing.
	Bring down the number of employee trips by promoting video conferencing.
	Launch of the Digitalteam project, using technological tools that encourage collaboration, mobility and online communication between all the company's professionals, promoting teleworking.
<b>Increasing energy efficiency at our own facilities and those of our customers</b>	Energy Efficiency Operations Plan in own facilities, preventing the emission of 887 ktCO <sub>2</sub> eq.
	Renewal of boilers, bespoke self-consumption solutions, installation of photovoltaic panels in homes and businesses, efficient lighting and air conditioning projects for customers.
<b>Innovation in low-carbon energy products and services</b>	ECO electricity offer for businesses that want 100% of their energy to be from a renewable source.
	Gas Neutral product, which offers customers a natural gas supply service offset by neutralising their CO <sub>2</sub> emissions. In 2019, Naturgy offset about 14,000 tCO <sub>2</sub> eq for its customers.

## Circular economy

To make activities more eco-efficient and to reduce the negative effects on the environment, Naturgy is committed to the following principles of action:

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

## Energy and material resources

[103-1], [103-2] and [103-3] (Energy efficiency and energy consumption)

By 2019, the consumption of energy and material resources has been reduced by 18%, largely due to the 81% drop in coal consumption from the previous year. The use of other non-energy materials has decreased by 46%.

## Materials used\_

Amount (Mt)	2019	2018	2017
Fuels	5.5	6.7	7.6
Natural gas	4.9	4.7	4.6
Coal	0.3	1.6	2.5
Petroleum derivatives	0.3	0.4	0.5
Uranium	0.00001	0.00001	0.00001

Amount (kt)	2019	2018	2017
Other materials	17.4	32.2	62.1
Calcium carbonate	10.7	25.3	52.4
Lubricant/hydraulic oil	1.1	1.2	1.4
Sulphuric acid	1.2	1.0	1.1
Nitrogen	1.3	0.5	0.7
Sodium hypochlorite	0.5	0.9	1.2
Calcium hydroxide	0.8	0.9	1.2
Rest of other materials (*)	1.8	2.4	4.1

(\*) Includes paper and toner consumption, which in 2019 amounted to 166 t and 3.7 t, respectively.



### Total energy consumption within the organisation\_

(GWh) [302-1]

	2019	2018	2017
Non-renewable fuels	92,051	97,254	103,060
Natural gas	73,127	69,984	68,952
Coal	1,844	10,202	15,713
Petroleum derivatives	3,466	3,844	4,661
Uranium	13,614	13,224	13,734
Renewable fuels	0	0	0
Electricity acquired for consumption	3,027	2,850	3,479
Renewable electricity generated (not included in the consumption of fuels)	7,549	7,187	4,582
Electricity and steam sold	(44,777)	(46,677)	(42,078)
<b>Total</b>	<b>57,850</b>	<b>60,614</b>	<b>69,043</b>

### Energy consumption outside the organisation\_

(GWh) [302-2]

	2019	2018	2017
Final use of the natural gas commercialised	566,832	577,647	602,295
Final use of the coal extracted	-	-	10,885 <sup>(*)</sup>
Electricity	64,792	63,005	60,979
<b>Total</b>	<b>631,624</b>	<b>640,652</b>	<b>674,159</b>

<sup>(\*)</sup> Consumption of South Africa has been maintained in 2017.

### Energy consumption intensity ratios within the organisation by segment of activity\_

[302-3]

	Gas & Power	EMEA	North LatAm	South LatAm	Corporation and rest	Total
Energy consumption within the organisation <sup>(GWh)</sup>	51,956	1,517	890	3,461	26	<b>57,850</b>
Net turnover <sup>(million euro)</sup>	13,980	2,051	1,521	5,476	7	<b>23,035</b>
Ratio <sup>(GWh / net turnover)</sup>	3.7	0.7	0.6	0.6	3.7	<b>2.5</b>

## Water

[303-2], [303-3] and [306-5]

The bulk of water consumption in Naturgy is produced by the operation of thermal power stations, in particular, due to the evaporation of water in the cooling towers. This year, largely due to lower activity in coal-fired plants, this consumption has been reduced by 25%.

Seawater represents 96% of total water captured and depending on its origin, while reused water and fresh water account for 3% and 1% of the total, respectively. More than 98% of the water collected is returned to the environment.

Special attention is paid to facilities located in water-stressed areas, which represent 11% (90.3 hm<sup>3</sup>) of the total water captured. They use mostly seawater or reused water to avoid having to use fresh water

—such a scarce natural resource—and the resulting impacts on the environment and biodiversity. Thus, in 2019, fresh water used in water-stressed areas accounted for only 0.08% of the total volume.

Once the water has been used, waste water flows are generated and treated to reduce pollution before being discharged into the environment. The largest amount of water discharged corresponds to thermal power stations, where not only the effluents but also the water in the environment receiving the discharges is monitored and analysed. According to the results of this monitoring, no significant impacts were caused on the affected aquatic ecosystems in 2019.

### Water management indicators\_

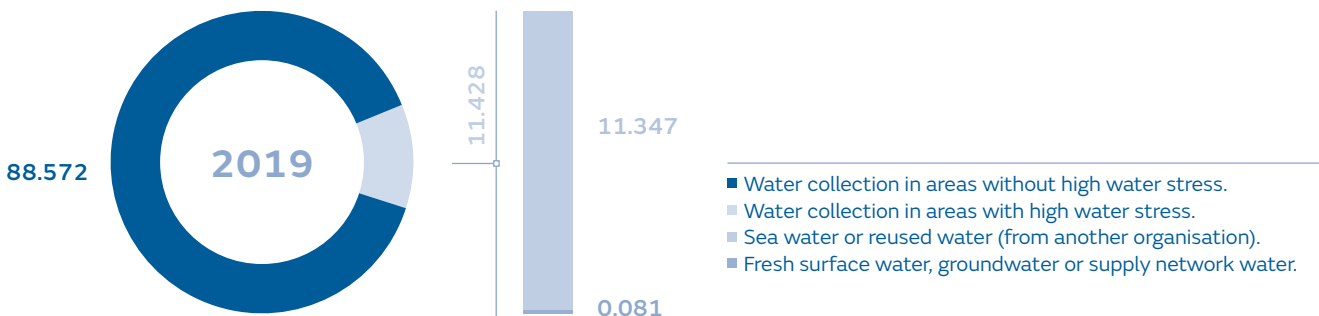
(hm<sup>3</sup>)

	2019 target value path	2019	2018	2017
Total volume of water captured from the environment	873.3	790.5	777.5	907.0
Total water consumption	25.8	20.0	26.5	28.0
Total volume discharged	850.7	778.5	753.7	879.7

The water discharge is 8 hm<sup>3</sup> higher than the difference between the captured and consumed water, due to the discharge of the Lake Meirama landfill as a consequence of the rainfall in the area. For which there was a discharge authorization until 11-29-2019. From that date the lake was transferred to the Public Hydraulic Domain.

### Water collection\_

(%)



- Water collection in areas without high water stress.
- Water collection in areas with high water stress.
- Sea water or reused water (from another organisation).
- Fresh surface water, groundwater or supply network water.

### Water collection in high water stress areas\_

	Volume (hm <sup>3</sup> )	Percentage of total water collected (%)
Total water collection in areas of high water stress	90.33	11.428
Sea water	66.09	8.361
Fresh surface water	0.60	0.077
Fresh groundwater	0.03	0.003
Water from another organisation (reuse)	23.60	2.986
Water supply network	0.01	0.001
Fresh water collection in areas of high water stress	0.64	0.081

## Atmospheric emissions

[305-6]

The Industrial Emissions Directive, limiting emissions from electricity generation, was met in 2019, with a reduction from the previous year in atmospheric emissions of SO<sub>2</sub> particulate matter and NO<sub>x</sub> from 80%, 66% and 34% respectively. This is because coal-fired generation has been reduced by over 81%.

With reference to other pollutants, 0.02 tonnes of mercury, 0.01 tonnes of HCFC and 0.58 tonnes of freon R22 refrigerant were emitted.

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.

### Compliance with total atmospheric emissions targets\_

(kt) [305-7]

	2019 target value path	2019	2018	2017
SO <sub>2</sub>	12.3	2.1	10.7	19.2
NO <sub>x</sub>	22.9	12.1	18.4	29.3
Particles	1.2	0.5	1.4	1.8

## Waste management

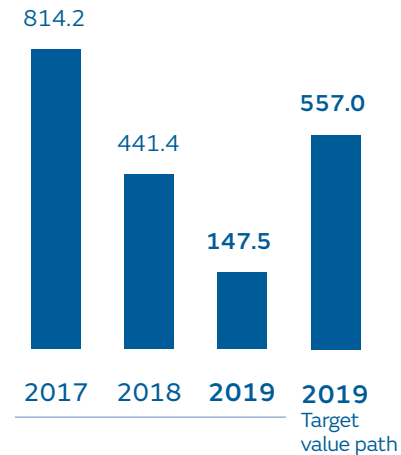
In its commitment to the circular economy, Naturgy works to minimise the waste that is disposed of in landfills or incinerated, through prevention, reuse, recycling and/or energy recovery, as much as it can.

In 2019, waste generation has decreased by 66% compared to 2018. Also highlighted is the reduction in waste from coal-fired power stations, in particular ashes, cinders and gypsum, owing to the lesser operation of these facilities. A total of 57% of the waste generated has been recovered or recycled.

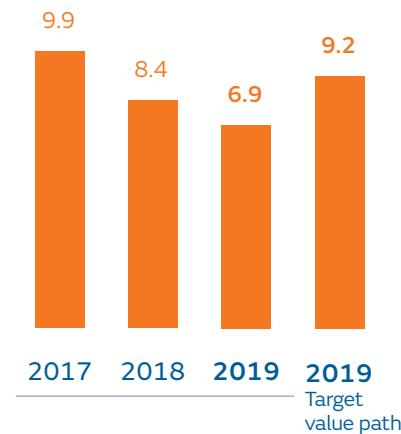
### Waste management and compliance with targets\_

Type	2019 target value path	2019	2018	2017
Total waste <sup>(kt)</sup>	566.2	154.4	449.8	824.1
Non-hazardous waste <sup>(kt)</sup>	557.0	147.5	441.4	814.2
Hazardous waste <sup>(kt)</sup>	9.2	6.9	8.4	9.9
Recovery and recycling rate <sup>(%)</sup>	46	57	65	33

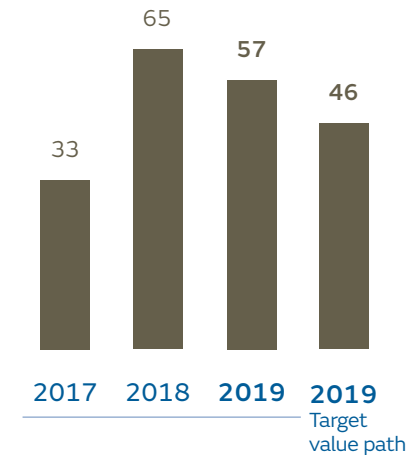
Non-hazardous waste\_ (kt)



Hazardous waste\_ (kt)



Recovery and recycling rate\_ (%)



### Non-hazardous waste management and compliance with targets\_

(kt)

Type	2019	2018	2017
Soil and rubble	70.1	143.6	216.2
Ashes	32.3	196.1	346.6
Gypsum	20.2	48.3	102.2
Sludge	6.6	8.3	71.0
Cinders	7.9	34.5	68.6
Waste plant matter	2.5	2.7	5.1
Rest	7.9	7.9	4.5
<b>Total</b>	<b>147.5</b>	<b>441.4</b>	<b>814.2</b>

### Hazardous waste management and compliance with targets\_

(kt)

Type	2019	2018	2017
Hydrocarbons plus water	1.7	3.6	5.1
Sludge from oil and fuels	1.8	1.5	2.0
Solid waste contaminated with hydrocarbons	0.9	1.2	1.2
Used oil	0.5	0.5	0.7
Hydrocarbon-contaminated soils	1.4	0.3	0.6
Rest	0.6	1.3	0.3
<b>Total</b>	<b>6.9</b>	<b>8.4</b>	<b>9.9</b>

### Products sold for reuse\_

(kt)

Product	2019	2018	2017
Ashes	18.1	148.1	146.4
Cinders	2.5	9.4	7.9
Sludge from oil and fuels	1.8	1.5	1.5

In 2019, Naturgy continued with the removal of polychlorinated biphenyls (PCB). Currently, 162 tonnes of dielectric oils with PCBs still have to be removed.

## Renewable gas

Within the strategic axis of the circular economy, important actions are being carried out to promote renewable gas as an energy and storage vector that will facilitate the transition to a low-carbon, circular economy model.

There are two sources of renewable gas. On the one hand, surplus renewable electricity at times of high generation and reduced consumption, which are transformed into hydrogen by electrolysis of water, so it is a gas that does not emit CO<sub>2</sub>. The second source are organic waste (from rubbish, domestic waste water, farms, etc.) which, by means of anaerobic digestion, is converted into a biogas that passes through a subsequent concentration process, called “upgrading”, until biomethane of the necessary quality is obtained to be injected into the networks. The main innovation of the process is the second stage of “upgrading”, which raises the concentration of methane to the required quality in the gas networks, allowing its injection, transport and use at points far from those of production, commoditising it for different uses, such as electricity generation, transport, industry and in the residential and commercial sectors.

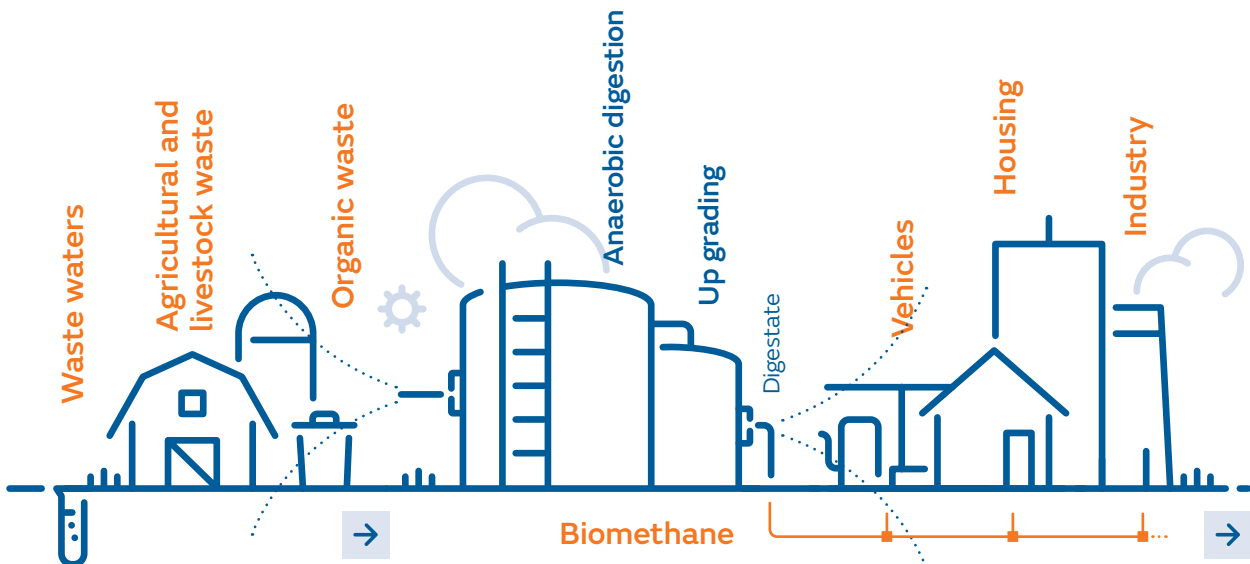
The benefits of biomethane include the reduction of greenhouse gas emissions, which can even be negative, depending on the source of the waste from which it is produced. In these cases, this renewable gas is a CO<sub>2</sub> sink. In addition, the environmental management of such conflicting organic waste as livestock droppings, slurry, manure, chicken droppings, etc., sewage sludge or the organic fraction of domestic waste is improved, also

avoiding the undesirable effects that these have on the environment and on biodiversity, such as water pollution, odours, etc. In the process, a by-product, the digestate, is also generated, which is an excellent fertiliser and can be introduced into the market, thus completing the logic of the circular economy.

From the economic point of view, it constitutes a new business model that supports rural development and the establishment of employment and population in agricultural and livestock environments. As far as security of supply is concerned, the impact is clearly positive, reducing the country’s external energy dependence and, therefore, its energy bill.

During 2019, Naturgy has continued with innovation projects in the field of renewable gas, and has started up two new biomethane production plants in Spain. One of them for the production of biomethane from the organic sludge of the wastewater treatment plant (WWTP) of Bens in A Coruña, which has been used to propel a city bus and other vehicles. The other produces biomethane at the Butarque WWTP, in Madrid, which is injected, for the first time in Spain, into the gas distribution network.

These projects are aimed at understanding and reducing production costs and promoting biomethane generation. Biomethane is a fuel which is equivalent to conventional natural gas but which is neutral in terms of CO<sub>2</sub> emissions, which avoids impacts on biodiversity by reducing waste pollution and promoting economic activity in the rural environment.



## Monitoring of targets, Circular Economy and Eco-efficiency Environmental Plan

Indicator	Target 2022	Results 2019	Assessment
Total water consumption.	Reduce water consumption by 20% in 2022 compared to 2017.	29%	<input type="checkbox"/>
Total waste production (hazardous + non-hazardous).	Reduce total waste production by 70% in 2022 compared to 2017.	81%	<input type="checkbox"/>
Percentage of total waste recycled and recovered (hazardous + non-hazardous).	Double the percentage of waste recycled and recovered by 2022 compared to 2017.	x 1.73	<input type="checkbox"/>

On track.

### Initiatives and actions

The 2019 milestones in the circular economy are described below:

Lines of action	2019 milestones
Reduction of water consumption	A total of 23.6 hm <sup>3</sup> of water from other organisations has been reused in six of Naturgy's combined-cycle power stations. 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 Malaga in Spain) reuse urban waste water, avoiding the use of 5.7 hm <sup>3</sup> of fresh water in high water stress areas.
	Improvements in the operation of several thermal power plants to reduce water capture and consumption, such as the adjustment of the cooling water concentration cycles of the combined-cycle power station of Aceca (Toledo) with a saving of 20%.
	Measures in vehicle fleets (waterless car wash) and offices (timers on taps, posters and awareness campaigns for saving water, etc.).
Promoting renewable gas	Start-up and operation of two new biomethane plants at the Bens WWTP (A Coruña) and the Butarque WWTP (Madrid), where biomethane was injected into the natural gas distribution network for the first time in Spain.
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 invoice has grown considerably, increasing from 1.3 million contracts in 2018 to 2.2 million in 2019.

Continues >

Lines of action	2019 milestones
<b>Reduction in consumption of raw materials and toxic products</b>	<p>Repair and recovery of materials, instrumentation and meters in gas networks.</p> <hr/> <p>Reduction of hypochlorite consumption in the cooling towers by installing floating panels in the rafts.</p> <hr/> <p>In electrical distribution, replacing mineral oils from transformers with other vegetables that are biodegradable and non-toxic.</p>
<b>Reduction in the production of waste</b>	<p>1.6 x increase in the digital sales of Naturgy's online business in Spain and consolidation of digital sales channels for collaborators and installers, achieving a digital contribution of more than 9,000 new contracts, 100% online and paperless.</p> <hr/> <p>Widespread use of the ecoditch in gas distribution in Spain: as it is smaller, it causes less waste and less impact on the environment during the construction of new networks.</p>
<b>Raising awareness about responsible consumption</b>	<p>More than 30,000 participants in Argentina in the Energy Partnership programme to promote efficient use of natural resources and energy.</p>





## Natural capital and biodiversity

### Biodiversity and natural capital

[103-1], [103-2] and [103-3] <sup>(Biodiversity)</sup>

#### Commitment

[OG4]

Naturgy builds and operates complex industrial facilities in order to generate, transform and transport the energy necessary for the development of our communities and for people's well-being. These activities depend on energy and natural resources and have an impact on biodiversity. The Global Environmental Policy spells out Naturgy's commitment to biodiversity conservation, with special attention to protected areas and species, and with the following principles of action:

- Respect natural capital, biodiversity and cultural heritage in the environments where the group operates.
- Move towards no net loss of biodiversity, with a preventive approach (hierarchy of impact mitigation), implementing best practices and promoting the creation of natural capital.

Naturgy uses a 360° biodiversity management approach, with a focus on biodiversity in all project stages, from design to dismantling, considering the complete value chain, including suppliers and focusing on dialogue, awareness and dissemination in the field of natural capital protection.

Prior environmental and archaeological studies are carried out based on the precautionary principle, in all projects that require it, in order to choose the least affected alternative and reduce the negative impacts of the entire life cycle. In addition, from the construction stage to decommissioning, measures are set out to

mitigate the impacts caused by facilities on the natural environment and cultural heritage, particularly with regard to those located in the area of influence of high environmental value and protected areas, and studies and monitoring of the environmental and ecological state of the surroundings are carried out. In those cases where an impact cannot be completely avoided, mitigation and restoration measures are implemented, and, finally, the necessary compensatory measures are taken for the residual impacts. In addition, the company applies strict procedures of operation control and risk management (environmental emergency plans, drills, etc.) to prevent incidents before they occur or to minimise any damage.

All the eco-efficiency actions described in the previous section also reduce direct impacts on the environment and on biodiversity. Other complementary actions are applied to minimise the indirect impacts of the supply chain, integrating environmental criteria into the purchasing process to encourage the acquisition of environmentally friendly products and services.

One of the tools used specifically in biodiversity management and monitoring is the geographical information system, which the group has developed in-house. This system is used to locate natural areas and protected species, the group's facilities and the initiatives carried out to protect and improve natural capital.

A specific and transversal working group, with the participation of all businesses and geographies, coordinates natural capital and biodiversity activities. 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. In the area of awareness, we collaborate with public administrations,

universities, conservation associations and other entities in protection initiatives and in the creation and dissemination of technical knowledge to improve the protection of biodiversity and the development of natural capital.

The following table analyses the potential impacts on biodiversity that may be caused by the company's operations:

### Potential impacts on biodiversity\_

[304-2]

Lines of action	Description
Construction and decommissioning 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 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.
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.



Upstream	Transportation and distribution			Electricity generation		
	Natural gas	Electricity	Thermal	Hydraulic	Wind	Solar
■	■	■	■	■	■	■
■	■	■	■	■	■	■
■	■	■	■	■	■	■
■	■	■	■	■	■	■
■	■	■	■	■	■	■
■	■	■	■	■	■	■
■	■	■	■	■	■	■

Type of impact

- Low impact.
- Medium impact.
- Significant impact.
- No significant impact.

## Indicators

[304-2]

Naturgy's activities require the occupation of land, whether temporarily during the construction stage or permanently during the operation of facilities. 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 or adjacent to protected natural spaces or unprotected high biodiversity areas\_

[304-1]

Business	Type of operation	Location with regard to the protected area	Surface area (ha)	Value of biodiversity
	Exploration	Within the area	495	RAMSAR, ZIC, PN, MAB, LIC, ZEPA, IBA.
Gas	Transportation and distribution	Within the area and next to the area	6,376	PN, PNAM, APA, RE, RB, HC, CC, RAMSAR, ZEPVN, ZH, ZREEN, ZIC, ZECIC, RNP, RN, PEIN, PR, PPU, PNA, PJNM, PJN, PPG, HP, EN, MAB, LIC, ZEPA, IBA, RPC, PE, ZPHE, ZSCE, ZPECP, MNA, ANP, AUS, PU, PM.
	Generation	Within the area and next to the area	20,666	PNA, MAB, LIC, ZEPA, IBA, ZH, RAMSAR, PJN, ZEPVN, RAMPE, CE.
Electricity	Transportation and distribution	Within the area and next to the area	28,241	ACR, PN, RNA, MAB, RFS, MN, BNP, SN, RNPV, RAMSAR, MNA, ENP, ZIC, ZEPA, ZEPVN, RN, RF, PR, PNA, M, IBA, PJN, PP, LIC, RR, ARM, AUM, AR, BP, PI, RVS, RH.

ACR: Regional Aquifers (Chile); ANP: Protected Natural Area (Mexico); ANR: National Recreational Area (Dominican Republic); APA: Environmental Protection Area (Brazil); RA: Recreation Area (Panama); ARM: Managed Resources Area (Panama); AUM: Multi-use Area (Panama); AUS: Multi-use Area (Mexico); BNP: Protected National Assets (Chile); PF: Protected Forest (Panama); CC: Contrafuerte Cordillerano (Chile); CE: Ecological Corridor (Dominican Republic); EN: Natural Enclave (Spain); NPA: National Protected Area (Chile); HB: 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); NM: Natural monument (Chile, Panama, Spain, Mexico); PE: State Park (Mexico); PEIN: Special Protection Plan (Spain); PI: International Park (Panama); PJN: Natural Site (Spain); PJNM: Natural Municipal Site (Spain); PM: Municipal Park (Mexico); NP: National Park (Brazil, Mexico, Spain, Panama, Argentina); PNA: Natural Park (Panama, Spain); PNAM: Municipal Natural Park (Argentina); PP: Picturesque Spot (Spain); PPG: Protected Landscape (Spain); PPU: Periurban Park (Spain); PR: Regional Park (Spain); PU: City Park (Mexico); RAMPE: Spanish Network of Marine Protected Areas (Spain); RAMSAR: Wetlands of international importance especially as water bird habitat (International); RB: Biological reserve (Brazil); RE: Mining Reserve (Brazil); RF: River Reserve (Spain); RFS: Forest Reserve (Panama); RH: Water Reserve (Panama); RN: Nature Reserve (Morocco, Spain); RNA: Natural Reserve (Chile); RNP: Partial Nature Reserve (Spain); RNPV: Private Nature Reserve (Chile); RPC: Permanent game reserve (Morocco); RR: Regional Reserve (Spain); WR: Wildlife Refuge (Panama); SN: Nature Sanctuary (Chile); VP: Panoramic route (Dominican Republic); 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).

When analysing the table above, it is important to consider that 19,349 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 and in biodiversity that 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 <sup>(\*)</sup>

[304-4]

Type	Critically endangered species	Endangered species	Vulnerable species	Almost threatened species
Mammals	1	4	13	6
Birds	2	8	22	13
Reptiles	0	3	6	7
Amphibians	15	8	11	10
Fish	2	3	13	0

<sup>(\*)</sup> According to the species catalogue of the International Union for the Conservation of Nature (IUCN red list).

In order to reduce and compensate the negative impacts on biodiversity, Naturgy is developing various environmental restoration actions for habitats, including the following in 2019:

### Habitats protected or restored

[304-3]

Country	Activity	Actions and targets	Result: restored area <sup>(ha)</sup>	Benefits protected space or species
Australia	Renewable electricity generation	Environmental restoration of the areas affected by the construction of the Crookwell Wind Farm. Revegetation of pastures, planting of more than 3,000 trees and weed control to avoid colonisation by invasive plants.	0.3	-
Brazil	Gas distribution	Environmental restoration of areas affected by the construction of gas networks. Revegetation and regular maintenance to ensure the establishment of the specimens planted in the region of Sao Paolo for the recovery of the Atlantic Forest.	0.7	-
Chile	Gas distribution	Environmental restoration of areas affected by the construction of gas networks. Maintenance irrigation to guarantee the survival of the specimens planted in the area affected by the construction of gas networks, inside the ecological preservation zone of Club de Campo Peñalolen, in collaboration with CONAF.	2.9	Yes

Continues >

Country	Activity	Actions and targets	Result: restored area <sup>(ha)</sup>	Benefits protected space or species
Spain	Natural resources management	Maintenance of the restored Lake Meirama, formerly occupied by an old mine and now one of the largest artificial lakes in Europe. Almost half a million trees have been planted as part of the restoration process, making it a privileged space of biodiversity. According to the inventory prepared by the University of Santiago de Compostela, there are 839 animal and plant species, 5% of which are endemic. In 2019, the lake was cleared and the biomass around it maintained, chestnut and alder plantations were replaced, invasive species were removed and water quality was monitored.	1,000.0	-
Spain	Renewable generation	Continuing with catches of fish (salmon, shad, eels and lampreys) that reach the Frieira Hydroelectric Plant, to repopulate the tributaries of the Lower River Miño. This initiative is carried out in collaboration with the Xunta de Galicia. The specimens are moved to the Lower Miño River, within a protected area, where they can return to the sea.	-	Yes
Spain	Renewable electricity generation	Restoration and revegetation work on the surfaces altered or affected by the execution of the works in the construction of seven new wind farms and an electrical evacuation line in A Coruña, Cáceres, Cádiz and Valladolid.	49.7	Yes (partially)
Spain	Renewable generation	Forestry plantation in a section of protected Real Soriana bridleway to create an ecological corridor around a new photovoltaic plant that will benefit both the fauna in the area and the traditional and recreational uses in the area.	10.0	Yes
Spain	Renewable generation	Further actions to improve the habitat of the capercaillie (a protected species) in the Lago de Sanabria natural park, in collaboration with the Fundación Patrimonio Natural (Natural Heritage Foundation). In 2019, actions have been carried out on the tree and shrub layer, plantations and fire prevention measures.	1,354.7	Yes
Spain	Renewable generation	Growing wild lavender to create protection zones and ecological corridors for Dupont's lark (a protected species). The initiative is carried out in collaboration with the Global Nature and Natural Heritage Foundations.	11.0	-

Continues >

Country	Activity	Actions and targets	Result: restored area (ha)	Benefits protected space or species
Spain	Renewable generation	Project for the reintroduction of the grey partridge, a protected species whose numbers have diminished in the Iberian Peninsula, in the natural park Lago de Sanabria in collaboration with the Fundación Patrimonio Natural.	106.0	Yes
Spain	Corporate	Participation in the LIFE Courel Bear Project, led by the Fundación Oso Pardo (Brown Bear Foundation), to promote the expansion of the Cantabrian brown bear (a protected species) into new territories in the protected natural area of the Courel Mountain Range (Galicia, Spain).	81.3	Yes
Panama	Electricity distribution	Reforestation of vulnerable areas in protected spaces to improve ecosystems and to mitigate climate change, carried out jointly with the Ministry of the Environment and some of the country's NGOs. In 2019, 6,030 native trees have been planted in the provinces of Bocas del Toro, Chiriquí, Veraguas, Herrera and Coclé. Company volunteers have taken part in the initiative.	6.3	Yes
			<b>2019</b>	
<b>Total restored area (ha)</b>			2,622.9	
Target restored surface (ha)			>1,500	

For further information on Naturgy's biodiversity initiatives, please click here: [https://www.naturgy.com/sostenibilidad/medio\\_ambiente/capital\\_natural\\_y\\_biodiversidad](https://www.naturgy.com/sostenibilidad/medio_ambiente/capital_natural_y_biodiversidad)

## Monitoring of targets Natural Capital and Biodiversity Environmental Plan

Indicator	Target 2022	Results 2019	Assessment
Initiatives to improve biodiversity throughout the life cycle of the facilities (construction, operation, dismantling).	Conduct at least 300 biodiversity initiatives per year by 2022.	<b>257</b>	□

□ On track.

## Initiatives and actions\_

[OG4]

Lines of action	2019 milestones
<b>Biodiversity protection</b>	More than 250 biodiversity initiatives in course on an international level.
<b>Responsible supply chain</b>	94% of suppliers have been assessed with ESG (environment, social and governance) criteria in 2019, compared to 80% in 2018.
<b>Environmental studies</b> [EU13]	<p>More than 100 studies have been conducted, particularly within the scope of electricity generation facilities (thermal, hydro-electric and wind farms) and distribution in order to 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.).</p> <p>Recent studies confirmed the situation of normality observed in recent years, and concluded that the studied facilities had an acceptable impact on their environment.</p>
<b>Actions on protected areas</b> [304-3]	90 initiatives have been developed to conserve species and protected natural areas.
<b>Progress towards no net loss of biodiversity</b> [304-3]	<p>In 2019, environmental restoration actions were carried out on 2,623 ha. 60% of this area corresponds to protected areas or habitats of protected species.</p>





# Interest in people

— [103-1], [103-2] and [103-3] (Talent retention and development)

**Commitment to people | 114**

**Our team | 118**

**Talent management | 120**

**Diversity and equality | 128**

**Employee satisfaction | 131**

**Compensation and remuneration | 135**

**Labour relations | 137**

**Internal communication | 137**



## Proposed actions 2019

Application of the new People Model.	■
<b>DigitalTeam</b> New ways of working project.	■
<b>ImaginaT</b> New work spaces project.	■
Launch of the Transformational Leadership Academy.	■
In-house communication plan focused on: corporate priorities, the executive role in communication, and fostering participation.	■

## Level of fulfilment

- Finalised.
- Major progress.
- Intermediate progress.
- Little progress.
- Not started.

# Commitment to people

—

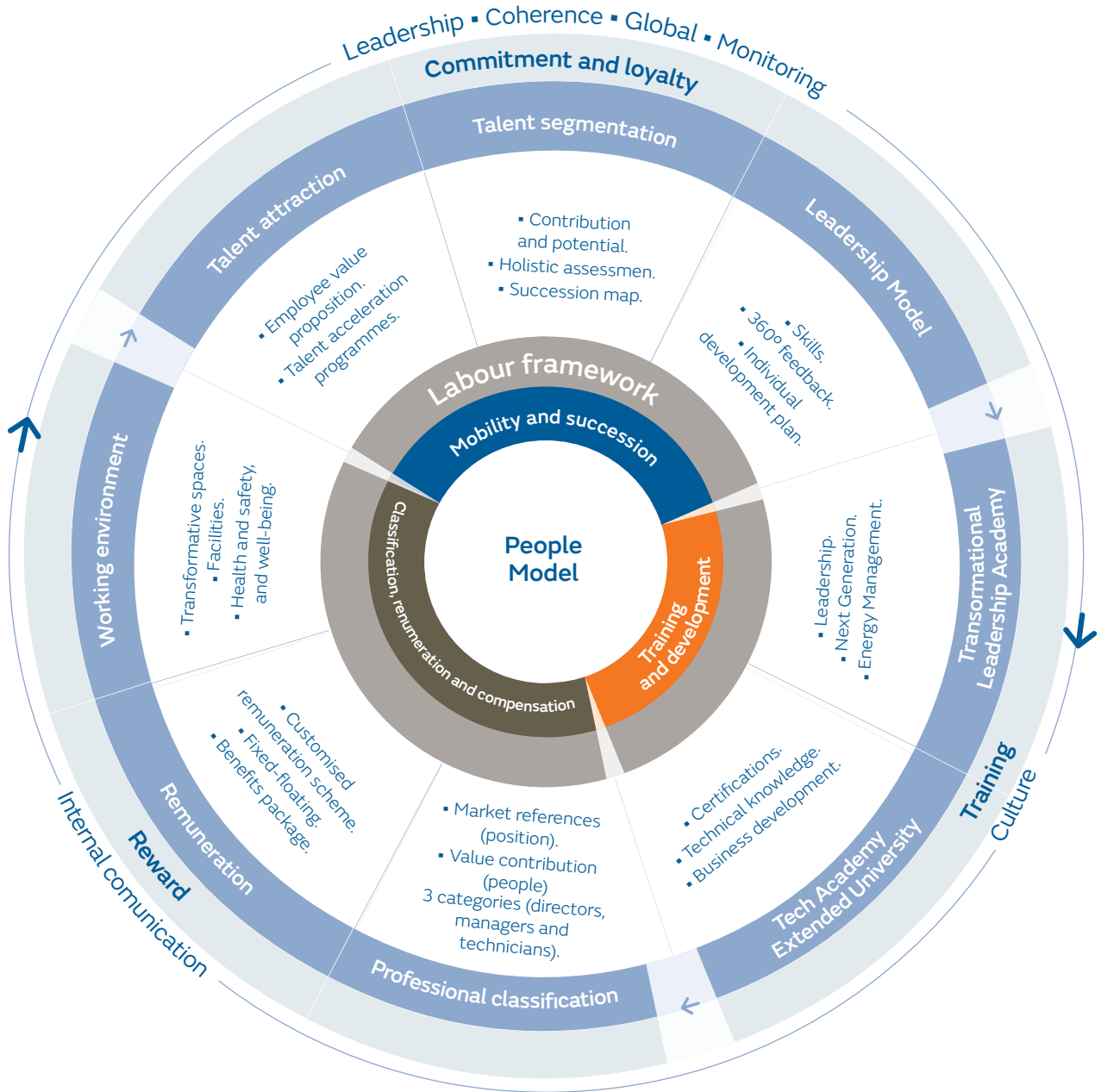
## The Naturgy People Model

In 2019 the transformation and creation of value have continued to be the company's strategic pillars, advancing in the adoption of the new People Model, conceived as a dynamic ecosystem, which synchronises with coherence processes and management elements to better connect its employees with the strategic targets of Naturgy, in which the empowerment and responsibility are key pieces.

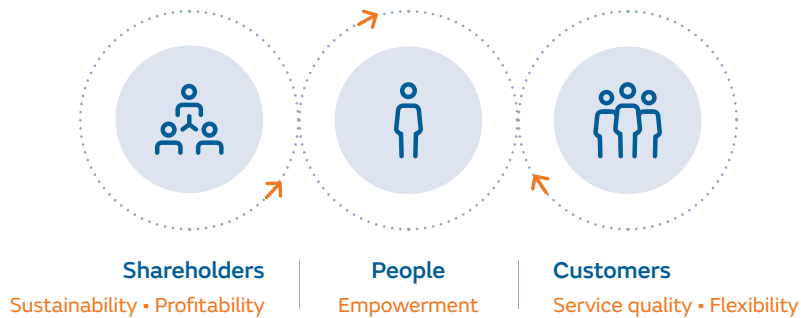
The value proposition of this model revolves around three key pieces:

- Talent, retaining such talent, loyalty, training and development.
- The reward and work environment model that the company offers its employees.
- Culture and internal communication as evolutionary processes that accompany the transformation.

## Value creation



## Transformation



Specifically, the 2019 management meant progress in a new job assessment and compensation model for the entire company. Likewise, the connection of the talent and Leadership Model with the Naturgy's strategic vision is produced, through simplification of the skills map, updating the map of succession of management positions and the 360º assessment, among others. Each of these elements is managed together with the company's different businesses, allowing the monitoring and evolution of its professionals.

With the same transformational vision, a new Training Model was launched to guarantee the adequacy of the position/person, the acquisition of knowledge linked to current needs of the organisation and the development of skills and abilities related to Naturgy's Leadership Model and culture.

## Summary of awards obtained in 2019

### 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 employees, enabling their human and social development.



#### Equality in Employment Seal (DIE)

Obtained in recognition of the development of equal opportunities policies at Naturgy, through comprehensive, measurable and specific equality plans.



#### Top Employer Spain 2019 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.



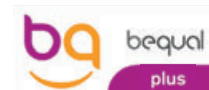
#### Code of Generational Diversity Principle Certificate

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, achieving the Plus label.



#### Healthy company

Certificate that substantiates the implementation of a management system that promotes and protects the health, welfare and safety of employees.



## Rankings

### Merco Talent Spain Ranking

In 2019, Naturgy has again been among the best companies to work for in the energy sector in Spain, ranking second in this category, while in the overall ranking it was positioned at number 35.



### Merco Talent and Merco Companies Argentina

Naturgy was recognised by MERCO Argentina as the utility company with the best image. Moreover, it is positioned 61 of the ranking of best companies in attracting and retaining talent in Argentina.



### 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 2020" study, which includes the best practices for promoting the value of "difference" to achieve diverse and innovative teams with adequate diversity management.



### Universum Ranking

Naturgy continues to be in the TOP 3 of the most attractive companies in the industrial sector to work for, according to university students in Spain. It also continues for the third consecutive year in the TOP 50 among engineering students.



### Super Companies 2019 (Mexico)

Expansión's annual ranking of Super Companies places Naturgy in the Top 50 of the ranking that recognises the best places to work in Mexico.



## Awards

### Enterprise 2020. Future of Work

Award for the Naturgy Dual Vocational Training programme, recognised as one of the best business solutions for the future of work in the "Pact4youth: Youth employment and employability" axis of the Enterprise 2020 campaign of Forética.



- A new **Training Model** was launched to guarantee the adequacy of the position/person, the acquisition of knowledge linked to current needs of the organisation and the development of skills and abilities related to Naturgy's Leadership Model and culture.

## Our team

---

Naturgy offers its employees stable, quality employment together with a solid, structured and attractive professional career, where 98% of the positions have open-ended contracts. 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 self-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 geographies and all businesses.

## Team key items

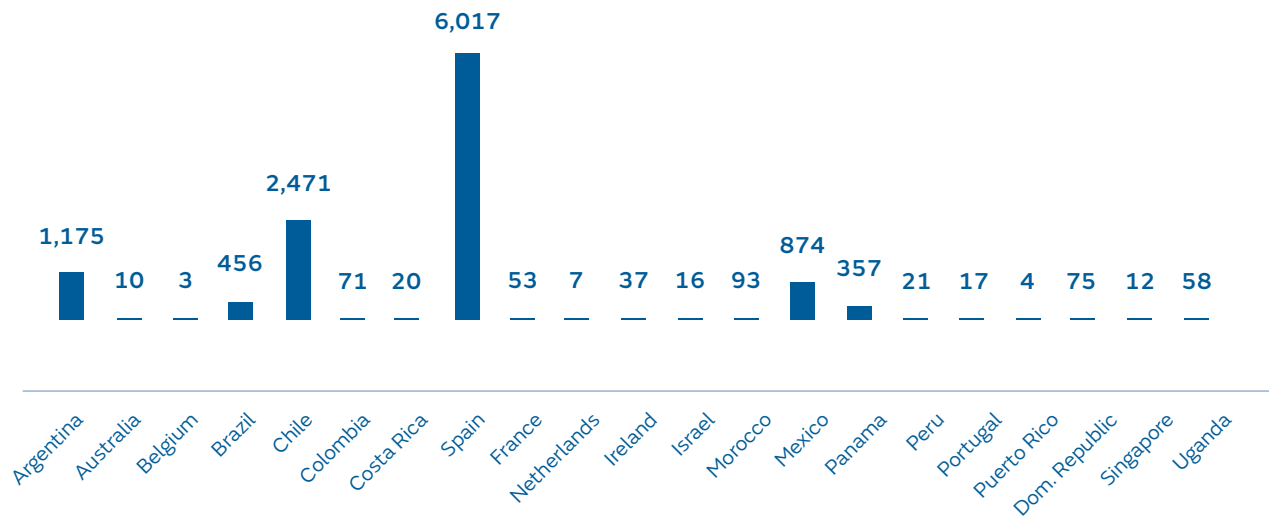
[102-7] and [102-8]

Naturgy performs its activity in more than 27 countries. At the close of 2019, the company was operating through the direct involvement of 11,847 persons (staff at the year-end with centralised and non-centralised management based on percentage of holding), of which 52.0% performed their activity in Europe, 46.4% in America and the remaining 1.6% in other continents. 32% of the staff is made up by women and 68% by men, and had an average age of 44.6 years, with an average seniority of 14.8 years, considering the workforce over which the company performs centralised management of its people policy (11,654 employees).

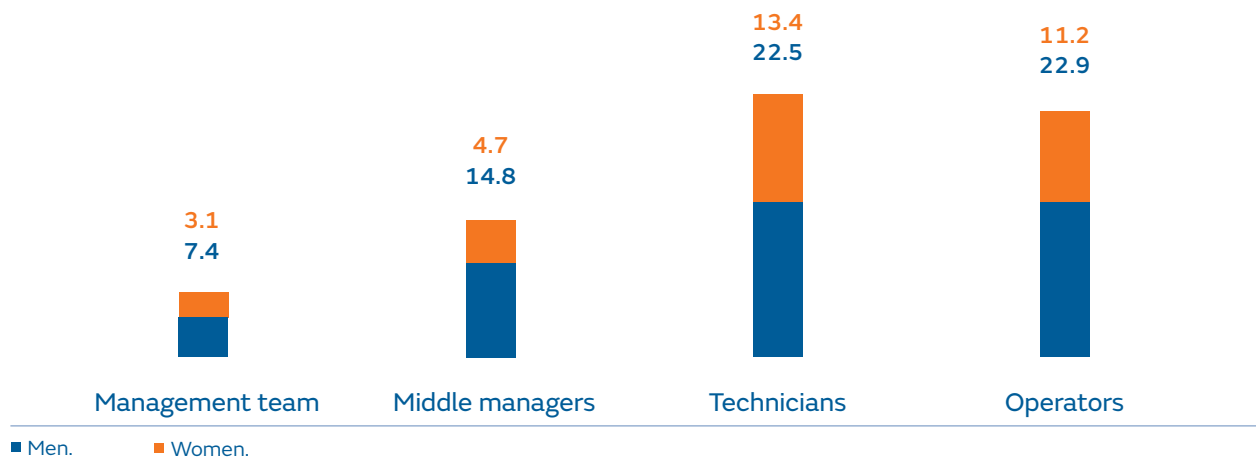


## Staff index\_

(number of employees on the 31st of December, 2019)



## Breakdown of staff by professional category and gender\_



## Talent management

— [404-2]

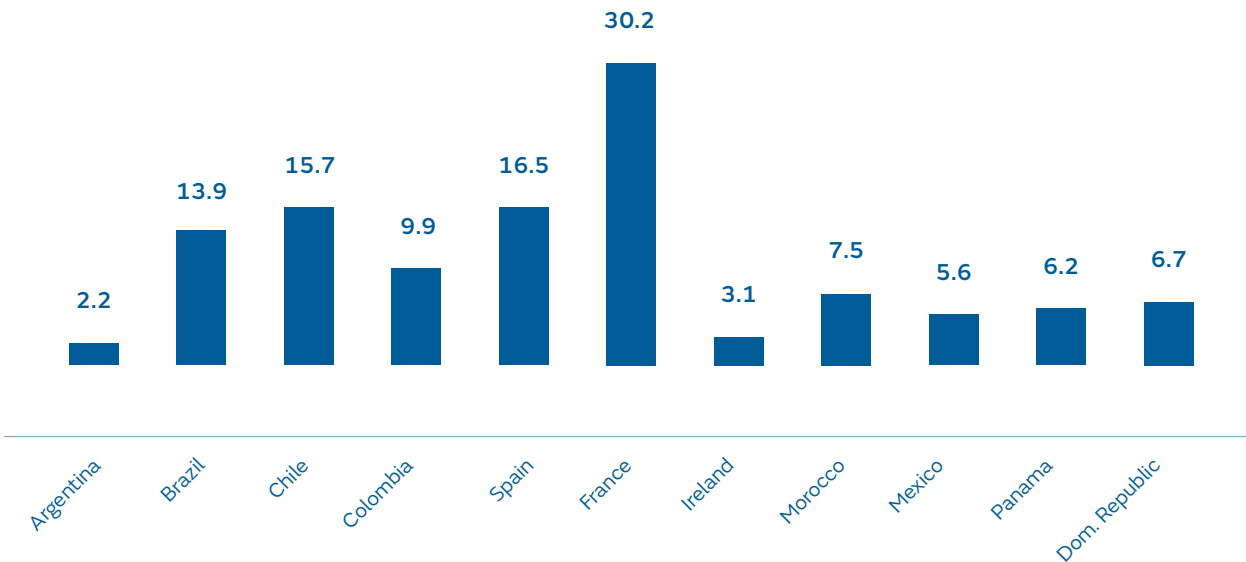
In Naturgy's people strategy, talent management is a strategic axis where the Leadership Model, the assessment and segmentation of professionals to adapt their development to the different profiles, as well as the processes of identification and development of successors, are key parts of the attraction, loyalty and commitment of people.

Talent management is one of the elements that defines the implementation of the new organisational model, as a lever of corporate transformation. The changes that

started in 2018 have been sweeping and overarching, and have continued in 2019 with the aim of reducing the scope of control and complexity, avoiding the overlapping of functions, giving the business units full responsibility, optimising the support they receive from corporate functions, as well as bringing the organisation into line with the new Strategic Plan.

### Staff promoted\_

(%)



■ **Talent management is a strategic axis** where the Leadership Model, the assessment and segmentation of professionals to adapt their development to the different profiles, as well as the processes of identification and development of successors, are key parts of the attraction, loyalty and commitment of people.



## Talent attraction

### Employee value proposition

Within the framework of the transformation, the new Employee Value Proposition (EVP) continues to be a priority to refocus the employer branding policy and action plan in line with the People Model.

The EVP of Naturgy, launched in 2019, highlights the connection of its professionals with the new future and sustainability challenges that the energy sector and the world are currently facing. All this in a diverse, inclusive, more digital and dynamic context, where empowerment and teamwork are key.

### Talent attraction initiatives

#### ■ Professional practices programme

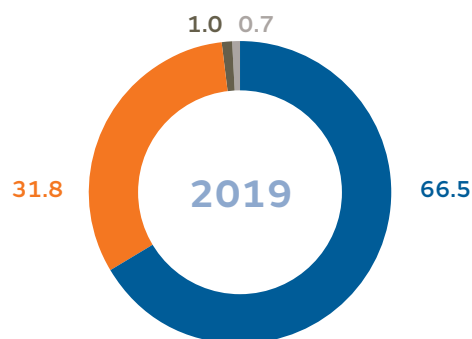
Naturgy has partnerships with leading universities and higher educational institutions in the different countries where it operates. These partnerships enable the company to select young people for work experience. Every year, the group as a whole provides training to more than 125 university students and more than 100 Vocational Training (VT) students or equivalent. This year, 253 university and training students have participated in the internship programmes in the different geographical areas.

#### ■ Dual VT

Naturgy's commitment to Dual VT has continued in 2019 with the collaboration of five vocational training centres. This year there were 85 students enrolled between the first and second course who, together with those that had already completed the previous graduations, make up a total of 194 people trained in our vocational training cycles.

### Type of contracts\_

(%) [102-8]

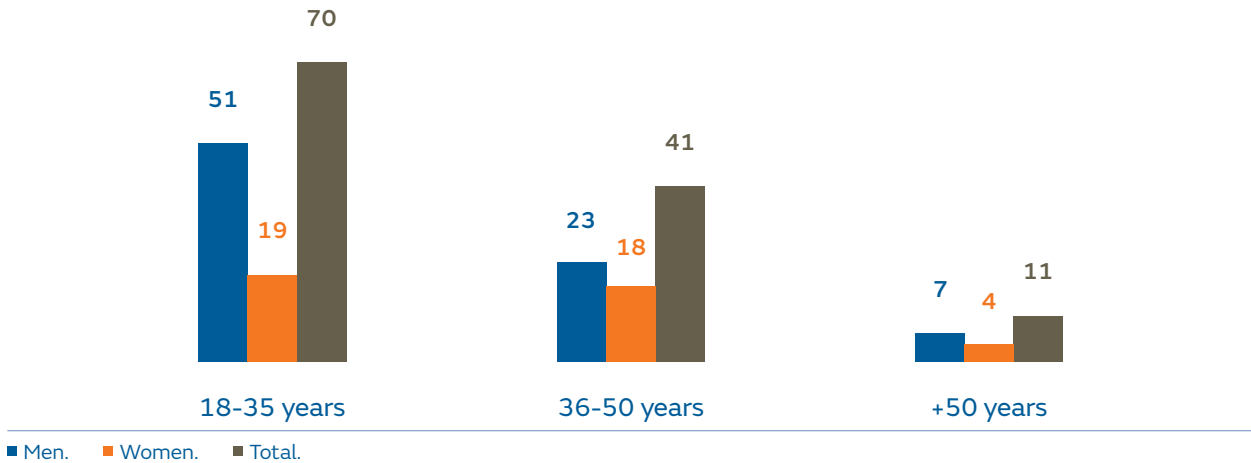


#### Contrats

■ Permanent (men). ■ Permanent (women). ■ Temporary (men). ■ Temporary (women).

### New recruitments by gender and age group\_

[401-1]



## Talent development

At Naturgy, talent management is a homogeneous function in all businesses, and is governed by shared objectives defined in the Leadership Model, as part of Naturgy's People Model. This framework, targeted at achieving the group's results, defines the competences and expected behaviour of Naturgy professionals, based on the principles of ethics, collaboration, equal opportunities and respect for difference.

The tools for talent management, used for the purpose of finding out about professionals, promoting their development and optimising mobility and promotion, are built around four pillars: assessment, development, succession and job posting.

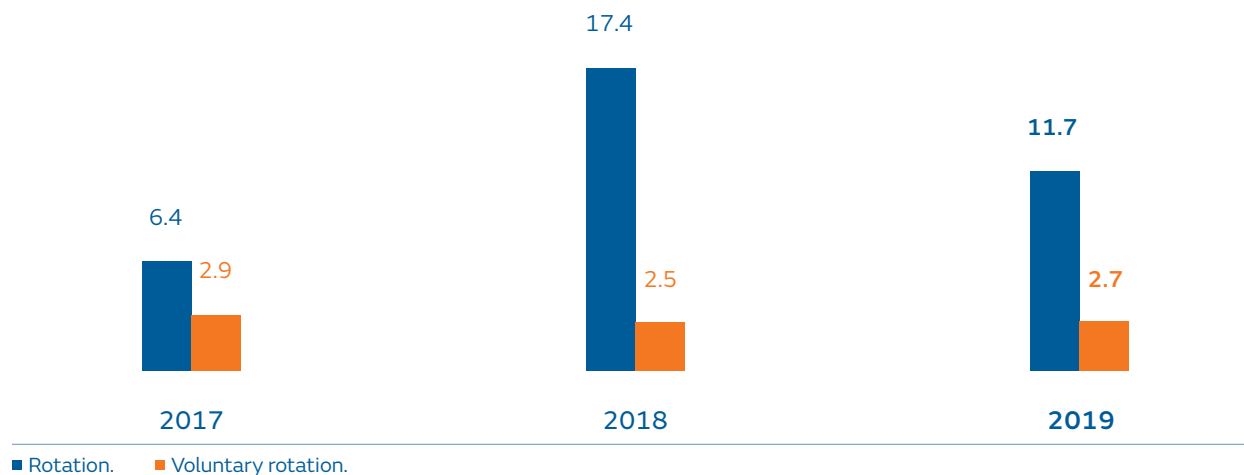
The organisational transformation in 2018 meant an internal mobility of 87% of the management team. In 2019 these changes have continued, albeit with less intensity, improving the scope of control and transforming structures and functions: more than 19% of the management team has changed position and 9% of

them have switched departments, i.e. they have enjoyed transversal mobility. In addition, 32% of these movements have involved female executives. Also, during 2019, a total of 1,903 vacancies have been filled through the internal mobility process.

Talent management also guarantees the incorporation of external talent, ensuring the attraction of high-potential professionals through programmes such as Management Staff, a highly demanding performance programme specifically designed to accelerate young talent. It began in 2012 and 96 professionals have joined the company from 19 different nationalities, with women representing 56%. The programme currently comprises a group of 59 professionals, 25% of whom hold structural positions.

## Rotation index and voluntary rotation index\_

(%) (\*) [401-1]



(\*) Rotation: layoffs/average staff. Voluntary rotation: voluntary layoffs/average staff.

NB: the breakdown of this indicator according to geographical location is available in the appendix to this report.

## Rotation indices according to gender and age group\_

(%) (\*) [401-1]

		Rotation index	Voluntary rotation index
18-35	Men	17.1	6.3
	Women	13.7	9.0
36-50	Men	8.7	2.3
	Women	4.3	1.8
+50	Men	20.5	0.8
	Women	10.9	0.9

(\*) Rotation: layoffs/average staff. Voluntary rotation: voluntary layoffs/average staff.

NB: the breakdown of this indicator according to geographical location is available in the appendix to this report.

## Corporate University

Naturgy training is a strategic transformation lever for professionals, contributing to their development and empowerment to make Naturgy's business vision a reality.

In this context, the Corporate University (CU) is 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 and with the development of skills and abilities linked to Naturgy's Leadership Model and culture.

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)**

Training environment focused on the executive, management and high potential team at Naturgy. The aim is to promote transformational leadership, thus strengthening the role of natural accelerators of organisational and cultural change, and accompanying the Naturgy evolution.

It offers a diversified and personalised training proposal managed through partnerships with outstanding national and international centres. The 2019 training programme has included programmes on traditional mentoring and Reverse Mentoring, Accountability, Transformational Leadership, Compliance, Progres project, and programmes for the adoption of new ways of working.

- **The Tech Academy (TA)**

It guarantees the transfer of specific technical knowledge in each business, thus permitting its efficient development and at the same time ensures quality and uniformity in all countries. It offers learning programmes on new methodologies and technologies, preparing professionals to carry out their work in a digital and technologically advanced environment.

Among the most relevant programmes of the TA are the Prevention of Occupational Risks in operational and office staff, Softexpert application, DNA+ commercial training, Cybersecurity programmes, Code of Ethics and Compliance, Unbundling and Agile Methodologies for project management.

- **The Extended Academy**

Aimed at offering training content to collaborating companies in technical matters, safety and risk prevention, legal concepts and customer orientation.

Among the most relevant programmes of the academy are: CeX Telephone Assistance programme - Certification Plus, Health and Safety and Safety Leadership awareness workshops, Invoice Protection training and Road Safety training action, FPDGi Talent Rescuers programme.

Likewise, the training offer of the CU is adapted to the demand of employees and the different businesses through the Evolution platform (Success Factor), in which all Naturgy professionals have access to online training from the company's catalogue, as well as to a set of channels and platforms for the dissemination of contents.

The guarantee of connection between the company's strategy and training is provided by the CU's advisory council, made up of representatives of the company's senior management and external advisors from prestigious academic institutions.

The excellence in management of the Corporate University is supported by a Quality Management System based on ISO 9001:2015, renewed in 2019. Since 2003, it 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.



## Evolution of training hours per employee

# 25.2 h.

2019

–

49.9 h. in 2018

38.4 h. in 2017

NB 1: in 2019 there was a decline in average hours per employee, and generally in all indicators of training, through the consolidation of data in Chile, with a training volume that is less than the rest of the group; and through a reduction of the number of cross-cutting programmes company-wide compared to previous years; and because of the interruption of the corporate university for three months while the new platform was being rolled out.

2019

### Corporate University's figures <sup>(1)</sup>

Satisfaction surveys answered	27,137
Participants' average satisfaction (0-10)	8.5
Average degree of application of knowledge and skills in the job (%)	76
Number of programmes with assessment of application (courses)	81
Average perception index (0-10)	8.0

<sup>(1)</sup> The measurement model is not implemented in Chile. The fall in the number of surveys answered in 2019 has been affected by the decrease in staff.

Naturgy training indicators <sup>(1)</sup> \_

[404-1]

	Target 2019	2019	2018	2017
Staff trained (%)	82.0	85.8	91.0	93.7
Training hours per employee <sup>(2)</sup>	28.0	25.2	49.9	38.4
<b>Total course hours</b>	<b>401,891</b>	<b>276,365</b>	<b>645,311</b>	<b>613,623</b>
Men	-	207,076	438,412	430,995
Women	-	69,289	206,899	182,628
Annual investment in training <sup>(euros)</sup>	8,282,753	6,989,462	10,387,384	14,322,806
Investment in training per person <sup>(euros)</sup> <sup>(2)</sup>	645.4	636.6	804.0	897.4
Attendees	73,030	54,010	93,379	97,604
Online hours	172,144	83,520	204,622	176,995
People who were trained through the online channel (%)	63.0	61.2	77.1	69.3
Participants' degree of satisfaction <sup>(out of 10)</sup> <sup>(3)</sup>	7.9	8.5	8.3	8.4
Net Promoter Score <sup>(NPS)</sup>	>0	36.0	35.6	35.9

<sup>(1)</sup> In general, the % indicators of trained staff, training hours and attendees, have been affected with respect to the previous year due to the following factors:

- The company's staff has been cut by nearly 10% from the second half of 2018 to 2019.
- Budgetary adjustment in the company, which has affected the volume of training carried out in the businesses. However, work has been done to optimise resources and emphasise the needs of the employee and the business, reflected in the increase in the level of employee satisfaction (8.5), the highest value in the last three years.

<sup>(2)</sup> The indicator has been calculated taking into account all the Corporate University's target staff, so that it has taken into account the following:

- Companies or countries with majority shareholdings at the end of the year.
- Companies or countries with access to the Success Factor platform, in order to carry out the training.

<sup>(3)</sup> The following companies in Argentina have not been consolidated, as they do not have access to SAP and therefore cannot carry out training through Success Factor: Gasnor, Gasmarket, Eergía San Juan, S.A., Gasoducto del Pacífico Argentina, S.A. Under the same criteria, Israel has not been consolidated either.

■ **The Corporate University** is 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 and with the development of skills and abilities linked to Naturgy's Leadership Model and culture.

### Training hours per employee and professional category\_

		Management team	Middle managers	Technicians	Operators
Staff trained (%)	Men	87.8	90.5	85.6	83.8
	Women	88.5	89.6	86.0	80.1
	<b>Total</b>	<b>88.0</b>	<b>90.3</b>	<b>85.8</b>	<b>82.5</b>
Training hours per employee	25.2	29.1	35.0	20.2	23.5
<b>Total course hours</b>	<b>276,365</b>	<b>34,846</b>	<b>75,497</b>	<b>81,600</b>	<b>84,422</b>



## Diversity and equality

— [103-1], [103-2] and [103-3] (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.

### Integrated Diversity Plan

Diversity at Naturgy is a cultural lever that promotes environments of respect for differences, of listening and dialogue to enrich the work, as well as a competitive advantage to grow and project a future. In 2019, the company's commitment to diversity remained strong and is instrumented through the Integrated Diversity Plan, which brings together specific initiatives for people management, classified into three areas: gender, disabilities and age.

### Integrated Diversity Plan initiatives and tools

#### ■ Gender

In 2019 the active role of women has been strengthened in different areas of the company. The presence of women at Naturgy exceeds 30% of the total, and in this context the priority of female management talent within the new organisational model is consolidated, with the aim of advancing in the commitment to balance the gender component in the company. By virtue of their relevance, the development programmes for female management talent have been integrated into Naturgy's catalogue of Family Responsible Company (FRC) Global Measures.

#### ■ Disability

The Management of Naturgy acts as an impetus for a range of actions targeted at standardising management of functional diversity: Familia Plan, Capacitas Plan, Aflora Plan and Bequal Plus Certificate.

#### ■ Age

Naturgy works on generational diversity through actions to accelerate young talent, monitor mobility and promotion. In 2019 the Mentoring programme was launched globally, strengthening the link between those who lead Naturgy's business project today and those who will lead it in the future. Reverse mentoring is an incentive for the commitment of young professionals. Likewise, through the Management Staff acceleration programme, we continue to work with young high-potential professionals—trained at universities and international business schools—to provide support for major projects and strengthen their management position within the company.

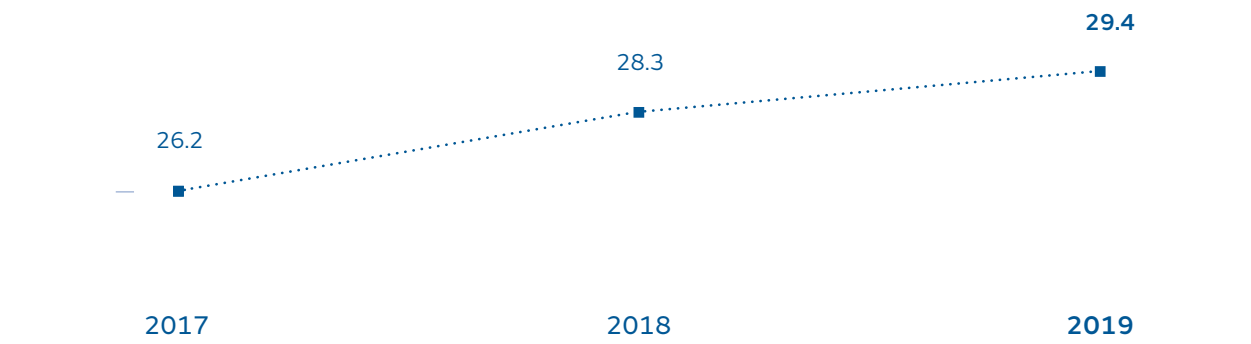
### Commitment to equality

Naturgy's commitment to equality has been recognised with the "Equality in employment" seal (DIE) from the Ministry of the Presidency, Parliamentary Relations and Equality in November 2018, by virtue of the implementation of equal opportunity policies, through comprehensive, measurable and result-oriented equality plans. 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.



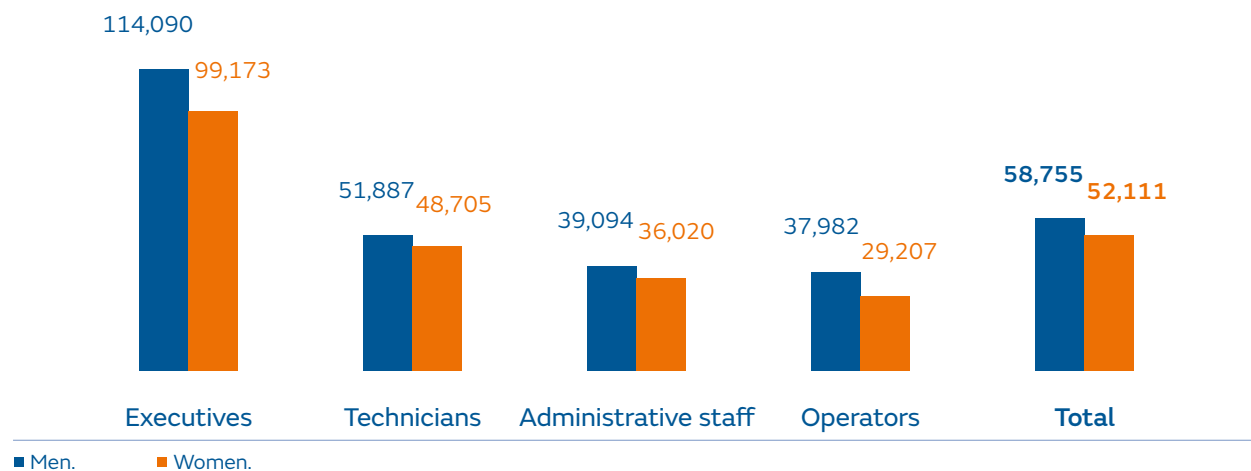
## Women in management posts\_

(%)



## Average salary of men and women by professional category. Spain <sup>(1)</sup>\_

(%)\* [405-2]



<sup>(1)</sup> The average salary includes fixed and variable remuneration. Variable remuneration was considered to be the amount received by employees under the Management by Objectives, Performance Management and Commercial Variable Remuneration programmes.

NB

· The breakdown of this indicator according to geographical location is available in the appendix to this report.  
 · The difference in salary shown by the results is in line with the context of the sector and generated mainly by the company's past gender make-up, which means greater average seniority of men in comparison with women.

## Employees with disabilities\_

(%)

	2019
Germany	-
Argentina	0.5
Australia	-
Belgium	-
Brazil	2.9
Chile	0.5
Colombia	-
Costa Rica	-
Spain	2.3
France	-
Netherlands	-
Ireland	-
Israel	-
Morocco	1.1
Mexico	0.6
Panama	1.4
Peru	-
Portugal	-
Puerto Rico	-
Dominican Republic	-
Singapore	-
Uganda	-

- The management of Naturgy acts as an impetus for a range of actions targeted at standardising **management of functional diversity**: Familia Plan, Capacitas Plan, Aflora Plan and Bequal Plus Certificate.

## Employee satisfaction

Knowing employee satisfaction and the value they place on the actions and the products that the company makes available to them is a key element of Naturgy's commitment to people.

Tools such as the climate survey, conducted periodically, give rise to actions and improvement plans that are reflected in the results of subsequent years. Currently, the commitment percentage is around 84% –this result has been obtained separately for men and women–, and the figure is above the benchmark average.

### Flexibility and work-life balance

[401-2]

Naturgy is committed to promoting an appropriate work-life balance through a significant number of flexible employment measures, services and benefits adapted to employees' needs and which go beyond the legal regulations governing this issue.

In 2019, progress has been made in the implementation of new measures which, together with those already in place, constitute a wide range of measures that promote and encourage reconciliation.

Some of the measures implemented at Naturgy, in Spain, are:

- Paid leave that goes beyond the legal regulation, in cases of marriage, separation or divorce, marriage of parents, children or siblings, in cases of death or serious illness of relatives, in cases of moving home, cases of assisted fertilisation. Increase in the duration of breastfeeding leave or paid leave from the 38th week of pregnancy.

- **Unpaid leave**

In cases of assisted fertilisation, international adoptions, the repeated need to accompany relatives for medical care.

- **Flexibility**

In arrival and departure, in the lunch period, continuous uninterrupted working day every Friday of the year, flexible working times.

- Possibility of reduced working hours in cases other than those regulated by law.
- Providing employees with company canteens, Time Bank, flexible remuneration systems, Aflora Plan.

In 2019, the introduction of greater time flexibility, the possibility of adapting the length of the working day and remote working are clear examples of the company's commitment that result in the satisfaction of both the company and its workers.

- **Global FRC Certification**

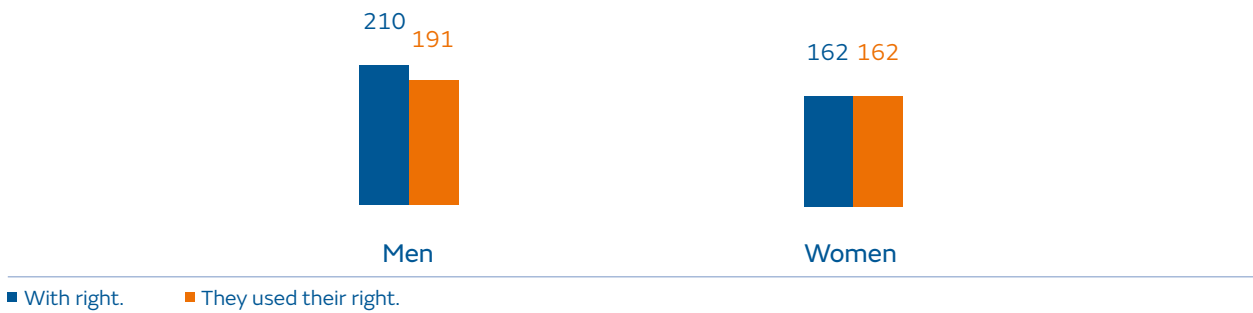
Naturgy is the first and only company in the world to have the Global FRC Certification (Family Responsible Company) granted in 2013 by the Masfamilia Foundation, with the endorsement of the Ministry of Health, Consumer Affairs and Social Welfare, and audited each year by AENOR.

This certification substantiates the existence of a culture based on flexibility, respect and mutual commitment of the company with its professionals, generating options that allow them to develop both personally and professionally, always within the framework of the business objectives.

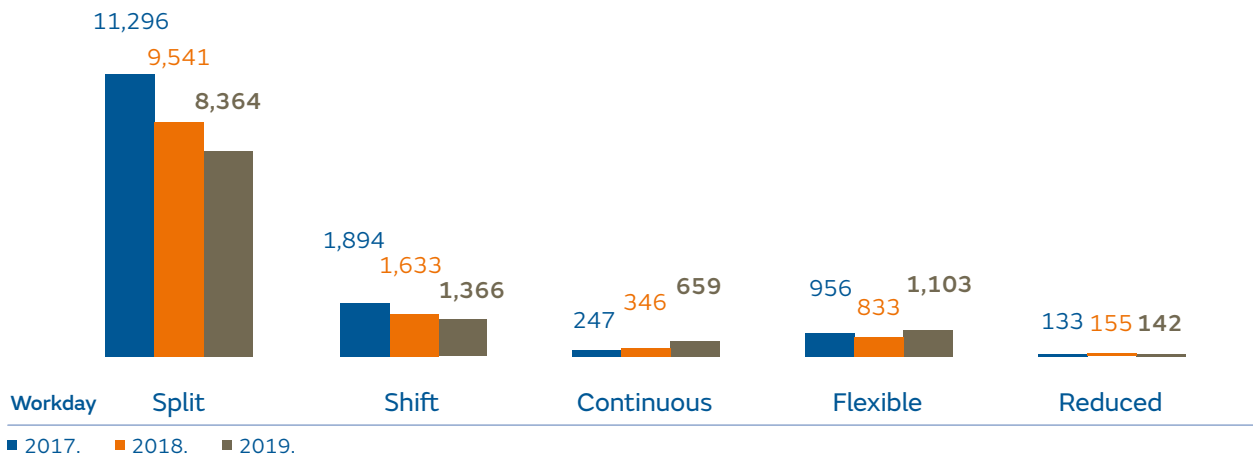
In 2019, management of the model has been deployed through 472 local measures, distributed among the different countries where the company operates, and also 21 global measures, all of them integrated in the six action groups defined by the

Global FRC Standard 1000/23: Quality in Employment, Time and Space Flexibility, Support for the Employees' Families, Support for the Personal and Professional Environment, Equal Opportunities and Leadership and Management Style.

### Comparison of employees with maternity/paternity leave with those who made use of this right\_ [401-3]



### Flexibility and support for the personal environment\_ (people)



## Employee Care Service (SAE)

The service, introduced in Spain and Latin America, has celebrated its seventh anniversary in 2019, 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.

In 2019, growth continued in the SAE, with the incorporation of new services, such as the free telephone line for the immediate attention of family and friends who require the services of the group's marketer company. Currently, the NPS of the service is 73.82%, 111,011 requests from employees have been answered and 92.23% of the requests have been resolved within the deadline.

## Culture and Employee Experience

Within the framework of Naturgy's transformation and its strategic plan, the empowerment of its professionals is a key element in the creation of value together with customers and shareholders. 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.

Naturgy's transversal projects such as DigitalTeam, ImaginaT and Lean, constitute levers of cultural transformation, where new ways of working and behaving are promoted, through environments and spaces that allow the Naturgy culture to be lived.

Key concepts of cross-cutting projects:

- **Team**  
Cohesion - Leadership - Enthusiasm
- **Innovation**  
Evolution - Digitalisation - Flexibility
- **Working methods**  
Flexibility - Collaboration - Simplicity

- **ImaginaT project**

in 2019 the new model of spaces and ways of working of Naturgy has been designed, applicable to the whole group. The physical reconfiguration of spaces is, in itself, a powerful vehicle for implementing new ways of working and collaborating. ImaginaT environments are more flexible, more collaborative and more digital, like Naturgy's values and culture. The employee's experience with the new workspace is strengthened through a continuously monitored internal communication strategy.

This project has started with two pilots, which serve to teach and involve employees in the design itself, and will be deployed on a large scale during the next few years.

- **DigitalTeam project**

The DigitalTeam project was launched in 2019 with the aim of consolidating new ways of working in the company using technological tools that foster collaboration, mobility and online communication among all the company's professionals.

DigitalTeam is focused on the adoption of Microsoft Teams and the Office 365 suite:

- **Sharing and collaborating**

- Create habits to work in a **more agile, flexible and digital way**.

- **Mobility**

- Allow **total mobility** (Any device connection, anywhere).
- Create collaborative and self-learning work environments.

- **Optimising communication**

- Updated and information available to all.
- Global reach that **connects the whole group**.

The success of the DigitalTeam project is based on:

- Blended training through the Naturgy Corporate University, promoting the knowledge of the tool and its application in the day-to-day life of the employees.
- “Learning by doing” through digital-influencers.

The role of influencer is key to bringing about the cultural change required by the new way of working. It inspires and motivates its working community to use and solve the doubts as the DigitalTeam implementation progresses. To achieve this goal, the digital-influencers receive tailor-made training and continuous support from the project team. During this year there have been 290 people who have acted as digital influencers. Over 6,000 hours of training have been provided for the programme, with satisfactory quality results: an 8.61 satisfaction index and a NPS value of 59.

■ **Lean project**

Project of global transformation of transactional and support functions, both in corporate and business areas, which promotes the simplification of the organisational model at Naturgy.

Its targets are:

- To create value by seeking maximum efficiency in processes, redesigning them, automating them and simplifying them.
- To promote the simplification of Naturgy's organisational model and consequently the implementation of a flexible and lean organisation.
- It allows businesses to focus on the accountability of their critical activities.

These objectives are achieved through alliances with prestigious partners, access to new technologies, and relying on internal talent. Specifically, in 2019 this project has made progress in the incorporation of four companies: Naturgy IT in partnership with IBM; Lean Grids Services together with Everis; and the companies Lean Corporate Services, S.L. and Lean Customer Services, S.L., for which partnership proposals are being assessed. These partnerships have begun to reveal benefits, such as the agreement signed with IBM for projects to advance digital transformation, improve customer service, and create new services.



## Compensation and remuneration

— [201-3]

The concept of reward is the third of the areas on which the Naturgy People Model is built and aims to provide a framework for classification, compensation, benefits and work environment, which drives and aligns professional performance with the strategy of Naturgy.

### Remuneration policy

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 job assessment model has been deployed for those employees who are excluded from the collective bargaining agreement, having assessed the positions in the new structure.

### Variable remuneration

The annual variable remuneration has been transformed into 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.
- Safety and quality issues.
- In addition, a qualitative objective that measures the “how” in achieving the targets is valued.

The management by objectives for managers and employees not included in the agreement, and variable remuneration for sales agents, are methods in place at Naturgy as incentives for employee involvement in achieving the company's targets and a direct share in the profits.

### Breakdown of personnel costs\_

(million euro)

	2019	2018	2017
Wages and salaries	821	882	877
Social Security costs	112	123	134
Defined contribution plans	31	36	44
Defined benefit plans	6	9	9
Share-based compensations	5	5	0
Work carried out for the company's fixed assets	(105)	(115)	(122)
Other	54	70	67
<b>Total</b>	<b>924</b>	<b>1010</b>	<b>1009</b>

## Social benefits and flexible remuneration

The remuneration package of Naturgy employees is supplemented with a social benefits system, which includes a pension plan and other social benefits.

In 2019, the Total Compensation Plan was consolidated, allowing employees to personalise the composition and compensation package offered by the company. This plan, which is compatible with the flexible remuneration system, allows the employee to decide 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.

In addition, 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.

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.

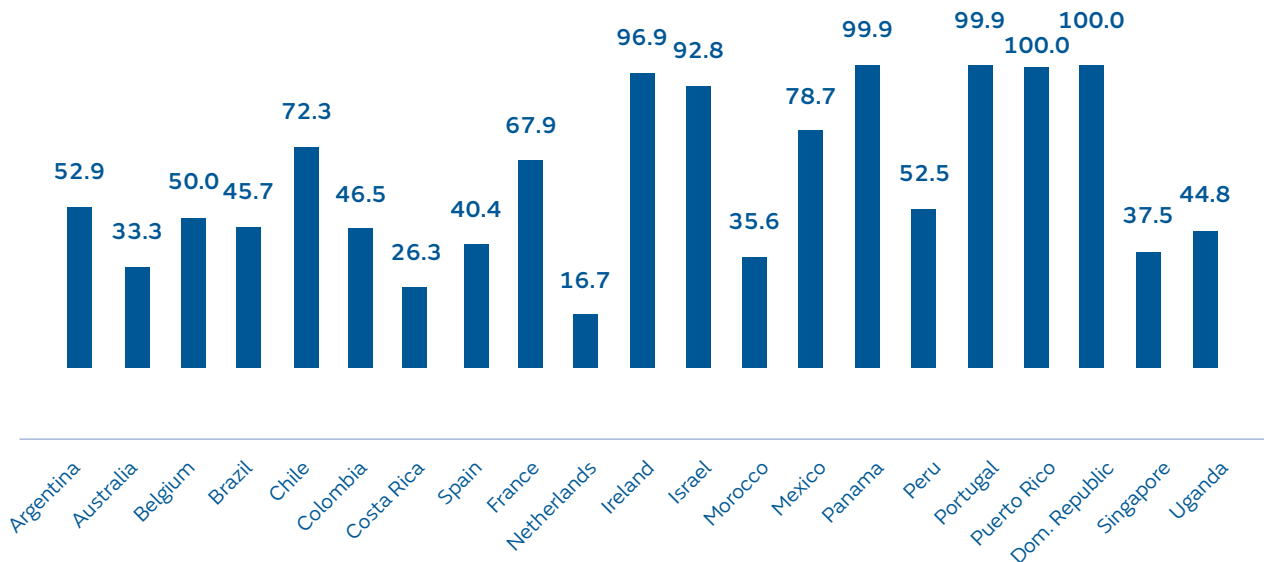
The plan currently has a net worth of around Euros 500 million, which is distributed among approximately 6,300 active employees (99% of the staff), and more than 2,000 beneficiaries.

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.
- In accordance with the legal frameworks of each country, Naturgy agreed to introduce social benefits and reconciliation measures with employee representatives.
- There are pension plans in Brazil, France, Israel, Mexico and Portugal and other social welfare systems in Chile and Colombia.

## Performance Management and Management by Objectives (MbO) Indicators (\*)

[404-3]



(\*) Percentage of participants in the MbO system. The breakdown by gender for this indicator is available in the appendix to this report.



## Labour relations

— [407-1]

Naturgy, through its Code of Ethics, establishes the principles and behaviour guidelines that govern the performance criteria of all employees. In accordance with these, and with international legislation and the prevailing legal framework of each country where it is present, Naturgy respects the values of their respective cultures and is committed to compliance with applicable labour regulations. Naturgy places a particular focus on the freedom to join a union, fundamental rights, collective bargaining and the culture of the agreement. Thus, in Spain, various agreements have been signed with the workers' representatives, most notably the agreement on conciliation.

In the international arena, 28 negotiation processes have been completed: Chile (12 collective bargaining processes), Mexico (three negotiations, between wage agreements and agreement negotiations), Brazil (five negotiations, between wage agreements and agreement negotiations) and Argentina (eight negotiations).

As a global result, 38 collective agreements have been reached in all areas in which Naturgy is present.

As for trade union representation, in all the companies belonging to Naturgy in 2019, there are a total of 61 unions with representation in all spheres of action, eight in Spain and 53 internationally.

Finally, it should be pointed out that, at 31 December 2019, there had been a total of 18,570 visits, enquiries and downloads of "Employment Information" on NaturalNet across the group, and 294,219 enquiries, incidents and requests through the Employee Care Service, dealt with directly by the service or through the different people departments in all countries where it is implemented.

## Internal communication

In the context of transformation, Naturgy's internal communication model constitutes a lever for change and organisational alignment, evolving towards new actions in presence and online support to guarantee the knowledge and involvement of the employees with Naturgy's Strategic Plan.

In this regard, several 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 Dialogue programme, the Breakfasts with Management have been reactivated, where a close and direct conversation on topics of interest to the organisation is promoted.

Regarding online media, Naturgy has different channels for communication with its employees, such as Naturalnews (Naturgy's digital newspaper), NaturalNet (corporate intranet), the Natural Magazine and Yammer (corporate social network). In a complementary manner, some businesses have their own internal communication channels, where corporate messages and focus points are reinforced from a local perspective.

In 2019, the focus has been on highlighting the progress of the company's Strategic Plan and cultural transformation, through the communication of organisational milestones and projects such as ImaginaT, DigitalTeams, Security and Cybersecurity, Digitalisation, Energy Volunteering, Conciliation, among others.

# Health and safety

— [103-1], [103-2] and [103-3] (Occupational health and safety)

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Risk management | 144

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and process diagnostics | 151

Health | 152



## Proposed actions 2019

<b>Horus</b> Multi-factor analytical preventive analysis.	■
<b>Integra</b> Exchange of best practices and learning through collaboration with collaborating companies.	■
<b>Kepler</b> Innovation project applied to prevention.	■
Optimise the approach to cases of colon cancer.	■
Optimise the approach to osteomuscular injuries.	■

### Level of fulfilment

- Finalised.
- Major progress.
- Intermediate progress.
- Little progress.
- Not started.

## Human capital in health and safety management

Naturgy plans and carries out its activities with the firm belief that nothing is more important than the health, safety and well-being of people. In this regard, the company's action goes beyond compliance with legal obligations and other requirements that it voluntarily adopts, driving continuous improvement in working conditions and in management of health, safety and well-being. This not only involves people who work for Naturgy, but also suppliers, collaborating companies, customers and other stakeholders, in order to avoid and to prevent accidents and damage to health, providing a safe and healthy environment.

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 strategy of Naturgy

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 collaborating companies.
- 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

Leadership



### 02

Employees



### 03

Collaborating companies



### 04

Process and facilities safety management



### 05

Society

## Evolution of the Health and Safety Commitment

The Health and Safety Commitment project, in force since 2012, has consolidated the safety culture at Naturgy, thereby safeguarding compliance of the corporate responsibility commitments and for the Sustainability Master Plan 2022.

The health and safety backdrop of Naturgy in 2019 was influenced by aspects such as:

- Focus on transformation and adaptation to organisational changes.

- Maturity in the project, inducing a “comfort situation”.
- Change of trend: spike in fatal accident rate in 2018.

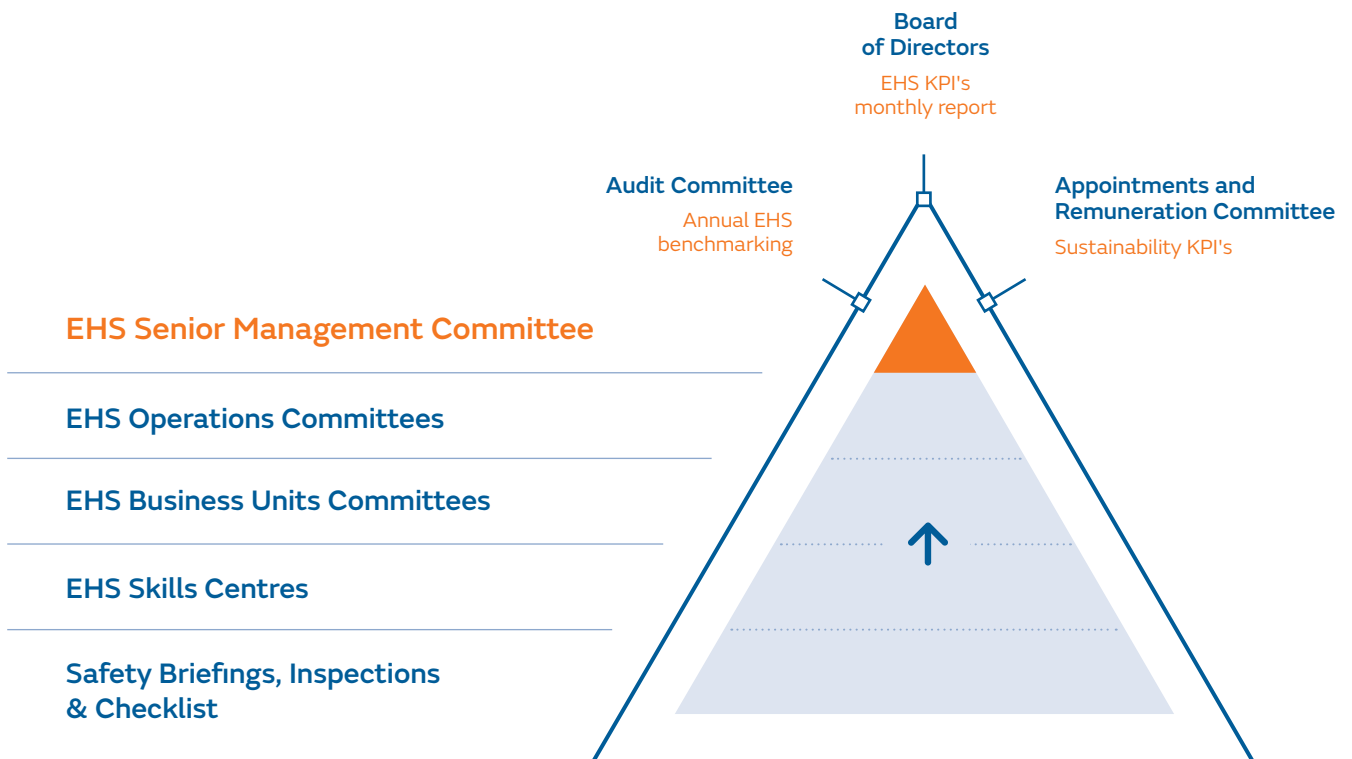
This has been used as a guide for the 2019 Safety Plan, which focuses on reaffirming the safety culture and strengthening control through four priority lines of action:

- **Focus on critical risk factors**  
Addressing the sources of serious and fatal accidents.
- **Cultural reinforcement and improving monitoring of collaborating companies**
- **Training of key groups**  
Commitment and involvement to reduce risk tolerance.
- **Health and Well-being Plan**

## Health and safety leadership

2019 saw approval of the Global Health and Safety Policy, which reinforces safety as a key factor of business leadership and ensures compliance with the commitments made in 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 KPIs 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.



## Safety standards pursuant to the new culture

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 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.

## Health and Safety Commitment

[102-12], [102-13]

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.

A Company of  
**VISION ZERO**  
 Safety. Health. Wellbeing.

### 7 Golden rules

Take the lead · demonstrate commitment | Identify the dangers · assess the risks | Define goals · draw up programmes | Ensure a safe and healthy system · be well organised | Ensure health and safety with regard to 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 collaborating companies.

## Five health and safety principles

### 01

- **Nothing is more important than health and safety**

... not production, not sales, nor profits.

### 02

- **All accidents can be avoided**

... there are no inevitable accidents.

### 03

- **Safety is Management's responsibility**

... and it must be managed us 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.

## Accident-rate indicators <sup>(1)</sup>\_

[403-2]

	Target 2020	2019		2018			
	Total	Men	Women	Total	Men	Women	Total
No. of lost time accidents <small>(No. of employees)</small>	-	14	0	14	15	1	16
Days lost due to lost time accidents	-	704	0	704	932	24	956
Mortalities	0	0	0	0	0	0	0
Lost time accidents frequency rate	<0.15	0.18	0.00	0.12	0.16	0.02	0.12
Lost time accidents severity rate	<10	8.94	0.00	6.04	10.05	0.58	7.13

<sup>(1)</sup> Calculated according to the OSHA standards (indicators per 200,000 hours worked).

Pillars of the Health and Safety Commitment

	Activities carried out before the event			Event	Activities carried out after the event		
	Prevention	Detection	Control		Mitigation	communication	Learning
Leadership	Creation of the Accident Rate Committee.	Personal Action Plan.	Leadership workshops.	Creation of committees to analyse and investigate accidents and incidents.	Direct involvement of the management line.	Analysis of accidents and incidents in all committees and meetings.	
	Management Committees for accident analysis.	Zero tolerance.		Introduction of action plans and monitoring to reduce the accident rate.		Introduction of the "Safety Pause" for the entire company in the event of mortalities and particularly relevant accidents.	
	Health and Safety Committees.	Preventive Safety Observations.		:			:
Employees	Regular health and safety meetings.	Motivation and recognition of employees.	Awards for employees. Leader in health and safety for the year.	Lessons learnt and good practices.	Reporting accidents and incidents.		
	Risk assessment and management mechanisms.	Preparation of health and safety standards.	Emergency preparation and response.	Red lines: employee safety breaches.			
	Training and information.	Safety contacts.	Documented inspections.	:			:
Collaborating companies	Preliminary classification of collaborating companies.	Coordination of activities with collaborating companies.		Introduction of action and monitoring plans to reduce the accident rate.	Greater importance given to the targets associated with reducing the accident rate.	Introduction of specific emergency plans.	
	Awareness workshops.	Preventive safety observations.		Red and yellow lines: safety breaches.	Inclusion of a scale of penalties in procurement with those collaborating companies.	Decertification of collaborating companies where serious repetitive breaches are detected.	
		Documented inspections.		:			:
Facilities and processes	Collaboration in intersectoral workgroups for learning purposes.	Zero tolerance.		Industrial safety observatory.	Lessons learnt and good practices.	Communication and investigation into industrial accidents and incidents.	
	Technology-based information of technical processes.	Emergency preparation and response.	Risk analysis of the safety of technical processes.	:			

## 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.

The safety management model articulates different tools that have been developed around the company's 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 ordered.

### Risk assessment and management mechanisms

Naturgy focuses its strategy on avoiding risks and minimising those that have not been 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.

Naturgy has also implemented inspection, monitoring and control mechanisms in all business units. In 2019, they have performed as follows:

Preventive Safety Observations

**9,712**

Documented occupational safety inspections

**30,529**

Zero tolerance records

**3,140**

Investigation of the accidents and incidents that occurred

**100%**



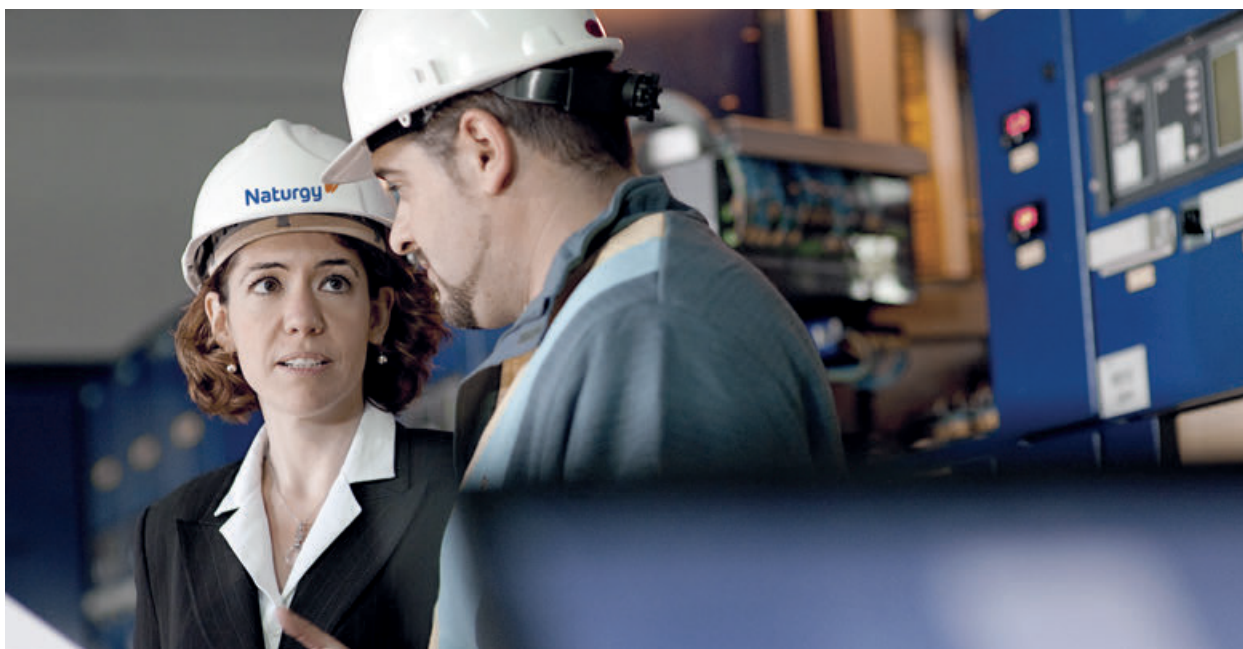
Lessons learnt



Safety contacts

- The safety management model articulates different tools that have been developed around the company's main health and safety vectors and that guarantee **adequate integration at all organisational levels.**





## 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 harmonised 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 the community.
- Reputation and creating value and employment.
- Conveying an image of lower risk for investors.
- Improving competitiveness, efficiency and costs.

Avoiding:

- Serious accidents and their consequences.
- Losses of materials and equipment.
- Environmental damage.
- Interruptions in business operations.
- Fines, penalties and compensation.
- Costs of accident investigation and remedial action.

## Risk prevention at collaborating companies: suppliers, contractors and subcontractors

The group's commitment and its extension to collaborating companies 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 collaborating companies:

- 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 health and safety requirements.
- Safety proactivity is assessed by applying positive metrics criteria: incident reporting, implementation of safety improvement actions.
- Priority for employee training: demand of individual training certificate, verification of legal accreditations when required.
- Application of a sanctions regime if non-compliance detected.

### Selection of collaborating companies

Selection of collaborating companies.



## 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 the associated accident rates. In 2019, 6,967 incidents and accidents have been analysed and investigated and proactively reported throughout the organisation.

As a new feature of the unified incident investigation system, the root cause analysis model has been optimised, based on existing best practices 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 monitoring.  
Inadequate prevention planning/management.

### Previous conditions

Worker conditions.  
Technical means and materials.  
Physical environment 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 to adopt short and medium-term measures including the review of processes, activities and applicable standards.

## 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.

During the year, the Communication Plan has focused mainly on dissemination of the 2019 Action Plan. Twelve video clips were prepared focused on the main messages and lines of action, and were played at the meeting of presentation of the plan, called by the Executive Chairman, attended by over 200 senior executives from all businesses and countries.

### Consultation and participation

[403-1] and [403-4]

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.

To this end, 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.
- 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.

## Dissemination

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 international sector-specific and safety forums.
- Collaboration with public administrations in safety awareness campaigns.
- Active sponsorship of safety conferences in the gas and electricity sectors.
- Promotion of sector-specific accreditation models (for example, Sedigas and Aelec).
- Promotion of forums for the exchange and dissemination of best practices with collaborating companies.
- Carrying out joint security meetings with collaborating companies.



## Training and awareness

By carrying out health and safety training and awareness actions, people are encouraged to get more involved in the organisation. 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.

In 2019, this issue has been the area of knowledge on which most hours have been spent, training a total of 23,381 participants, over 1,070 sessions, which translates into 101,210 training hours.

One of the new developments this year was a training course aimed at changing behaviour to improve the perception of risk using the “Risk Factor” method. This training initiative was focused on key groups –supervisors and site managers from all businesses and countries– with the aim of increasing their commitment to their operational risk control role and reducing their risk tolerance threshold.

### Training of collaborating companies

[EU18]

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.

In 2019, the contents of the leadership and health and safety awareness courses were updated, aimed at middle management and operational personnel of the collaborating companies. An individual certificate of training in this field is required for the employees of collaborating companies who carry out activities with Naturgy.

Internal rules of global application have also been established in which coordination between operational business units and their collaborating companies is promoted.

### Safety among employees, 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, collaborating companies, customers and other stakeholders. The duty to protect involves identifying risks to safety to which people are exposed in their work and travel, and the necessary measures or actions with which to mitigate them, including:

- **Protection during travel and for expatriates**
  - Informing travellers about safety risks in destination countries, by sending almost 900 information bulletins with guidelines for action to take with them when travelling.
  - Providing specific protection services in destination countries, with 366 organised protection devices providing coverage to 387 travellers during 2019.
  - Monitoring of employees during their travels.
  - Twenty-four hour incident-response service for employees.
- **Evacuation**
  - Coordination for evacuation processes in countries where conditions pose a threat to personal safety. It did not have to be activated in 2019.
- **Operational support**
  - Assessment of risks for work in areas of conflict.
  - Protection devices for carrying out work in high-risk environments; 648 actions of this kind were carried out in 2019 worldwide.

## 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 OHSAS 18001 specification and whose scope is global, including all businesses and countries.

An Annual Safety Audit and Diagnostic Plan is carried out to verify compliance with current legislation and the effectiveness of the system, focusing on the most critical risk processes. All the external audits carried out (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.

One new development in 2019 was the transition to the new ISO 45001 standard. This standard, which is required from 2021 on, is a strategic and operational decision for the company, applicable to all

businesses and countries. To this end, multidisciplinary implementation committees have been created, which will receive advice and follow-up throughout the migration process, to take advantage of the benefits provided by this new standard not only in terms of safety but also in its better integration with Naturgy's existing quality and environmental management systems.

### 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 collaborating companies. This excellence in safety, stable over the years, has been recognised on a global scale in the form of various initiatives, awards and prizes:

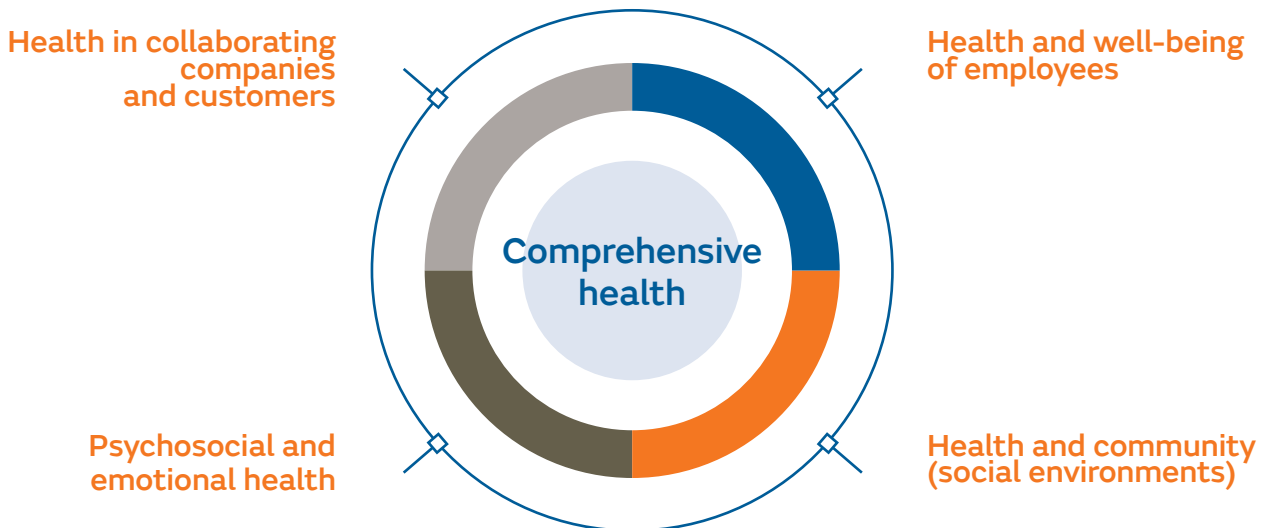


(1) Best company in safety in EMEA (Europe, Middle East and Africa).  
 (2) Safety Achievement Award for employee excellence. | Safety Achievement Award for excellence in safety fleet.  
 (3) Business monitor excellence in Prevention, Health and Safety Award.  
 (4) "Best occupational road safety initiative" 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 terms of ORP.  
 (8) National Security Council Award. | Excellence in Risk Prevention Award. | Effort Award.

## Health

— [403-3]

The work of Naturgy is based on excellence and ongoing innovation to place a global strategy of health and well-being at the disposal of employees, family members, collaborating companies, customers and the social environment, a global health and well-being strategy that includes everything necessary for their benefit. This includes prevention, promotion, healthcare, and training and information regarding healthy habits, taking into account both the individual needs and the particularities 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 healthcare, ergonomics and psychosociology. The responsibilities under the plan correspond to each and every one of the business areas and countries within the group.

### Actions for employees' health

At Naturgy, in general we perform activities related to ergonomics and applied psychosociology, health promotion campaigns and medical examinations.

### Prevention campaigns and health promotion

[403-4]

In 2019, we continued with the implementation of prevention campaigns and health promotion, continuing with the regular campaigns such as "Your health always on your agenda" and introducing other new ones. The purpose of the campaigns is to raise awareness and mobilise workers to generate a culture of prevention of disease, promote healthy lifestyles and control risk factors to significantly reduce the incidence of various diseases.

Throughout 2019, the post-traumatic stress prevention mechanism has remained active in Spain, to address both the personal environment of employees as well as business circumstances. In the international arena, new



health promotion and prevention campaigns have been introduced as well as an Annual Comprehensive Health Plan.

### Healthcare monitoring

Every year, the company checks the health of all its employees, with particular scrutiny on those that perform special risk activities. We continually perform an analysis and assessment of methodologies concerning management, scientific and technological advances, a process which enables us to validate the position and leadership of the group in health and well-being issues.

### Healthy company model

Naturgy was the first energy company in Spain to obtain certification as a healthy company, a commitment that was renewed in 2019 when the company achieved recertification that drives a new cycle of continuous improvement for the coming years.

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 workers and sustainability in the working environment of their workers, their families and the community in which the business operates.

The scope of the international implementation of this model currently 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.

### Quantitative health indicators

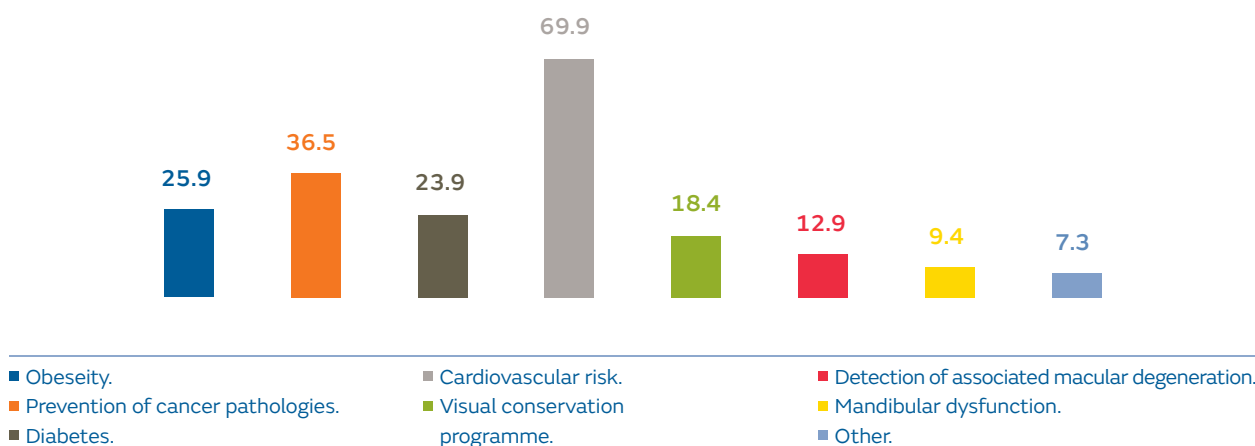
[403-4]

### Participants in occupational health campaigns \_

	2019	2018	2017
Prevention and/or early detection campaigns	23,977	24,452	29,501
Vaccination campaigns	2,738	2,110	3,183
Medical check-ups	7,744	9,041	11,139
Medical assistance	19,295	22,039	28,843

### Staff taking part in prevention campaigns\_

(%)





# Responsible supply chain

— [103-1], [103-2] and [103-3] (Assessment of the supply chain)

The supply chain of Naturgy | 154

Management of  
the supply chain | 157

## Proposed actions 2019

Quarterly monitoring of successful suppliers based on reputational, economic-financial and CSR ratings of external data sources. ■

Implementation of the updated risk matrix in the whole group. ■

### Level of fulfilment

- Finalised.      ■ Major progress.      ■ Intermediate progress.
- Little progress.      ■ Not started.

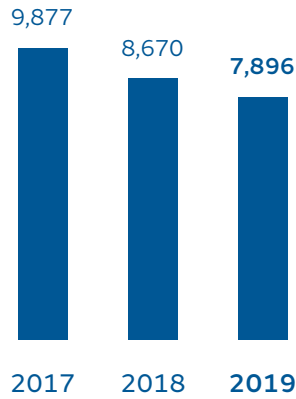
## The supply chain of Naturgy

—

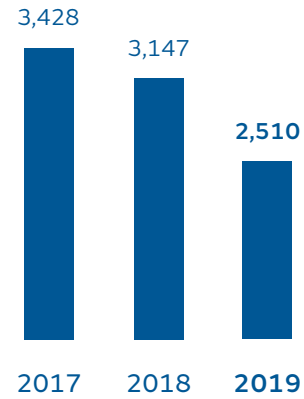
The company performs the procurement of works, goods and services, as well as the assessment, monitoring and development of suppliers in accordance with the general principles established in its policies, rules and procedures, as well as internationally recognised principles of good governance, ensuring a uniform, efficient and sustainable model that goes beyond regulatory compliance with legislation. In 2019, Naturgy set up trade relations with a total of 7,896 suppliers which accounted for a total expenditure of Euros 2,510 million.



Suppliers with contracts currently in force\_

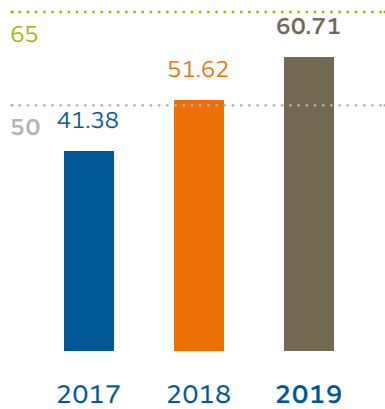


Total purchase volume awarded\_ (million euro)

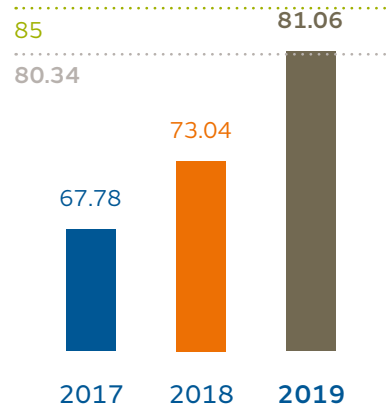


Main indicators and targets

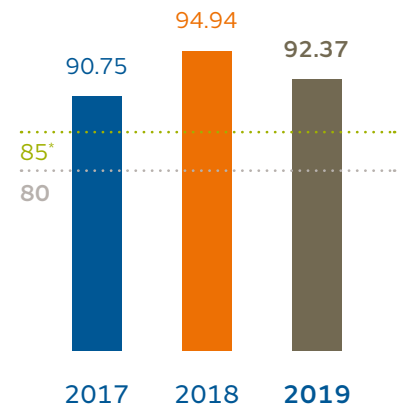
Coverage level of ESG audits over purchase volume with high ESG risk\_ (%)



Percentage of purchase volume with acceptance of the Code of Ethics\_ (%)



Purchase volume assigned to local suppliers\_ (%)



■ 2019 target. ■ 2020 target.

<sup>(\*)</sup> The 2020 target sets a commitment for the contracting of local suppliers to be permanently exceeded.



## 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 workers 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, Peru and the Dominican Republic.



# Management of the supply chain

— [102-9]

## 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 hiring of suppliers from the country or region where the activities are carried out, maintaining the Group's reputation. The levers and measures that activate Naturgy's purchasing model are summed up in the following graph:

### 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 level.
- ESG risks matrix.
- Supplier classification.
- 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\_

Lines of action	Description
Corporate Responsibility Policy	It lays out the company's commitments, actions and indicators for responsible management of its supply chain.
Supplier Code of Ethics	<p>Since 2016 all group suppliers have to adhere to the Supplier Code of Ethics.</p> <p>In 2019 the Code has been updated to include, among others, the environmental concepts of "natural capital" and "cultural heritage", as well as the social concept of "freedom of expression".</p>
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 2019, no breach of human rights at suppliers was detected.
Transparency in purchases and communication with suppliers	<p>In terms of procurement, Naturgy is committed to ensure free competition, objectivity, impartiality, transparency and traceability throughout the procurement process:</p> <ul style="list-style-type: none"> <li>■ The use of secure electronic means for management of all tenders brings greater transparency to the procurement process and ensures information traceability.</li> <li>■ Communication channels have been established with the supplier that facilitate access to all the information necessary for their participation in the procurement processes: <ul style="list-style-type: none"> <li>■ A specific section for suppliers on the Naturgy website.</li> <li>■ The Supplier Portal, an online platform for transferring technical regulations to the supplier, notifying updates and managing orders.</li> <li>■ The Supplier Channel is the online tool available to the supplier to sort out any doubts or incidents or for any queries or suggestions.</li> </ul> </li> </ul>
Reporting channel	All suppliers, contractors and external collaborating companies can contact the Ethics and Compliance Committee through the website published in the Naturgy Supplier Code of Ethics.

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

## Supply chain management process

[102-9], [308-1], [308-2], [414-1] and [414-2]

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. The general terms and conditions of procurement and the country specific conditions are published on the relevant group websites.



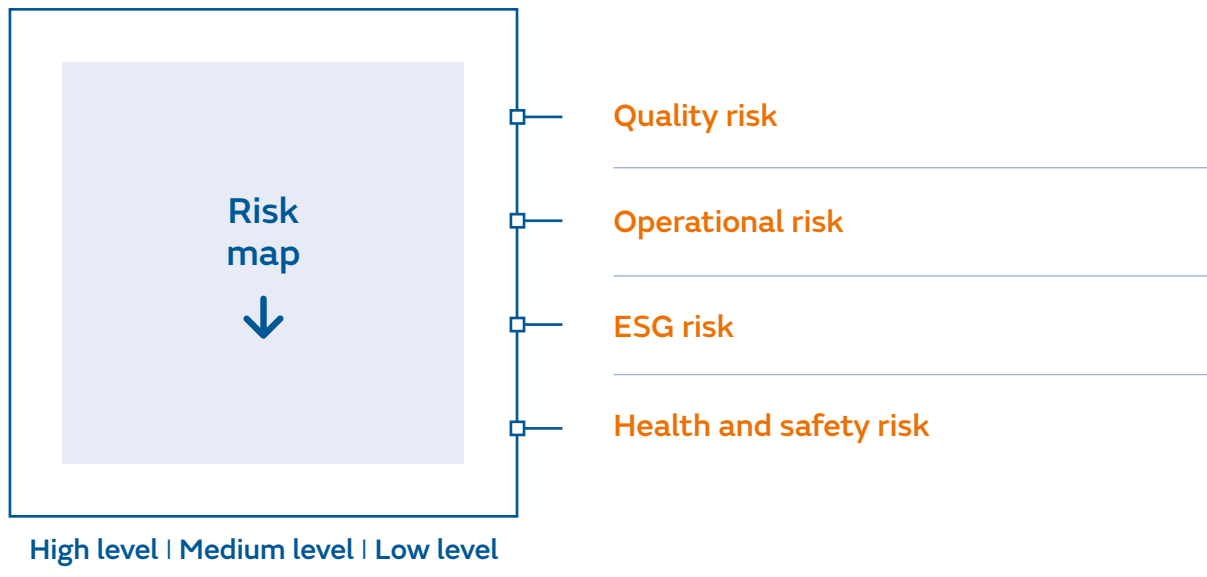
### Policies and procedures for supervising the management of subcontracted activities\_

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 Supplier Policy	It represents the principles of the processes of assessment, approval, monitoring and development of suppliers.
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 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.

### Process of assessment of Naturgy suppliers. Risk factors\_



Legal risk



Thus, risk mitigation mechanisms are established at three levels—high, medium or low—depending on the purchase categories that each supplier intends to supply and the country where it is carried out.

In addition, for suppliers with high risk, the company has introduced mechanisms for analysing aspects that could negatively affect its reputation and sustainability, and may even exclude suppliers for this reason. In accordance with the company's Health and Safety Commitment, specific regulations have been introduced for classification of the health and safety risk of suppliers, by defining objective aspects and criteria for assessment, requirements for classification, selection and assessment of bids in adjudication procedures. In a complementary way, for those suppliers that perform activities classified as high risk, their performance is measured using objective metrics and the method established in the Naturgy "Health and Safety Standard: Assessment of performance of collaborating companies in health and safety issues". Accordingly, corrective actions are carried out on those suppliers whose assessment does not reach the standard set by the company.

Naturgy has developed 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 during procurement.

31.4% of the volume of purchases from critical suppliers has an environmental management system with external certification.

Likewise, with regard to the ESG risk (environmental, social and good governance), Naturgy has reviewed its matrix with the differentiation of the "Atmosphere" aspect in "Climate Change" and "Pollution", as well as the introduction of a new social aspect "Freedom". This matrix has been validated and is in the process of being incorporated into the procurement systems.

## 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.

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 will consider 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.

In 2019, the number of suppliers with a valid contract in critical activities was 2,135, representing 59.83% of the purchase volume. In addition, the number of critical non-tier 1 suppliers identified by the company was 73 suppliers, mainly corresponding to purchase categories of critical products that represent 1.46% of the overall purchase volume.

Naturgy also 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 2019 the number of suppliers in this category was 1,177, representing 53.72% of the total purchase volume. In addition, nine non-tier 1 suppliers with high risk of sustainability have been identified.

Process map and sustainability criteria included in the ESG risk matrix\_



**Risk factors Environmental**

- Atmosphere.
- Biodiversity.
- Water.
- Soil.
- Landscape · territory · heritage.
- Consumption of resources.
- Waste.

**Risk factors Good Governance**

- Fraud. | Corruption. | Skills. |
- Terrorism. | Work ethic. |
- Compliance with regulations.



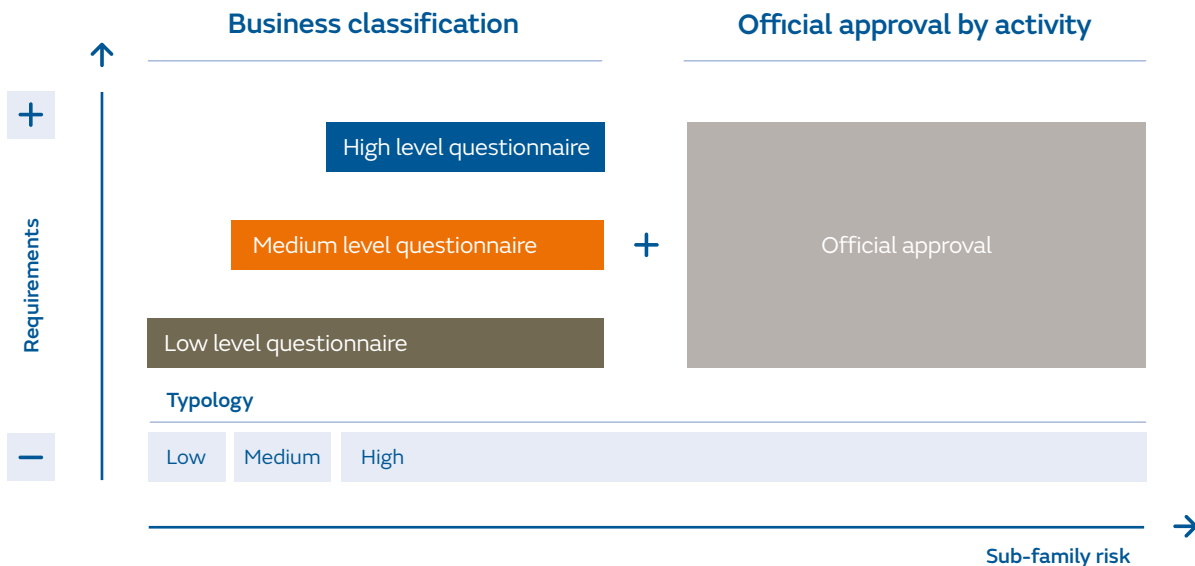
**Risk factors Social**

- Community well-being.
- Human Rights.
- Employee Rights.
- Personal data protection.
- Safety and quality of products.
- Health and OPR.

**ESG risk map** (activity, country)

High level | Medium level | Low level

Risk map by purchase category\_



## Supplier business classification

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 the company.

The classification is conducted using self-assessment questionnaires that take into consideration legal, economic-financial, criminal, solvency, experience, business organisation, quality, safety, human rights, environmental, social and employment practices criteria. The length and depth of the questionnaire increases depending on the level of risk of the purchasing category according to the Naturgy risk matrix, and is carried out, basically, by means of registration in the Achilles platform, a supplier classification system. Naturgy also requires that critical suppliers register in the Repro Community of the energy sector of Southern Europe and South America.

In 2019 Naturgy has conducted the ESG assessment of 7,407 suppliers, including potential and active ones, which have to be assessed on an annual basis. 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 ESG issues raised to high-risk level suppliers during the business classification process represents 65.6% of the total.

The high and medium level classification process includes obtaining a score that enables suitable suppliers to be assessed in accordance with objective and measurable criteria, for use in the different stages of the bid processes. In addition, during the process, the assessment of the suppliers in terms of sustainability is carried out, quantifying each suppliers' relative position with respect to the market. All information is available to suppliers to undertake the actions they deem appropriate for improvement.

In 2019, the assessment of aspects of criminal regulatory compliance, privacy and cybersecurity has also been included for high-risk suppliers in Spain by means of an assessment questionnaire and guidance on regulatory risks and the corresponding benchmarking and compliance rating report for each supplier

## Official approval and management of supplier quality

Naturgy has introduced the target 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 purchase categories of critical products, over which audits are conducted based fundamentally on quality-related aspects.

In 2019, 551 audits were performed on suppliers and sub-suppliers, of which 291 were conducted at the supplier's facilities (72 audits of approval and 219 inspections of materials at source). The approval process may unveil anomalies that lead to a plan of corrective actions, or the non-approval of the supplier, which would prevent such supplier from performing this activity for Naturgy.

69% of the approval audits carried out at the suppliers' premises has resulted in the need to submit a corrective action plan. Moreover, no supplier had their official approval either suspended or withdrawn for failing to pass this process as a consequence of breaches related to safety, quality and other issues.

## Monitoring, follow-up and development of suppliers

### Criteria considered in monitoring\_

(Supplier monitoring)

Lines of action	Description
Corporate image and reputation	In 2019, the online monitoring of the reputational risks of the portfolio of suppliers that have a commercial relationship with Naturgy was initiated. 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 6,230 at the end of 2019. 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.
Economic-financial information	In 2019 no supplier was disqualified on the grounds of fraud or unethical practices.
	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 mechanisms\_

(Supplier monitoring)

Lines of action	Description
Performance monitoring	This is carried out with the most relevant suppliers and involves the performance of assessments to measure the operating units' level of satisfaction with suppliers and detailed aspects concerning quality, health and safety, operations and ESG.
	In 2019, 851 performance assessments were conducted on suppliers from Brazil, Chile, Spain, Mexico, Morocco, Panama and the Dominican Republic, with a total of 517 suppliers being assessed. The results and classification obtained are reported to the supplier also specifying their weak points and where they need to improve. In 2019, action plans have been agreed with 45 suppliers whose score in the performance measurement proved insufficient.
ESG audits	Suppliers classified with a high risk level are required to provide documentary evidence and/or audits carried out from the point of view of corporate responsibility. In 2019, a total of 98 suppliers of Naturgy were audited in situ, mostly critical or with a high purchase volume, to check the data provided previously in the classification questionnaire and to obtain further information on aspects related to the systems of CSR, quality, safety, health and the environment.

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 and/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.

Also, the products corresponding to critical categories are subjected to inspections, technical acceptance and FAT at the production centres.

### Development of suppliers

The Corporate University, through its Extended Academy, 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 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 more than 9,490 annual participants and 49,401 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.

### Bettercoal Responsible purchase of coal guarantee

In 2013, Naturgy became a member of Bettercoal, an initiative made up of major European energy companies and which strives to attain the ongoing improvement of corporate responsibility in the coal supply chain. Specifically, this initiative seeks to include social, environmental and ethical practices into the coal supply chain, with the aim of producing changes that benefit employees, communities, businesses and the environment. The company has ceased to be a member of Bettercoal on 31 December 2019, as a result of the announcement of the closure of its coal-fired plants.

During 2019, the company acquired 155,415 tonnes of coal (65% of the total acquired) under a formal agreement with suppliers.



# Social commitment

— [103-1], [103-2] and [103-3] (Development of the communities and social action)

## Economic contributions | 166

Creation of wealth and well-being where the company operates | 168

Energy vulnerability | 170

Fair energy transition | 172

Relationship with communities | 173

Patronage and sponsorship | 176

Corporate volunteering and employee participation | 176

Naturgy Foundation | 177



### Proposed actions 2019

Consolidating the Energy Rehabilitation Solidarity Fund and obtaining sufficient resources to refurbish the maximum number of homes of vulnerable groups. ■

Strengthening and extending training in vehicular natural gas at vocational training centres. ■

Implementation of the General Procedure of Sponsorship and Donations in all countries and societies. ■

### Level of fulfilment

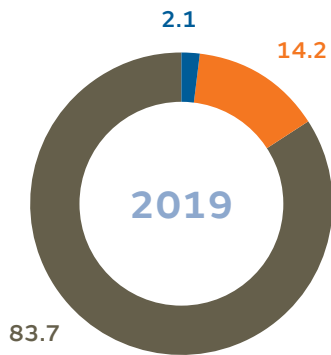
■ Finalised. ■ Major progress. ■ Intermediate progress.  
■ Little progress. ■ Not started.

## Economic contributions

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 2019, they totalled Euros 8.16 million.

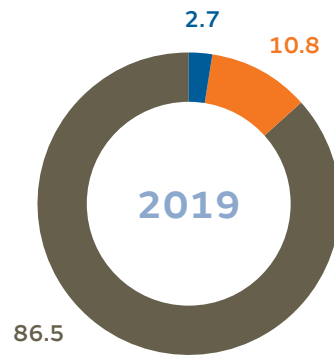
In order to measure the results, Naturgy has tools for assessing the reputation of the social programmes it carries out. As in previous years, in 2019 it continued to use the London Benchmarking Group Methodology (LBG), which offers an overall view of social investment and enables a comparison of the results obtained with those of other companies.

### Breakdown by type of action\_ (%)



- Environmental.
- Cultural.
- Social.

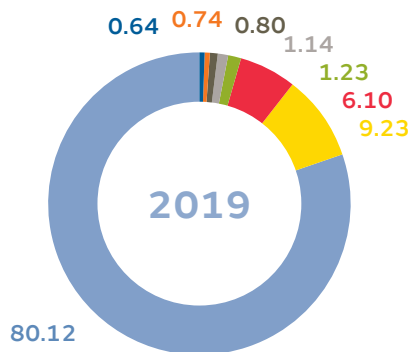
### Motivation of initiatives\_ (%) <sup>(\*)</sup>



- Business-related initiatives.
- Specific contribution.
- Social investment.

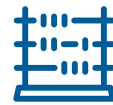
<sup>(\*)</sup> London Benchmarking Group Methodology (LBG).

### Area of action\_ (%) <sup>(\*)</sup>



- Education and youth.
- Investigation.
- Environment.
- Sport.
- Health.
- Social welfare.
- Art and culture.
- Economic development.

<sup>(\*)</sup> London Benchmarking Group Methodology (LBG).



### Evolution of contributions

**€8.16M**

2019

–

€11.01M in 2018

€12.86M in 2017

## Creation of wealth and well-being where the company operates

— [102-13]

Naturgy develops its commitment to society through four main lines of action, aligned with the company's core activities.

### Lines of action



**Sponsorship, patronage and donations.**



**Social action, corporate volunteering and employee participation.**



**Relationship with communities. Social impact.**



**Energy vulnerability.**

Naturgy actively collaborates with prestigious national and international sectoral and business institutions, in which it participates with its experience, know-how and resources.

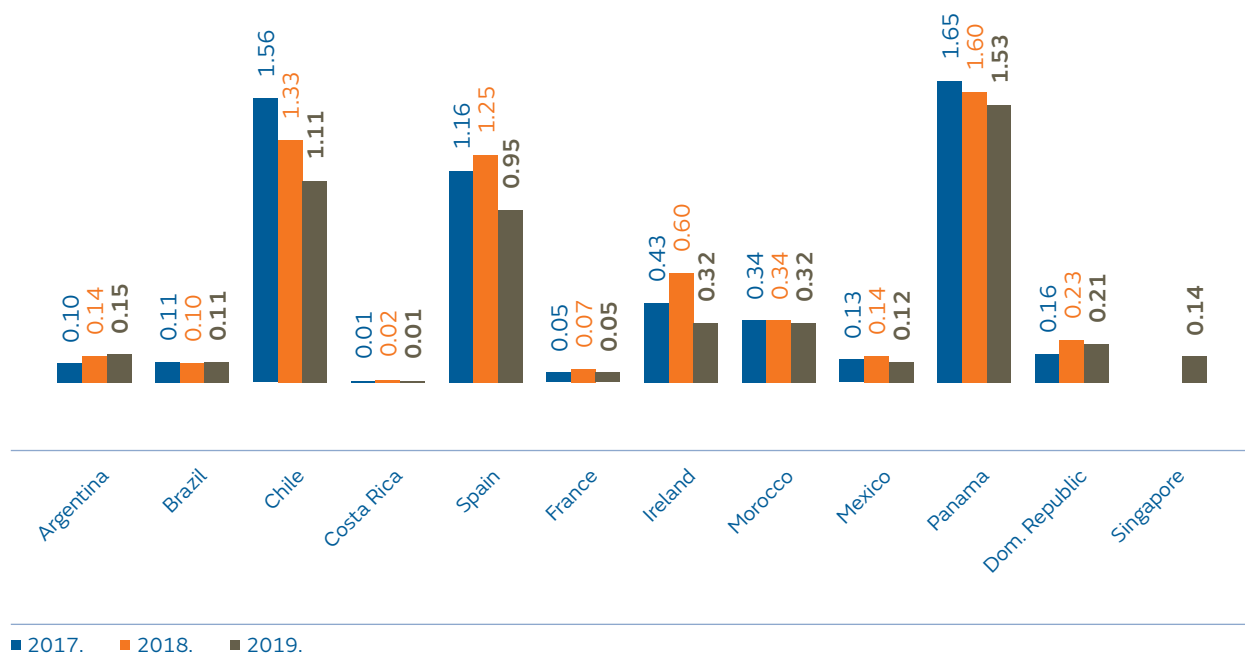
It is also part of the governing bodies of the business federations for the electricity and gas sectors, Aelec and Sedigas respectively and the Spanish Energy Club. Naturgy is a member of Forética and of the Spanish Association for the UN Global Compact. The company also takes part in the Foundation for Renewable Energy & Environment and in the Corporate Excellence Centre for Reputation Leadership.

- **Naturgy actively collaborates with prestigious national and international** sectoral and business institutions.



## Contribution to GDP by country\_

(%)



## 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.

Among the investigation and anti-fraud actions developed by Naturgy in Spain during 2019, it is worth mentioning the interventions carried out for electricity fraud in illegal indoor marijuana plantations, whose number has doubled with respect to 2018. The Security Unit has participated by collaborating with the security forces in 107 cases, which has led to an energy recovery of 2.04 GWh. The interventions carried out have resulted in the standardisation of 422 customers.

These actions demonstrate the company's proactive and firm commitment to tackling corruption and criminal drug-trafficking behaviour that has a high social cost.



## Energy vulnerability

— [103-1], [103-2] and [103-3] (Access to energy)

Naturgy performs its activity in areas where the energy supply does not reach the entire population. The company considers it a priority to reach the people that live in these areas. This is why it actively works in developing its distribution networks to offer these populations a service under safe conditions.

### 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. 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 poverty, protecting its vulnerable customers in Spain by complying with current legislation and promoting and encouraging collaboration agreements with various public and private bodies.

The company closed the year with 176,403 customers with a subsidised rate –discount on the electricity bill 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–, received 73,406 calls from vulnerable customers and dealt with 128,263 queries from social services; 125,846 e-mails and 2,417 telephone calls.

In 2019, in Spain, Naturgy continued signing agreements to protect vulnerable customers with different administrations to prevent cutting off customers.



## Energy Vulnerability Plan in Spain

During 2019, 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 initiatives have been introduced during this year:
  - Launch of the First Edition of the Award for the Best Social Initiative in the Energy Field, through which the Foundation has a twin objective; on the one hand, to fight energy vulnerability by making the initiatives that other entities are carrying out more visible, and on the other hand, to provide resources to other social energy projects.
  - Consolidation of the Energy Rehabilitation Solidarity Fund, with the aim of financing energy efficiency improvements in vulnerable households. In 2019, the signing of agreements with 15 entities has enabled the rehabilitation of 736 homes based on donations from individuals and contributions from the Foundation.
  - Continued energy volunteering with informative workshops on energy efficiency and visits to homes of vulnerable families to identify rehabilitations that improve habitability and represent economic savings in the home. During 2019, 2,575 vulnerable families have been assisted.
  - Launch of volunteer work with Children and Young People, with a pilot in Madrid and Barcelona for children and young people in vulnerable situations and with the “Managing my Energy” programme taught in schools with the Junior Achievement Spain Foundation. In 2019, the volunteers have worked with approximately 900 children of different ages, raising their awareness of responsible consumption, sustainability, efficiency and energy innovation.
  - Continuation of the energy efficiency 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. In 2019, 839 workshops were held for 8,411 attendees.
  - The “Policies and measures against energy poverty” conference, during which the study “Energy poverty in Spain. Approach from an income perspective” was presented. This was developed by the Chair of Energy Sustainability (IEB-UB) from the University of Barcelona with collaboration from the Naturgy Foundation.

## Fair energy transition

—

As part of its Corporate Responsibility Policy, and with the aim of contributing to a fair energy transition, Naturgy is committed to carrying out initiatives that favour the development of the areas affected by the closure of the coal-fired power stations. To this end, it promotes dialogue with local administrations and entities, as well as the study of initiatives of a social nature –mainly through the Naturgy Foundation– that help energise the areas affected by the closure.

All the actions to be carried out are based on Naturgy's commitments to the environment, health and safety, interest in people and social commitment.

One of the action lines underway is the analysis and possible development of renewable generation plants –mainly wind– in the areas affected by the closure of the plants. As an example, during 2019 Naturgy closed one of its facilities and, as part of its commitment, is carrying out an action plan with the following activities and initiatives:

- The company is developing renewable power in Castilla y León after the closure of the coal-fired power station, with a clear intention of commitment and desire for continuity in the territory.
- During the plant dismantling stage, the company promotes and prioritises the hiring of personnel from the area, as part of the commitment to

local employment and the maintenance of the region's economy. In addition, it promotes a circular economy with the aim of reusing assets and equipment. Naturgy also plans to develop an ecological and geomorphological restoration project to achieve maximum integration of the site with the environment.

- The company is finalising agreements with local institutions to contribute to the region's development.

A further case is the reconversion of the old open-cast mine that the company owned in Galicia, Limeisa, in the first artificial lake in the world with the potential to supply large populations. With a volume of approximately 150 hm<sup>3</sup>, a surface area of 170 hectares, an investment of Euros 60 million and a duration of eight years from the start of filling, the former mining site is fully integrated and provides a boost to the economic and tourist development of the area. 839 species have been inventoried and 450,000 trees have been planted around the old farm, making it a CO<sub>2</sub> sink.

- As part of its Corporate Responsibility Policy, and with the aim of contributing to a fair energy transition, **Naturgy is committed to carrying out initiatives that favour the development of the areas affected by the closure of the coal-fired power stations.**

## Relationship with communities

— [413-1], [413-2] and [OG9]

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 and specifically how they contribute 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.

Naturgy currently prioritises the performance of social impact assessments in those locations where the company is looking to carry out new investment projects. These assessments measure a range of impacts, including the impact on human rights. Naturgy has invested in the following projects in 2019:

- Berrybank wind farm (Australia).
- Crookwell II wind farm (Australia).
- Bií Hioxo wind farm (Mexico).
- Sobral I photovoltaic plant (Brazil).
- Tuxpan III & IV combined-cycle power station (Mexico).
- Palamara fuel oil power station (Dominican Republic).
- Bujagali hydroelectric plant (Uganda).
- Naco Nogales combined-cycle power station (Mexico).
- Torito hydroelectric power station (Costa Rica).
- La Joya hydroelectric power station (Costa Rica).
- Macho de Monte hydroelectric power station (Panama).

- La Vega fuel oil power station (Dominican Republic).
- Guimaranía I & II photovoltaic plant (Brazil).

### Berry Bank wind farm (Australia)

Naturgy is implementing a Social Engagement and Profit-sharing Plan with the local community near the renewable energy park, associated with the contract with the Victorian State Government. The initiatives included are:

- Actions for community benefit, initiatives with the Aboriginal community and other local groups.
- Community development funds and voluntary agreements.
- Actions with the participation of the neighbours.
- Community Involvement Officer and Community Engagement Committee.
- Solar energy programme, training and internship programme.
- Contribution to Asian Pacific Renewable Energy Training Centre (Federation University).
- Entrepreneurship programme (Royal Melbourne Institute of Technology).
- Newsletters, press releases and local print ads.
- Weekly information sessions, project presentations and construction updates.
- Project website, audio-visual monitoring of the construction, 3D simulation of the wind farm.

## Bií-Hioxo wind farm (Mexico)

Naturgy, pursuant to its unwavering commitment to respect human rights and specifically the traditional ways of life, has consistently worked with the local community of this 234 MW wind farm located in Juchitán

de Zaragoza, Oaxaca. Thus, Naturgy has launched programmes that respond to the needs of the community and contribute to improving living conditions. The action lines for 2019 have been:

### Programmes derived from the Bií Hioxo wind farm project (Mexico) in 2019\_

Lines of action	Description
	As part of the actions for environmental preservation, the company has carried out: <ul style="list-style-type: none"> <li>■ A workshop in coordination with the National Commission of Protected Natural Areas, and forestation in the primary school, benefiting approximately 420 people.</li> <li>■ Plant rescue day at the grounds of the IESIT sports unit by the park's group of volunteers.</li> </ul>
<b>Environmental education</b>	<ul style="list-style-type: none"> <li>■ Summer Course 2019 and Playa Vicente Experiential Education Course 2019 with environmental care as one of the main focal points.</li> <li>■ Technical assistance, maintenance and protection activities in the reforestation of San Antonio del Reten Chimalapa.</li> <li>■ Donation of plants and loan of material for the reforestation days in collaboration with the Juchitán town council.</li> <li>■ Donation of food to the National Commission of Protected Natural Areas (CONANP) in support of forest fire-fighting days.</li> </ul>
<b>Gender education</b>	<ul style="list-style-type: none"> <li>■ Awareness Day on gender violence carried out by the park's volunteer group.</li> </ul>
<b>Health education</b>	<ul style="list-style-type: none"> <li>■ Dental Day at the Año de Juárez primary school, in coordination with the Instituto de Estudios Superiores del Istmo de Tehuantepec, with participation of approximately 400 students.</li> </ul>
<b>Culture</b>	<ul style="list-style-type: none"> <li>■ Community film sessions and storytelling, in other activities, at the Santa Martha Children's Recreation Centre.</li> </ul>
<b>Infrastructure</b>	<ul style="list-style-type: none"> <li>■ Rehabilitation of the Santa Martha Centre benefiting 40,000 people.</li> <li>■ Donation of hydraulic concrete for paving the streets in the community of Playa Vicente.</li> <li>■ Donation to the Child Development Centre 4 in Juchitán of protection for the classroom windows.</li> </ul>
<b>Social work</b>	<ul style="list-style-type: none"> <li>■ Piñatas, sweets and gifts for the places of interest.</li> </ul>

## Sobral I photovoltaic plant (Brazil)

During 2019 the company continued implementing the Quilombola Basic Environmental Project (QBEP), associated to the Sobral I photovoltaic plant 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 four main lines of action, which include a series of specific actions of which the following have been implemented during 2019:

- Characterisation of wells in the region that could be improved with the set-up of a solar pump kit.
- Territorial study for the implementation of a teaching centre for community use.
- Provision of integral scholarships (studies and subsistence costs) for the training of professionals at university level.



## Patronage and sponsorship

The company maintains a commitment to collaboration with society that goes beyond its business activity and which is expressed through resources allocated to cultural, social, energy and environmental programmes. These economic contributions allow the company to strengthen its commitment to positively integrate itself in each community and country where it carries out its business activity.

- **Education, training and development**

Education, vocational training, health and university activity stand out among the company's areas of action. Among the actions that Naturgy carries out with this objective in mind is the collaboration with entities that promote and train young people

through the dissemination of knowledge and vocational training.

- **Social action**

The company's financial support has been allocated to the rehabilitation of structures and facilities in many areas. In addition, we have partnered with entities that improve the quality of life of the community through education programmes on sustainability, health and social development.

- **Artistic and musical culture**

Naturgy supports and promotes art and culture through collaborations with entities that bring art exhibitions and music closer to society.

## Corporate volunteering and employee participation

Naturgy addresses the corporate volunteer programme with a twin focus: social and environmental, with special attention paid to the energy field. Throughout 2019, 1,084 employees from Argentina, Brazil, Chile, Spain, Mexico, Panama and the Dominican Republic dedicated with their companions more than 6,585 hours to corporate volunteering. Globally, 80 initiatives of a one-off, temporary or continuous nature, 67 social volunteering actions, 10 environmental volunteering actions and 3 energy volunteering actions were carried out.

### **Solidarity Day**

The initiative was created in 1997 and is managed by the employees. It involves participants voluntarily donating a one-day fraction of their annual salary to projects targeted at promoting education and teaching children and young persons in those countries in which Naturgy operates.

For the Solidarity Day event, the company donates an amount equal to the amount donated by employees and covers all management costs, so that 100% of the amount raised can be used for the annual selected project. Close to 1,250 employees around the world took part in the initiative. In 2019 these employees donated approximately Euros 220,000 of their salaries and the company made an additional matching contribution, as well as covering the costs of managing the association. Since its inception, Solidarity Day has raised Euros 2.75 million in employee donations and an equal amount contributed by the company.

In 2019, Solidarity Day financed the education of approximately 450 school, technical and university students as part of the ordinary projects being implemented in Argentina Brazil, Colombia, Morocco, Mexico, Moldova, Nicaragua, Panama, Chile and Portugal.



## Naturgy Foundation

— [304-3]

The Naturgy Foundation, with a presence in those countries where the company operates, is tasked with the dissemination, training, information and raising society's awareness in issues of energy and the environment, as well as the development of business and academic programmes. It also develops social action programmes in the national and international arenas, with a particular focus on actions targeted at relieving energy vulnerability.

During 2019, the Foundation has continued to hold book presentations and seminars on energy and the environment in Spain, Belgium, Ireland, Brazil and Mexico. As a new development, and with the participation of IESE, it has incorporated the so-called “Energy Prospectives”, a series of conversations between high-level speakers on the economic, technical and scientific conditions that are emerging in the energy sector. It has also carried out the “Talks-on” conferences with the presence of scientists and specialists. Over 3,000 people have attended these seminars and workshops during 2019.

In the line of education and heritage, the Naturgy Foundation has launched several programmes, including:

- **Efigy education**

An innovative educational programme aimed at 20,000 students from educational centres of more than 100 towns in Spain, which explores new energy technologies with the aim of transmitting specialised knowledge about the transition to a new energy model, the preservation of the environment and responsible energy consumption. This is a touring project aimed at all educational levels, which aims to increase vocations in the energy sector from an early age.

Efigy Education's offer in the classroom is supplemented by online resources aimed at students from all regulated education, teacher training, mentoring programmes and initiatives to promote technological vocations. In 2019 the “First Edition of the Efigy Technology Contest” was launched with the support of the Spanish Foundation for Science

and Technology (FECYT), the Spanish National Research Council (CSIC) and the STEMadrid Plan of the Regional Ministry of Education and Research of the Community of Madrid.

In addition, in partnership with the Spanish Foundation for Science and Technology (FECYT), the “Meet a Scientist” competition was promoted at the Bolarque Museum, aimed at primary school students.

- **Touring projects**

These initiatives aim to pass on and disseminate knowledge on issues related to energy and the environment through actions and presence at trade fairs in the sector, mobile educational resources and travelling exhibitions.

- **Energy challenge**

An experience aimed at transferring specialised and technical knowledge on energy; such as new energy technologies, energy transition, circular economy or air quality.

- **Visits to the hydraulic plant and the Bolarque Museum**

The aim is to review the history of energy through technological progress and transformations in society and industry.

- Educational activities in power stations.

- **Dual Vocational Training**

Programme given to 40 teachers and 626 vocational training students in 10 centres in the Community of Madrid, Catalonia, Galicia, the Valencian Community and Castilla-La Mancha, on the maintenance of vehicles powered by natural gas. Thanks to collaboration with the respective administrations and companies of the sector, SCANIA and SEAT, the necessary technical training has been offered to future professionals in these areas. Given the success and reception of the educational community, new VT programmes related to renewable gas and efficient building rehabilitation have been launched.

During 2019, through the Foundation's education and outreach actions, more than 122,000 participants have taken part.

At international level, various initiatives have been developed in the social field, chief among which are:

- **Argentina**

"Social Entrepreneurs", to support the development of community projects for sustainable development. Two programmes with the Argentine Institute of Oil and Gas (IAPG): "Responsible Consumption" to raise awareness among children on the efficient and safe use of natural gas and electricity, and "Training in Energy", for training teachers, student teachers and environmentalists in vulnerable neighbourhoods on energy efficiency and caring for the environment.

- **Chile**

"Household Electrical Installations" course, in collaboration with the Instituto de Formación y Capacitación Popular (INFOCAP). Training of 25 students at risk of exclusion in the design, execution and maintenance of electrical projects for lighting and power in low-voltage networks.

- **Brazil**

"Piped Gas Project Analyst" course, with the Serviço Social da Indústria (Sesi). Training of 24 students in a situation of vulnerability, seeking to develop social skills and professional abilities through professional technical training.

- **Mexico**

"Energy Poverty" study, in partnership with the Monterrey Institute of Technology. Preparation of a technical-scientific tool that identifies the energy vulnerable population of Monterrey and Saltillo, and its link with the services provided by the company. In addition, the report makes it easier for Naturgy Mexico to spearhead the design of corporate social responsibility programmes, particularly with vulnerable sectors of the population.

- **Morocco**

Continuation of the "Energy Rehabilitation of Schools" programme in collaboration with Metragaz and the Moroccan Ministry of Education, for the development of rehabilitation actions in school facilities in the towns located in the areas crossed by the Medgaz gas pipeline. In 2019, the Jaafar Bnoy Atia school, located in the province of Ouezzane, was rehabilitated.

The Naturgy Foundation also organises the company's corporate environmental volunteering. Specifically, in 2019, there were eight days of environmental volunteering in six natural areas with the participation of 218 volunteers among employees and their families, which meant the restoration of more than 1.1 hectares of land. To perform these volunteer actions, collaboration with different entities was involved, such as Selvans, GREFA, Villacañas Council, Marjal de Pego-Oliva Natural Park, Global Nature Foundation, and Fragas do Mandeo.

### Activities of the Naturgy Foundation. Spain\_

	2019	2018	2017
Active agreements with autonomous regions	15	24	24
Seminars/courses held in Spain	13	19	19
Budget allocation in acts (% out of total)	9	50	20
Publications and articles about energy and the environment	6	3	4

### International activities of the Naturgy Foundation\_

	2019	2018	2017
Activities	13	12	15
International activities budget (% out of total)	6.1	12	14
Countries in which it operates	7	7	9



# Integrity and transparency



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company's success | 180

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## Proposed actions 2019

Development of the Compliance Communication Plan.	■
Update of the Human Rights Policy.	■

**Level of fulfilment**

■ Finalised.	■ Major progress.	■ Intermediate progress.
■ Little progress.	■ Not started.	

# Integrity is key to the company's success

— [102-16]

Naturgy believes that operating on the basis of integrity and transparency directly contributes to achieving business targets and sustainable business management.

Indeed, ethics and honesty, to which the company's highest body of administration is committed, are essential pillars of the declaration of the company's mission, vision and values, of its strategic plans, and the Corporate Responsibility Policy.

The company needs to pay special attention to the lack of confidence which has affected the energy sector, in order to improve the way stakeholders perceive the markets in which the company operates, based on the ethical principles of Naturgy. It is also committed to achieving improved conduct and practices in new international settings with growth opportunities for the company, so as to boost development and social progress.

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.

These elements seek to ensure that the company's activities and those of its employees, suppliers and business partners comply with applicable standards and laws in every country in which it operates. They also seek to ensure that all the units and organisations behave impeccably in accordance with ethical values and formal commitments to conduct, and to preventing and detecting any breach in the appropriate time and manner.

Prominent among these mechanisms are the Code of Ethics, the Supplier Code of Ethics, the Crime Prevention Model, the Anti-Corruption Policy, the tax policies and the Human Rights Policy of the company.

These programmes give rise to indicators for the management, control and supervision of the company's ethical behaviour, which makes it possible to measure the effectiveness of the programmes that are in place and develop new improvement plans adapted to the specific needs of the business.

- **Ethics and honesty, to which the company's highest body of administration is committed, are essential pillars of the declaration of the company's mission, vision and values, of its strategic plans, and the Corporate Responsibility Policy.**



## Code of Ethics Management Model

— [102-16] and [102-17]

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 Naturgy, in their daily work, with regard to relationships and interactions with all its stakeholders.

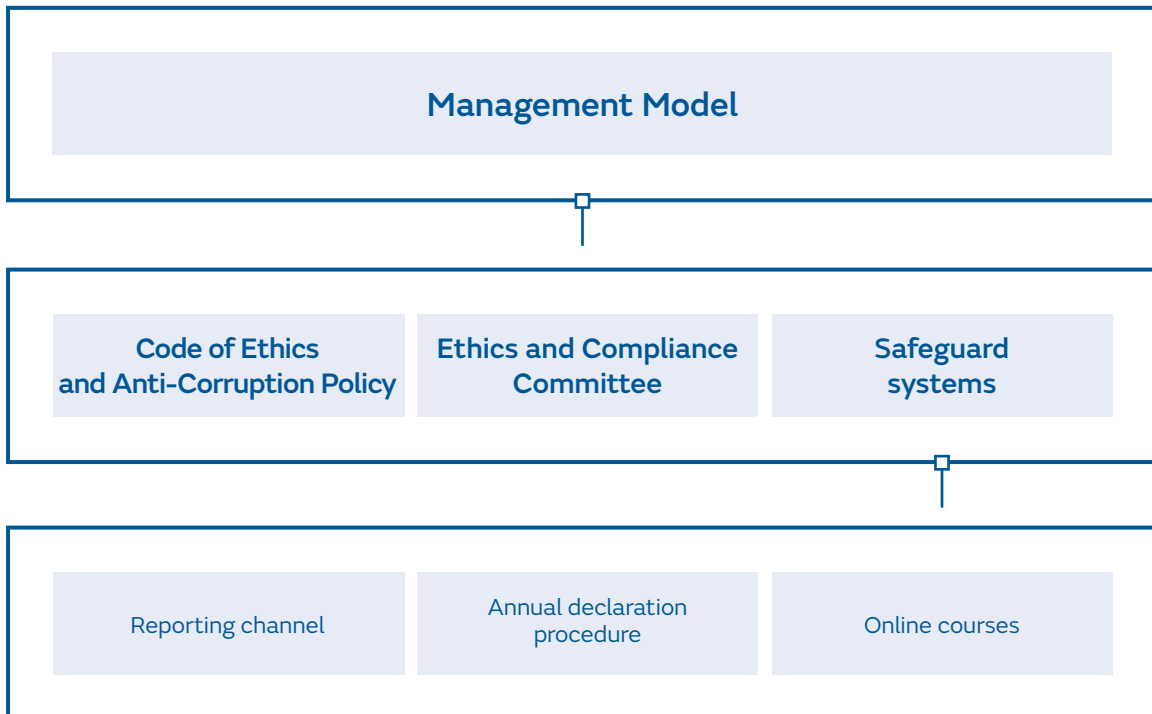
Since 2005, when it was adopted, the code has been regularly renewed to adapt it to the new situations that affect the company. The code sets out the undertakings entered into by Naturgy in the fields of good governance, corporate responsibility and questions of ethics and regulatory compliance. Naturgy also has an Anti-Corruption Policy, as an extension of chapter 4.7. on “Corruption and Bribery” of the Code of Ethics,

in compliance with national and international legislation in this matter.

The company also has a Compliance Policy that structures the Code of Ethics and Anti-Corruption Policy management taken on by the Compliance Unit, whose targets are to ensure the dissemination, knowledge, application and fulfilment of the code.

This Management Model provides that the Audit Committee, delegated from the Board of Directors, must receive regular reports from the Ethics and Compliance Committee on the most relevant issues related to the dissemination of and compliance with the Code of Ethics and the Anti-Corruption Policy.

### Components of the Management Model





## Ethics and Compliance Committee

During 2019, the Ethics and Compliance Committee has continued its work to disseminate the Code of Ethics, as well as its role as interpreter and advisor in the event of any doubt or conflict concerning the same. The Ethics and Compliance Committee Regulations were also approved, setting out its organisation, functions and obligations within the framework of best practices in the area of compliance. In 2019, the Committee held four work meetings.

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 complaints channel allows for anonymous consultations and whistleblowing. In 2019:

- 31% 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 the corresponding local communities and human rights.

During 2019, 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. In total, five misdemeanours, two serious offences and four very serious offences, of which three resulted in layoffs were handled.

In 2019, it was not necessary to repair damages relating to impacts caused by human rights cases.

## Crime Prevention Model and policies

The company has a Crime Prevention Model which is updated annually. Thus, in 2019, the model has continued to be adapted to the new organisational structure operated within Naturgy. Likewise, the model, in a process of continuous improvement, has incorporated the legal modifications that have taken place in 2019 on criminal risks.

From an organisational standpoint, the Board of Directors has 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 and compliance with the Crime Prevention Model.

Each year, this model is assessed by an independent third party. In 2019, this assessment process was completed in December and the report issued on the design and effectiveness of the model was satisfactory.

Furthermore, in 2019, the model has been subject to the certification process in accordance with the AENOR UNE 19601 standards (criminal compliance management systems) and ISO 37001 (anti-bribery management systems), obtaining both certifications in October 2019. Worldwide, Naturgy also deploys crime prevention models gradually in countries with laws governing the civil liability of legal persons.



## Measures adopted for the prevention of money laundering

The Naturgy Crime Prevention Model is based on an analysis of criminal risks, including the one related to money laundering, introducing the necessary controls to prevent the perpetration of said crime.

### 01

#### ■ Prevention

Code of Ethics. | Anti-Corruption Policy. | Counterparty Due Diligence Procedure. | General External Procurement Standard. | Procedure for granting signature levels. | Internal Control Procedure.

### 02

#### ■ Detection

Review and auditing of the Crime Prevention Model by an independent third party. | Reviews of the Internal Audit Area. | Internal Control system on financial reporting. | Reporting channel.

### 03

#### ■ Reaction and response

Investigation and response protocol. | Disciplinary regime. | Collaboration with competent authorities in each country when faced with suspicious situations.

## Anti-fraud and anti-corruption plans

The Anti-Corruption Policy establishes the principles which must be used to guide the conduct of all employees and managers of the companies of Naturgy with regard to the prevention, detection, investigation and correction of any corrupt practice within the organisation.

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.
- A communication channel for employees and third parties to make, in good faith, confidential and without fear of reprisal, inquiries or notifications of breaches of the Code of Ethics and the Anti-Corruption Policy ([www.naturgy.ethicspoint.com](http://www.naturgy.ethicspoint.com), or postal and internal mail).
- 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 Anti-Corruption Policy.



## Key areas considered in the Naturgy Anti-Corruption Programme approach

- Establishment of an anti-fraud and anti-corruption culture through training and awareness.
- Implementation of proactive measures to assess the risk of fraud and corruption, monitoring and controls.
- Development of measures and response plans in the event of situations that constitute fraud and corruption.

As part of its Anti-Corruption Programme, Naturgy organises regular training initiatives based on the programme with the aim of raising awareness of the importance of fighting against corruption and ensuring that managers, employees and suppliers are given enough and appropriate information to act accordingly. In 2019, a mandatory training programme for executives has been carried out, which has included, among other points, the Crime Prevention Model, the Code of Ethics and Anti-Corruption Policy, and the Counterparty Due Diligence Procedure.

Likewise, Naturgy has implemented a Corporate Hospitality Policy, within the framework of the Code of Ethics and Anti-Corruption Policy, the purpose of which is to regulate the conditions in which Naturgy administrators 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 and Anti-Corruption Policy of Naturgy and thus avoid improperly influencing their commercial, professional or administrative relationships, both with public and private entities. In 2019, a reminder has been made on the occasion of the Christmas campaign of the Corporate Hospitality Policy for all employees.

In addition, in all risk operations the company has a Counterparty Due Diligence Procedure that is applied systematically, to ensure that the analyses and assessments of reputational risk and corruption are carried out in an efficient and uniform way when third parties intervene in the business relationships of the companies that make up Naturgy.



## Taxation

— [102-12]

At its 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 tax policies of Naturgy are in line with the company's Corporate Responsibility Policy and its Code of Ethics, the Code of Good Tax Practices (CGTP) and the guidelines of the Organisation for Economic Cooperation and Development (OECD) for multinational companies.

## Global Human Rights Policy

The company's commitment to respect for and protection of human rights is expressed in both the Corporate Responsibility Policy and the Code the Ethics. Since 2011, Naturgy also has a Human Rights Policy, which was updated and approved by the Board of Directors in 2019. This policy formalises and precisely establishes how the company believes it has to include this issue in its business management.

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.

Policy compliance is horizontally integrated in the company and is the responsibility of each one of the

## No presence in tax havens

At 2019 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).

## Tax contribution

Accordingly, Naturgy pays special attention to complying with its tax obligations in accordance with laws applicable in each territory. The total tax contribution of Naturgy amounted to Euros 2,955 million in 2019.

business 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. By the end of 2019, 7,918 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.

During the initial stages of investment projects, and in the analyses of the social and environmental impact, the company considers their impact on the protection and promotion of human rights and defines indicators in this regard. Similarly, the company will introduce 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.

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.

## Training on human rights for security guards

Training on human rights focuses on the characteristics of each of the countries in which Naturgy has contracted the services of security guards and the activities performed by the company in each of them, allowing a more specific and effective training.

In 2019, 560 security guards served in Spain, Argentina, Brazil, Chile, Morocco, Mexico, Panama and the Dominican Republic, of which 458 (81.79%) participated in the different refresher courses on the subject of private security, and 325 (58.04%) on courses to update knowledge and ways of acting in respect of human rights, dedicating a total of 1,483 hours.

In addition, current best practices are adopted, taking as reference initiatives such as the voluntary principles on security and human rights, and the UN basic principles on the use of force and firearms for staff belonging to surveillance and security companies that the company hires.

## Non-compliances and fines

In Spain, at retail level, in 2019 the company was fined Euros 1,590,003 for unfair commercial practices, non-compliance with service conditions and failure to comply with price regulations; a fine of Euros 1,200,000 for allegedly failing to comply with consumer protection measures; and a fine of Euros 100,000 for failing to respond to government requests for customer information.

In Chile, in 2019, the company was fined Euros 400,231 for inadequate maintenance and conditions due to the contact of a tree on the lines, affecting the supply of other concessionaires and customer consumption; a fine of Euros 113,896 for having exceeded the connection times for residential customer generation; a fine of Euros 113,896 for not maintaining the facilities in good condition; and a fine of Euros 113,896 for not maintaining the facilities in good condition and in conditions of safety.

In 2019, the company registered no fines for monopolistic practices.

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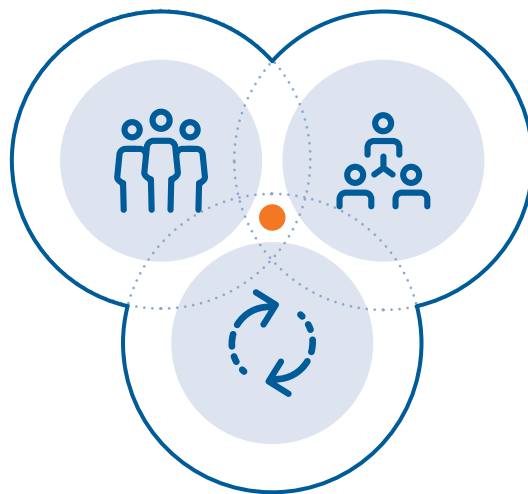
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## Materiality focus

For the preparation of this 2019 Corporate Responsibility Report, Naturgy has based itself on the standards of the Global Reporting Initiative (GRI) –known as GRI Standards– and has taken into account the requirements of Law 11/2018 on non-financial information, to which it responds in its Directors' Report in the Non-Financial Statement section.

The company believes that the report has been prepared in accordance with the comprehensive level of GRI Standards. The Materiality Disclosures methodology of GRI has been applied for yet another year. This methodology reviews the definition of material issues, their scope and the information on the commitment of the interested parties.



The material issues identified at the corporate level are those that:

- Are of greatest relevance from the standpoint of corporate responsibility and reporting.
- Can promote a more significant change in terms of economic, environmental and social impact.
- Are considered most relevant to the stakeholders of the company.

## List of material aspects at corporate level

[102-47]

Naturgy has identified 11 material issues of the utmost importance. It has also identified 15 other relevant issues.

	#	Issue identified	Nature of the issue
<b>Issues of the utmost importance</b>	01	Emissions and climate change.	Environmental.
	02	Occupational health and safety.	Social.
	03	Access to energy.	Social.
	04	Talent retention and development.	Social.
	05	Customer care and satisfaction.	Economic.
	06	Energy efficiency and consumption.	Environmental.
	07	Diversity and equality.	Social.
	08	Assessment of the supply chain.	Economic.
	09	Innovation and sustainable technology.	Economic.
	10	Development of the local communities and social action.	Social.
	11	Biodiversity.	Environmental.
<b>Other relevant issues</b>	12	Anti-corruption.	Economic.
	13	Management of leaks, effluent and waste.	Environmental.
	14	Socio-economic and environmental compliance.	Economic.
	15	Cybersecurity and information security.	Economic.
	16	Water management.	Environmental.
	17	Assessment of human rights.	Social.
	18	Taxation.	Economic.
	19	Responsible purchasing.	Economic.
	20	Health and safety of consumers and of society.	Social.
	21	Political influence and lobbying.	Economic.
	22	Materials used, recycled and reused.	Environmental.
	23	Employability and employment.	Social.
	24	Indirect economic impacts.	Economic.
	25	Competition practices.	Economic.
	26	Freedom to join a union and management of relations with workers.	Social.

NB

Each country has a different prioritisation based on its corporate responsibility agenda.



## Materiality analysis process

[102-46] and [102-49]

To update the analysis of relevant issues carried out in 2019, the 34 specific standards defined by GRI –including the new GRI standard on taxation, which the company had already identified as a potentially relevant issue in previous years– have been taken as a starting point and adapted to the company's own characteristics.

Furthermore, for the prioritisation and definition of issues we conducted interviews with different areas of the company and with external stakeholders, and have included other inputs, both internal and external.

For each of the eleven issues of the utmost importance identified, Naturgy has collected, identified and analysed the following information in its materiality study:

- **What the matter means and why it is material:**
  - Definition and description of the issue.
  - Sub-issues into which the issue is divided.

- Principle of the Corporate Responsibility Policy associated with the issue.
- Relevance of the issue for the company and its business.
- Relevant events for stakeholders related to the issue.
- On which stage of the value chain does the issue impact.
- Which stakeholders are impacted by the issue.
- **Management of the publication of information on the subject by Naturgy**
  - Indicators and goals related to the issue (monitoring and communication).
  - GRI Standards related to the issue.
  - Requirements of Law 11/2018 related to the issue.

- **Sustainable Development Goals (SDG) directly associated to the issue.**
- **Relevant events related to Naturgy and associated to the issue.**

Regarding the last point, a review of the issues mentioned in events and news has been carried out through the RepRisk and Buzzsumo tools. The former analyses external sources and identifies those issues that present the greatest reputational risk for the company, while the latter analyses the company's news that is most widely shared on social networks.

## Sources consulted

In the identification and prioritisation of material issues, the following sources were taken into consideration:

- Reference framework for the preparation of sustainability reports: 34 specific standards of the Global Reporting Initiative (GRI Standards) and GRI Sustainability Topic for Sectors report.
- Law 11/2018 on non-financial information.
- Sustainability Accounting Standards Board (SASB) Materiality Map.
- Naturgy's Corporate Responsibility Policy.
- Internal interviews with key areas of the company.
- External interviews with external stakeholders.
- Material issues identified by RobecoSAM, FTSE4Good, MSCI, Sustainalytics and Vigeo Eiris.
- RepRisk and Buzzsumo for analysis of the main global events of interest for each issue that has taken place during the year.
- The Global Risks Report 2019 and Global Risks of Highest Concern for Doing Business of World Economic Forum.
- Benchmark of companies in the utilities sector with high performance in corporate responsibility.
- Agenda 2030 for Sustainable Development and the Sustainable Development Goals (SDG).

## Review of material issues by country where Naturgy is operational

Naturgy prioritises the specific issues of each country where it operates, according to the agenda of each country and the key non-financial indicators at macro level of each country.

Specifically, the company analysed the following countries: Argentina, Brazil, Chile, Spain, Mexico and Panama.

## Map of material issues

[102-46], [102-49] and [103-1]

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 those countries in which the issues are material we need to cross-check the following table with the activity map at the beginning of this report. 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	GRI Standard related to the material issue	Nature
01	Emissions and climate change	305: Emissions.	EN
		EU1 Installed capacity	
		EU2 Net energy output	
		EU3 Number of clients	
		EU4 Length of above and underground transmission and distribution lines	
02	Occupational health and safety	EU5 Allocation of CO2 emissions allowances or equivalent	SO
		403: Occupational health and safety.	
03	Access to energy	EU25: Injuries and fatalities to the public involving company activities.	SO
		EU26: Population without service in areas whose distribution or service license has been granted to the company.	
		EU27: Disconnections of residential customers for non-payment.	
		EU28: Power outage frequency.	
		EU29: Average power outage duration.	
04	Talent retention and development	EU30: Average plant availability factor by energy source and by regulatory regime.	SO
		102-7: Size of the organisation. <small>(number of employees)</small>	
		102-8: Information on employees and other workers.	
05	Customer care and satisfaction	404: Training and education.	EC
06	Energy efficiency and consumption	417: Marketing and labelling.	EN
07	Diversidad e igualdad	302: Energy.	SO
		401: Employment.	
		405: Diversity and equal opportunities.	
08	Assessment of the supply chain	406: Non-discrimination.	EC
		102-9: Supply chain.	
		102-10: Significant changes to the organisation and its supply chain.	
		308: Environmental assessment of suppliers.	
		404: Training and education.	
09	Innovation and sustainable technology	414: Supplier social assessments.	EC
		OG2: Total amount invested in renewable energy.	
10	Development of the communities and social action	413: Local communities.	SO
		EU22: People physically or economically displaced and compensation.	
		OG9: Operations where indigenous communities are present or affected by activities and where specific engagement strategies are in place.	
		OG10: Description of significant disputes with local communities and indigenous people.	
		OG11: Sites that have been decommissioned and sites that are in the process of being decommissioned.	
11	Biodiversity	304: Biodiversity.	EN
		EU13: Biodiversity of surrounding area habitats.	
		OG4: Number and percentage of operating sites in which biodiversity risk has been assessed and monitored.	



Gas				Electricity			Impact of the aspect inside and/or outside the organisation by stakeholder	2019 Corporate Responsibility Report chapter that deals with the issue
Supply	Transportation	Distribution	Commercialisation	Generation	Distribution	Commercialisation		
■	■	■		■	■		Insurance and reinsurance agencies   Shareholders · Investors   Suppliers   Business partners   Employees   Analysts   Society   Administrative staff · Regulatory bodies   Financing Groups   Customers.	Responsible environmental management.
■	■	■		■	■		Insurance and reinsurance agencies   Shareholders · Investors   Suppliers   Business partners   Employees   Analysts   Administrative staff · Regulatory bodies.	Health and safety.
■	■	■	■	■	■	■	Insurance and reinsurance agencies   Shareholders · Investors   Business partners   Employees   Analysts   Market agents   Society   Administrative staff · Regulatory bodies   Customers.	Social commitment.
■	■	■	■	■	■	■	Suppliers   Employees   Analysts   Administrative staff · Regulatory bodies.	Interest in people.
		■	■		■	■	Shareholders · Investors   Suppliers   Employees   Analysts   Customers.	Service excellence.
■	■	■	■	■	■	■	Suppliers   Employees   Analysts   Society   Administrative staff · Regulatory bodies   Customers.	Responsible environmental management.
■	■	■	■	■	■	■	Suppliers   Employees   Analysts   Society   Administrative staff · Regulatory bodies.	Interest in people.
■	■	■	■	■	■	■	Insurance and reinsurance agencies   Suppliers   Business partners   Analysts   Administrative staff · Regulatory bodies   Customers.	Responsible supply chain.
■	■	■	■	■	■	■	Insurance and reinsurance agencies   Shareholders · Investors   Suppliers   Business partners   Employees   Analysts   Customers.	Avant-garde and sustainable innovation · Excellence in service.
■	■	■	■	■	■	■	Shareholders · Investors   Suppliers   Business partners   Employees   Analysts   Society   Administrative staff · Regulatory bodies   Customers.	Social commitment.
■	■	■		■	■		Shareholders · Investors   Suppliers   Business partners   Analysts   Society   Administrative staff · Regulatory bodies.	Responsible environmental management.

## Scope of the information

— [102-48], [102-49] and [102-50]

This report contains the consolidated financial and non-financial data of Naturgy, referring to all the activities carried out during 2019 as a global gas and electricity operator, although they show peculiarities in some chapters:

Those indicators that represent the evolution over the year, will include the information from the companies held for sale, provided that the opposite is not specified in a footnote, while the indicators that represent information at the year-end will not include information about these companies.

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.

The information included in the environment section refers solely to those companies or activities in which the participation is equal to, or greater than, 50%, that have the capacity to influence environmental management and which have a significant capacity to impact environmental data, considering the 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 2019.

Furthermore, the changes in the scope of consolidation are described in Appendix II to the Consolidated Annual Accounts.



## Compliance with benchmark standards

— [102-46] and [102-54]

The company prepares its report in accordance with the GRI Standards. The report has been prepared in accordance with the Comprehensive level of GRI Standards. Includes the applicable additional information required by the GRI “Electric Utilities” and “Oil and gas” supplements. This report has also been drawn up in accordance with the AA1000AP (2018) principles and the United Nations Guiding Principles Reporting Framework.

- **AA1000AP (2018)**

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 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.

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)

[102-56]

- **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**

Information is included on the effect of Naturgy's behavior, performance and/or results on the economy, the environment, society, stakeholders and the company itself.

## Principles for drafting this report (GRI)

[102-46]

- **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**

Those issues identified in the 2019 materiality study have been considered as material and have been included in the 2019 Corporate Responsibility Report.

- **Thoroughness**

The outline of contents has 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 given (GRI)

[102-52]

- **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's performance over time and be compared with other companies.

- **Reliability**

The figures given in this report have been verified by EY. The drafting of the report took into account the four principles required by the AccountAbility AA1000AP (2018), and whether or not the information given responds to the stakeholders' concerns and requirements.

- **Frequency**

Naturgy publishes its Corporate Responsibility Reports annually, as soon as the information is available, so that the stakeholders have a good understanding of the company.

## 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

— [102-56]

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 GRI recommendations, Naturgy commissions an annual verification of the contents of its report by an independent third party.

This 2019 report has been verified by EY, which reviews the adaptation of contents of the Corporate Responsibility Report to what is stated in the GRI Standards Sustainability Reporting Guidelines and its sector supplements Electric Utilities and Oil & Gas and the principles of the AA1000AP (2018) Standard.

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

— [102-53]

In addition to this report, Naturgy has published the following reports, among others, in 2019 which include both financial and non-financial information:



**DR**



**IAR**

### Directors' Report

Which includes the Non-Financial Statement.

### Integrated Annual Report



**CGR**



**ACR**

### Corporate Governance Report

### Audit and Control Committee Report

Furthermore, special mention must be made of the fact that Naturgy publishes corporate responsibility reports in Argentina, Brazil, Chile, Mexico, and Panama.

Readers can send their doubts, queries or requests for information via the corporate website: <https://www.naturgy.com/inicio>.

# Additional Information

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## Annex of additional indicators

### Indicators of the business model

#### Installed capacity by source of energy and regulatory regime\_

[EU1]

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Installed capacity in ordinary regime. Spain

Hydraulic

Nuclear

Coal-fired

Combined-cycle

Installed capacity in special regime. Spain

Wind

Small hydro power stations

Solar

Cogeneration

---

#### Total installed capacity. Spain

Installed capacity in ordinary regime. International

Hydraulic

Fuel-oil

Combined-cycle

Wind

Solar

---

Total

---

	2019 year-end (MW)	2018 year-end (MW)	2017 year-end (MW)
	11,751	11,325	11,569
	1,954	1,954	1,954
	604	604	604
	1,766	1,766	2,010
	7,427	7,001	7,001
	1,973	1,179	1,147
	1,561	1,012	979
	111	109	110
	250	0	
	51	58	58
	<b>13,724</b>	<b>12,504</b>	<b>12,716</b>
	3,169	3,093	2,732
	123	123	123
	198	198	198
	2,365	2,289	2,109
	330	330	234
	153	153	68
	<b>16,893</b>	<b>15,597</b>	<b>15,448</b>



### Average efficiency by technology and regulatory regime\_

[EU11]

Regime	Technology	Efficiency 2019 (%)	Efficiency 2018 (%)
Ordinary. Spain	Combined-cycle	52.4	53.7
	Coal thermal	31.7	34.7
Ordinary. International	Combined-cycle	53.9	54.4
	Fuel-oil	40.6	40.4

### Net energy production by energy source and regulatory regime\_

[EU2] and [OG3]

	2019 year-end (GWh)	2018 year-end (GWh)	2017 year-end (GWh)
Production in ordinary regime. Spain	22,596	25,736	25,668
Hydraulic	2,816	3,359	1,126
Nuclear	4,542	4,431	4,578
Coal	699	3,694	5,953
Combined-cycle	14,539	14,252	14,011
Production in special regime. Spain	3,175	2,571	2,285
Wind	2,258	1,958	1,801
Small hydro	544	549	407
Photovoltaic	226	-	-
Cogeneration	147	64	77
<b>Total production Spain</b>	<b>25,771</b>	<b>28,307</b>	<b>27,953</b>
Production in ordinary regime. International	18,933	18,351	18,436
Hydraulic	439	424	467
Fuel-oil	1,105	1,092	925
Combined-cycle	16,123	15,923	16,340
Wind	964	757	656
Solar	302	155	48
<b>Total production</b>	<b>44,704</b>	<b>46,658</b>	<b>46,389</b>



### Average availability factor by technology and regulatory regime\_

[EU30]

System	Technology	Efficiency 2019 (%)	Efficiency 2018 (%)	Efficiency 2017 (%)
Ordinary. Spain	Hydraulic	89.10	93.15	93.28
	Coal thermal	96.90	91.70	91.50
	Nuclear	92.90	89.91	92.98
	Combined-cycle	88.70	93.91	94.36
Special. Spain	Wind	98.30	98.20	97.65
	Small hydro	99.20	99.13	99.22
	Cogeneration	84.62	75.20	93.00
International	Hydraulic	94.39	92.34	96.25
	Fuel-oil	87.92	90.19	92.11
	Combined-cycle	96.06	92.11	96.61

### Electrical energy losses in transport and distribution\_

[EU12]

	2019	2018	2017
Ordinary regime. Spain	8.26	8.46	8.58
Argentina	11.40	10.36	7.03
Chile	8.20	7.92	8.44
Panama	12.14	11.70	11.74

## Service excellence indicators

<b>Customers disconnected due to non-payment classified by the total duration between disconnection for non-payment and payment of debt</b> [EU27]	Gas business <sup>(1)</sup>	Fewer than 48 hours.
		Between 48 hours and 1 week.
		Between 1 week and 1 month.
		Between 1 month and 1 year.
	Electricity business	Over 1 year.
		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.	
	Fewer than 24 hours.	
	Between 24 hours and 1 week.	
<b>Customers disconnected due to non-payment classified by the total duration between debt payment and reconnection</b> [EU27]	Gas business	Over 1 week.
		Fewer than 24 hours.
	Electricity business	Between 24 hours and 1 week.
		Over 1 week.
<b>Average duration of electrical power cuts</b> <sup>(hours)</sup> [EU27]	2017	
	2018	
	2019	
<b>Number of equivalent Interruptions per Installed capacity</b> <sup>(NEIPI/C)</sup> [EU27]	2017	
	2018	
	2019	
<b>Customer service ratios</b> <sup>(2)</sup>	Customer requests solved immediately <sup>(%)</sup>	
	Average time for solving requests <sup>(days)</sup>	
	Calls answered within 20 seconds <sup>(%)</sup>	

<sup>(1)</sup> Mexico does not have this information.

<sup>(2)</sup> In Spain, the ratio is calculated in accordance with the calls responded to within 15 seconds.

Argentina	Brazil	Chile	Spain	Mexico	Panama
42,217	66,534		901		
22,112	36,432		340		
11,925	15,557		464		
17,709	2,057		348		
1,003	0		11		
		458,578	18,389		33,938
		85,543	2,192		5,140
		129,927	3,422		5,585
		84,927	2,663		6,121
		502	0		0
13,869	83,160		292	168,914	
80,968	37,420		1,435	45,708	
129	0		337	1,085	
		690,927	25,160		12,544
		66,651	1,424		36,491
		1,898	82		1,749
		17.00	1.19		63.09
		12.40	-		54.87
		14.80	1.19		64.53
		6.00	0.86		19.08
		5.10	0.78		15.78
		5.60	0.81		17.48
35.0	81.9	25.6	91.14	96.3	-
15.0	2.8	17.0	5.52	2.4	12.3
91.5	80.0	87.0	77.75	76.4	83.2

## Gas and electricity customers\_

(thousands) (\*) [EU3]

	2019	2018	2017
<b>Gas customers</b>			
Last resort tariff	1,275	1,289	1,306
Deregulated market <small>(consumption &gt;50,000 kWh/year to 500 MWh/year in high pressure and up to 1,000 MWh/year in low pressure)</small>	24	30	31
Deregulated market <small>(rest consumption)</small>	2,694	2,855	2,904
<b>Total</b>	<b>3,993</b>	<b>4,174</b>	<b>4,241</b>
<b>Electricity customers</b>			
Last resort tariff/PVPC	2,203	2,233	2,313
Deregulated market <small>(power &lt;10kW)</small>	1,834	2,014	1,970
Deregulated market <small>(power &gt;10kW and sales to 0.75 GWh) (SMEs and others)</small>	176	242	285
<b>Total</b>	<b>4,213</b>	<b>4,489</b>	<b>4,568</b>

(\*) Figures from Spain.

## LNG and CNG fleets, refuelling stations and sales (\*)\_

	2019	2018	2017
Vehicles of public stations	9,254	5,815	3,030
Public charging stations	40	32	30
Private charging stations	20	19	20
LNG and CNG sales at service stations (MWh)	828	707	626

(\*) Figures from Spain.

## Responsible environmental management indicators

### Direct GHG emissions. Total Naturgy\_

(ktCO<sub>2</sub> eq) [305-1]

	CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O	SF <sub>6</sub>	HFC	PFC	Total group
Gas and Power	14,184	8.2	14.4	3.6	0.7	0.0	<b>14,210.9</b>
EMEA	145	74.7	0.1	19.8	0.0	0.0	<b>239.6</b>
North LatAm	0	185.3	0.0	4.8	0.0	0.0	<b>190.1</b>
South LatAm	251	502.9	0.2	0.6	0.0	0.0	<b>754.7</b>
Corporate	13	0.1	0.2	0.0	6.7	0.0	<b>20.0</b>
<b>Total</b>	<b>14,593</b>	<b>771.2</b>	<b>14.9</b>	<b>28.8</b>	<b>7.4</b>	<b>0.00</b>	<b>15,415.3</b>

### Ratio of energy emissions intensity by segment of activity 2019\_

[305-4]

	Gas and Power	EMEA	North LatAm	South LatAm	Corporate	Total
Emissions of GHG (ktCO <sub>2</sub> ,eq)	14,210.9	239.6	190.1	754.7	20.0	<b>15,415.3</b>
Net turnover (million euro)	13,980	2,051	1,521	5,476	7	<b>23,035</b>
Ratio (ktCO <sub>2</sub> ,eq/million euros of net turnover)	1.02	0.12	0.12	0.14	2.86	<b>0.67</b>

### Total specific atmospheric emissions\_

(g/kWh) [305-7]

	2019 target value path	2019	2018	2017
SO <sub>2</sub>	0.26	0.05	0.23	0.46
NO <sub>x</sub>	0.49	0.27	0.37	0.70
Particles	0.03	0.01	0.03	0.04

**Capture of water by source\_**(hm<sup>3</sup>) [303-1]

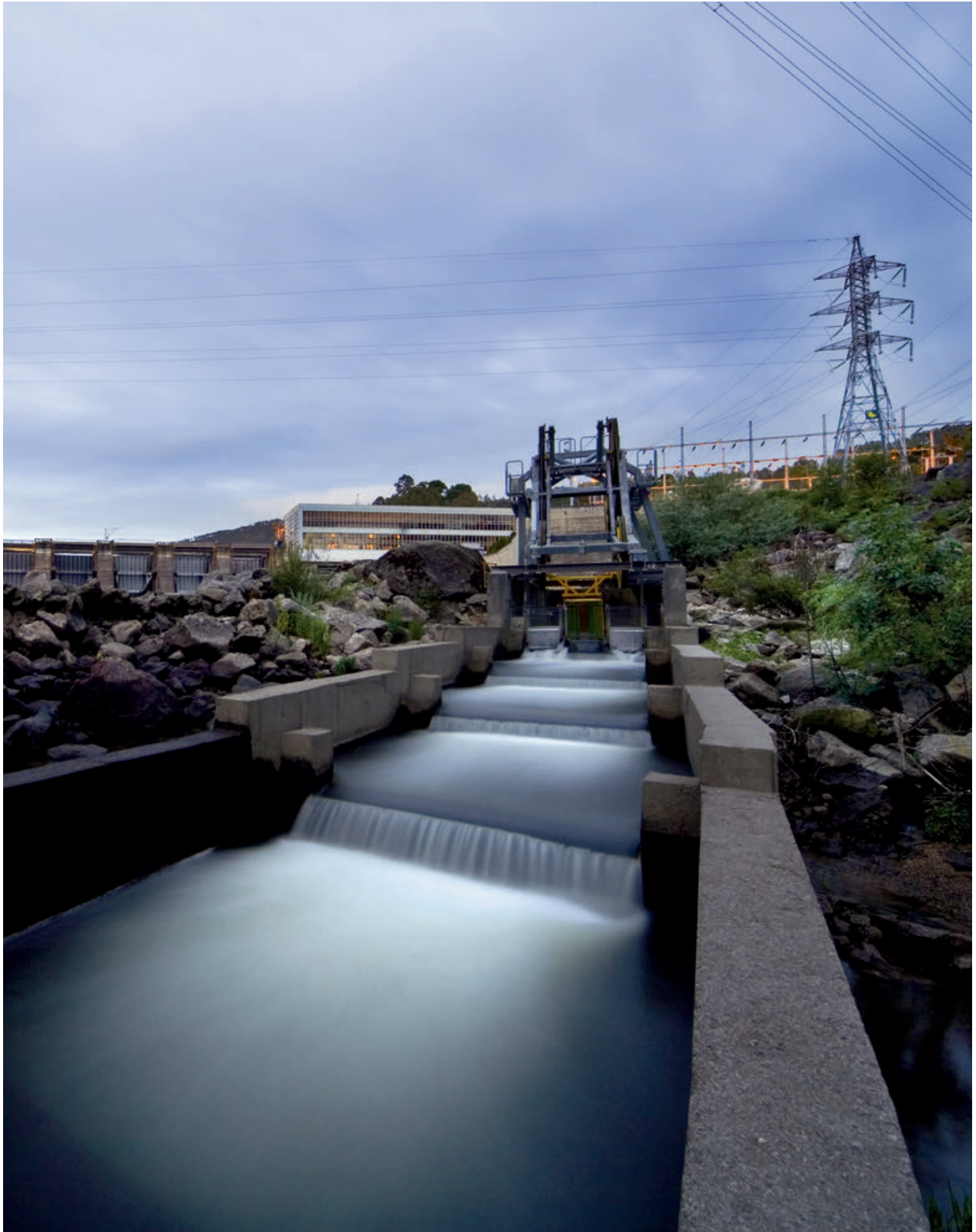
	2019	2018	2017
Surface water captured (sea)	759.7	753.6	874.2
Surface water captured (rest)	6.4	15.3	25.4
Groundwater captured	0.2	0.1	0.1
Wastewater used from another organisation	23.6	6.8	7.0
Water captured from the mains water supply	0.6	1.7	0.3
<b>Total volume of water captured from the environment</b>	<b>790.5</b>	<b>777.5</b>	<b>907.0</b>

**Consumption of water by processes\_**(hm<sup>3</sup>)

	2019	2018	2017
Consumption of cooling water	17.1	21.5	24.1
Consumption of water in water/steam cycle	0.4	0.7	0.8
Consumption of water in other processes	1.8	2.4	2.5
Consumption of water in ancillary services and building	0.7	1.9	0.6
<b>Total water consumption</b>	<b>20.0</b>	<b>26.5</b>	<b>28.0</b>

**Water discharge\_**(hm<sup>3</sup>)

	2019	2018	2017
Water discharged into the sea	766.8	744.9	865.2
Water discharged into waterways	11.3	8.4	14.2
Water discharged into the public sewerage system	0.4	0.4	0.3
Water discharged into septic tanks	0.010	0.01	0.01
Water discharged for use by an aquifer	0.013	0.010	0.020
<b>Total volume discharged</b>	<b>778.5</b>	<b>753.7</b>	<b>879.7</b>



## Interest in people indicators

		Germany	Argentina	Australia	Belgium	Brazil	Chile	Colombia	Costa Rica	
<b>Number of employees <sup>(1)</sup></b>		-	1,175	10	3	456	2,471	71	20	
<b>Breakdown of staff by age range. 2019 <sup>(%)</sup></b>	18-35	-	23.8	33.3	100.0	21.6	21.0	32.4	15.7	
	36-50	-	38.0	55.6	0.0	63.5	48.9	50.7	63.2	
	[414-2] +50	-	38.2	11.1	0.0	14.9	30.1	16.9	21.1	
<b>Breakdown of staff by gender. 2019 <sup>(%)</sup></b>	Men	-	73.1	88.9	0.0	62.0	72.8	39.4	94.7	
	[102-8] and [414-2] Women	-	26.9	11.1	100.0	38.0	27.2	60.6	5.3	
<b>Women in management posts <sup>(%)</sup></b>	2017	0.0	17.6	0.0	0.0	34.8	19.8	45.5	0.0	
	2018	0.0	17.6	0.0	0.0	35.9	25.3	55.0	0.0	
	<b>2019</b>	-	20.4	0.0	0.0	43.6	20.9	64.7	0.0	
<b>Senior managers from the local community <sup>(%)</sup></b>	2017	0.0	87.5	0.0	0.0	40.0	81.3	0.0	0.0	
	2018	0.0	75.0	0.0	0.0	66.7	73.3	0.0	0.0	
	<b>2019</b>	-	87.5	0.0	0.0	50.0	78.6	100.0	0.0	
<b>Breakdown of staff by professional categories and gender. 2019 <sup>(%)</sup></b>	Management team	M	-	3.7	0.0	33.3	4.8	2.9	8.4	0.0
		W	-	0.9	0.0	0.0	3.7	0.8	15.4	0.0
	Middle managers	M	-	12.4	11.1	0.0	8.4	12.9	5.6	5.3
		W	-	4.2	0.0	33.4	5.9	3.1	9.9	0.0
	Technicians	M	-	14.9	22.2	0.0	21.3	31.8	16.9	10.5
		W	-	6.8	0.0	33.3	16.3	10.6	25.4	0.0
	Operators	M	-	42.1	55.6	0.0	27.5	25.2	8.5	78.9
		W	-	15.0	11.1	0.0	12.1	12.7	9.9	5.3

<sup>(1)</sup> The companies consolidated through the equity method and which do not provide a headcount breakdown would total 555 employees, distributed as follows: Spain 361, Egypt 87, Puerto Rico 29 and Kenya 78.



	Spain	France	Netherlands	Ireland	Israel	Morocco	México	Panama	Peru	Portugal	Puerto Rico	D. Republic	Singapore	Uganda	Total
	6,017	53	7	37	16	93	874	357	21	17	4	75	12	58	<b>11,847</b>
	9.2	54.7	50.0	43.7	71.5	8.6	32.8	35.3	42.9	29.4	25.0	14.7	75.0	66.7	<b>17.2</b>
	61.8	45.3	50.0	46.9	21.4	36.6	58.0	38.1	52.3	70.6	25.0	65.3	25.0	26.3	<b>55.1</b>
	29.0	0.0	0.0	9.4	7.1	54.8	9.2	26.6	4.8	0.0	50.0	20.0	0.0	7.0	<b>27.7</b>
	64.0	49.1	66.7	68.7	85.7	83.9	72.8	65.0	57.1	23.5	50.0	77.3	75.0	87.7	<b>67.6</b>
	36.0	50.9	33.3	31.3	14.3	16.1	27.2	35.0	42.9	76.5	50.0	22.7	25.0	12.3	<b>32.4</b>
	26.7	20.0	0.0	0.0	-	25.0	18.8	32.1	100.0	100.0	0.0	66.7	50.0	0.0	<b>26.2</b>
	28.6	22.2	0.0	16.7	0.0	25.0	18.6	33.3	100.0	100.0	0.0	66.7	0.0	0.0	<b>28.3</b>
	29.6	22.2	0.0	0.0	0.0	20.0	27.5	34.6	100.0	100.0	0.0	100.0	0.0	0.0	<b>29.4</b>
	98.9	50.0	0.0	100.0	-	0.0	42.9	66.7	0.0	0.0	0.0	0.0	0.0	0.0	<b>92.1</b>
	98.8	50.0	0.0	50.0	0.0	0.0	28.6	50.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>91.5</b>
	99.4	100.0	0.0	0.0	0.0	100.0	33.3	50.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>94.4</b>
	10.8	13.2	0.0	12.5	0.0	4.3	5.8	4.9	0.0	0.0	50.0	0.0	25.0	1.7	<b>7.4</b>
	4.6	3.8	0.0	0.0	0.0	1.1	2.2	2.5	4.8	5.9	0.0	2.7	0.0	0.0	<b>3.1</b>
	15.2	9.4	16.6	12.5	21.4	40.8	17.9	23.4	14.3	0.0	0.0	25.3	0.0	35.1	<b>14.8</b>
	4.9	5.7	16.7	6.3	7.2	2.1	3.9	12.4	4.8	0.0	0.0	9.3	0.0	3.5	<b>4.7</b>
	20.5	24.5	33.3	40.6	50.0	11.8	26.8	14.4	33.3	23.6	0.0	2.7	50.0	5.3	<b>22.5</b>
	16.2	35.8	16.7	25.0	7.1	2.2	11.0	9.9	14.3	52.9	0.0	8.0	12.5	0.0	<b>13.4</b>
	17.5	1.9	16.7	3.1	14.3	26.9	22.3	22.3	9.5	0.0	0.0	49.3	0.0	45.6	<b>22.9</b>
	10.3	5.7	0.0	0.0	0.0	10.8	10.1	10.2	19.0	17.6	50.0	2.7	12.5	8.8	<b>11.2</b>

Continues &gt;

			Germany	Argentina	Australia	Belgium	Brazil	Chile	Colombia	Costa Rica
<b>Breakdown of staff by contract type. 2019 (%)</b> [102-8]	Permanent contracts	M	-	73.1	88.9	0.0	62.0	72.8	14.1	94.7
		W	-	26.9	11.1	100.0	38.0	27.2	21.1	5.3
	Temporary contracts	M	-	0.0	0.0	0.0	0.0	0.0	25.4	0.0
		W	-	0.0	0.0	0.0	0.0	0.0	39.4	0.0
<b>Average salary of men and women by professional category. 2019 (euros)</b>	Executives	M	-	85,380	-	-	52,054	164,176	148,985	-
		W	-	61,258	-	-	51,074	82,754	104,717	-
	Technicians	M	-	23,382	-	-	24,187	36,704	15,643	-
		W	-	23,161	-	-	20,435	34,000	14,719	-
	Administrative staff	M	-	16,508	-	-	31,043	22,134	8,508	-
		W	-	15,119	-	-	17,862	16,480	8,648	-
	Operative	M	-	17,709	-	-	15,663	16,219	-	-
		W	-	15,221	-	-	11,965	10,646	-	-
<b>Ratio between the standard minimum salary and the local minimum salary by country and gender. 2019</b>	Men	-	3.8	-	-	3.4	1.0	2.1	-	
	Women	-	3.5	-	-	3.1	1.0	2.2	-	
	Total	-	3.7	-	-	3.3	1.0	2.1	-	
<b>Total annual ratio of the best paid person of the company with the total annual average remuneration of the staff. 2019 <sup>(2)</sup></b> [102-38]	-	8.6	-	-	10.0	17.4	11.0	-		
<b>Ratio between the percentage increase of total annual remuneration of the best paid person of the company with the percentage increase of the total annual average remuneration of the entire staff. 2019 <sup>(3)</sup> <sup>(4)</sup></b> [102-39]	-	1.2	-	-	5.4	-	0.0	-		
<b>Rotation index. 2019 (%)</b> (number of layoffs/average staff) [401-1]	100.0	2.8	0.0	36.1	5.2	21.1	17.0	5.1		
<b>Voluntary rotation index. 2019 (%)</b> (number of voluntary layoffs/average staff) [401-1]	76.5	1.5	0.0	0.0	2.8	3.3	13.0	5.1		

<sup>(2)</sup> Relationship between the total annual remuneration of the best paid person of the organisation in each country where significant operations are carried out with the average annual total remuneration of the entire staff (without counting the best paid person) of the corresponding country.

<sup>(3)</sup> Relationship between the percentage increase in the total annual remuneration of the best paid person in the organisation in each country where significant operations are carried out and the percentage increase in the average total annual remuneration of all staff (excluding the highest-paid individual) in the same country.

<sup>(4)</sup> The figures showing zero mean that one of the indicators is equal to zero.

Spain	France	Netherlands	Ireland	Israel	Morocco	Mexico	Panama	Peru	Portugal	Puerto Rico	Dom. Republic	Singapore	Uganda	Total
63.8	49.1	66.7	68.7	85.7	83.9	62.1	65.0	57.1	23.5	50.0	77.3	75.0	87.7	<b>66.5</b>
36.0	50.9	33.3	31.3	14.3	16.1	21.5	35.0	42.9	76.5	50.0	22.7	25.0	10.5	<b>31.8</b>
0.2	0.0	0.0	0.0	0.0	0.0	10.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>1.0</b>
0.0	0.0	0.0	0.0	0.0	0.0	5.7	0.0	-	0.0	0.0	0.0	0.0	1.8	<b>0.7</b>
114,090	132,735	-	168,869	-	98,152	53,594	42,081	-	-	-	-	-	-	-
99,173	82,902	-	-	-	95,782	52,856	49,698	-	97,882	-	88,337	-	-	-
51,887	59,679	-	80,309	-	34,924	21,445	18,757	-	51,556	-	26,246	-	-	-
48,705	50,637	-	60,122	-	34,504	21,247	21,135	-	42,023	-	25,920	-	-	-
39,094	37,917	-	-	-	13,443	8,400	19,668	-	-	-	13,438	-	-	-
36,020	33,444	-	-	-	13,743	10,983	19,570	-	27,493	-	10,159	-	-	-
37,982	-	-	-	-	18,196	7,612	15,451	-	-	-	12,998	-	-	-
29,207	-	-	-	-	-	7,387	-	-	-	-	-	-	-	-
1.7	1.5	-	1.5	-	2.4	2.8	1.5	-	4.1	-	2.1	-	-	-
1.7	1.6	-	1.5	-	2.7	2.3	1.4	-	2.9	-	2.5	-	-	-
<b>1.7</b>	<b>1.5</b>	-	<b>1.5</b>	-	<b>2.5</b>	<b>2.6</b>	<b>1.4</b>	-	<b>3.5</b>	-	<b>2.3</b>	-	-	-
17.0	4.2	-	2.8	-	3.5	7.0	8.7	-	2.2	-	5.5	-	-	-
1.0	0.4	-	3.7	-	1.1	1.2	0.9	-	1.3	-	0.0	-	-	-
8.6	21.7	28.6	25.1	48.9	1.1	17.1	7.7	0.0	5.9	44.1	11.3	0.0	9.0	<b>11.7</b>
1.4	16.7	0.0	25.1	41.9	1.1	6.6	4.9	0.0	0.0	0.0	3.8	0.0	9.0	<b>2.7</b>

Continues &gt;

			Germany	Argentina	Australia	Belgium	Brazil	Chile	Colombia	Costa Rica
Performance Management and Management by Objectives (MbO) indicators broken down by gender and professional category. 2019 (%) [404-3]	Management team	M	-	3.7	0.0	0.0	4.6	3.0	8.5	0.0
		W	-	0.9	0.0	0.0	3.7	0.8	15.5	0.0
	Middle managers	M	-	10.1	22.2	0.0	4.6	27.1	4.2	10.5
		W	-	5.4	0.0	0.0	2.2	7.6	4.2	0.0
	Technicians	M	-	9.9	11.1	0.0	8.4	10.8	4.2	5.3
		W	-	3.8	0.0	50.0	5.9	2.7	9.9	0.0
	Operators	M	-	14.6	0.0	0.0	9.5	12.9	0.0	10.5
		W	-	4.5	0.0	0.0	6.8	7.4	0.0	0.0
	Total	M	-	38.3	33.3	0.0	27.1	53.8	16.9	26.3
		W	-	14.6	0.0	50.0	18.6	18.5	29.6	0.0
		T	-	52.9	33.3	50.0	45.7	72.3	46.5	26.3
	Staff promoted (%)	2017	-	1.6	-	-	11.0	5.4	11.2	-
2018		-	3.4	12.5	-	12.1	5.4	13.1	-	
2019		-	2.2	-	-	13.9	15.7	9.9	-	
Employees with/without collective bargaining agreement. 2019 (%) [102-41]	Not covered	-	28.6	0.0	0.0	27.0	5.0	46.5	0.0	
	Covered	-	71.4	100.0	100.0	73.0	95.0	53.5	100.0	
Trade union membership (%)	2017	-	47.0	-	-	11.3	68.0	3.8	-	
	2018	-	48.4	-	-	10.2	75.9	-	-	
	2019	0.0	46.6	0.0	0.0	10.5	76.9	0.0	0.0	
Employees five years from retirement age. 2019 (%) [EU 15]	Management team	-	22.2	0.0	0.0	5.1	7.7	35.3	0.0	
	Middle managers	-	18.0	0.0	0.0	6.2	8.1	0.0	0.0	
	Technicians	-	8.2	0.0	0.0	4.1	5.7	6.7	0.0	
	Operators	-	17.2	0.0	0.0	0.0	10.3	0.0	0.0	
	Total	-	15.6	0.0	0.0	2.9	7.9	11.3	0.0	

Spain	France	Netherlands	Ireland	Israel	Morocco	Mexico	Panama	Peru	Portugal	Puerto Rico	Dom. Republic	Singapore	Uganda	Total
10.5	13.2	0.0	12.5	0.0	4.3	5.5	4.8	0.0	0.0	50.0	0.0	0.0	1.7	7.3
4.5	3.8	0.0	0.0	0.0	1.1	2.2	2.5	4.8	5.9	0.0	2.7	0.0	0.0	3.1
8.8	9.4	0.0	40.6	42.9	11.8	24.2	14.4	14.3	23.5	0.0	2.7	12.5	5.2	14.1
5.9	28.3	0.0	21.9	7.1	2.2	10.1	9.9	14.3	52.9	0.0	8.0	12.5	0.0	6.7
4.4	7.5	0.0	12.5	21.4	9.7	14.6	23.4	14.3	0.0	0.0	25.3	0.0	29.3	8.2
2.8	3.8	16.7	6.3	7.1	2.2	3.8	12.4	4.8	0.0	0.0	9.3	0.0	1.7	3.5
1.7	1.9	0.0	3.1	14.3	0.0	9.1	22.3	0.0	0.0	0.0	49.3	0.0	6.9	7.2
1.8	0.0	0.0	0.0	0.0	4.3	9.2	10.2	0.0	17.6	50.0	2.7	12.5	0.0	4.3
25.4	32	0.0	68.7	78.6	25.8	53.4	64.9	28.6	23.5	50.0	77.3	12.5	43.1	36.8
15.0	35.9	16.7	28.2	14.2	9.8	25.3	35.0	23.9	76.4	50.0	22.7	25.0	1.7	17.6
<b>40.4</b>	<b>67.9</b>	<b>16.7</b>	<b>96.9</b>	<b>92.8</b>	<b>35.6</b>	<b>78.7</b>	<b>99.9</b>	<b>52.5</b>	<b>99.9</b>	<b>100.0</b>	<b>100.0</b>	<b>37.5</b>	<b>44.8</b>	<b>54.4</b>
10.2	12.5	-	82.9	-	-	5.9	3.6	-	-	-	2.9	-	-	-
12.6	12.1	-	10.0	-	5.4	4.2	1.7	-	-	-	9.5	-	-	-
16.5	30.2	-	3.1	-	7.5	5.6	6.2	-	-	-	6.7	-	-	-
32.8	71.7	0.0	100.0	0.0	35.5	20.8	57.3	0.0	0.0	75.0	4.0	0.0	0.0	26.0
67.2	28.3	100.0	0.0	100.0	64.5	79.2	42.7	100.0	100.0	25.0	96.0	100.0	100.0	74.0
24.6	-	-	-	-	42.0	48.5	65.3	20.3	59.1	39.4	-	-	-	-
25.8	-	-	-	-	-	48.5	65.6	24.0	58.0	40.6	-	-	-	-
27.5	0.0	0.0	0.0	0.0	65.0	17.8	41.0	0.0	0.0	0.0	0.0	0.0	37.5	-
0.8	0.0	0.0	0.0	0.0	40.0	2.9	15.4	0.0	0.0	0.0	50.0	0.0	0.0	3.5
1.2	0.0	0.0	0.0	0.0	27.5	1.1	12.6	0.0	0.0	0.0	3.8	0.0	0.0	5.1
1.1	0.0	0.0	0.0	0.0	15.4	2.1	8.1	0.0	0.0	0.0	0.0	0.0	0.0	3.1
2.2	0.0	0.0	0.0	0.0	20.0	3.9	31.3	0.0	0.0	0.0	10.3	0.0	0.0	7.7
<b>1.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>23.7</b>	<b>2.5</b>	<b>17.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>8.0</b>	<b>0.0</b>	<b>0.0</b>	<b>5.1</b>

Continues &gt;

		Germany	Argentina	Australia	Belgium	Brazil	Chile	Colombia	Costa Rica
<b>Employees ten years from retirement age. 2019</b> <sup>(%)</sup> [EU 15]	Management team	-	42.6	0.0	0.0	10.3	17.6	52.9	0.0
	Middle managers	-	34.5	0.0	0.0	15.4	16.8	27.3	0.0
	Technicians	-	16.9	0.0	0.0	11.1	14.5	10.0	0.0
	Operators	-	31.5	0.0	0.0	6.7	25.7	0.0	12.5
	<b>Total</b>	-	<b>29.3</b>	<b>0.0</b>	<b>0.0</b>	<b>9.9</b>	<b>19.2</b>	<b>21.1</b>	<b>10.5</b>
<b>New employees</b> [401-1]	2017	2.0	55.0	1.0	1.0	33.0	267.0	38.0	0.0
	2018	3.0	38.0	7.0	0.0	6.0	180.0	0.0	0.0
	<b>2019</b>	<b>0.0</b>	<b>5.0</b>	<b>1.0</b>	<b>0.0</b>	<b>1.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>No. of employees with maternity/paternity leave entitlements. 2019</b> <sup>(5)</sup> [401-3]	Men	-	14	1	0	8	41	0	0
	Women	-	14	1	0	6	48	1	0
	<b>Total</b>	-	<b>28</b>	<b>2</b>	<b>0</b>	<b>14</b>	<b>89</b>	<b>1</b>	<b>0</b>
<b>No. of employees who took maternity/paternity leave. 2019</b> [401-3]	Men	-	14	1	0	8	30	0	0
	Women	-	14	1	0	6	48	1	0
	<b>Total</b>	-	<b>28</b>	<b>2</b>	<b>0</b>	<b>14</b>	<b>78</b>	<b>1</b>	<b>0</b>
<b>No. of employees who did not return to work once their maternity/paternity leave was complete. 2019</b> [401-3]	Men	-	0	0	0	0	0	0	0
	Women	-	0	0	0	2	5	0	0
	<b>Total</b>	-	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>5</b>	<b>0</b>	<b>0</b>
<b>Ratio of employees who returned to their position following paternity/maternity leave and continue in the company one year after their leave. 2019</b> <sup>(%)</sup> [401-3]	Men	-	100.0	-	-	100.0	66.7	-	-
	Women	-	83.3	-	-	66.7	100.0	-	-
	<b>Total</b>	-	<b>90.9</b>	-	-	<b>90.9</b>	<b>91.0</b>	-	-

<sup>(5)</sup> NB

The concept of maternity/paternity leave and the related social benefits present specifics that are connected to the labour laws in force in each of the countries where Naturgy operates and must be taken into account when interpreting this information.

Spain	France	Netherlands	Ireland	Israel	Morocco	Mexico	Panama	Peru	Portugal	Puerto Rico	Dom. Republic	Singapore	Uganda	Total
8.5	0.0	0.0	0.0	0.0	100.0	13.0	42.3	0.0	0.0	0.0	100.0	0.0	100.0	<b>12.8</b>
8.7	0.0	0.0	0.0	0.0	62.5	7.4	24.4	25.0	0.0	0.0	23.1	0.0	0.0	<b>14.3</b>
8.0	0.0	0.0	0.0	0.0	38.5	8.9	15.1	0.0	0.0	0.0	0.0	0.0	0.0	<b>10.4</b>
16.7	0.0	0.0	0.0	0.0	57.1	17.1	47.0	0.0	0.0	0.0	33.3	0.0	9.7	<b>22.0</b>
<b>10.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>59.1</b>	<b>11.6</b>	<b>30.8</b>	<b>4.8</b>	<b>0.0</b>	<b>0.0</b>	<b>28.0</b>	<b>0.0</b>	<b>7.0</b>	<b>15.4</b>
217.0	11.0	0.0	8.0	-	1.0	212.0	34.0	6.0	1.0	2.0	5.0	0.0	5.0	<b>899.0</b>
87.0	2.0	2.0	13.0	17.0	0.0	54.0	13.0	4.0	1.0	0.0	0.0	0.0	18.0	<b>445.0</b>
40.0	0.0	1.0	2.0	6.0	1.0	32.0	19.0	0.0	0.0	0.0	0.0	3.0	11.0	<b>122.0</b>
118	3	0	2	0	6	7	0	0	1	0	1	0	8	<b>210</b>
62	2	0	1	1	0	13	8	0	3	0	2	0	0	<b>162</b>
<b>180</b>	<b>5</b>	<b>0</b>	<b>3</b>	<b>1</b>	<b>6</b>	<b>20</b>	<b>8</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>8</b>	<b>372</b>
111	3	0	2	0	6	7	0	0	1	0	0	0	8	<b>191</b>
62	2	0	1	1	0	13	8	0	3	0	2	0	0	<b>162</b>
<b>173</b>	<b>5</b>	<b>0</b>	<b>3</b>	<b>1</b>	<b>6</b>	<b>20</b>	<b>8</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>8</b>	<b>353</b>
3	0	0	0	0	0	0	0	0	0	0	0	0	0	<b>3</b>
4	0	0	0	0	0	0	0	0	0	0	0	0	0	<b>11</b>
<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14</b>
97.7	66.7	-	100.0	-	100.0	85.7	-	100.0	100.0	-	-	-	100.0	<b>93.8</b>
93.8	75.0	-	-	-	100.0	100.0	100.0	-	100.0	-	100.0	-	100.0	<b>95.1</b>
<b>96.4</b>	<b>71.4</b>	<b>-</b>	<b>100.0</b>	<b>-</b>	<b>100.0</b>	<b>95.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>-</b>	<b>100.0</b>	<b>-</b>	<b>100.0</b>	<b>94.4</b>

## Health and safety indicators

### Accident indicators of contractors and subcontractors\_

	2019
No. of lost time accidents <small>(No. of employees)</small>	194
Days lost due to lost time accidents	5,832
Mortalities	1
Lost time accidents frequency rate	0.79
Lost time accidents severity rate	23.50

NB

There is no comparison with previous years since the "lost time accidents" have been taken as those that appear with this classification in the Prosafety platform and the accidents with sick leave in work that did not have an OSHA classification in this system, to reflect the most unfavourable scenario.

### Accident indicators by country and business of public affected due to the company's activities\_

[EU25]

	Accidents (No.)	Injuries (No.)	Deaths (No.)	Legal actions (No.)
<b>Gas business</b>				
Chile	19	11	15	Pending delivery from the Prosecutor's Office
Spain	47	136	2	2
Mexico	17	2	0	0
<b>Electricity business</b>				
Argentina	5	2	0	2
Spain	8	11	1	n/a
Panama	1	0	1	1



## Safety training for employees\_

	2019	2018	2017
Attendees in terms of total staff (%)	57.01	69.77	78.66
Training actions completed	1,189	2,224	2,236
Training hours per employee	6.58	7.70	9.99

NB

During 2018 an adjustment of the hours of training was carried out after the completion of the Leadership in Health and Safety training in all countries.

## Integrity and transparency indicators

	Own taxes						Third-party taxes									
	Profit tax <sup>(1)</sup>		Other <sup>(2)</sup>		Total		VAT		Taxes on hydrocarbons		Other <sup>(3)</sup>		Total		Total	
	I19	I18	I19	I18	I19	I18	I19	I18	I19	I18	I19	I18	I19	I18	I19	I18
Spain	230	62	432	621	662	683	997	1,056	362	409	253	270	1,612	1,735	2,274	2,418
Argentina	22	10	26	17	48	27	8	9	-	-	21	39	29	48	77	75
Brazil	57	52	46	46	103	98	70	73	-	-	11	13	81	86	184	184
Colombia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chile	9	31	10	13	19	44	93	60	-	-	10	47	103	107	122	151
Mexico	36	71	-	2	36	73	63	39	-	-	12	13	75	52	111	125
Panama	13	6	7	7	20	13	-	-	-	-	3	4	3	4	23	17
LatAm <sup>rest</sup>	15	7	-	2	15	9	-	5	-	-	1	8	1	13	16	22
LatAm <sup>total</sup>	152	177	89	87	241	264	234	186	-	-	58	124	292	310	533	574
Europe <sup>rest</sup>	11	24	7	8	18	32	81	161	46	80	3	3	130	244	148	276
<b>Total</b>	<b>393</b>	<b>263</b>	<b>528</b>	<b>716</b>	<b>921</b>	<b>979</b>	<b>1,312</b>	<b>1,403</b>	<b>408</b>	<b>489</b>	<b>314</b>	<b>397</b>	<b>2,034</b>	<b>2,289</b>	<b>2,955</b>	<b>3,268</b>

<sup>(1)</sup> Corresponds to corporate income tax paid in the year shown in 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 NB 22 "Fiscal Status" of Consolidated Annual Accounts.

<sup>(2)</sup> Includes energy taxes which in Spain totalled Euros 169 million in 2019 (Euros 306 million in 2018), local taxes, social security payable by the company and other specific taxes of each country.

<sup>(3)</sup> Basically includes withholdings on employees and Social Security for the employee's contribution.

## GRI contents index

— [102-55]



For Materiality Disclosures Services, GRI Services has checked that the GRI table of contents is clear, and that the references for Contents 102-40 to 102-49 correspond to the indicated sections of the report.

The service was provided in the Spanish version of the report.

GRI Standard	Disclosure	Page	Direct response / Omission	External assurance
<b>GRI 101: Foundation 2016</b>				
<b>GRI 102: General Disclosures 2016</b>				
<b>Organisational profile</b>	102-1 Name of the organisation.	6		Yes
	102-2 Activities, brands, products and services.	15		Yes
	102-3 Location of headquarters.	242		Yes
	102-4 Location of operations.	12		Yes
	102-5 Ownership and legal form.		Annual Accounts and Directors' Report of the Consolidated Group of Naturgy Energy Group, S.A., page. 7 <a href="https://www.naturgy.com/files/Estados_Financieros_anuales_consolidados_Naturgy_2019.pdf">https://www.naturgy.com/files/Estados_Financieros_anuales_consolidados_Naturgy_2019.pdf</a>	
	102-6 Markets served.	12, 15		Yes
	102-7 Scale of the organisation.	14, 76, 118		Yes
	102-8 Information on employees and other workers.	118, 121, 208, 210		Yes
	102-9 Supply chain.	157, 159		Yes
	102-10 Significant changes to the organisation and its supply chain.	12		Yes
	102-11 Precautionary principle and approach.	45		
	102-12 External initiatives .	36, 77, 88, 141, 186		Yes
	102-13 Affiliation to associations.	33, 84, 141, 168		Yes
<b>Strategy</b>	102-14 Statement from senior decision-makers.	6		Yes
	102-15 Key impacts, risks and opportunities.	45, 46, 51		Yes
<b>Ethics and transparency</b>	102-16 Values, principles, standards and norms of behaviour.	180, 182		Yes
	102-17 Mechanisms for evaluating and reporting ethical issues.	182		Yes

Continues >

GRI Standard	Disclosure	Page	Direct response / Omission	External assurance
	102-18 Governance structure.	36, 38		Yes
	102-19 Delegation of authority.		The Board of Directors delegates certain powers to the Executive Chairman who in turn grants specific faculties to different managers in issues of an economic, environmental and social nature. Within their respective terms of reference, they have supreme responsibility, and the economic, environmental and social issues are related to a greater or lesser extent in all business departments.	Yes
	102-20 Executive-level responsibility for economic, environmental and social topics.		Because of its specialised nature, the Financial Department has general responsibility over economic issues and the Corporate Resources Department has general responsibility over environmental and social issues..	Yes
	102-21 Consulting stakeholders on economic, environmental, and social topics.	43		Yes
	102-22 Composition of the highest governance body and its committees.	39		Yes
Governance	102-23 Chair of the highest governance body.	39		Yes
	102-24 Appointment and selection of the highest governance body.	40		Yes
	102-25 Conflicts of interest.	40		Yes
	102-26 Role of the highest governance body in setting targets, values, and strategy.	38		Yes
	102-27 Collective knowledge of highest governance body.		The company's different managers are regularly invited to Board meetings in order to present issues arising within the scope of their respective competences in regard to which the Board of Directors is required to reach an agreement or to be informed. Consequently, these economic, environmental and social issues that affect development of the company's businesses are examined and debated on the Board.  We should point out that, because the company adheres to the Code of Good Tax Practices, the Board of Directors receives regular information on the tax policies applied by the company.	Yes

GRI Standard	Disclosure	Page	Direct response / Omission	External assurance
	102-28 Evaluating the highest governance body's performance.	38		Yes
	102-29 Identification and management of economic, environmental and social impacts.		<p>The Board of Directors is responsible for approving reports that analyse the different kinds of risks for the company. Through this submission, the Board analyses the effectiveness of the processes of managing economic, environmental and social risks. Furthermore, any operation or project submitted to the Board is also considered from the point of view of the accompanying risks.</p> <p>By virtue of the culture of risk prevention in all the company's operations, due diligence is performed for each country at the start of relevant operations.</p> <p>In addition, only the Board of Directors has the authority to adopt the decision to disinvest and cease operations in a country, based on different criteria, among them questions of legal security in particular.</p>	Yes
<b>Governance</b>				
	102-30 Effectiveness of risk management processes.	44		Yes
	102-31 Review of economic, environmental and social aspects.	45		Yes
	102-32 Function of the highest governance body in the preparation of the sustainability reports.	38		Yes
	102-33 Communicating critical concerns.	43		Yes
	102-34 Nature and total number of critical concerns.	43		Yes
	102-35 Remuneration policies.	42		Yes
	102-36 Process for determining remuneration.	42		Yes
	102-37 Stakeholders' involvement in remuneration.	42		Yes
	102-38 Annual total compensation ratio.	210		Yes
	102-39 Percentage increase in annual total compensation ratio.	210		Yes
<b>Stakeholder engagement</b>				
	102-40 List of stakeholders.	59		Yes
	102-41 Collective bargaining agreements .	212		Yes

Continues &gt;

GRI Standard	Disclosure	Page	Direct response / Omission	External assurance
Stakeholder engagement	102-42 Identifying and selecting stakeholders.	59		Yes
	102-43 Approach to stakeholder engagement.	59		Yes
	102-44 Key topics and concerns raised.	59		Yes
Reporting practice	102-45 Entities included in the consolidated financial statements.	Annual Accounts and Directors' Report of the Consolidated Group of Naturgy Energy Group, S.A., page. 148-153. <a href="https://www.naturgy.com/files/Consolidated_Financial_Statements_Naturgy_2019.pdf">https://www.naturgy.com/files/Consolidated_Financial_Statements_Naturgy_2019.pdf</a>		Yes
	102-46 Defining report content and topic boundaries.	190, 191, 195		Yes
	102-47 List of material topics.	189		Yes
	102-48 Restatements of information.	194		Yes
	102-49 Changes in reporting.	190, 191, 194		Yes
	102-50 Period covered by the report.	194		Yes
	102-51 Date of last report.	Year 2018		Yes
	102-52 Reporting cycle.	196		Yes
	102-53 Contact point for questions regarding the report.	197		Yes
	102-54 Claims of reporting in accordance with the GRI Standards.	195		Yes
	102-55 GRI content index.	218		Yes
	102-56 External verification.	195, 197, 237		Yes
<b>Material issues</b>				
<b>Emissions and climate change</b>				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary.	88		Yes
	103-2 The management approach and its components.	88		
	103-3 The evaluation of the management approach.	88		
GRI 305: Emissions 2016	305-1 Direct GHG emissions . <sup>(Scope 1)</sup>	90, 91, 205		Yes
	305-2 Indirect GHG emissions from power generation. <sup>(Scope 2)</sup>	90		Yes
	305-3 Other indirect GHG emissions. <sup>(Scope 3)</sup>	90		Yes
	305-4 GHG emissions intensity.	205		Yes

Continues &gt;

GRI Standard	Disclosure	Page	Direct response / Omission	External assurance
<b>GRI 305: Emissions 2016</b>	305-5 Reduction of GHG emissions.	92		Yes
	305-6 Emissions of ozone-depleting substances <sup>(ODS)</sup> .	99		Yes
	305-7 Nitrogen oxides <sup>(NO<sub>x</sub>)</sup> , sulphur <sup>(SO<sub>x</sub>)</sup> and other significant air emissions.	99, 205		Yes
	EU1 Installed capacity.	198		Yes
	EU2 Net energy output.	200		Yes
	EU3 Number of customers.	204		Yes
	EU4 Length of above and underground transmission and distribution lines.	16		Yes
	EU5 Allocation of CO <sub>2</sub> emissions allowances or equivalent.	88		Yes
<b>Occupational health and safety</b>				
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundary.	138		Yes
	103-2 The management approach and its components.	138		
	103-3 The evaluation of the management approach.	138		
<b>GRI 403: Occupational health and safety 2016</b>	403-1 Workers representation in formal joint management-worker health and safety committees.	148		Yes
	403-2 Types of accidents and frequency rates of accidents, occupational diseases, lost days, absenteeism, and number of work-related fatalities.	142, 18		Yes
	403-3 Workers with high incidence or high risk of diseases related to their occupation.	152		Yes
	403-4 Health and safety topics covered in formal agreements with trade unions.	148, 152, 153		Yes
	EU25 Injuries and fatalities to the public due to company activities.	216		Yes
<b>Access to energy</b>				
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundary.	63, 170		Yes
	103-2 The management approach and its components.	63, 170		
	103-3 The evaluation of the management approach.	63, 170		
<b>UE: Access 2016</b>	EU26 Percentage of population unserved in licensed distribution or service areas.		Not available. The information systems of the company do not allow this information to be reported.	Yes
	EU27 Disconnections of residential customers for non-payment.	202		Yes

Continues &gt;

GRI Standard	Disclosure	Page	Direct response / Omission	External assurance
UE: Access 2016	EU28 Power outage frequency.	64, 202		Yes
	EU29 Average power outage duration.	63, 202		Yes
	EU30 Average plant availability factor by energy source and by regulatory regime.	201		Yes
<b>Talent retention and development</b>				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary.	114		Yes
	103-2 The management approach and its components.	114		
	103-3 The evaluation of the management approach.	114		
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee.	126		Yes
	404-2 Programmes for upgrading employee skills and transition assistance programmes.	120		Yes
	404-3 Percentage of employees receiving regular performance and career development reviews.	136, 212		Yes
<b>Customer care and satisfaction</b>				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary.	62		Yes
	103-2 The management approach and its components.	62		
	103-3 The evaluation of the management approach.	62		
GRI 417: Marketing and labelling 2016	417-1 Requirements for product and service information and labelling.		The general terms and conditions of contracting for the services provided by Naturgy provide customers with the appropriate information about their rights and obligations and about the features of the services provided (gas and electricity). There are no records of breaches of agreements regarding the legal obligations required in each country in which the company operates in this area.	Yes
	417-2 Incidents of non-compliance concerning product and service information and labeling.		The company recorded no sanctions in 2019 for non-compliance in relation to product and service information and labelling.	Yes
	417-3 Incidents of non-compliance concerning marketing communications.		In 2019, the company registered no fines for breach of regulations on marketing communications, including advertising, promotions and sponsorship.	Yes

GRI Standard	Disclosure	Page	Direct response / Omission	External assurance
<b>Energy efficiency and consumption</b>				
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundary.	96		Yes
	103-2 The management approach and its components.	96		
	103-3 The evaluation of the management approach.	96		
<b>GRI 302: Energy 2016</b>	302-1 Electricity consumption within the organisation.	97		Yes
	302-2 Electricity consumption outside the organisation.	97		Yes
	302-3 Energy intensity.	97		Yes
	302-4 Reduction of energy consumption.	92		Yes
	302-5 Reduction in energy requirements of products and services.	92		Yes
<b>Diversity and equality</b>				
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundary.	128		Yes
	103-2 The management approach and its components.	128		
	103-3 The evaluation of the management approach.	128		
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover.	122, 123, 210, 214		Yes
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees.	131		Yes
	401-3 Parental leave.	132, 214		Yes
<b>GRI 405: Diversity and equal opportunities 2016</b>	405-1 Diversity of governance bodies and employees.	40, 41, 42		Yes
	405-2 Ratio of basic salary and remuneration of women to men.	129		Yes
<b>GRI 406: Non-discrimination 2016</b>	406-1 Incidents of discrimination and corrective actions taken.		No records of incidents of this nature.	Yes
<b>Assessment of the supply chain</b>				
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundary.	154		Yes
	103-2 The management approach and its components.	154		
	103-3 The evaluation of the management approach.	154		
<b>GRI 308: Supplier environmental assessment 2016</b>	308-1 New suppliers that were screened using environmental criteria.	159		Yes
	308-2 Negative environmental impacts in the supply chain and actions taken.	159		Yes



GRI Standard	Disclosure	Page	Direct response / Omission	External assurance
<b>GRI 414: Supplier social assessment 2016</b>	414-1 New suppliers examined using social criteria.	159		Yes
	414-2 Negative social impacts in the supply chain and actions taken.	159, 208		Yes
<b>Innovation and sustainable technology</b>				
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundary.	22, 23		Yes
	103-2 The management approach and its components.	22, 23		
	103-3 The evaluation of the management approach.	22, 23		
<b>OG2: Total amount invested in renewable energies 2016</b>	OG2 Total amount invested in renewable energies.	23		Yes
<b>Development of the communities and social action</b>				
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundary.	166		Yes
	103-2 The management approach and its components.	166		
	103-3 The evaluation of the management approach.	166		
<b>GRI 413: Local communities 2016</b>	413-1 Operations with local community engagement, impact assessments and development programmes.	173		Yes
	413-2 Operations with significant actual or potential negative impacts on local communities.	173		Yes
	EU22 Number of people physically or economically displaced and compensation received.		In 2019 there were no people displaced as a result of the company's infrastructure projects.	Yes
	OG9 Operations where indigenous communities are present or affected by activities and where specific engagement strategies are in place.	173		Yes
	OG10 Description of significant disputes with local communities and indigenous people.		No records of incidents of this nature.	Yes
	OG11 Sites that have been decommissioned and sites that are in the process of being decommissioned.		No records of this type of situation.	Yes
<b>Biodiversity</b>				
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundary.	105		Yes

GRI Standard	Disclosure	Page	Direct response / Omission	External assurance
<b>RI 103: Management Approach 2016</b>	103-2 The management approach and its components.	105		
	103-3 The evaluation of the management approach.	105		
<b>GRI 304: Biodiversity 2016</b>	304-1 Operations centres owned, leased or managed located within or adjacent to protected areas or zones of great value for biodiversity outside protected areas.	108		Yes
	304-2 Significant impacts of activities, products and services on biodiversity.	106, 108		Yes
	304-3 Habitats protected or restored.	109, 112, 177		Yes
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations.	109		Yes
	EU13 Biodiversity of surrounding area habitats.	112		Yes
	OG4 Number and percentage of operating sites in which biodiversity risk has been assessed and monitored.	105, 112		Yes

## Glossary of corporate responsibility indicators

Key Corporate Responsibility Indicator	Description
<b>Service excellence</b>	
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.
<b>Commitment to results</b>	
Net turnover <sup>(million euro)</sup>	Company turnover.
Gross operating profit. Ebitda <sup>(million euro)</sup>	Company earnings before interests, tax, depreciation and amortisation.
Evolution of the DJSI percentile	The company's global score in the annual Dow Jones Sustainability Index evaluation.
<b>Responsible environmental management</b>	
Direct greenhouse gas emissions <sup>(GHG I) (MtCO<sub>2</sub>eq)</sup>	Greenhouse gases emissions (GHG) caused by sources owned by or controlled by the company.
Emission factor including nuclear <sup>(tCO<sub>2</sub>/GWh)</sup>	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).
Generation of hazardous waste <sup>(kt)</sup>	Amount of most representative hazardous waste generated.
Environmental investments and expenditure <sup>(million euro)</sup>	Expenditure for environmental actions carried out during the year, corresponding to investments and expenses incurred in the environmental management of the facilities, excluding emission rights.
<b>Interest in people</b>	
Staff rate	Number of company employees at year-end.
Men/Women <sup>(%)</sup>	Number of male staff as against total company headcount at year-end, as a percentage/number of women staff as against the company's total headcount at year-end, as a percentage.
Women in management posts <sup>(%)</sup>	Percentage of women in management posts as against the total company employees in managements posts at year-end.
Personnel costs <sup>(million euro)</sup>	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).
Annual investment in training <sup>(euros)</sup>	Total monetary amount invested by the company in employee training.
Employees covered by collective bargaining agreements <sup>(%)</sup>	Percentage of employees who are represented in a collective bargaining agreement as against total employees, at year-end.
<b>Health and safety</b>	
Accidents requiring sick leave	Number of work accidents leading the employee to take medical leave.
Days lost	Days not worked due to medical leave caused by work accidents. Calculated from the day following the day the sick leave is received and considering calendar days.

Continues &gt;

Key Corporate Responsibility Indicator	Description
Mortalities	Number of workers who have died due to work accidents.
Frequency rate	Number of accidents with sick leave occurring during the working day per million hours worked.
Severity rate	Number of days lost as a result of work accidents per 1,000 hours worked.
Incident rate	Number of work accidents per 1,000 employees.
Absenteeism rate (%)	Workers' absences from their jobs as a consequence of common illnesses and non-occupational accidents, measured as the ratio of the number of working hours lost over the total theoretical working hours during the year.
<b>Responsible supply chain</b>	
Suppliers with contracts currently in force	Number of suppliers from which any product or service has been contracted during the last year.
Total purchase volume awarded (million euro)	Total monetary amount used to cover the company's procurement.
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 assessment of suppliers (No.)	Number of suppliers that have been assessed in environmental, social and governance matters.
<b>Social commitment</b>	
Evolution of the contribution from Naturgy (million euro)	Economic contribution to social action or investment, sponsorship and patronage programmes.
Breakdown by type of action (%)	Distribution of investments by reason for initiatives, broken down according to the London Benchmarking Group (LGB) Methodology.
Sponsorship and social action activities	Number of sponsorship, patronage and social action activities carried out by the company.
<b>Integrity and transparency</b>	
Notifications received by the Code of Ethics Committee	Number of communications made by employees and suppliers 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.
Communications 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.

## Contents Index in accordance with the United Nations Guiding Principles Reporting Framework

Indicator	Page	Level of fulfilment
<b>System of respect for Human Rights (A)</b>		
<b>A1. Policy commitment</b>	CRR 2019 Human Rights Policy Code of Ethics - pages 8-9	Complete
A1.1 Development of public commitment	CRR 2019 Human Rights Policy – page 19	Complete
A1.2 Extent and scope of application of commitment	CRR 2019 Human Rights Policy – pages 6-7	Complete
A1.3 Form of communication of commitment	ICRR 2019 Human Rights Policy – pages 17-18	Complete
<b>A2. Embedding respect for Human Rights</b>	CRR 2019 Code of Ethics – page 8 Human Rights Policy – pages 17-18 2019 Annual Report on Remuneration	Complete
A2.1 Organisation of responsibility in the field of human rights	CRR 2019 Human Rights Policy – page 18	Complete
A2.2 Human rights issues escalated to the senior management and the governing board	ICRR 2019 Human Rights Policy – page 18 2019 Audit and Control Report	Partial
A2.3 Raising employees' awareness about human rights issues	ICRR 2019 Human Rights Policy – pages 15-18 2019 Annual Report on Remuneration	Complete
A2.4 Company's form of stating its commitment towards human rights in commercial relations	CRR 2019 Human Rights Policy - pages 11, 17-18	Complete
A2.5 Lessons learnt about human rights and consequences which have arisen as a result	CRR 2019	Partial
<b>Defining a focus of reporting (B)</b>		
<b>B1. Statement of salient issues</b>	CRR 2019	Complete
<b>B2. Determination of salient issues</b>	CRR 2019	Complete
<b>B3. Choice of focal geographies</b>	CRR 2019	Complete
<b>B4. Additional negative impacts</b>	CRR 2019 2019 Internal Audit Report	Complete

Continues &gt;

Indicator	Page	Level of fulfilment
<b>Management of salient human rights issues (C)</b>		
<b>C1. Specific policies</b>	CRR 2019	Complete
C1.1 Importance of human rights policy for persons responsible for implementing it	CRR 2019	Complete
<b>C2. Stakeholders commitment</b>	CRR 2019	Complete
C2.1 Identification of stakeholders to take part in salient human rights issues	CRR 2019	Partial
C2.2 Stakeholders which have had relations with the company in connection to human rights	CRR 2019	Complete
C2.3 Influence of the stakeholders' vision regarding human rights issues	CRR 2019	Partial
<b>C3. Assessing impacts</b>	CRR 2019	Complete
C3.1 Patterns or trends in human rights impacts	CRR 2019	Partial
C3.2 Severe impacts on human rights	CRR 2019	Complete
<b>C4. Integrating findings and taking action</b>	CRR 2019	Partial
C4.1 Involvement by the company's parties in applying solutions and taking decisions regarding salient human rights issues	CRR 2019	Complete
C4.2 Tensions of human rights impacts	CRR 2019 Human Rights Policy - Commitment 6	Partial
C4.3 Actions taken to prevent or mitigate potential impacts on human rights	CRR 2019	Complete
<b>C5. Tracking performance</b>	CRR 2019	Complete
C5.1 Effective management of human rights issues	CRR 2019	Complete
<b>C6. Remediation</b>	CRR 2019	Partial
C6.1 Means of claiming regarding human rights issues	CRR 2019 Code of Ethics – page 22	Complete
C6.2 People's capacity to make claims or complaints	CRR 2019 Code of Ethics – page 22	Complete
C6.3 Processing of claims and evaluation of effectiveness of results	CRR 2019 Code of Ethics – page 22 2019 Audit and Control Report	Complete
C6.4 Patterns and trends in claims or complaints	CRR 2019	Partial
C6.5 Repairs in relation to any impact relating to human rights	CRR 2019	Complete

# Report on the Green Bond

## Indicators of use of proceeds

As at 31 December 2019, the total number of projects allocated to Green Bonds issued on 15 November 2017 was 36, representing a total investment of Euros 800 million. These allocated funds represent 100% of the total amount obtained through the issuance of Green Bonds.

In accordance with the provisions of the Naturgy Green Bond Framework, certain projects that were reported as being in the Development stage in the 2018 Report were not reported at the close of 2019 because they have been postponed. The investment allocated to the

Green Bonds and reported for these projects at the close of 2018 has been allocated, again in accordance with the provisions of the Green Bond Framework, to the financing of investments incurred throughout 2019 in projects in an advanced state of construction or already in operation at the close of 2019.

The Green Bonds have been allocated the investment incurred throughout 2019 in the projects reported in construction and operation on a proportional basis and until the total committed amount of the issue is reached.

Technology	Location	Project name	Year launched	Status	Green Bond financing 2019 (€M)	Financed with Green Bond (%)	Avoided emissions (tco <sub>2</sub> )
Photovoltaic	Spain	C.F. Carpio de Tajo	2019	Operation	29.77	98	24,976.73
Photovoltaic	Spain	C.F. La Nava	2019	Operation	29.99	99	28,022.71
Wind	Spain	P.E. Ampliacion El Hierro	2019	Operation	36.72	92	39,216.92
Wind	Spain	P.E. Balcón De Balos	2018	Operation	6.20	50	17,813.24
Wind	Spain	P.E. Barasoain	2019	Operation	42.03	87	35,463.13
Wind	Spain	P.E. Doramás	2018	Operation	1.84	48	4,338.89
Wind	Spain	P.E. Fuerteventura II	2018	Operation	2.95	49	7,538.74
Wind	Spain	P.E. La Haría	2018	Operation	1.99	50	4,823.45
Wind	Spain	P.E. La Vaquería	2018	Operation	1.96	50	5,005.13
Wind	Spain	P.E. Merengue	2019	Operation	42.04	97	45,464.43
Wind	Spain	P.E. Mirabel	2020	Construction	23.26	96	25,543.22
Wind	Spain	P.E. Monciro	2019   2020	Operation	34.78	92	39,949.67
Wind	Spain	P.E. Montaña Perros	2018	Operation	1.91	50	5,303.77
Wind	Spain	P.E. Peñaforcada · Catasol II	2019	Operation	10.75	95	8,360.02
Wind	Spain	P.E. Piletas I	2020	Operation	10.36	49	27,450.21

Continues >

Technology	Location	Project name	Year launched	Status	Green Bond financing 2019 (€ M)	Financed with Green Bond (%)	Avoided emissions (tCO <sub>2</sub> )
Wind	Spain	P.E. San Blas	2019   2020	Operation	33.55	97	35,151.01
Wind	Spain	P.E. Teso Pardo	2019	Operation	29.91	96	30,451.80
Wind	Spain	P.E. Tesorillo	2019	Operation	29.51	96	24,178.67
Wind	Spain	P.E. Tirapu	2020	Construction	16.20	87	12,666.93
Wind	Spain	P.E. Triquivijate	2018	Operation	3.45	50	9,602.65
Wind	Spain	P.E. Vientos Del Roque	2018	Operation	3.51	50	10,790.74
Wind	Spain	P.E. Montejo De Bricia (Ampliación)	2019	Operation	6.78	87	5,854.62
Wind	Spain	P.E. Carratorres	2020	Construction	23.15	72	35,558.12
Wind	Spain	P.E. Fréscano	2019	Operation	20.88	93	23,946.77
Wind	Spain	P.E. San Agustín	2019	Operation	25.86	91	32,823.21
Wind	Spain	P.E. Monte Tourado - Eixe	2019	Operation	41.01	96	42,327.77
Wind	Spain	P.E. Pastoriza · Rodeiro	2019	Operation	31.37	92	44,641.61
Wind	Spain	P.E. Serra Do Punago · Vacariza	2019   2020	Operation	27.46	92	32,836.30
Photovoltaic	Spain	C.F. Picon I	2019	Operation	32.75	95	29,681.41
Photovoltaic	Spain	C.F. Picon II	2019	Operation	30.85	95	29,681.41
Photovoltaic	Spain	C.F. Picon III	2019	Operation	28.94	91	29,681.41
Wind	Spain	P.E. Torozos A	2019	Operation	35.61	93	39,080.59
Wind	Spain	P.E. Torozos B	2019	Operation	29.16	93	33,324.83
Wind	Spain	P.E. Torozos C	2019	Operation	34.37	93	39,059.26
Wind	Spain	P.E. Mouríños	2019	Operation	9.99	96	11,720.03
Wind	Spain	Infraestructuras Comunes	2019	Operation	29.14	70	
<b>Total</b>					<b>800.00</b>		<b>872,329.40</b>

The net funds of the Bond issue have been managed within the liquidity portfolio of Naturgy's treasury, in cash or other short-term liquidity instruments that do not include intensive greenhouse gas or other controversial activities. At the year-end, Naturgy maintained a minimum cash level until it allocated the total amount of the Green Bond funds.

## Environmental benefit indicators

The estimated environmental benefit of the Green Bond is expected to total 872,329.40 tCO<sub>2</sub>/year in emissions avoided, based on the approximate total of 960.4 MW of power that is expected to be installed with Green Bond financing, with associated production of 2,791.3 GWh/year.



## 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 our impacts.

## Glossary of Indicators

Indicators	Description
<b>Indicators for use of proceeds</b>	
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.
Allocated Green Bond financing: Amount allocated <sup>(euros)</sup> 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 million euro) at year-end.
% Financed with Green Bonds <sup>(%)</sup>	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 allocated amount relative to total proceeds <sup>(%)</sup>	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 allocated to any project, at year-end, in accordance with the "Naturgy Green Bond Framework".
<b>Environmental benefit indicators</b>	
Prevented greenhouse gas emissions (GHG)	CO <sub>2</sub> emissions (tonnes of CO <sub>2</sub> /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.

## Green Bond independent review report



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Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

### INDEPENDENT LIMITED ASSURANCE REPORT ON THE GREEN BOND INDICATORS

To the Board of Directors of Naturgy Energy Group, S.A.:

#### Scope of work

We have conducted our work to provide limited assurance on the Green Bond Indicators contained in the "2019 Green Bond Report", which is included in the 2019 Corporate Responsibility Report (hereinafter "2019 CRR") of Naturgy Energy Group, S.A. (hereinafter "Naturgy") for the year ended December 31, 2019. The Green Bond Indicators have been prepared in accordance with the criteria defined by Naturgy in the section "Glossary of indicators" on page 233 of the 2019 CRR, and defined in accordance with the "Gas Natural Fenosa Green Bond Framework" (Gas Natural Fenosa changed its name to Naturgy in June 2018) published by Naturgy and available on its website:

([https://www.naturgy.com/files/Gas\\_Natural\\_Fenosa\\_Green\\_Bond\\_Framework\\_def-2.pdf](https://www.naturgy.com/files/Gas_Natural_Fenosa_Green_Bond_Framework_def-2.pdf)).

Specifically, we have reviewed the Green Bond Indicators included in the sections "Indicators of use of proceeds" and "Environmental benefit indicators" on pages 231 and 232 of the 2019 CRR.

The Directors of Naturgy Energy Group, S.A. are responsible for the preparation, content and presentation of the Green Bond Indicators included in the "2019 Green Bond Report" in accordance with the criteria set by Naturgy, and the definition of these criteria in accordance with the "Gas Natural Fenosa Green Bond Framework".

This responsibility also includes designing, implementing and maintaining the internal control required to ensure that the Green Bond Indicators included in the "2019 Green Bond Report" are free of any material misstatement due to fraud or error.

The Directors of Naturgy Energy Group, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the Green Bond Indicators included in the "2019 Green Bond Report" is obtained.

#### Criteria

Our responsibility is to express our conclusions in a limited assurance report based on the work performed. We have conducted our engagement in accordance with the requirements of the International Standard on Assurance Engagement 3000 (Revised), "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (ISAE 3000 Revised), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

#### Procedures performed

The procedures performed in a limited assurance engagement vary in nature and timing from a reasonable assurance engagement and are less in extent. Thus, the level of assurance obtained is substantially lower.



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Our work has involved making inquiries of management, reviewing the procedures for gathering and validating the information included in the Green Bond Indicators and performing certain analytical procedures and random sampling tests, which are described below:

- ▶ Meetings with Naturgy's personnel from various departments who have been involved in the preparation of the Green Bond Indicators.
- ▶ Analysis of the procedures used for collecting and validating the data and information included in the Green Bond Indicators.
- ▶ Analysis of Naturgy's Green Bond Indicators adaptation to the criteria set by Naturgy, described in the section "Glossary of indicators" on page 233 of the 2019 CRR.
- ▶ Verification of the traceability of the allocation of funds from Green Bond proceeds to project financing and the traceability of not allocated funds, and verification that investments made by Naturgy in projects through funds attributable to the Green Bond have been made in accordance with the criteria of the "Gas Natural Fenosa Green Bond Framework".
- ▶ Verification, by means of review tests based on a random sample, and performance of substantive and analytical tests on the quantitative and qualitative information of Naturgy's Green Bond Indicators. We have also verified whether they have been appropriately compiled from the data provided by Naturgy's sources of information.
- ▶ Obtaining of the representation letter from the Directors and Management of Naturgy Energy Group.

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#### Independence and quality control

We have performed our work in accordance with the Independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our Firm applies International Standard on Quality Control 1 (ISQC 1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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#### Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Green Bond Indicators included in Naturgy's "2019 Green Bond Report" for the year ended December 31, 2019 contain significant errors or have not been prepared, in all material respects, in accordance with the criteria set by Naturgy pursuant to the "Gas Natural Fenosa Green Bond Framework".



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Use and distribution

This report is only issued to the Directors of Naturgy, in accordance with the terms and conditions of our engagement letter. We accept no responsibility to third parties other than the addressees of our report.

ERNST & YOUNG, S.L.

(Signature on the original in Spanish)

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Antonio Capella Elizalde

May 19, 2020

## Independent review report

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### INDEPENDENT REVIEW REPORT ON THE CORPORATE RESPONSIBILITY REPORT 2019

To the Board of Directors of Naturgy Energy Group, S.A.:

#### Scope of work

As commissioned by the Management of Naturgy Group, S.A. (hereinafter, Naturgy), we have completed our review of the sustainability information contained in the "2019 Corporate Responsibility Report" of Naturgy (hereinafter, the Report) and the GRI Content Index of the attached Report. This Report was prepared in accordance with the conditions contained in:

- ▶ GRI Sustainability Reporting Standards (GRI standards) and their sector supplements "Electric Utilities Sector Supplement" and "Oil and Gas Sector Supplement".
- ▶ The principles contained in Standard AA1000AP (2018) issued by Accountability (Institute of Social and Ethical Accountability).
- ▶ The "Glossary of corporate responsibility indicators", included in the chapter "Additional Information" of the attached Report.

The limits set by Naturgy for the preparation of this Report are defined in section "Scope of the information" of chapter "About this report" of the attached Report.

The preparation of the attached Report and its contents are the responsibility of the Management of Naturgy, which is also responsible for defining, adapting and maintaining those internal management and monitoring systems whereby the information is obtained. It is our responsibility to issue an independent report based on the procedures applied in our review.

#### Criteria

We have performed our review in accordance with:

- ▶ The Guidelines for the review of Corporate Responsibility Reports issued by the Spanish Institute of Chartered Accountants (ICJCE).
- ▶ Standard ISAE 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), with a level of reasonable assurance for the key corporate responsibility indicators regarding integrity and transparency included in the section "An integrated and sustainable business model" of chapter "Business Model" of the attached Report and a level of limited assurance for the rest of the indicators included in the GRI content index of the attached Report.
- ▶ Standard AA1000AS (2008) of AccountAbility, under a moderate level of assurance at type 2.

#### Procedures performed

Our review consisted of the preparation of questions for the Reputation and Sustainability Directorate and the various Business Units that participated in the preparation of the attached Report and in the application of certain analytical procedures and review tests on a sample basis as described below:



- ▶ Interviews with personnel responsible for the preparation of sustainability information in order to obtain an appreciation of how sustainability objectives and policies are evaluated, placed in practice and integrated into Naturgy's strategy.
- ▶ Analysis of the processes for collecting and validating the sustainability information contained in the attached Report.
- ▶ Confirmation of the processes whereby Naturgy determines what its material aspects are, as well as the participation of stakeholders in them.
- ▶ Review of the suitability of the structure and contents of the sustainability information in accordance with the Guide for the preparations of sustainability reports under Global Reporting Initiative (GRI) Standards and their sectoral supplements "Electrical Utilities Sector Supplement" and "Oil and Gas Sector Supplement" for the preparation of reports in accordance with the comprehensive compliance option and the principles of Standard AA1000AP (2018).
- ▶ Confirmation through review testing based on sample selections of the quantitative information of the indicators included in the GRI Content Index and its satisfactory compilation based on the data provided by the informational sources. The review tests have been defined for the purposes of providing the indicated level of assurance.
- ▶ Verification that the financial information in the Report has been audited by an independent third party.

These procedures have been applied to the sustainability information contained in the attached Report and in the GRI Content Index, with the extent and scope indicated above.

The scope of our review is substantially less than that of reasonable security. Therefore, the security assigned is also lower.

In addition, with respect the key corporate responsibility indicators regarding integrity and transparency included in the section "An integrated and sustainable business model" of chapter "Business Model", we have carried out reasonable assurance work. The work entailed understanding the internal control system relevant to the aforementioned indicators contained in the Report, assessing the risk of material errors that the indicators might contain, testing and evaluating their content, as well as performing other procedures we considered necessary in the circumstances. We consider that our examination provides a reasonable basis for our opinion.

This Report is not in any way to be considered an audit report.

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#### Independence and quality control

We have complied with the requirements of independence and other ethical requirements of the Code of Ethics for Accounting Professionals issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our company applies International Standard on Quality Control 1 (ISQC 1), and therefore maintains a global quality control system that includes documented policies and procedures for compliance with ethical requirements, professional standards and legal provisions, and applicable regulations.

This assignment has been performed by a team of specialists in sustainability with extensive experience in the review of this sort of information.



### Conclusions

In our opinion, the key corporate responsibility indicators regarding integrity and transparency included in the section "An integrated and sustainable business model", reviewed with a reasonable level of assurance, are prepared and presented, in all material respects, in accordance with the criteria established by Naturgy and described in the section "Glossary of corporate responsibility indicators" included in chapter "Additional Information" of the attached Report.

In addition, as a result of our review, nothing has come to our attention that causes us to believe that the rest of the indicators contained in the GRI content Index has not been prepared in all its significant aspects in accordance with the Guide for the preparations of sustainability reports under Global Reporting Initiative (GRI) Standards and their sectoral supplements "Electric Utilities Sector Supplement" and "Oil and Gas Sector Supplement", including reliability of data, suitability of the information presented and the absence of significant deviations and omissions.

Regarding the application by Naturgy of AccountAbility Principles Standard AA1000AP (2018), no aspect was discovered that would indicate to us that Naturgy has not applied the principles of inclusivity, relevance, responsiveness and impact as outlined in the section "Compliance with benchmark standard" included in chapter "About this report" of the attached Report.

### Recommendations

We have presented our recommendations for improvement to the Management of Naturgy in regard to the application of the principles of Standard AA1000AP (2018); the most significant recommendations refer to:

- ▶ **Inclusiveness:** As a result of the Strategic Sustainability Plan for 2019-2022 and given the changes made in 2018 and consolidated in 2019 in the structure and growing autonomy of countries, we recommend driving the Sustainability Communication Plan in 2020 ensuring the inclusion of local relation groups and encouraging periodical consultation initiatives with stakeholders in the countries where the company operates.
- ▶ **Relevance:** Every year Naturgy identifies and assesses material issues that are relevant to its stakeholders and has used this information to define the Strategic Sustainability Plan for 2019-2022. We recommend continuing to work on stakeholder inclusiveness in the countries where the company operates. Additionally, we recommend progressing towards more detailed communication as this process is aligned with the Group's decision-making and strategy development processes.
- ▶ **Response capability:** In 2019 Naturgy has defined a Strategic Sustainability Plan for 2019-2022, using the Company's strategic plan as a starting point. This Strategic Sustainability Plan determines a set of actions to be carried out in 2020. We recommend progressing towards the definition of medium-term quantitative sustainability objectives, at corporate and group business unit level, that will allow Naturgy to periodically monitor the stage of completion of these actions.
- ▶ **Impact:** Naturgy has several mechanisms in place to assess the impact on the countries in which it operates. However, we recommend progressing towards the definition of indicators that allow the company to measure its impact on the countries in which it operates on a regular and structured basis. In parallel with this, we recommend fostering the measurement and analysis of the long-term value created by Naturgy, developing a process for assessing and managing the organization's actual and potential impacts on the areas it has some influence on.



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This Report has been prepared exclusively in the interest of Naturgy, in accordance with the terms of our engagement letter.

ERNST & YOUNG, S.L.

(Signature on the original in Spanish)

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Antonio Capella Elizalde

May 19, 2020







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